

Transport North East Committee

Friday 15th July 2016 at 2.00 pm

Meeting to be held in a Committee Room, Sunderland Civic Centre, Burdon Road,
Sunderland, SR2 7SN

www.northeastca.gov.uk

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the Previous Meeting** **1 - 4**

4. **Appointment of Vice-Chairs for the Municipal Year 2016/17** **5 - 8**

5. **Bus Services Bill** **9 - 16**

6. **Go Smarter (across the North East) - Sustainable Travel Transition Year Funding 2016-17** **17 - 24**

7. **Devolution Update**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

8. **Transport Manifesto and Plan for the North East** **25 - 32**

9. **Heavy Rail Update** **33 - 40**

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|-----|---|-----------------|
| 10. | Transport for the North Update | 41 - 46 |
| 11. | Metro Fleet and Infrastructure Renewal | 47 - 70 |
| 12. | Capital Programme 2015/16 Outturn and Capital Programme 2016/17 Update | 71 - 92 |
| 13. | Revenue Budget 2015/16 Outturn and 2016/17 Budget Update | 93 - 114 |
| 14. | Date and Time of Next Meeting | |

Thursday, 3 November 2016 at 2pm at Durham County Council.

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@northeastca.gov.uk

To All Members

North East Combined Authority

Transport North East Committee

28 April 2016

Meeting held: Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

Present:

Councillor: N Forbes (Chair)

Councillors: N Foster, B Gallacher, M Green, S Green, J Harrison, A Hepple, G Hobson, J McCarty, J McElroy, M Speding, E Tomlinson and A West

38 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor M Mordey.

39 DECLARATIONS OF INTEREST

The Chair, Councillor N Forbes, declared a personal interest in agenda item 5 due to his relative being a director of Weardale Community Transport.

40 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 26 February 2016 were approved as a correct record and signed by the Chair.

41 TRANSPORT MANIFESTO FOR THE NORTH EAST

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the consultation on the Transport Manifesto for the North East and set out a revised indicative timescale for the production of the full Transport Plan for the North East.

The ensuing discussion included the following matters:

- the revised timescale for the production of the full Transport Plan;
- the amount and nature of the responses received to the consultation;
- the complexity of the work to develop a joint transport plan for urban and rural areas;
- the importance of commitment to improve air quality;
- the importance that the Transport Plan captured the Authority's ambition with regard to both the economy and environment; and
- the broad nature of the Transport Manifesto and the importance of joining up the various themes at the next stages during the development the Transport Plan.

RESOLVED – That the report be noted.

42 DISCHARGE OF TRANSPORT FUNCTIONS BY DURHAM COUNTY COUNCIL

Submitted: A report of the Vice-Chairman with Portfolio Responsibility for Transport for Durham County Council (previously circulated and copy attached to Official Minutes).

Members considered the report which set out information on how Durham County Council had discharged the transport functions delegated to it by NECA in the calendar year 2015.

During the ensuing discussion, Members discussed the importance of joint working towards integration of transport, including smart ticketing, across the NECA area.

RESOLVED – That the report be noted.

43 DISCHARGE OF TRANSPORT FUNCTIONS BY NORTHUMBERLAND COUNTY COUNCIL

Submitted: A report of the Chief Executive, Northumberland County Council (previously circulated and copy attached to Official Minutes).

Members considered the report which set out information on the discharge of the transport functions by Northumberland County Council in the financial year 2015/16.

During the ensuing discussion, Members discussed the importance of joint working towards integration of transport, including smart ticketing, across the NECA area.

RESOLVED – That the report be noted.

44 NATIONAL INFRASTRUCTURE COMMISSION REPORT - HIGH SPEED NORTH

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the publication of the recent report from the National Infrastructure Commission – “High Speed North”.

In discussion, Members commented on the following matters:

- the importance of adequate investment in the North East;
- the importance that adequate consideration and priority was given to the North East when considering national connectivity;
- connectivity between the North East and Scotland;
- the importance that cross-country rail services were designed in a way that ensured trains stopped in cities and towns of the North East;
- the importance of having a voice on how East Coast Main Line was run;
- the role of the economic output in the design of routes;
- the opportunities presented by the proposed devolution deal;

- the importance of continuing to emphasise the strong links between transport and economic development;
- the current financial position of local authorities;
- working closer with other combined authorities; and
- the importance of continuing communication with the National Infrastructure Commission, including with regard to the importance of investment in the North East to enable a stronger and sustainable economy.

RESOLVED – That the report be noted.

45 **THE STRATEGIC ROAD NETWORK IN THE NECA AREA**

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the strategic road network in the NECA area, including current and future investment proposals.

The ensuing discussion was focused on the following matters:

- the need for closer relationships and joint working with Highways England;
- the importance of planning ahead for the right infrastructure for the region;
- the importance that strategic planning included links to Cumbria, Tyne Tees and Scotland;
- the high level of congestion on roads in the region and the need to request Highways England to invest in communication mechanisms to forewarn drivers about congestion on key routes; and
- the importance of continuing to emphasise the pivotal role of roads in the region for the local economy, for example for tourism.

RESOLVED – That the report be noted.

46 **CAPITAL PROGRAMME MONITORING REPORT**

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

Members considered the report which provided a monitoring update on the delivery of the 2015/16 Transport capital programme.

RESOLVED – That the report be noted.

47 **REVENUE BUDGET MONITORING REPORT**

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

Members considered the report which provided a monitoring update on the 2015/16 Transport budget.

RESOLVED – That the report be noted.

48 DATE AND TIME OF NEXT MEETING

The next meeting would be held in July 2016. The date and time would be confirmed at the Annual Meeting.

North East Combined Authority

Transport North East Committee

DATE: 15 July 2016

SUBJECT: Appointment of Vice-Chairs for the Municipal Year 2016/17

REPORT OF: Monitoring Officer

EXECUTIVE SUMMARY

The purpose of this report is to invite the Committee to appoint the Vice-Chair for Tyne and Wear for the municipal year 2016/17 who will be the Chair of the Transport North East (Tyne and Wear) Sub Committee (TWSC) and also to appoint the Vice-Chair of the TWSC.

RECOMMENDATIONS

It is recommended that the Committee appoint:

- (i) the Vice-Chair for the Tyne and Wear area (who will be the Chair of the Transport North East (Tyne and Wear) Sub Committee) for the municipal year 2016/17; and
- (ii) the Vice-Chair for the Transport North East (Tyne and Wear) Sub Committee for the municipal year 2016/17.

North East Combined Authority

Transport North East Committee

1 Background Information

- 1.1 Under the Constitution of the North East Combined Authority (the Authority), the Leadership Board is the decision-making body of the Authority subject to any delegated authority that it has given to other decision making bodies or chief officers.
- 1.2 At the Annual Meeting on 21 June 2016, the Leadership Board confirmed the appointments for the Membership of the Transport North East Committee (TNEC), as received from the Constituent Authorities, and agreed that the three Vice-Chairs of TNEC will be the portfolio holders with responsibilities for transport from the constituent local authorities from (i) Durham, (ii) Northumberland and (iii) Tyne and Wear.
- 1.3 The Leadership Board also endorsed the approach that the Vice-Chair of TNEC representing Tyne and Wear will undertake the role of Chair of the Transport North East (Tyne and Wear) Sub-Committee (TWSC). The Leadership Board delegated responsibility to the TNEC to appoint the Vice Chair for the Tyne and Wear Constituent Authorities.
- 1.4 The Leadership Board also delegated to the TNEC the responsibility to appoint the Vice-Chair of TWSC.

2 Proposals

- 2.1 The Committee is invited to appoint the Vice-Chair for the Tyne and Wear Constituent Authorities in accordance with the delegation made by the Leadership Board at its meeting on 21 June. The Committee is also invited to appoint the Vice-Chair of the TWSC in accordance with the recommendation above.

3 Next Steps

- 3.1 The appointments, once made, will enable the Vice-Chairs to undertake their roles and the Vice-Chair from the constituent local authorities from Tyne and Wear to undertake the role of Chair of TWSC.

4 Potential Impact on Objectives

- 4.1 The appointments will enable the Authority to properly discharge its functions.

North East Combined Authority

Transport North East Committee

5 Finance and Other Resources

- 5.1 There are no specific financial implications arising from these recommendations.

6 Legal

- 6.1 Provision is made for the appointment of Vice-Chairs within the NECA Constitution.

7 Other Considerations

7.1 Consultation/Community Engagement

The proposals contained within the report have been subject to consideration by the Leaders and the Elected Mayor at appropriate points during the period leading up to the annual meeting of the Authority.

7.2 Human Rights

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

7.3 Equalities and Diversity

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

7.4 Risk Management

There are no specific risk management implications arising from this report.

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

8 Background Documents

- 8.1 The Constitution of the North East Combined Authority

9 Links to the Local Transport Plans

- 9.1 This report has no direct links to the Local Transport Plans.

North East Combined Authority

Transport North East Committee

10 Appendices

None.

11 Contact Officers

11.1 Vivienne Geary, Monitoring Officer,
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Victoria Miller, Democratic Services Officer, E-mail:
victoria.miller@newcastle.gov.uk Tel: 0191 211 5118

12 Sign off

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

North East Combined Authority

Transport North East Committee

Date: 15 July 2016

Subject: Bus Services Bill

Report of: Managing Director, Transport Operations

Executive Summary

The purpose of this report is to update the Committee on the Bus Services Bill, which has now been introduced to Parliament, and its implications for the NECA area.

Recommendations

It is recommended that the Committee agrees to note this report.

North East Combined Authority

Transport North East Committee

1 Background Information

- 1.1 The Bus Services Bill is intended to provide local transport authorities and bus operators with new and improved tools to deliver their bus strategies.
- 1.2 The Bill was introduced to the House of Lords by the Department for Transport on 19 May 2016. It had two House of Lords readings on the 19th May 2016 and the 8th June 2016 and was considered by a House of Lords Committee on 29th June 2016 and 30th June 2016.
- 1.2 A briefing note prepared by the Urban Transport Group (UTG, formerly pteg) in relation to the Bus Services Bill can be found at **Appendix 1**.

2 Next Steps

- 2.1 The next stage of the Bill's progress through Parliament is a House of Lords report stage and a third reading. The Bill will then be passed to the House of Commons for a similar process of readings and consideration by a committee. The DfT advise that the House of Commons process will be completed in early 2017 so that the Bill can receive Royal Assent in early 2017 and become the Bus Services Act by March 2017.
- 2.2 The Bill requires that a number of regulations are dealt with through secondary legislation and come into force through Statutory Instruments. The regulations contained within the Statutory Instruments are due to come into force by April 2017.
- 2.3 The Bus Services Act has the potential to offer the NECA new options to deliver its bus strategies. These options are:
 - A Bus Franchising Scheme, where the Elected Mayor of a Combined Authority can decide to take control of bus networks and fares, as long as a business case exists to do so. Bus operators will compete for contracts to operate services specified by the Combined Authority;
 - An Enhanced Partnership Scheme, where a local transport authority and the majority of (but not all) commercial bus operators agree a Bus Plan and the operation of services is then restricted to those operators that deliver the requirements of the Plan, such as minimum vehicle quality standards or compliance with a joint ticketing scheme; and
 - An Advanced Quality Partnership, where the local transport authority implements measures (a bus priority scheme or a new interchange, for instance) and use of those measures is restricted to bus operators that meet agreed quality standards (typically minimum vehicle and driver standards).

Further details of the options can be found in Appendix 1.

North East Combined Authority

Transport North East Committee

3 Potential Impact on Objectives

- 3.1 The Bus Services Bill potentially offers new options to achieve the NECA's bus strategies and wider transport objectives. These are being examined through a scoping study, established at the request of the Leadership Board on 24th March 2016.

4 Finance and Other Resources

- 4.1 The options made possible by the Bus Services Bill will have financial implications, should they be implemented by the NECA. The scale of these costs is currently being assessed.

5 Legal

- 5.1 The Bus Services Bill is the legal basis for options that might be considered for implementation in the NECA area. It will be important that changes to the Bill's detailed provisions are identified as it completes its passage through Parliament and incorporated into any work undertaken by the NECA. Nexus is working closely with DfT and UTG to assist the development of detailed aspects of the Bill, including secondary legislation and statutory guidance.

6 Other Considerations

6.1 Consultation/Community Engagement

Should the Elected Mayor of a Combined Authority decide to proceed with a Bus Franchising Scheme, an Advanced Quality Partnership or an Enhanced Partnership Scheme, appropriate consultation would need to be conducted.

6.2 Human Rights

The Government has stated that the Bus Services Bill is compatible with European Convention on Human Rights.

6.3 Equalities and Diversity

Should an option made available in the Bus Services Bill be adopted to deliver bus strategies in the NECA area, an objective of those strategies is to broaden transport choices for people living and working in the NECA area.

6.4 Risk Management

As a preferred option for delivering the NECA's bus strategies emerges, detailed work will be undertaken to identify, understand and evaluate delivery risks. The Bus Services Bill requires that any analysis of a bus franchising scheme must be independently audited by a qualified auditor.

North East Combined Authority

Transport North East Committee

6.5 Crime and Disorder

There are no crime and disorder implications in this report.

6.6 Environment and Sustainability

Should an option made available in the Bus Services Bill be adopted to deliver bus strategies in the NECA area, an objective of those strategies is to improve the environment and encourage sustainable transport choices in the NECA area.

7 Background Documents

- 7.1 Leadership Board supplemental agenda pack for 24 March 2016 meeting.

8 Links to the Local Transport Plans

- 8.1 The Bus Services Bill has the potential to provide an important new method to deliver key aspects of the NECA's Local Transport Plans.

9 Appendices

- 9.1 Appendix 1 – UTG Bus Services Bill briefing note.

10 Contact Officers

- 10.1 Mike Scott Corporate Manager for Bus Services, Nexus
E-mail mike.scott@nexus.org.uk
Tel: 0191 203 3512.

11 Sign off

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

12 Glossary

QCS – Quality Contracts Scheme

DfT – Department for Transport

UTG – Urban Transport Group

Briefing for Lords Second Reading debate on the Bus Services Bill

The Bus Services Bill

The Bus Services Bill will do three things:

- Introduce a simpler route to the franchising of bus networks for Mayoral Combined Authorities (and to other places at the discretion of the SoS). This will allow bus services in those areas to be provided in the same way that buses are provided in London with the public sector specifying services and the private sector competing for the contracts to provide those services;
- Improve the arrangements in those areas which remain deregulated through providing for more comprehensive partnership agreements between local transport authorities and bus operators;
- Provide for more and better ‘open data’ in the bus sector.

The Government’s web hub for the Bill can be found here:

<https://www.gov.uk/government/publications/bus-services-bill-overview>

Why is new bus legislation needed?

Bus services outside London were deregulated in 1986. Since then, there have been two systems of bus provision – one for London and one for the rest of Britain.

In London, Transport for London (TfL, which is accountable to the Mayor) specifies in detail what bus services are to be provided. TfL decides the routes, timetables and fares. The services themselves are operated by private companies through a competitive tendering process.

In the rest of the country, it’s a free market meaning that anyone (subject to minimum safety and operating standards) can start up a bus service. In this environment, bus operators are free to run whatever services they like as well as decide the fares they will charge and the vehicles they will use. Although in theory, it is a competitive market, in reality, most bus services are provided by five large companies who rarely compete against each other (Arriva, First, Go-Ahead, National Express and Stagecoach).

Under this two-tier system, buses in London have thrived. Since 1986/87, patronage in London has doubled, mileage has increased by 74% and fare increases have been lower than in the city regions. Meanwhile since 2004/5 alone patronage in the metropolitan areas has fallen by 7% whilst patronage in London has increased by 31%.

New legislation is needed to give local transport authorities outside London a more effective set of powers to tackle decline and improve services for passengers.

Does the Urban Transport Group support the legislation?

We strongly support the overall aims of the legislation. The bus is the main form of public transport and has enormous potential to play a greater role. Buses reduce congestion for all road users by taking car traffic off the road and by making the most efficient use of road space; give the jobless access to jobs; provide young people with access to education and opportunity; give access to healthcare and contribute to improved public health; and are the fastest way of providing additional public transport capacity to new developments.

If our city regions are to achieve wider economic, social and environmental goals, whilst making the best use of limited public funding, then they need to have more effective tools with which to improve bus services as part of wider planned and integrated transport networks.

However, as with all legislation ‘the devil will be in the detail’ and the final wording of the primary and secondary legislation (and guidance) needs to be in line with the intent of the draft Bill. Previous reforming legislation on buses (the 2000 Transport Act and 2008 Local Transport Act) has proved to be too cumbersome, cautious and convoluted. For example no area has been able to introduce the franchising of bus networks using the complex provisions in those Acts. This will be the third attempt since 2000 to introduce legislation on buses that is fit for purpose and it’s vitally important that the detail is got right this time.

We also believe that it is for each local transport authority to determine which of the tools in the legislation is most appropriate for them. However, it is equally important that all the tools are usable as without a workable route to franchising the leverage for all transport authorities is reduced, including for those who want to pursue the partnership route.

What are the key issues on the provisions in the Bill on franchising?

There are some issues of detail that we are currently assessing and will wish to take up at the Committee stage however in principle the process in the Bill looks to be proportionate and workable. It should be noted that there are criteria which the transport authority must assess and consider but the process involves no second guessing or judgement of an authority’s franchising proposal by a third party, or by the Government. The exception being an audit of the quality of the data, and the analysis of that data, by an auditor appointed by the authority. There is also a requirement for wider consultation. We think that in principle the process, as set out, is fair, proportionate and appropriate. We would not support anything which made this process more complex or cumbersome as, a) a democratically accountable local authority body is best placed to judge how bus services should be provided (subject to a reasonable and proportionate process) not national government or a quango and, b) experience of previous legislation shows that incumbent monopoly operators will use their considerable financial and legal muscle to render complex processes too difficult and expensive to utilise in practice.

Peers may wish to probe on the criteria on which those areas that do not automatically get access to the franchising process (i.e. those areas that are not Mayoral Combined Authorities) are to be assessed.

There is more on the case for franchising (including a 'myths and facts' briefing) on our Bus Services Bill web hub which can be found here: <http://www.urbantransportgroup.org/resources/bus/bus-services-bill>

What are the key issues on the provisions on areas that remain deregulated (partnerships)?

The provisions in this area are complicated and less fully worked through in the primary legislation than are the provisions for franchising.

There are two forms of partnership set out in the Bill: Advanced Quality Partnerships (AQPs) and Enhanced Partnerships (EPs).

There are also improvements to the provisions on ticketing schemes which can be used by local transport authorities either in tandem with an Advanced Quality Partnership or an Enhanced Partnership, or independently of either.

Advanced Quality Partnerships (AQPs)

These take the existing Quality Partnership Schemes (QPS) from the 2008 Act and expand their scope and change their name. The name change is because QPS provisions are still in place in Welsh and Scottish buses legislation and the Bus Services Bill covers England only.

Under an AQP a Local Transport Authority commits to taking measures that will benefit bus services (such as traffic management and parking policies or bus priority) for a route or routes. In order to use these facilities bus operators must meet set standards for the services that benefit from these facilities. This could include vehicle standards, frequency and timings, maximum fares and information provision. Note that a Local Transport Authority cannot compel an operator to use the facilities it provides and therefore operators voluntarily enter into an AQP and as such is in a position to negotiate on terms.

The predecessors to AQPs (the QPS) were a feature of the 2008 Act that was taken up by a wide range of transport authorities and has proved useful. The widening of the scope of AQPs is welcome in principle (for example the removal of the requirement that the threshold for local authorities for such schemes is limited to the provision of physical infrastructure for buses). However, we are reviewing the detail and there may be issues that would benefit from being explored at Committee stage.

Enhanced Partnerships (EPs)

Enhanced Partnerships attempt to build on the more far reaching partnerships already being pursued by some Local Transport Authorities and would allow the Local Transport Authority and the incumbent operators to manage the local bus market with the intention of achieving better overall outcomes for passengers.

It would do this through an authority producing an Enhanced Partnership Plan and Scheme for how bus services would be provided in future. This could at its maximum extent include such requirements as vehicle specifications and branding, ticketing structure and timetables. It could not however (for competition law reasons) include the price of operator single tickets (so it would fall

short of complete ticketing integration that franchising can deliver whilst still being a considerable improvement on the status quo).

However, there would be some kind of qualified voting system which would ensure that such a scheme could not be imposed on operators against their will (how this would be done in practice is still to be defined). In other words an EP is still a largely voluntarily arrangement, the detail of which incumbent bus operators have a defacto veto, but once agreed upon it takes statutory form.

The EP proposals are ambitious and complex and at present there is not enough detail to fully understand how they might work in practice but in principle they could be a useful option for local transport authorities. Peers may wish to press for more detail in time for the committee stage so that this option can be subject to informed scrutiny.

Advanced ticketing schemes

Advanced ticketing schemes build on the existing provisions for statutory ticketing schemes. Advanced Ticketing Schemes broaden the scope of existing legislative provision for multi-operator ticketing schemes within the deregulated environment (i.e. tickets which can be used on all operators' buses across a specified area) and as such are welcome. However it should be noted that although the scope is extended to take into account smart ticketing, and also the promotion and availability of such tickets, it does not prevent operators from under-cutting multi-operator tickets with their own single-operator tickets. Franchising remains the only certain way of achieving such an outcome.

What are the key issues on the open data provisions?

Consumer rights in relation to bus services are extremely limited at present. For example there is no right of access to fares information (other than when boarding a bus) and available data on how bus routes are performing is often subject to secrecy clauses imposed by operators. Even the Traffic Commissioners, who have the statutory role on enforcement on poor performance, have no right of access to the performance data which is derived from the increasingly common real time information systems (systems which have often been subsidised or grant funded by national or local government).

The intent of the legislation to open up data on bus services is therefore both long overdue and welcome. However, much of the detail of how the open data provisions will work in practice is yet to be worked through. It will be important to ensure that the data is in a form which is usable both for transport planning and for passenger information for example.

Peers may also wish to probe who will have access to this data and for what purpose (including passengers, local transport authorities, traffic commissioners and the statutory passenger watchdog – Transport Focus).

North East Combined Authority Transport North East Committee

DATE: 15th July 2016

SUBJECT: Go Smarter (across the North East) - Sustainable Travel Transition Year Funding 2016-17

REPORT OF: Chief Executive Officer for Transport

EXECUTIVE SUMMARY

This report highlights NECA's success in securing sustainable travel transition year funding for 2016-17 and outlines the key elements of the bid. It will be accompanied by a presentation giving more details of specific projects.

RECOMMENDATIONS

It is recommended that the Committee notes this report.

1. Development of the Bid

- 1.1 Local Sustainable Transport Fund (LSTF) programmes being delivered in Durham, Northumberland and Tyne and Wear ended on 31st March 2016. This funding opportunity will be replaced by a £60m 'Access Fund' for delivery from 2017/18. In order to bridge these two programmes, the Department for Transport made £20m revenue funding available to local authorities, Combined Transport Authorities, and Passenger Transport Executives in England for delivery in 2016/17, through a 'Sustainable Travel Transition Year' bidding opportunity. Guidance for this was published on 15th February 2016, with the main objectives being economic growth and reduced carbon emissions. Bids must demonstrate that they are building on successful sustainable transport initiatives, will increase the numbers of people cycling and walking, and show a strategic vision for accessing jobs, education, and training.
- 1.2 Weekly meetings were held with officers from the NECA area to develop the bid. Drafts of the bid were taken to Sustainable Transport Group and Heads of Transport for review / comment.

North East Combined Authority

Transport North East Committee

- 1.3 A report was taken to TNEC in February 2016 highlighting the opportunity and it was agreed that approval of a bid for Sustainable Travel Transition Year funding in 2016-17 be delegated to the Head of Paid Service, in consultation with the Thematic Lead for Transport, the Chief Finance Officer, the Monitoring Officer and NECA's Sustainable Transport Group.
- 1.5 In accordance with the above, the NECA bid was submitted on the deadline of 29 March 2016, having been signed by the Senior Responsible Officer (George Mansbridge) and Section 151 Officer (Paul Woods).
- 1.6 On 23rd May 2016, NECA was informed by DfT that the bid was successful and the full amount requested awarded.

2. Overview of the Bid

- 2.1 Go Smarter combines the most effective elements from the LSTF Go Smarter programmes in Tyne and Wear and Northumberland, and the South Durham Local Motion LSTF programme, expanding the reach and impact to additional communities with co-ordinated delivery across the North East Combined Authority area. Go Smarter builds on the investment that has increased sustainable travel for businesses, schools and local communities.
- 2.2 This bid has three main themes:
 - 1. Continuation of the Schools Go Smarter (SGS) programme, promoting sustainable travel for the school run;
 - 2. Go Smarter into Employment and Training (GoSET) – Building on and developing previously successful work, targeting school leavers, sixth form college students as well as jobseekers, to support their access to jobs, education, skills and training;
 - 3. Continuation of the Go Smarter to Work (GSW) programme, encouraging commuters already in employment to choose sustainable modes of transport for their journeys to work.
- 2.3 The package of measures is underpinned by a full communications strategy to ensure that the choices around travelling sustainably are widely and fully communicated.

3. Schools Go Smarter

- 43.1 The successful Schools Go Smarter programme will be developed and delivered to include existing and new target school communities in order to foster behaviour change – to promote more active and sustainable travel, helping to reduce traffic congestion and carbon emissions on selected road corridors where these problems are most acute. The projects funded through Go Smarter will complement other projects that have already secured alternative sources of funding. School selection for individual SGS projects is based on various factors including proximity to strategic corridors, willingness to undertake the annual monitoring survey, current mode share, potential for mode shift towards sustainable modes, level of need, etc.

North East Combined Authority

Transport North East Committee

3.2 The approach will be based on the successful GSW business engagement model where the survey is done first and the resulting data informs the choice of projects. The staff at the school will also be offered the GSW toolkit.

3.3 The projects on offer include:

FUNDING	MODE			
	Cycle	Public Transport	Walk	All
DfT	Bikeability (3 levels)			
DfT	Bikeability Plus (10 modules)			
NSRI	Cycle transition	PT promotion	Child pedestrian training	Teaching Resources
NSRI		Bus Induction		Theatre Education 1
NSRI		Metro induction		Theatre Education 2
Go Smarter	Cycle to school (top up of Bikeability Plus modules)			Active travel coordinator (school liaison)
Go Smarter			Scooter training	Map
Go Smarter			Pedometer challenge	Match funding
Go Smarter			Walk to School Week	MODESHIFT STARS
Go Smarter				SGS Challenge (MEGA MOTION)
Go Smarter				Smarter Parker
Go Smarter				Travel Tracker
Go Smarter / Public Health?				Beat the Street

4. Go Smarter Into Employment and Training

4.1 The Go Smarter Communications team are working on an identity / brand for this workstream.

4.2 Building on and developing previously successful work, which targets school leavers, sixth form college students, as well as jobseekers, to support their access to jobs, education, skills and training, the workstream will also demonstrate the viability of travel by sustainable and active modes, and support the use of such modes. The employment agency business advisors

North East Combined Authority

Transport North East Committee

will be upskilled to address the transport barriers for apprentice placements. Residents with no available private or public transport for their journey to work will have access to low-cost scooter loans.

5. Go Smarter to Work

- 5.1 The successful business engagement programme will be continued, taking the opportunity to expand into new areas (for example Durham City centre) and consolidating other areas.
- 5.2 Due to limited funding for the toolkit this year and based on previous experience there have been some changes made to the delivery model, but still with the philosophy of first undertaking the staff survey to identify need before offering the GSW toolkit. The follow-up survey (approx. a year later) is also vital.
- 5.3 It is essential that a consistent message is given by all those delivering. A preliminary meeting has already been held on 31 May, the handbook is being updated, and a second meeting arranged for 24 June. A meeting of the toolkit providers was held on 21 June so that opportunities for cross-selling were identified and highlighted.

6. Communications

- 6.1 A workplan for the year is being developed as a high priority. With reduced budget compared to previous years previous successful campaign material for example Smarter Parker will be used where-ever possible.

7. Budgets

- 7.1 The indicative budgets are shown below:

Workstream	DfT Grant (£k)	Local contribution (£k)	Other match (£k)
Schools Go Smarter	640	70	152 ¹
Go Smarter to Employment or Training	258	0	156
Go Smarter To Work	910	70	0
Active Travel Hubs	65	0	0
Comms and Marketing	140	0	0
Programme Management	330	193.5	0
TOTAL	2,343	333.5	308

¹ Local authorities are awaiting response from DfT re Bikeability / Bikeability Plus grant (expected before end June 2016)

North East Combined Authority

Transport North East Committee

8. Presentation

- 8.1 The report will be accompanied by a short presentation illustrating some of the Go Smarter projects.

9. Next Steps

- 9.1 On 5 July 2016, guidance was issued by Department for Transport for the Access Fund. The Access Fund will benefit local authorities who wish to deliver sustainable transport projects that seek to grow the economy by boosting levels of cycling and walking, and by improving access to jobs, skills, training and education.
- 9.2 Local Transport Authorities are now invited to bid for a share of this £60 million pot for 2017/18 through 2019/20. Schemes receiving DfT funding may run for a single year or multiple years. The Access Fund is a significant contributor to the financial resources available for the Cycling and Walking Investment Strategy (CWIS), and all schemes must therefore demonstrate strong or very strong support for cycling and walking.
- 9.3 This competition is for revenue funding only. The capital funding for the sustainable transport is embedded in the Local Growth Fund (LGF) and is subject to a separate competitive process (known as 'Growth Deals'). The Growth Deals competition was announced in March 2016 and is led by Local Enterprise Partnerships; the £500m capital funding announced for sustainable transport is part of the Department for Transport's overall funding contribution to the LGF.
- 9.4 Deadline for submission is 6pm on 9 September 2016.

10. Potential Impact on Objectives

- 10.1 Progress on delivery of the measures included in the Sustainable Travel Transition Year programme will assist the Combined Authority in delivering its objective to achieve a more sustainable transport system for the region.

11. Finance and Other Resources

- 11.1 The additional grant will be reflected in the transport budget. Match funding is provided by partners and there are no additional financial implications for NECA arising from this report.

12. Legal

- 12.1 There are no specific legal implications arising from this report

13. Other Considerations

North East Combined Authority

Transport North East Committee

13.1 Consultation/Community Engagement

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

13.2 Human Rights

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

13.3 Equalities and Diversity

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

13.4 Risk Management

Failure to deliver the Sustainable Travel Transition Year programme could result in this region not securing additional funding from the Access Fund. The Combined Authority is actively participating in all aspects of the programme to mitigate against this situation.

13.5 Crime and Disorder

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

13.6 Environment and Sustainability

Many of the measures identified by the Sustainable Travel Transition Year programme will, if implemented, assist the Combined Authority in achieving a more sustainable transport system for the region.

14. Background Documents

- 14.1 The Sustainable Travel Transition Year Fund bid document published on the NECA website at <http://www.northeastca.gov.uk/local-transport-plan> .

15. Links to Plans in the Policy Framework

- 15.1 This report has no direct link to plans in the Policy Framework

16. Contact Officers:

- 16.1 George Mansbridge, Head of Development Services, South Tyneside Council (and Go Smarter SRO)
george.mansbridge@southtyneside.gov.uk 0191 424 7566

North East Combined Authority

Transport North East Committee

Mark Wilson, Head of Transport Policy (North East Combined Authority)

mark.wilson@northeastca.gov.uk 0191 211 5679

17. Sign off

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

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North East Combined Authority Transport for the North East Committee

DATE: 15th July 2016

SUBJECT: Transport Manifesto and Plan for the North East

REPORT OF: Chief Executive Officer for Transport

EXECUTIVE SUMMARY

This report summarises the responses to the consultation on the Transport Manifesto for the North East carried out earlier this year and describes the next steps for the Transport Plan

RECOMMENDATIONS

It is recommended that the Committee notes the contents of this report

North East Combined Authority

Transport for the North East Committee

1. Background Information

- 1.1 As promised in a report to the April Transport for the North East Committee, the following report gives an analysis of the response to the Transport Manifesto consultation.

2. Consultation and responses

- 2.1 The consultation process was reported to the last meeting of this Committee. The final total number of responses received was 1,736, of which 1,673 were online and 63 on paper. This represents a good response rate compared to other consultations of this kind – for example a recent similar exercise in West Yorkshire generated 617 responses while there were 1,089 responses to the Tyne and Wear Local Transport Plan 3 consultation in 2010. However, the low level of responses from organisations is disappointing and there is a greater preponderance of males and older people than in the NECA population as a whole as shown in Appendix 1 which gives the final breakdown by area and respondent type. The following paragraphs summarise the responses.

- 2.2 The first question set out four Key Themes for transport (Easy to Use; Reliable; Affordable; Accessible). Respondents were asked whether they agreed with each of these and also whether they thought any other themes should be added. The outcome was:

1. “Accessible” was the most popular
2. “Affordable” was the 2nd most popular
3. “Reliable” was the 3rd most popular (see also the comments about unreliability quoted below)
4. “Easy to use” was the 4th most popular

Respondents thought the following Key Themes should be added :

- a. Safety (both road safety and crime and fear of crime on public transport)
- b. Sustainability
- c. Integrated and connected

There were other themes quoted by a smaller number of respondents.

- 2.3 Respondents were then asked to rank ten Guiding Principles in order of importance. The results were as follows:

Guiding Principles Listed in Descending Order of Importance
Good access to workplaces, services, shops and leisure

North East Combined Authority

Transport for the North East Committee

Well-maintained, climate-resilient and safe transport networks
Less road congestion
More sustainable travel
Growth in economic activity
Better air quality and lower carbon emissions
Healthy, active lifestyles
Efficient use of transport assets
Land use planning that favours sustainable travel
Equality of opportunity

Respondents were also asked whether there were any other Guiding Principles they thought should be added. The following emerged as the most commonly suggested additional guiding principles by individuals :

- a. Better cycling network
- b. Joined up transport, including Integration between modes
- a. Safety across the transport network, particularly for vulnerable users

The following were the most commonly suggested additional guiding principles by organisations:

- a. Expand the public transport network
- b. Better connectivity within the UK

2.4 As is typical with such consultations, many respondents took the opportunity to write in additional comments about transport in available text boxes and some additionally sent in written submissions.

Commonly-recurring subjects were as follows:

- Reliability – focussing on concerns about the current unreliability of public transport (buses and Metro) but also roads due to congestion in peak hours
- Cycling - advocacy of cycling, including a desire for promotion of, and greater expenditure on, cycling plus requests for cycling to be made safer. Many of these comments also mentioned walking in similar terms.
- Integration - comments that public transport services, timetables, information and/or fares and tickets should be more integrated, connected or “joined up”
- Sustainability – support for sustainable transport and/or restraining car use

North East Combined Authority

Transport for the North East Committee

- Pro-car - there were also responses saying that the Manifesto was too biased against cars and road traffic
- Fares - requests for lower fares on public transport
- Rural areas – concerns about transport for rural areas including saying that rural bus services should be improved or at least maintained, or not overlooked in favour of urban areas
- Safety – comments either that road safety should be improved (including for cyclists and pedestrians) or crime and fear of crime being a deterrent to public transport use, particularly late at night
- Powered Two Wheelers (PTWs) – some respondents either said they were not mentioned in the Manifesto or drew attention to the benefits of PTWs
- Disabled people – some respondents referred to the needs of disabled people or said the current transport system did not meet the needs of disabled people

2.5 It should also be noted that the topic that featured most highly among the additional comments was public transport unreliability. The wide ranging nature of many of the other comments reflects the diversity of responses and included, for example, opinions both in favour of, and opposed to, measures to help vehicle traffic. There is, however, broad endorsement of the kind of subjects which are likely to feature prominently in the Transport Plan.

3. Transport Plan

3.1 The Transport Manifesto was signed off by both this Committee and North East Leadership Board. The consultation is now complete, and it has served its purpose of firstly raising public awareness of NECA's transport role and secondly seeking views on our aspirations for transport. Rather than producing an updated version of the Transport Manifesto, which would delay work on the full Transport Plan document, the results of the Manifesto consultation will be referred to in the Transport Plan in a way that helps shape the Transport Plan.

3.2 Regarding the content of the Transport Plan, the absence of any current central Government guidance on Transport Plans (the previous somewhat prescriptive guidance has now been archived) means that a more flexible, people-focussed approach can be adopted. Instead of Chapters on specific transport modes, the Plan will set out key challenges, what is currently provided, what people and organisations want, how this will be achieved and what success will look like. Progress in some of the areas set out in the Manifesto which will be picked up and explored further in the Plan is set out below.

3.3 **Sustainable Transport.** Recent successes, including the Go Ultra-Low (GUL) filling stations funding and one of the largest awards of the Sustainable Transport Transition Year fund, mean that it has been an extremely positive beginning to the year for sustainable transport at the NECA. There has also been the beginning of the deployment of Variable Message Signs across key routes in Tyne and Wear and Northumberland, funded by the Local Sustainable Transport Fund.

3.4 **Buses.** The Bus Services Bill once enacted will provide a series of options to

North East Combined Authority

Transport for the North East Committee

- improve bus services and thus tackle the long-term decline in passenger numbers. The detail of this is being reported separately
- 3.5 **Roads.** We are having discussions with Highways England on identifying the future strategy for the North East's Strategic Road Network, incorporating the already-announced A1 and A19 improvements and the A66/A69 route study and looking to the future to identify and deal with "stress points" in the network.
- 3.6 **Metro and Local Rail.** Metro Futures and the Metro and Local Rail Strategy form the strategic context for the bids for Metro fleet replacement and essential renewals that are being drawn up by Nexus. These themes are explored in greater detail within the Metro and Local Rail Strategy.
- 3.7 **Ticketing and Real Time Passenger Information.** Officer groups within and beyond the NECA region are working to expand existing smart travel, provide real time passenger information and develop improved information for road users including making full use of the Urban Traffic Management Centre
- 3.8 **High Speed rail.** NECA is a member of HS2 East, a joint campaign by Authorities who want to make sure the Eastern Leg of HS2 is delivered in full and as soon as possible. The campaign group represent many of the UK's 'powerhouse' cities and industrial heartlands and also important emerging rural economies where excellent transport links are an increasingly vital component in future growth and success.
- 3.9 **Transport for the North.** A separate report outlines progress in this regard
- 3.10 Regarding the Transport Plan timescale, the earliest that the formal 12-week consultation could begin would be this Autumn. Allowing for subsequent amendments to incorporate consultation feedback and further consideration of the document, this in turn implies a publication date of the final version sometime in Summer or Autumn 2017. However, any need to make further amendments at any stage of the process would result in this timescale having to be extended.

4. Finance and Other Resources

- 4.1 There are no financial implications specifically arising from the Transport Manifesto consultation analysis.

5. Legal

- 5.1 There are no legal implications specifically arising from the Transport Manifesto consultation analysis.

6. Other Considerations

- 6.1 Consultation/Community Engagement

This report contains analysis of the Transport Manifesto consultation. There will be a full public consultation on the Transport Plan later this calendar year.

North East Combined Authority

Transport for the North East Committee

6.2 Human Rights

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

6.3 Equalities and Diversity

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

6.4 Risk Management

There are no specific risks arising from this report

6.5 Crime and Disorder

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

6.6 Environment and Sustainability

Many of the measures advocated by the Transport Manifesto responses would, if implemented, assist the Combined Authority in achieving a more sustainable transport system for the region.

7. Background Documents

Transport Manifesto document and consultation questionnaires

8. Links to Plans in the Policy Framework

This report has a direct link to the forthcoming Transport Plan for the North East

9. Contact Officers:

- 9.1 Mark Wilson, Head of Transport Policy (North East Combined Authority)
mark.wilson@northeastca.gov.uk 0191 211 5679

10. Sign off

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

North East Combined Authority

Transport for the North East Committee

Appendix 1 : Final breakdown of Manifesto consultation responses by Council area and respondent type

Breakdown by Council Area		
Council	Returns	Percent
County Durham	168	9.7%
Gateshead	152	8.8%
Newcastle upon Tyne	270	15.6%
North Tyneside	172	9.9%
Northumberland	175	10.1%
South Tyneside	95	5.5%
Sunderland	90	5.2%
Unknown	614	35.4%
Total	1,736	100.0%
Breakdown by Respondent Type		
Individual	1,308	75.3%
Organisation	96	5.5%
Unknown	332	19.1%
Total	1,736	100.0%

Note - The large number in the “unknown/other” category is partly because responses were still included if the respondent did not indicate their postcode, if organisations covered more than one Council area and as responses from people and organisations outside the NECA area were also accepted (most of these were from places adjacent to the NECA area).

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North East Combined Authority

Transport North East Committee

Date: 15 July 2016

Subject: Heavy Rail Update

Report of: Managing Director (Transport Operations)

Executive Summary

The purpose of this report is to bring members up to date with recent developments regarding heavy rail issues as they affect the North East.

Recommendations

It is recommended that:

- i) the Committee note the contents of this report.
- ii) the Committee agrees to the nomination of the Vice Chair from Durham as NECA's alternate representative on the Board of Rail North Ltd.

North East Combined Authority

Transport North East Committee

1 Background Information

- 1.1 At the TNEC meeting of the 26th February an update was given on the imminent Franchises (TransPennine and Northern), the North East Rail Management proposals and Network Rail's Long Term Planning Process. This report provides updates on these emerging areas of interest as well as providing an overview of the Rail North / Transport for the North devolution aspirations and details of progress made to date on Northern Powerhouse Rail.

2 Northern and TransPennine Express franchises

- 2.1 April 1st 2016 saw the start of a new era for the North's regional and local rail services. For the first time local management of rail franchises became a reality, through the work of Rail North Ltd (of which NECA is a founder member).
- 2.2 Rail North's Franchise management team, operating out of Leeds, now undertakes (in partnership with the Department for Transport) day to day Franchise operational management, holding the train operating companies to account and ensuring Franchise commitments are delivered.
- 2.3 The transition passed without any significant hitches and the working arrangements are starting to bed in. As part of the Franchise requirement there is a need for the Northern train operating company (Arriva Rail North) to establish a management structure to recognise the geographical specific needs of the local services in the North East. The Franchise agreement allowed for a period of 3 months to set this up. Arriva has gone further than the franchise requirement by organising its management structure into 4 regional units (one of which covers the wider North East). At the time of writing a Regional Director, Mike Paterson, has been appointed but his team members are yet to be confirmed.
- 2.4 The Competition and Markets Authority (CMA) has launched an investigation into potential issues arising from Arriva Rail North's acquisition of the Rail North Franchise. Provisional findings are due at the end of August.

3 North East Rail Management Unit (NERMU)

- 3.1 Rail North Limited formally endorsed the creation of the North East Rail Management Unit at its meeting on the 12th May 2016. As a result the NERMU has now been formally established, with sign-off of the collaboration agreement proceeding through member authorities' governance structures.
- 3.2 A 'North East rail performance management forum' has been established, comprising officers from each of the local authority areas covered by the NERMU along with all relevant Train Operating Companies, Rail North and Network Rail representatives. The first full meeting is planned for 14th July 2016.

North East Combined Authority

Transport North East Committee

The purpose of these meetings is to work with the train operators to look back over recent performance and look forward to future investment proposals and any promotional activities that can improve local rail services. The aim is to form a collaborative approach to drive forward improvements in local rail service performance and quality.

- 3.3 This officer group will provide a summary of train service performance and progress with franchise committed obligations together with any 'live' issues to the NERMU Board meeting. It is hoped to hold the first NERMU Board meeting in September 2016.
- 3.4 A senior officer group has been formed to discuss strategic transport matters of common interest between the North East Combined Authority and the Tees Valley Combined Authority. This will assist when developing approaches to national agencies such as Network Rail and Highways England, and to the government and Transport for the North. The group will also be able to provide strategic direction to pan-regional projects such as NESTI and Real-time passenger information.

4 Rail North Update

- 4.1 As Transport for the North (TfN) moves through the legislative process to becoming a Sub National Transport body in 2017, the process of integrating with the governance of Rail North is being consulted upon. The application for powers to be devolved from Central Government provides the opportunity to build on the work Rail North has achieved to date with regard to the TransPennine and Northern Franchises.
- 4.2 Moving forward, there is a strong case for Rail North to be included within the new statutory arrangements proposed for TfN. This could allow Rail North to benefit from new statutory powers, to strengthen its role and, over time, support a further shift of responsibility from central government to the North, allowing rail services to be managed more directly from the North, on behalf of the North. It is envisaged that the Secretary of State's current responsibility to award franchise contracts would be devolved to TfN. Means of achieving this are currently being considered and options include a) exemption order under section 24 enabling TfN to let concessions in the same way as TfL and Merseyside PTE do with exempted services in their area or b) to devolve the franchising functions of the Secretary of State under the Railways Act 1993 to TfN as in Scotland and Wales.
- 4.3 NECA through Rail North will partake in the options appraisal to consider the most appropriate route to take. Over time the North East will seek further devolution of control over the local rail services, which will provide opportunities to better integrate with the Metro and local bus services.

North East Combined Authority

Transport North East Committee

- 4.4 Rail North Ltd is seeking nominations for alternate representatives from each member authority. It is proposed that the Committee agrees to the nomination of the Vice Chair from Durham as NECA's alternate representative on the Board of Rail North Ltd.

5 Northern Powerhouse Rail (NPR)

- 5.1 In previous updates relating to Transport for the North, members will be aware that work is underway to prepare options to increase the capacity on the North's rail network as well as speeding up journeys between key economic centres as a key plank in delivering transformational economic growth.
- 5.2 Officers from Transport for the North and the constituent local transport authority partners are working with Network Rail and High Speed 2 Ltd to consider overall rail network planning, capacity and line speed constraints, options for infrastructure improvements and cost and economic benefit analysis.
- 5.3 The approach being taken is to look at train service planning across the whole northern network (and beyond) but break the network into corridors and stations when considering infrastructure needs and solutions.
- 5.4 Although overall capacity and line speed improvements across the network would provide an economic 'agglomeration' effect (the sum being greater than the individual parts), options for the significant enhancements between the North East and West Yorkshire are of major significance to the NECA.
- 5.5 The original ambitions set out in the 'One North' prospectus were to increase capacity between Newcastle and Leeds by between 100% and 130%, and to provide a reduction in journey times from 90 minutes to 60 minutes. It was assumed that an additional 4 trains per hour would achieve the capacity uplift.
- 5.6 Work carried out since suggests that significant track and station work will be required to achieve those ambitions. Options for wholly new corridors are limited, and initial work suggests that the improvements are most likely to be achieved through major enhancements along the East Coast Main Line corridor, including – but not limited to - the reopening and enhancement of the Leamside Line as part of a wider package of infrastructure works.
- 5.7 As this work progresses further consideration will need to be given to the relative economic benefits of non-stop services and intermediate station stops, as well as journey time improvements and capacity growth. Limited platform capacity at Newcastle Central station is also a key consideration that needs to be addressed.
- 5.8 Over the summer TfN and Network Rail will work up options and run initial appraisals to provide a short list of possibilities to move through to the next more detailed development stage. An interim report is expected to form part of

North East Combined Authority

Transport North East Committee

the Chancellors Autumn statement. A further more detailed report will therefore be presented at a future TNEC meeting.

6 Network Rail Long Term Planning Process

- 6.1 Coincidentally running along similar timeframes to NPR, Network Rail is pursuing the East Coast Main Line Route Study (London to the Scottish Border). The primary purpose of this study is to consider the expected impact of growth on the route up to 2023 and 2043 and work up options to mitigate or facilitate the growth. There are obvious overlaps and parallels with the NPR work. The periodic route reviews are timed to help provide options for enhancements to be considered as part of the government's funding considerations through the rail industry investment programmes (to date these have been known as control periods, with the next control period being CP6 2019 – 2024). Under the current review of Network Rail operations the control period process is being examined to see if better long term investment approaches would be beneficial.
- 6.2 The draft ECML Route Study is due to be out for consultation towards the end of 2016, and a future paper will be brought to this committee for consideration in due course. It will be important that any infrastructure enhancements coming forward for consideration for the section north of York are complementary to any options being considered for NPR, indeed the case should be made for a joint funding and delivery programme to be developed.

7 Metro and Local Rail integration

- 7.1 To assist the work proposed under the forthcoming Metro and Local Rail Strategy, forecasting models for both the Metro and local rail (from Rail North) have been updated and initial desktop investigation undertaken on potential future new or reinstated local rail or Metro lines. These tools will help develop the business case for the future investment that will be required to achieve the Metro Futures ambition.

8 Next Steps

- 8.1 NECA officers will continue to work with Transport for the North, Rail North and Network Rail to make the strongest possible case to central government for incremental and transformational investment in the region's rail network. NECA officers will also work with the current franchise operators to secure and maintain improved services in line with the terms of the Franchise awards.

9 Potential Impact on Objectives

- 9.1 Securing improved rail services to, from and within the region as well as progress on delivery of Transport for the North / Rail North's strategic objectives will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

North East Combined Authority

Transport North East Committee

10 Finance and Other Resources

- 10.1 There are no direct financial implications arising from this report.
- 10.2 The work highlighted in this report is aimed at providing the evidence to influence leverage of significant investment in rail infrastructure to contribute towards transformational economic growth.

11 Legal

- 11.1 There are no legal implications arising directly from this report.
- 11.2 The move towards formal governance of Transport for the North and consideration of future rail devolution powers will be the subject of future reports that will detail the legal implications.

12 Other Considerations

12.1 Consultation/Community Engagement

There are no specific consultation/community engagement implications arising from this report. Future consultation and engagement will be required as options emerge from the various workstreams highlighted in this report.

12.2 Human Rights

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

12.3 Equalities and Diversity

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

12.4 Risk Management

There are no specific risk management implications arising from this report. However risk will be a consideration in option development leading from the workstreams highlighted in this report.

12.5 Crime and Disorder

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

North East Combined Authority

Transport North East Committee

12.6 Environment and Sustainability

Success in improving the region's rail network and encouraging modal shift from car or air to rail will assist the Combined Authority in achieving a more sustainable transport system for the region.

13 Background Documents

13.1 None

9 Links to the Local Transport Plans

9.1 The outcomes of the workstreams highlighted in this report will form key components of the improvements and interventions aimed to deliver the rail outcomes in the emerging Transport Plan for the North East.

10 Appendices

10.1 None

11 Contact Officers

11.1 Tobyn Hughes, Managing Director (Transport Operations)
Tobyn.hughes@nexus.org.uk 0191 203 3203

12 Sign off

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

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North East Combined Authority Transport North East Committee

DATE: 15th July 2016
SUBJECT: Transport for the North Update
REPORT OF: Chief Executive Officer for Transport

EXECUTIVE SUMMARY

Following the reports presented to previous meetings, this report provide members with a further update on the Transport for the North programme.

RECOMMENDATIONS

It is recommended that the Committee notes this report.

North East Combined Authority

Transport North East Committee

1. Background Information

- 1.1 Members will recall that Transport for the North (TfN) aims to transform connectivity between the large city regions of Northern England in order to deliver what has become known as the 'Northern Powerhouse'.
- 1.2 A Northern Transport Strategy report titled "The Northern Powerhouse: One Agenda, One Economy, One North" was published on 20th March 2015. In response to our strong regional advocacy, the report recognises the strategic economic significance of our key transport links - Newcastle International Airport, the Port of Tyne, the East Coast Main Line and the A1/A19.
- 1.3 On 7th March 2016, a Northern Transport Strategy Spring 2016 Report, outlining progress over the last year, was launched by Transport for the North and the Department for Transport in Gateshead. A further progress report is anticipated as part of the Autumn Budget Statement in December.

2. Governance

- 2.1 Under powers available through the Cities and Local Government Devolution Act 2016, Transport for the North can propose to become a statutory body, drawing down powers to deliver investment and improve services, devolved from central government. TfN's Partnership Board has developed a proposal to this effect, and is now seeking support in principle from all transport authorities within the North of England.
- 2.2 As part of this process, it is necessary for all northern transport authorities, including NECA, to consent to this arrangement. At the 19th July meeting of North East Leadership Board, the Board will be asked to support the proposal, to agree in principle that NECA should become a full member of the proposed statutory body, and to agree to consider a formal proposal in due course, once the appropriate statutory arrangements are finalised and approved by government.
- 2.3 Whilst this process takes place, work is continuing on the overall TfN programme, with NECA represented on all workstreams to ensure that our regional aspirations are fully realised. A summary of progress on each workstream is given below

3. Rail

- 3.1 The "Heavy Rail update" elsewhere on this agenda provides the latest information about progress with the Northern Powerhouse Rail improvement programme.

4. Road

- 4.1 The strategic study exploring the case for dualling the A69 and/or A66, with the aim of creating a new strategic link across the Pennines in northern England, is well under way. The study will be completed by autumn 2016. Stakeholders are being kept fully informed and the latest stakeholder

North East Combined Authority

Transport North East Committee

workshop took place in Carlisle on 12th July. NECA officers attend the Programme Board for the study on behalf of TfN.

5. Freight

- 5.1 Work has been completed on the Northern Region Freight and Logistics Report which is due to be published over the summer. This will be followed by a series of LEP-area studies looking in more detail at the implications for individual regions. The freight sector in this area will continue to be kept informed via the North East Freight Partnership.

6. Smart Ticketing

- 6.1 In the Autumn Statement, the Chancellor of the Exchequer announced £150m of funding for the development of Smart and Integrated Ticketing across the Transport for the North (TfN) area, which was confirmed in the March 2016 budget, subject to receipt of a satisfactory Strategic Outline Business Case (SOBC) and Delivery Plan.
- 6.2 This initiative is intended to contribute towards the economic development of the North through providing seamless public transport provision, thereby widening the labour market reach of any given conurbation. Whilst attention is inevitably drawn to the M62 corridor, this is equally valid in terms of linking the NECA region with Teesside and Leeds in particular.
- 6.3 Nexus officers have been working closely with colleagues from TfN, the Department for Transport and other metropolitan areas in the development of the SOBC and the Delivery Plan. With the North East, and Tyne and Wear Metro in particular, being further advanced in the implementation of Smart Ticketing in comparison to other metropolitan areas, the region is well placed to play a central role in the delivery of the TfN's ambitions in this area.
- 6.4 A joint submission by Nexus, made with Transport for Greater Manchester (TfGM), to lead activity related to the specification of an Intelligent Back Office on behalf of Transport for the North has been accepted in principle and is expected to be confirmed following the TfN Investment Committee on 24th June. The Back Office will enable the introduction of the next generation of Smart Ticketing technologies, including the use of contactless bank cards, although there are technical challenges, particularly in relation to revenue protection, that still need to be addressed through the specification process. Nonetheless this represents a strong opportunity for Tyne and Wear Metro to be an early beneficiary of this investment.

7. Strategic Local Connectivity

- 7.1 The draft report has now been signed off by the TfN Partnership Board. This looked at interventions which might complement larger schemes and have a pan-northern economic impact, in light of the Independent Economic Review. NECA's submitted schemes performed well in this process, with five out of seven being judged to potentially have a pan-Northern impact.

North East Combined Authority

Transport North East Committee

- 7.2 Further work is now ongoing to discuss what this may mean in practice, and where TfN can add value to local partners work, this will continue through June, with the finalisation of an Action Plan

8. International Connectivity

- 8.1 The work stream is tasked with reviewing international connectivity in the north and identifying ways of achieving the best possible connectivity for the north's airports and major ports. The work stream will also identify opportunities to expand into new international markets. The work will be overseen by a Commission led by John Cridland, Chair, TfN.
- 8.2 Consultants York Aviation and MDS Transmodal have been commissioned to carry out the review and have produced a baseline data report. The report includes an analysis of quantitative and qualitative data associated with the North's Airports and major ports. The qualitative data has been obtained via individual stakeholder interviews and from a stakeholder engagement workshop on 18th May.
- 8.3 The final report is expected in late July.

9. Next Steps

- 9.1 A number of key actions will be carried out over the next 12-14 months, including:
- The publication this summer of a multi-modal Freight and Logistics Report for the North followed by a series of LEP-area studies;
 - An approach to economic appraisal is being developed between TfN and the government to inform decisions about prioritised options for delivery of the programme;
 - The conclusion of the strategic study considering the dualling of the A66 and/or A69;
 - A Memorandum of Understanding is being drawn up between TfN and Network Rail / HS2 Limited, and there will also be a separate MoU between TfN and Highways England;
 - Production of an updated Transport Strategy as part of the Autumn Financial Statement; and
 - The publication of options to increase the capacity on the North's rail network and to speed up journeys between key economic centres.
- 9.2 NECA officers are participating in all aspects of the TfN programme to ensure that our regional aspirations are realised and that Government, Highways England and Network Rail deliver on their commitments. The officer time committed by NECA officers is a formal contribution to the

process.

10. Potential Impact on Objectives

- 10.1 Progress on delivery of the measures included in the Transport for the North programme will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

11. Finance and Other Resources

- 11.1 There are no specific financial implications arising from this report

12. Legal

- 12.1 There are no specific legal implications arising from this report

13. Other Considerations

13.1 Consultation/Community Engagement

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

13.2 Human Rights

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

13.3 Equalities and Diversity

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

13.4 Risk Management

Failure to engage fully with the TfN programme could result in this region not securing necessary improvements to transport connectivity, putting the NECA area at an economic disadvantage compared to other regions of the North. The Combined Authority is actively participating in all aspects of the programme to mitigate against this situation.

13.5 Crime and Disorder

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

North East Combined Authority

Transport North East Committee

13.6 Environment and Sustainability

Many of the measures identified by the Transport for the North programme will, if implemented, assist the Combined Authority in achieving a more sustainable transport system for the region.

14. Background Documents

- 14.1 The Northern Powerhouse: One Agenda, One Economy, One North: document published at
<https://www.gov.uk/government/publications/northern-transport-strategy>

15. Links to Plans in the Policy Framework

- 15.1 This report has no direct link to plans in the Policy Framework

16. Contact Officers:

- 16.1 Mark Wilson, Head of Transport Policy (North East Combined Authority)
mark.wilson@newcastle.gov.uk 0191 211 5679

17. Sign off

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

North East Combined Authority

Transport North East Committee

DATE: 15th July 2016

SUBJECT: Metro Fleet and Infrastructure Renewal

REPORT OF: Managing Director (Transport Operations)

EXECUTIVE SUMMARY

This report introduces the proposed new Metro and Local Rail Strategy, summarises the outline business cases for Metro fleet renewal and continuation of essential renewal works, sets out the key features of the draft specification for new Metro fleet, and considers the broad options for future operating arrangements to deliver the Metro system.

RECOMMENDATIONS

It is recommended that the Committee:

- a) Endorses the outline business cases for the replacement of the Metrocar fleet and associated infrastructure, and for the programme of essential renewals that are expected to be presented to the Leadership Board on the 19th of July 2016;
- b) Notes progress towards the development of a specification for the new Metrocars; and
- c) Endorses the draft 'Metro and Local Rail Strategy' that is to be considered by the Leadership Board.

North East Combined Authority

Transport North East Committee

1. Background Information

- 1.1 On 26 February 2016 the Committee noted a report entitled 'Securing Investment in Metro and Local Rail'. This report is intended to provide an update on the current position.
- 1.1 The North East Devolution Agreement commits to:

"The Combined Authority producing a business case, for consideration by Government, for investment in the Metro network to 2030, including the upgrade of the Metro fleet, potential expansion, and future integration of the Metro with the rail network".
- 1.2 A draft 'Metro and Local Rail Strategy' has been developed. In addition, Nexus has been developing outline business cases for the replacement of the Metrocar fleet and associated infrastructure, and to continue with the programme of essential renewals network wide. It has also begun development of a fleet specification. All of these documents are to be considered by the Leadership Board at its meeting on 19th July 2016.

2. Metro and Local Rail Strategy

- 2.1 At a previous meeting the Leadership Board approved the objectives of a new Metro and Local Rail Strategy. These are:
 - (a) To provide Metro and Local Rail services that are reliable, accessible and comfortable with high levels of customer satisfaction, within available resources;
 - (b) To grow the Metro and Local Rail network and their modal share as part of an integrated public transport network; and
 - (c) To achieve value for money.
- 2.2 The Metro and Local Rail Strategy considers the future expansion of rail services in the North East by combining the Metro system with Local Rail services, and operation over a more extensive network of local railway lines. It also sets the context for the current investment need in the Metro system, including a new fleet of trains and arrangements for operating them, and continuation of the programme of essential asset renewals.
- 2.3 The new Metro fleet is a key enabler of longer-term ambitions for expansion. This is because the current fleet can only operate where lines are electrified to 1500v DC (i.e. the current Metro network), and requires a method of signalling protection between Sunderland and Pelaw that constrains Network Rail's line speeds and capacity. Nexus plans to specify a more versatile fleet for the future to overcome these limitations.
- 2.4 Nexus has recently produced a brochure entitled 'Metrofutures: the combined future of Metro and local rail in the North East', as a prelude to the strategy.

The brochure was developed in consultation with Heads of Transport from all seven constituent councils.

- 2.5 This brochure is attached at **Appendix A**. The full strategy expands on the contents of the brochure and is available to view at:
www.nexus.org.uk/businesscases.
- 2.6 Subject to agreement from the Leadership Board, officers will carry out further work regarding the identification of suitable options for expansion in liaison with local planners, and will commission feasibility and economic appraisal work. Further information will be brought to TNEC as it becomes available.
- 2.7 Members are invited to comment on the strategy and to endorse it to the Leadership Board.

3. Metrocar Fleet and Associated Infrastructure

- 3.1 The outline business case for the replacement of the Metrocar fleet and associated infrastructure will set out the strategic importance that Metro plays within the region and make the argument that without investment in a new fleet the system would, by 2021, fail to meet the objectives of the NECA.
- 3.2 There is an investment need of an estimated £536.7m to replace the fleet and upgrade associated infrastructure which will allow the benefits of regenerative braking to be realised together with the provision of new depot facilities in order to allow more efficient and effective maintenance regimes to be implemented.
- 3.3 Economic appraisal work for the outline business case currently suggests an initial adjusted benefit-to-cost ratio (BCR) on this investment of 2.22, which is considered to represent high value for money.

4. Essential Renewals

- 4.1 The outline business case for essential renewals will build on the current investment in the Metro infrastructure which since 2010 has so far seen £218m of an eleven year programme of investment worth £350m successfully delivered, to time and budget. It will make the case for continuing this planned investment through to 2035 in order to avoid the Metro infrastructure falling back into a state of disrepair, thereby undoing all of the investment made between 2010 and 2021.
- 4.2 There is an investment need of an estimated £518.5m over 15 years, although it should be noted that 37% of this relates to new signalling, necessary to allow the safe movement of trains across the network.

- 4.3 Economic appraisal work for the outline business case currently suggests an initial adjusted benefit-to-cost ratio (BCR) on this investment of 6.09, reflecting high value for money.

5. Metrocar Fleet Specification

- 5.1 Work has commenced on the development of a specification for the new fleet. In December 2014 consultants were appointed to develop a high level specification which takes account of the unique nature of the Metro system, such as the voltage used for traction energy, the height of tunnels and bridges, weight restrictions that are placed on some structures and the alignment of the track which in places exhibits tight bends and curves.
- 5.2 The intention is that the Metrocars will continue to draw traction energy using the current 1500v DC system, but will be 'future proofed' with dual voltage capability to allow operations at 25Kv (the Network Rail standard for traction energy). The fleet will remain "high floor" and will meet Rail Vehicle Accessibility Regulations (RVAR) for the 'step-gap' between the platform and the train. The trains will be designed to meet Network Rail's crashworthiness standards to operate between Pelaw and South Hylton and this is likely to include a driver's cab which spans the full width of the Metrocar.
- 5.3 Subject to achievement of funding for the upgrading of overhead line equipment and electrical sub-stations, it is also proposed that the new fleet should benefit from regenerative braking. This will reduce operational costs and improve Metro's environmental credentials.
- 5.4 The specification will be further developed over the next few months and will be subject to a consultation in the autumn where the public will be asked for their views on design options such as temperature, accessibility requirements, safety and security features, seating configuration and luggage (and bicycle) storage space. The market, including train manufacturers and operators will also be asked to input into development of the specification.

6. Operating model

- 6.1 The concession agreement with DB Regio Tyne and Wear Limited will end in March 2017 with operations taken in house until March 2019. In order to deliver Metro services in future, Nexus is focusing on two broad options for future operating arrangements from 2019:-
- A 'design, build and maintain' arrangement with a rolling stock manufacturer, with all other functions delivered by Nexus; and
 - An arrangement with a train operating company through which rolling stock is supplied, maintained and operated.

North East Combined Authority

Transport North East Committee

- 6.2 The development of the specification for Metro operations will continue but to a large extent will be a feature of the way in which funding will be made available by central government for both operations and investment.

7. Next Steps

- 7.1 The outline business cases for the replacement of the Metrocar fleet and associated infrastructure, and for the programme of essential renewals are expected to be presented to the Leadership Board on the 19th of July
- 7.2 Nexus will work with the Department for Transport (DfT) to produce final business cases with a view to achieving a high level of understanding over funding options by December 2016.
- 7.3 Consultation with passengers, stakeholders and the market will take place over coming months to help inform the development of the fleet specification.

8. Potential Impact on Objectives

- 8.1 The development of the business cases support the NECA objectives set out in the Transport Manifesto “Our Journey – A 20 year Transport Manifesto for the North East” specifically section “Local Rail and Metro – driving economic growth” and the priorities set out in the devolution deal.
- 8.2 The Metro and Local Rail strategy is designed to achieve wide range of objectives by improving local connectivity to generate economic growth and improve equality of opportunity, as well as achieving modal shift to sustainable transport choices.

9. Finance and Other Resources

- 9.1 Both outline business cases require a significant package of investment in the order of £1bn in the Metro system through to 2035. Around two-thirds of this investment is to replace significant assets i.e. the trains and the signalling system, both of which will be in excess of forty years old at the time of their replacement and therefore well beyond their intended design life.
- 9.2 Whilst significant financial support is sought from central government, at this point in time it is unclear how much the government is prepared to commit to. However both outline business cases exhibit strong, positive benefit-to-cost ratios and represent high value for money.
- 9.3 It is likely that a local funding contribution will be required, but the extent to which this will be required is not clear at this stage in discussions with DfT. Various scenarios will need to be investigated, including the scope for capital contributions from the Single Pot devolution fund, as well as the potential for creating headroom in Metro’s operational budget in order to service debt charges and/or other forms of investment.

- 9.4 Further updates will be provided as negotiations with DfT progress. The submission of the outline business cases is the start of this process.

9 Legal

- 9.1 Aspects of the Metrocar specification will be governed by legislative and regulatory requirements and rail standards which pertain to the operation of a rail system.

10 Other Considerations

10.1 Consultation/Community Engagement

Consultation with the rolling stock supply market and train operating companies will formally commence over the summer to help inform the specification.

A formal period of public consultation on the specification will take place in the autumn, and will include passengers, Trades unions, and other relevant stakeholders.

The Metro and Local Rail strategy has built on previous work carried out for the 'Metro 2030 Strategy', which involved public consultation.

10.2 Human Rights

There are no human rights impacts of this report

10.3 Equalities and Diversity

The new fleet of Metrocars will be compliant with the Rail Vehicle Accessibility Regulations 2010(RVAR).

10.4 Risk Management

There are significant risks associated with not progressing this work. Work undertaken by SNC Lavalin (formally Interfleet) suggested without significant investment the current fleet of Metrocars would be unable to operate the peak service by 2021, with declines in service provision thereafter. Additionally assessments undertaken by Nexus indicate that without investment in track and signalling, speed restrictions would need to be introduced in early 2020's with partial closures of sections of Metro in the mid-2020s.

The management of the commercial arrangements relating to the procurement of these significant assets is a significant challenge. The approach has however been documented and is set out within the outline business cases.

The level of local match funding required to support this work is currently unclear and may have implications on other Nexus/NECA budgets.

Management of risk for both projects will be in accordance with Nexus established risk management processes. Nexus corporate risk register is considered quarterly by the Tyne and Wear Sub-Committee.

10.5 **Crime and Disorder**

Aspects such as CCTV and other safety interventions will be incorporated as appropriate into the Metrocar specification to assist in limiting crime and disorder on the Metro network.

10.6 **Environment and Sustainability**

Subject to funding the new fleet of Metrocars will be able to achieve greater energy efficiency through exploiting regenerative braking capabilities common on new fleets.

11 **Background Documents**

Drafts of the outline business cases referred to in this report can be found at www.nexus.org.uk/businesscases

12 **Links to Plans in the Policy Framework**

These outline business cases reflect priorities set out in the Transport Manifesto and the Strategic Economic Plan.

13 **Appendices**

Appendix A: Metrofutures brochure

14 **Contact Officers**

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15 **Sign off**

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

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METROFUTURES

The combined future of
Metro and local rail in the North East

Welcome to this brochure, which sets out the aims and objectives of the North East Combined Authority's forthcoming Metro and Local Rail Strategy - as well as exploring how expansion of our region's networks could be achieved.

The Combined Authority's vision for transport has been sent out in 'Our Journey', a 20-year transport manifesto for the North East. Here we provide a broader policy context for part of that vision: the business cases for a new Metro fleet and the next phase of essential network renewals. It is important that those two projects be seen alongside the larger possibilities to develop our railways they form a part of.

This brochure has been developed by Nexus in consultation with local authorities within the Combined Authority. It provides a pre-cursor to the full Strategy, which will be considered by the North East Leadership Board in summer 2016.

If you would like to provide feedback on the development of our Strategy up to now and the possibilities we suggest to extend the reach of local rail and Metro into more communities, please get in touch. You can find contact details on the back page.



Tobyn Hughes

Managing Director, Transport Operations
North East Combined Authority

Our area's identity was shaped by railways. Not very long ago coal, iron and steel were transported between mines, factories, shipyards and ports using one of the densest networks of rail lines in the world. The same railways transported workers to jobs and knit previously disparate rural communities together to form a distinctive North East identity.

Over the past four decades the local rail network in the North East has developed in two very different ways. Much of the rail network in Tyne and Wear was converted into the Metro system and has continued its role at the heart of the local economy, transporting tens of thousands of people by rail to work, education and other activities each day.

The remainder of the local rail network has soldiered on through decades of closures and cutbacks, maintaining some connectivity but characterised by poor quality rolling stock and low frequencies.

Through the area's Strategic Economic Plan we aim to reclaim our place as one of the most successful economic and cultural centres within a resurgent North. To do that we need to connect people to jobs and education, ease road congestion, and make the North East an easy and attractive place to do business.

Transport for the North is working collectively to transform rail connectivity across key northern economic centres. To maximise the North East

economic benefits it is therefore time to transform our entire local rail network up to an equally high standard. The area's social and economic needs have changed enormously, but the need for fast, reliable, affordable and sustainable transport links has never been greater.

We are working on an updated transport plan for the North East, and we have recently published our draft Manifesto. In it we set out the following ambitions for Metro and local rail services:

- *Replace outdated Pacer trains and deliver an essential new fleet for the Tyne and Wear Metro;*
- *Create a regional express network, with high quality, faster trains and more routes electrified;*
- *Open new local stations on current lines, re-open key disused lines, consider more Park and Ride stations, upgrade freight-only sections to passenger use and build new routes;*
- *Devolve greater control to the region, so local rail and Metro can be managed together to deliver a higher standard for stations, information and customer service; and*
- *Work with rail industry partners to address overcrowding and improve cycle access on trains.*

This Metro Futures document addresses a number of these ambitions: a new Metro fleet; re-opening routes and stations; and managing Metro and local rail together as one network.

In 2014 Nexus published a draft Metro Strategy which considered how the system could develop to meet the area's future needs. We are currently updating the draft strategy to reflect the latest thinking and opportunities, as well as to integrate planning over the Combined Authority's wider geography, and we will shortly publish it alongside a business case for a new Metro fleet and for on-going investment in existing Metro infrastructure. We will broaden its scope to cover local rail services.

The draft Metro Strategy explored a number of potential extensions to the Metro network, and we have been considering ways in which extending the network can best be achieved.

The region contains a legacy of disused rail corridors, curves, junctions and spurs and some freight-only lines. Some of these could allow for the expansion of the local passenger rail network, linking to the Metro network in places, at a fraction of the cost of new-build railway or tram lines.

In some cases Metro extensions identified in the draft Metro Strategy could be delivered using this approach. It also gives rise to new options, not previously considered - including to parts of the area that are currently a long way from the existing Metro system.

The passenger trains that would run on this expanded network will be influenced by a number of significant developments over coming years, which if combined could achieve a transformational result:

- The existing fleet of Metro trains is life-expired and needs to be replaced. The new trains will be designed to be flexible enough to travel on the local rail network as well as the dedicated Metro network, providing the opportunity to serve new destinations using Metro trains. Nexus expects to replace the Metro train fleet in the early 2020s. As of 1 April 2016, the Northern and TransPennine rail franchises that provide local passenger rail services in our area will be managed in partnership by the DfT and 'Rail North', a local authority organisation of which the NECA is a member. Through this arrangement we will develop an option to take direct responsibility for the franchising of local rail services from 2025/6 onwards. This would allow local rail and Metro services to work alongside each other with a common set of passenger standards and ticketing arrangements. It could also potentially see some routes transferred between Metro and local rail or vice versa, or wholly new journey opportunities created.

- Continuation of Network Rail's electrification provides an opportunity for diesel-only routes in the area to be electrified, and conversion of the Sunderland-Pelaw section to the national standard of 25kv AC. A new Metro fleet that could operate at different electrification standards would be able to provide a wide range of local rail links sustainably and efficiently, with the same high service standard throughout.

We intend to consider the Metro network, the local rail network, and the passenger trains that operate on both of them as a single local rail system when developing expansion plans for the future. The intention is to create a locally-managed network of passenger services that is integrated and provides a common high standard of service to passengers.

In the future, parts of the network's infrastructure will be provided by Nexus through the locally-owned Metro system, whereas other parts will be owned and managed by Network Rail. Some local passenger services will be provided by Metro trains operated by Nexus, but others in future may be provided by franchised heavy rail operators. However, all passenger services covered by this document will form part of a single North East rail network.

It is important to note that local passenger rail connectivity is served in a number of different ways, for example by long-distance trains serving local

traffic flows within the area. These services are out of scope for this document. Also, in our wider plans we will take account of the need for freight movement. The precious few rail lines that exist in our area today are already congested with a mix of freight and passenger services. Achieving economic success will create a greater need for movement of goods by rail – to, from, through and within our region. As we plan to expand our local rail system we will work with our partners to make sure that the potential for improved rail freight can be maximised.

We will also work with our colleagues in the Tees Valley Combined Authority, with whom we share many aspirations for improved rail services, to ensure that each area's plans enhance and complement the other.

By growing the local passenger rail system to provide faster and more sustainable links to employment, training and other social and economic activity, we can help stimulate the economic growth needed to take the area forward.

This brochure is a statement of intent, to inform key stakeholders in advance of a combined 'Metro and Local Rail Strategy' being produced during summer 2016. Its aim is to set the context for the publication of business cases for Metro fleet replacement and essential renewals.

The Metro network: centrepiece of our local rail system

With 60 stations, around 40 million passenger trips per year and trains running up to 19 hours a day, the Metro network has made a major contribution to the area since 1980.

Thanks to government funding under the 'Metro Reinvigoration' programme to renew the existing infrastructure, much of the network is being renewed so that it can continue as part of Tyne and Wear's fabric.

Phase 1 of Metro Reinvigoration saw the introduction of a new ticketing system and some station improvements.

Phase 2 concerns large-scale renewal of ageing infrastructure such as track, electrical and communications equipment and stations, between 2010 and 2021.

Phase 3 will see us take Metro into the future, developing Metro and local rail services together to enable the North East to thrive economically and socially.

To guide us in this we propose three clear policy objectives:

1. To provide Metro and local rail services that are affordable for passengers, reliable, accessible and comfortable with high levels of customer satisfaction, within available resources;
2. To grow the Metro and local rail network and their modal share as part of an integrated public transport network; and
3. To achieve value for money.

To help achieve these policy objectives we will need to:

- a) Specify, procure and introduce a replacement train fleet;
- b) Design new operating models and procure suppliers;
- c) Continue our essential renewal works for the period 2020-2030;
- d) Expand the Metro and local rail network;
- e) Secure short and long-term financial arrangements; and
- f) Improve integration.



Metro is badly in need of a new fleet of trains. The current 90-car fleet was constructed in the late 1970s and many components are life-expired. This is contributing to a very unstable operating environment, with train failures leading to delays and trains being withdrawn from service.

An outline business case for investment in a new train fleet has been prepared and will be presented to the Combined Authority for its approval in July 2019, along with a draft specification for new rolling stock. The target date for the introduction of a new fleet is the early 2020s.

The cost of a fleet capable of replicating the current timetable is estimated to be in the region of £300 million. An associated upgrade to the signalling system may cost an additional £100 million, updated depot facilities could cost in the order of £50 million, and upgrades to the electrification equipment could add a further £100 million. The total cost of new fleet could therefore be around £550 million.

The rolling stock specification will focus on providing a new fleet of Metro cars which will provide a step change in customer experience and be future proofed to provide reliable and affordable Metro services for the next 30 years. In order to achieve our policy objectives we must achieve high levels of reliability and comfort in order to build passenger satisfaction with the system. We will also aim to reduce Metro's carbon footprint.

However given the Metro system's reliance on public subsidy and, because of the important role Metro plays in underpinning the local economy our desire to maintain fares at affordable levels, we also need to keep on-going operating costs to a minimum and deliver value for money.

This involves specifying a Metro fleet that shares as many common features with other fleets as possible, basing our design features on customer feedback and lessons learned by other Metro systems, and examining the potential for new technology to deliver operating efficiencies.

We will also future proof the fleet for future developments, including specifying dual voltage to allow for running on lines electrified to Network Rail's UK standard, non-electric variants to allow for running on non-electrified lines, and the ability to procure additional vehicles to support route extensions.

Both First TransPennine and Arriva Rail North have ordered new and refurbished 'as new' train fleets as part of their current franchise obligations. These trains are due to come into service from 2020.



The future arrangement for Metro operations is likely to be built around the acquisition and deployment of a new fleet of trains, to be operational in the early part of the 2020's. This is likely to be a very different proposition to the one in place today, in which the operator is responsible for delivering a wide range of operational and customer-related activities.

The OJEU process to procure a new operator effective from 1 April 2019 would need to commence around June 2017, by which time funding for the new fleet and on-going revenue support would need to be confirmed. An outline business case for investment in a new train fleet has been produced in draft form, and we are now working with the government and the North East Combined Authority to identify funding options.

The current concession arrangement is proposed to end in March 2017. Nexus is developing an interim arrangement to cover the period April 2017 to March 2019, which will involve Nexus managing the Metro system directly. During the two year period of direct management, the Metro business will be re-shaped so that it is ready for the introduction of new trains.

Local rail services in the North East are provided by a franchise operator, currently Arriva Rail North. Through the process of devolution, this rail franchise (along with TransPennine Express) is jointly managed through a formal partnership arrangement between the Department for Transport (DfT) and Rail North Ltd (RNL). Rail North Ltd is a new body made up of 25 local transport authorities in the North of England, including the NECA. It is expected that over the next seven years control over decision-making and financial risk will progressively pass from the DfT to RNL through this arrangement.

A further devolutionary step has been agreed for the North East of England, which is that Arriva will create a Business Unit dedicated to the area, and this will have a strong interface with a North East Rail Management Unit (NEMU) representing the NECA, the Tees Valley, Cumbria and North Yorkshire. The purpose of this arrangement is to have local accountability for operational performance, and to create a strong local focus for further investment.

As part of the formation of Transport for the North as a statutory sub regional transport body, it is proposed to seek the full devolution of franchising powers from the Secretary of State to Rail North and by inference the North East Rail Management Unit. As we look into the future therefore we believe that Rail North and the NEMU hold the potential for the North East to take full control of its local rail services by direct management of the franchise arrangement beyond 2025. This would allow local rail and Metro services to work alongside each other with a common set of passenger standards and ticketing arrangements. It could also potentially see some routes transferred between Metro and local rail or vice versa, or wholly new journey opportunities created. This would be particularly facilitated by the introduction of a new Metro fleet that could operate in various different modes, including different electrification and signalling standards and on non-electrified routes.

Essential renewals 2020-2030

We are currently mid-way through 'Phase 2' of the Metro Reinvigoration programme, and through this we are renewing and rebuilding many parts of the Metro system. Track, embankments, signalling, ducting, bridges, tunnels, stations, IT and communication systems and many other features all make up the fabric of the Metro system. Many of them were built and installed during the 1970s although large parts of the system are much older than that, including structures that were built by the Victorians over 150 years ago.

The Metro Reinvigoration programme is designed to progressively replace and renew life-expired assets to reduce the risks of infrastructure failure, to improve operational reliability and efficiency, and to ensure that the system can keep operating long into the future.

Our current arrangement with the government has seen over £200 million invested since 2010, out of a total £350 million programme, to be delivered through to 2021. This however is far from the end of the story. The investment need will remain, on an on-going and permanent basis if we are to keep the Metro's fabric in a suitable condition to operate a reliable train service.

We are therefore preparing a business case to obtain government funding in the Metro infrastructure owned by Nexus, for a further ten-year period. This investment will continue to be based on asset condition, as it has been throughout the renewal programme so far.



Our industrial heritage has left behind it a network of disused railways that thread across the region. Some are former passenger lines, although many are freight routes connecting mines and factories to ports. As new developments take place around them some will once again become important transport arteries, helping to move people around the North East along unobstructed, uncongested route corridors.

Most disused routes remain free from intrusion along their path, although in some cases new roads and buildings cross the alignments and would require a business case as to the costs of restoring a route versus the expected benefits.

Nexus believes that existing and disused local rail corridors can be combined with the Metro network to create a single Metro and local rail network, at a lower cost than new-build railways. There are also a number of areas where the existing Metro network can be upgraded to create a more effective service.

This will only happen if a strong blueprint is developed by the NECA and its partners, and used to co-ordinate land use and transport planning actions by a wide range of players over the forthcoming years and decades: economic and strategic plans for housing, business and industrial growth; investment decisions by Network Rail, Nexus and local authorities; funding plans from the NECA, the national government, the

NELEP, the EU, and local businesses; and train service developments by Nexus, Rail North, Train Operating Companies and Freight Operating Companies.

The following sections describe opportunities to grow the Metro and local rail system. Some of these are relatively simple to introduce and could be achieved within five years if funding were to be made available. Others will take many more years to plan and achieve because of their cost and complexity.

Nexus is preparing a combined 'Metro and local rail strategy', bringing together all of these elements. We expect to have this ready for publication by the summer, after which work should start immediately to assess the feasibility of these options and to create the plans necessary for them to be funded and built.

Routes to the Airport

Newcastle International Airport is a hugely important strategic transport asset for our area, and high quality, sustainable transport links to it are integral to our area's future economic success, as is the expansion of its catchment area. The existing Metro service provides a fast, frequent and direct link to Newcastle and Sunderland city centres. Many of the opportunities described elsewhere in this document could provide new rail links to serve the Airport - for example to Washington and Belmont in Durham, and to South Tyneside.

Three further opportunities are worthy of exploration:

- *expanding the 'depot avoiding line' at the current Metro depot in South Gosforth, so that direct services could be provided between the Airport and North Tyneside, and potentially to South East Northumberland;*
- *reinstating a disused curve at Benton to connect the west-facing Metro line to the East Coast Main Line*
- *considering whether the current airport line could be extended to serve Ponteland.*

The 'Leamside line'

The disused Leamside alignment is important for a number of the NECA's ambitions for rail-based connectivity. The current alignment runs from Pelaw Junction to Ferryhill in County Durham, and passes through a number of locations that currently lack rail services, in particular Washington. Another disused alignment, running west from the current Metro terminus at South Hylton, joins the Leamside alignment just south of the river Wear. Acting together, these two alignments offer potential to provide:

- A 'Wearside loop' Metro-style service connecting Sunderland and Washington (described below);
- Local rail links between Durham (Belmont), Sunderland, South Shields and Newcastle (described below);
- Along with an upgraded Durham Coast line, additional capacity for passenger and freight services to relieve pressure on the East Coast Main Line; and
- In the longer term, a potential route for a high speed rail link from the North East to Yorkshire and beyond.

The Leamside alignment remains in Network Rail's ownership and is free from obstructive development, although much of its condition is not currently known to any great degree.



Pelaw: The mothballed Leamside line (centre right) meets busy Metro and rail routes from South Shields and Sunderland

South East Northumberland

Restoring passenger train services to the Blyth, Bedlington and Ashington areas is an agreed priority for the NECA because of its potential to regenerate the area it serves by connecting people to a wide range of jobs, services and training. Northumberland County Council is currently leading a project with Network Rail to examine re-opening the route for passenger traffic by 2020.

The project would upgrade an existing freight-only route which begins in Woodhorn (with an option to extend north to Newbiggin-by-the-Sea) and then passes through Ashington, Bedlington, Bebside, Newsham (for Blyth), Seaton Delaval and Seghill,

before arriving at Northumberland Park where an interchange station would enable easy access to the Metro system. The route then joins the East Coast Main Line five miles north of Newcastle city centre.

The line is a mixture of single and double-track and is not electrified, but over the longer term Nexus believes that it should be double-tracked and electrified to the Network Rail standard of 25kv AC, as well as there being a physical link to the Metro being constructed in the Northumberland Park area.

This would allow the line to be served by dual-voltage Metro trains and link onto the Metro system, in addition to the initial offering of conventional rail services to Newcastle Central Station - and possibly further, for example to the Metrocentre and Hexham. It would also increase freight capacity and offer efficient diversionary routes via Choppington or Butterwell to the East Coast Main Line.



Northumberland Park: The current freight-only line to Ashington curves away to the left of Metro tracks

Sunderland re-electrification

Nexus and the NECA believe that the full Durham Coast line should be electrified to the Network Rail standard of 25kv AC.

A key part of the Metro system provides services in Sunderland, using track and infrastructure owned and operated by Network Rail. This section was opened in 2002, is electrified using Metro's 1500v DC overhead power standard, and has stations that are managed by Metro (except Sunderland itself). All other aspects of the section, including signalling and operating standards, are in line with normal Network Rail practices.

Nexus believes that the best long-term approach is to convert the electrification of this line to the Network Rail standard of 25kv AC. This should make it easier and more cost effective for Network Rail to maintain and manage, and may have wider benefits by enabling the Durham Coast line (including the section from the south side of the High Level Bridge in Gateshead to Pelaw Junction) to be electrified in the longer term.

Electrification south from Sunderland, through Ryhope and Seaham towards the Horden/Peterlee area, would allow these centres of population and business to be served by a Metro-style service. It could also facilitate better long-distance links from cities and towns along the Durham Coast line to other parts of the North.

The re-electrification of the Sunderland line would require Metro trains to be dual-voltage, so they could run on both Metro and Network Rail infrastructure. Therefore Nexus will specify that the replacement Metro fleet should have dual voltage capability.

South Tyneside 'Track Dualling'

Despite operating at very high frequency throughout the day, the Metro system has a lengthy section of single track at the core of its operation between Jarrow and Pelaw. This limits the timetable that can be offered, severely hampers recovery of the operation when disruption occurs, and limits growth – for example new stations cannot be placed on the single-track section.

Most of this section has a single track Network Rail freight line running alongside it to the currently disused Jarrow Oil Terminal. Nexus believes that it should be possible to convert the freight-only line to be part of the Metro system, although we will take into account any continued or new use of the line for freight traffic.

Cobalt Corridor

The Cobalt and Silverlink areas are major growth engines of the North Tyneside economy but are poorly located in relation to rail-based links. An opportunity exists to deliver Metro services through the centre of this corridor, through the re-use of an old freight line formerly used to transport coal to the banks of the River Tyne. By linking to the existing

Metro Coast loop at Northumberland Park and in the Percy Main area, the opportunity exists to provide through services in both directions - and even potentially from the Ashington, Blyth and Tyne route – as well as opening up new service possibilities such as an 'inner loop' connecting Wallsend with Cobalt and Four Lane Ends.

Team Valley – A1 Park and Ride

An excellent opportunity exists to leverage existing Network Rail infrastructure to provide direct train services to and from the Team Valley area. This would require the reinstatement of the short Bensham curve in the Gateshead area to allow rail access down an existing freight-only line to the east side of Team Valley, running parallel to the ECML without conflict with Intercity services.

The route serves 20,000+ jobs in the Team Valley area and continues south towards Lamesley where proximity to both the ECML and the A1 offers the potential of a parkway-style interchange, "A1 Park & Ride". This could offer strategic benefits for the relief of trunk road congestion - the A1 in the Team Valley area suffers from one of the worst congestion hotspots in the country, although an improvement scheme is currently under construction by Highways England, it is not considered likely that any further capacity enhancements will be possible. Heading south from Lamesley there is potentially space adjacent and west of the ECML to allow local services to continue in parallel towards Birtley and Chester-le-Street if a new station were to be

established in the area where new housing development is planned.

This option could be further developed by greater use of the section of line running parallel to the south bank of the Tyne through Gateshead. This line offers a southbound route from Newcastle using the High Level Bridge over the Tyne, feeding onto the Tyne Valley Line with minimal conflict with the East Coast Main Line. It could also facilitate the development of a railway station in central Gateshead, and offer through services between Sunderland, South Tyneside, Gateshead, Metrocentre and Team Valley.

The use of the line running alongside the ECML should not come at the expense of increased capacity and resilience of the ECML itself. The ECML is of the highest strategic importance to the economic aims of the NECA, and it already struggles to meet the demands currently placed upon it. The NECA will continue to work with



Bensham: Electric power lines over a freight-only line track curving from the Team Valley towards Metrocentre

Transport for the North, Network Rail and the government to make the case for major investment in the line's capacity and resilience for carrying long-distance passenger and freight traffic.

Sunderland City Centre to Doxford Park

Consideration of a route between Doxford Park and Sunderland city centre suggests it may be possible to provide rail connections between the two by the use of the former Hetton Colliery railway which used to transport coal to the banks of the River Wear.

Doxford Park is an established Sunderland suburb, and is also home to the city's biggest business park, Doxford International, a 51 ha site that provides 8,000+ jobs. The area surrounding the site experiences peak traffic congestion which impacts upon the adjacent A19 trunk road. Bringing Metro-style services to the Doxford area would offer an attractive alternative to car use.

Most of the route between Doxford and the city centre is free from development however routes beneath or over Durham Road and Premier Road would need to be constructed, as well as a means of connecting with the existing Metro network west of University.

New Routes from South Tyneside

South Tyneside is already well served by the Metro network, but direct links between the borough and the south of the area by rail are absent.

The South Shields and Sunderland Metro routes are within 3km of each other in the Tyne Dock and Brockley Whins area. Running between them is a single-track freight branch serving Port of Tyne from a junction east of Brockley Whins. There is therefore the potential to use this existing alignment so that services could be provided between these locations.

In the Tyne Dock area a connection with Metro could be achieved on existing railway land. The continuation of freight traffic along this route as well as Metro would be achieved through twin-tracking. At Brockley Whins junction the Network Rail line to Sunderland could be used. Existing and planned employment opportunities in the area include Sunderland Software City, Port of Tyne, and the regeneration of South Shields town centre.

The triangular junction at Brockley Whins also opens up the possibility of direct journeys between South Shields and the new International Advanced Manufacturing Park (IAMP), Washington and Durham Belmont, through the construction of a new spur heading south before Pelaw junction.

Wearside Loop

The re-use of former rail lines offers the potential to deliver a circular Metro-style service covering Sunderland and Washington.

The existing route from South Hylton could be extending westwards towards Penshaw using a former mineral line, and then connected with the 'Leamside line' heading northwards through

Washington, and past the Nissan site and nearby the location of the planned 5000-jobs International Advanced Manufacturing Park within the A19 Ultra Low Carbon Enterprise Zone. Just before Pelaw junction a new spur would be created to the west, joining up with the existing Network Rail line heading back towards Sunderland via East Boldon.

A new connection would be required to connect the former Sunderland to Durham railway corridor with the Victoria Viaduct over the River Wear which formerly carried part of the Leamside route.

Because of the aim to change electrification on the existing Pelaw to Sunderland route, any planned new routes in the Sunderland area should be assumed to be electrified at 25kV AC.

West Newcastle

An opportunity exists to use the original Carlisle line out of Newcastle Central station, then via a new alignment alongside Scotswood Road. This would potentially extend the reach of local rail into West Newcastle, electrified at 25kV AC but integrated with the Metro system using dual-voltage trains. The area could also be linked to the Metrocentre via a bridge across the river Tyne.

Recent developments in the Gallowgate area mean that the potential to extend the Metro system further westwards from St James is greatly reduced, and would be very expensive given the need to create new tunnels below deep building foundations and arterial highways.

Metro to Metrocentre

Metrocentre is a major leisure, retail and employment site as well as acting as a transport hub for Western Gateshead. The existing rail service provides frequent links to Newcastle and Hexham, and hourly to Sunderland. Some of the opportunities described in this document could provide new rail links to serve Metrocentre - for example to South East Northumberland.

Two further opportunities are worthy of exploration: using the line through Gateshead to access Heworth, South Tyneside and Sunderland directly, avoiding the congested Newcastle Central Station; and using an existing freight spur between Bensham and Team Valley to connect to the route to the new A1 Park and Ride site.

Durham Belmont to Sunderland/South Shields/ Newcastle

The former Leamside alignment could be used to facilitate direct local links between Durham Belmont, Fencehouses and Penshaw, with options to link to South Hylton and Sunderland city centre; and to the Washington, International Advanced Manufacturing Park, Pelaw and South Shields area.

Durham Belmont's location at the A1/A690 interchange is ideal for bus interchange and Park and Ride, and serves as a catchment for the eastern side of Durham City but also a wide area of east and central County Durham. Fencehouses and Penshaw are areas of new housing activity and

would benefit from new local transport links that avoid the need to use the congested A1 and A19 trunk roads.

Work undertaken for the IAMP development suggests a high level of demand from County Durham residents for links to jobs in this area, and this route option opens up a number of new commuting possibilities along a corridor somewhat neglected by existing public transport. Much of the north of County Durham is within easy commuting distance of Tyne and Wear, and the existence of this corridor makes the creation of local rail links with the Sunderland and South Tyneside areas a realistic possibility.



Durham Belmont: The mothballed Leamside line passes an existing Durham City Park and Ride site

Metro is a vital public service which will cost £95.0m to operate in 2016/17. Whilst almost half of Metro's total operating costs are covered by fare income, it places heavy reliance on a sizeable amount of public subsidy in the form of revenue grant from central government and the NECA (£24.7m and £4.2m respectively in 2016/17). In addition, capital investment in Metro has traditionally been funded from capital grants, meaning that £21.7m of depreciation chargeable to Metro operations in 2016/17 is also financed from central government. Looking ahead, it will be important to secure an ongoing long-term commitment to a continuation of this level of public subsidy and discussions are underway to understand the government's position.

Metro Reinvigoration, phase 2 has provided a step change in investment in essential renewals through the Asset Renewal Programme since 2010; 90% of the current level of capital investment is provided in the form of capital grant from the government, with a 10% local contribution sourced from a combination of 'IT Block' grant and reserves held by the NECA on Nexus' behalf. As we plan our programme of renewals for the years 2021/22 onwards, we are also discussing future funding arrangements with the government.

Investment in a new fleet will be significant as described above. The current fleet is almost fully depreciated and the limited depreciation costs it does have are fully funded; therefore unless the acquisition of a new fleet can be funded in its entirety from capital grant, any future financing charges will represent new, on-going costs that are not currently a feature of Metro's operational budget. We therefore expect that, subject to a suitable business case, the government will make a significant contribution to the acquisition of a new fleet. We will also be seeking to reduce operating costs through lower energy usage and more efficient fleet utilisation, which together with additional fare revenue associated with a more reliable service, may provide some flexibility for a local contribution.

The cost of expanding the Metro system will also be significant. Although the options identified in this document aim to explore the opportunity of using existing assets, nevertheless the capital construction costs of any new railway lines are likely to run in the hundreds of millions of pounds, and new operating costs will be added. To achieve expansion of the system, investment decisions by NECA, Network Rail, Nexus and local authorities will need to be aligned, and other opportunities such as the devolution of management of the Northern Rail franchise taken at the same time.

As part of the work to develop feasibility, Nexus will develop funding options looking at a wide variety of local, national and international sources of finance for both capital investment and associated operational costs. These could potentially include developer contributions, planning gain, and investment from private sector partners.

The Metro system was designed to be the cornerstone of a simple, integrated local transport system, and as we look to the future it is important that this feature remains.

The planned ambitious expansion of the Metro and local rail network will deliver improved connectivity in itself, but the effect of this will be magnified by growth in interchange with private cars (through both park and ride and passenger drop-off points), taxis, bicycles (through high quality cycle storage), walking (through safe walking routes), buses, and longer-distance rail services.

Therefore interchange points will be designed into expanded Metro and local rail routes wherever possible, offering a wide range of onward travel opportunities.

The Metro system has always maintained the highest accessibility standards for disabled people and people with reduced mobility, and this will continue to be the case as the new fleet is specified and new stations constructed. In addition the acquisition of a new fleet offers an opportunity to explore whether the carriage of bicycles and mobility scooters can be achieved.

The Metro system already benefits from a smart ticketing system through use of the Pop card, and wherever possible this will be expanded onto other modes of travel in particular local rail and bus services. In the longer term, Nexus expects to develop contactless payment on public transport, and by working with Transport for the North, 'account-based ticketing' will be able to offer an integrated travel payment system that joins up transport across the North of England.

This is an ambitious vision; equally importantly, it is considered deliverable and worthy of the investment. The NECA area has deep-rooted issues that need to be addressed by targeted infrastructure investment to widen the reach of sustainable accessibility. But we are also realistic. There will be many competing demands on transport expenditure in years to come, and all will be subjected to rigorous scrutiny to ensure value for money. The vision we have outlined takes a pragmatic and incremental approach to network change; leveraging existing assets and service provision to achieve maximum benefits, advocating strong marketing and promotion of key regional rail routes, and using the combination of rail franchise renewals and Metro fleet replacement to create a single local rail brand that delivers safety, quality, reliability and certainty.

The rewards will be considerable. The NECA area covers a combined population of almost 2 million people, the majority of whom live or work within easy access of a potential rail or Metro station. Ensuring that the transport links within the region are as good as those to other areas of the country is vital for the delivery of our economic growth plans.



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Nexus is the public body delivering local transport services for Tyne and Wear, on behalf of the North East Combined Authority. To find out more about this project, and our wider programme, contact Lynne Robinson at: lynne.robinson@nexus.org.uk



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Transport North East Committee

DATE: 15 July 2016

SUBJECT: Capital Programme 2015/16 Outturn and Capital Programme
2016/17 Update

REPORT OF: Chief Finance Officer

EXECUTIVE SUMMARY

This report provides the Transport North East Committee with an update on the final outturn position in relation to the 2015/16 capital programme and the first monitoring update on the 2016/17 programme. This is a requirement of the NECA constitution and is a function delegated to TNEC.

RECOMMENDATIONS

It is recommended that the Committee notes the content of this report.

North East Combined Authority

Transport North East Committee

1 Executive Summary

- 1.1 This report provides the Transport North East Committee with the final outturn position in relation to delivery of the transport related capital programme for 2015/16 outturn and the first monitoring update on the 2016/17 programme. This is a requirement of the NECA constitution and is a function delegated to TNEC.
- 1.2 Details of the various elements making up the capital programme are presented in the narrative below with further detail in the appendices.

2 Background Information

- 2.1 At the Leadership Board meeting on 20 January 2015, the base Transport Capital Programme for 2015/16 was agreed, at a level of £94.483m. The first half of this report reports on progress against the 2015/16 programme. Total expenditure of £70.476m against the Transport programme was delivered in 2015/16, with slippage of £11.495m against the revised budget for works re-phased into 2016/17 or funding swapped to other sources. No funding has been lost as a result of slippage. Expenditure on the Metro Asset Renewal Plan was safely within the tolerances set by the DfT, and slippage against the Local Growth Fund transport schemes was applied to fund alternative schemes within the programme or other schemes which fit the NECA's priorities, freeing up the equivalent level of capital funding to meet the costs of the transport schemes as they come forward in 2016/17.
- 2.2 The second half of the report considers the 2016/17 Transport Capital Programme and provides an update on expenditure to date and likely forecast outturn, although it is an early stage in the year.

3 Transport Capital Programme 2015/16 Outturn

- 3.1 The table below summarises the Transport Capital Programme for 2015/16 with expenditure to date and final outturn position. Each element is set out in more detail in the following sections.

	Original Approved Budget	Latest Approved Budget	Outturn 2015/16	Variance
	£m	£m	£m	£m
Local Growth Fund Transport Schemes¹	30.150	21.174	14.972	(6.202)
Metro Asset	48.771	44.595	42.323	(2.272)

¹ £2.510m grant funding for the Central Metro Refurbishment is also included within the Metro Asset Renewal Plan section.

North East Combined Authority

Transport North East Committee

Renewal Plan				
Nexus Non-Metro Capital Programme	1.153	0.342	0.210	(0.132)
Tyne Tunnels	3.100	3.100	1.901	(1.199)
Other Transport Grants	11.309	12.760	11.070	(1.690)
Total	94.483	81.971	70.476	(11.495)

3.2 Local Growth Fund

3.2.1 The North East Growth Deal announced in July 2014 included funding for a number of transport schemes, including the devolution of Local Major Schemes funding previously agreed. NECA received £53.910m on 10 April 2015, comprising the 2015/16 allocation of the growth deal, made up of transport and non-transport schemes. The 90% budget spend target for 2015/16 for the LGF programme in totality was achieved, with a final outturn at 95.6% - but there was slippage against some Transport schemes within the programme.

3.2.2 The final approved grant offers confirmed for 2015/16 totalled £21.174m, compared with a revised budget of £21.370m as set out in the table below.

3.2.3 The final outturn position for the year showed slippage against the revised allocation, with final expenditure of £14.972m on schemes as set out in the table below. Using existing funding freedoms and flexibilities to swap LGF with other funding sources on approved projects and acceleration of projects from future years into year one meant that the overall expenditure target for the year could be met, and LGF programme commitments can be met in future years.

Scheme	2015/16 LGF drawdown (£m)
Lindisfarne Roundabout	0.797
Central Metro Refurbishment	2.510
Northern Access Corridor Ph3 – Stage 1	0.289
Local Sustainable Transport Fund Package	2.678
A19 Employment Corridor Access Improvements	0.186
A191 Junctions including Coach Lane and Tyne View Park	0.167
Newcastle Central Station to Stephenson Qtr – Stage 1	0.660

North East Combined Authority

Transport North East Committee

A1056-A189 Weetslade Roundabout Improvements	0.439
Scotswood Bridgehead – Stage 1	0.361
South Shields Transport Hub – Stage 1	0.728
Sunderland Low Carbon Zone	1.358
A1058 Coast Road	1.187
Northern Access Corridor Ph2 – Stage 2	3.612
Total	14.972

3.3 Metro Asset Renewal Plan (ARP)

2015/16 is the sixth year of Nexus' ambitious eleven year programme to renew the Metro network where investment is directed towards those assets where there is greatest need, according to both asset condition and a risk based approach that ensures future operational requirements are fully considered.

The budget for any particular year should be seen in the context of the long term funding commitment from government where the following factors are a key feature of how Nexus delivers its renewal programme –

- i) The requirement from DfT that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2015/16 were set at £33.692m and £40.851m respectively);
- ii) The flexible way in which grant funding can be vired between financial years with up to 10% being carried into the following year or 10% being brought forward from the following year;
- iii) A recognition that logistical and other planning processes play a significant role in determining where resources are deployed in fulfilling the objectives of Nexus' three year rolling programme, which at any particular time involves the delivery of around 100 individual projects; and
- iv) The need for each individual project comprising the overall programme to deliver value for money.

The 2015/16 capital budget therefore included an over programming level of over 30%. This was necessary because experience has shown that over-programming levels reduce during the course of the year as efficiencies are delivered and/or specific projects are rephased in order that expenditure levels are contained within the agreed DfT funding envelope.

A key benefit of this approach is that it gives Nexus the ability to actively manage the scheduling and delivery of projects to drive efficiencies without a risk of falling below minimum expenditure levels. This includes obtaining procurement savings through consolidating packages of work to increase market interest and competitiveness, and ensuring that the necessary disruption to the Metro service is minimised (by avoiding key events and

North East Combined Authority

Transport North East Committee

making best use of school holidays and lower patronage windows).

At the end of the financial year, the Metro capital budget was subsequently revised from £48.771m prior to the start of the financial year to £44.595m.

The reduction in the budget was due to the re-profiling of individual projects, some of which were brought into the current year when the 2014/15 year was closed down, some of which have been moved into future years and some of which have been accelerated i.e. delivered earlier than previously planned. Examples include:

- i) Radio project, reflecting the need to re-schedule elements of the program into future years in order to successfully deliver this complex project (£0.3m);
- ii) Bridges, which have been re-profiled to future years in conjunction with Network Rail timescales (£2.0m);
- iii) St James Escalators which were delivered ahead of schedule in 2015/16, to take advantage of procurement efficiencies by using the existing escalator framework contract and pricing arrangements (£1.9m); and
- iv) Stations, where the reduction in availability of funding from DfT has resulted in re-profiling of works together with bidding for complementary funding (£6.0m).

These examples reflect the dynamic nature of the programme and also helps ensure spending targets are achieved.

The £4.2m movement between the original budget for 2015/16 and the latest budget for 2015/16 can be summarised as follows:-

	£m
Re-phasing from 2014/15, increasing 2015/16 budget	4.4
Accelerated projects (from 2015/16 to 2014/15), reducing 2015/16 budget	(1.1)
Re-phasing from 2015/16 to future years, reducing 2015/16 budget	(12.8)
Accelerated projects (from 2016/17 to 2015/16), increasing 2015/16 budget	4.1
Other changes (largely increased costs from new framework contract for track works)	1.2
TOTAL	(4.2)

The 2015/16 outturn for the Metro ARP Capital Programme was £36.224m as

North East Combined Authority

Transport North East Committee

detailed at Appendix A. This is within the agreed DfT funding envelope for the year which required a minimum spend level of £33.692m.

The outturn is only £0.3m less than the Quarter 4 monitoring position reported to the Committee in 28th April 2016.

To the end of 2015/16, the following key projects had been delivered or progressed as per the programme:

- Essential earthworks – retaining structures and slope regarding – ensuring long term stability of embankments and cuttings in the South Gosforth to Jesmond corridor progressed to plan and are on target to complete in May 2016.
- Newcastle Central Metro Station refurbishment progressed to plan with installation of new internal cladding. Electrical switchboards have been renewed and the replacement escalator has been manufactured for delivery to site in June. Expenditure targets for the Local Growth Fund grant claim were achieved in full.
- The first 15 day possession of the permanent way (track) renewals scheme from Tynemouth to Northumberland Park was completed with further works being undertaken during ‘Control of Line’ i.e. in the hours when passenger services don’t operate. Planning for the second possession commencing in late July is progressing well.
- Renewal of the critical St James’ Switches and Crossings was substantially complete at the year-end with final drainage works to be undertaken in the first quarter of 2016/17.
- The Railway Traffic Management System (RTMS) project progressed to programme with associated survey work and the detailed requirements and design documentation undertaken during the year.
- The tendering process for Killingworth Road Bridge commenced before the year end with a design and build contract expected to be let in the second quarter of 2016/17.
- Installation of radio infrastructure and integration testing commenced during the year, as did the planning for Metrocar radio equipment installation and staff training. However, it has been necessary to review the programme as a consequence of delays to the detailed design process and the installation of transmission infrastructure.
- Planning approval was granted for the South Shields Transport Interchange. The Council is progressing with the assembly of the necessary land.
- The remaining escalators at St James Station were replaced - this marked the completion of the escalator replacement programme across the network during the year.
- Preparation for the system wide renewal of the overhead line progressed to plan. Delivery of specialist plant and equipment and the tendering for overhead line conductor and materials commenced before the year-end. A design contract was also awarded and work

North East Combined Authority

Transport North East Committee

to develop the detailed design of the installation began towards the year-end.

- A financial contribution of £3.5m was paid to Sunderland City Council as a contribution towards the proposed development at Sunderland Station (above ground).

The outturn for 2015/16 is financed as follows:-

	Funding 2015/16 £000
ARP	
Metro Rail Grant (MRP)	32,601
Local Contribution 10%	
• Local Transport Plan (LTP)	2,640
• Reserves	982
Total - ARP	36,224
Major Schemes	
• Single Local Growth Fund	2,510
• Reserves	3,589
Total – Major Schemes	6,099
Total	42,323

3.4 Nexus Non-Metro Capital Programme 2015/16

The latest revised budget for 2015/16 is £0.342m, with forecast expenditure at £0.210m, as set out below:

Nexus Non Metro Programme	Latest Approved Budget 2015/16 £000	Outturn 2015/16 £000
Cycling	82	15
Metro Maintenance and Renewals Skills Centre	123	117
Wi-Fi	77	16
Asset Knowledge	60	62
Total Nexus Non Metro	342	210

North East Combined Authority

Transport North East Committee

The Metro Maintenance and Renewals Skills Centre, which will be reliant on £7m of Local Growth Funding has not yet received approval from the NECA/NELEP. Expenditure incurred on designing and developing the proposition, including the business case, was met from Nexus' own resources in 2015/16.

The Cycling project will be completed in 2016/17 whilst the collation of asset knowledge as it relates to Nexus' non-Metro infrastructure was completed by the year-end. This will help inform investment need across the medium term away from the Metro network. It is planned to procure a concession for the utilisation of Nexus communications infrastructure with the provision of Wi-Fi facilities by the end of 2016/17.

At the year end, Nexus was also awaiting the approval of its business case submission for the Real Time Gateway Project where expenditure, budgeted at £0.3m. This project has now been approved.

Nexus Non-Metro Capital Programme Financing

The following table sets out how the Nexus non-Metro capital programme for 2015/16 will be financed:-

	Funding 2015/16 £000
Grant	
Local Transport Plan (LTP)	66
Local Sustainable Transport Fund (LSTF)	-
Nexus Contribution	
Reserves	144
Total	210

3.5 Tyne Tunnels Capital Programme

There are two main elements to the Tyne Tunnels capital programme: the refurbishment works of the Pedestrian and Cycle Tunnels which commenced in 2013, and residual costs and works in relation to the major New Tyne Crossing project to construct the new vehicle tunnel.

These are set out in the table below

North East Combined Authority

Transport North East Committee

	Original Approved Budget	Latest Approved Budget	Outturn 2015/16	Variance
	£m	£m	£m	£m
Pedestrian and Cycle Tunnels	2.500	2.500	1.553	(0.947)
New Tyne Crossing	0.600	0.600	0.348	(0.252)
Total	3.100	3.100	1.901	(1.199)

3.4.1 Tyne Pedestrian and Cycle Tunnels

The Tyne Pedestrian and Cyclist Tunnels closed to the public in May 2013 to allow for a full refurbishment, installation of inclined lifts to replace the old wooden escalators, and structural works to be completed.

There will be further slippage against the programme into 2016/17. The main contractor for the refurbishment, GB Building Solutions Limited, entered into administration in March 2015. NECA has assumed project management responsibilities including contracting directly with the specialist sub-contractor for the inclined lift installation, to enable the project to progress to completion. However, this has caused significant delays to the programme.

3.4.2 New Tyne Crossing

There are a small number of pieces of work still underway in relation to the New Tyne Crossing: namely the contribution to the Hexham Fish Pass works agreed with Northumberland County Council, (which was a requirement of the environmental obligations as part of the project) which has now slipped to 2016/17; provision for outstanding Part 1 Land Compensation Claims; and ongoing work in relation to land transfers with North and South Tyneside. Professional fees and costs associated with this work and work on variations to the Project Agreement were also included within the 2015/16 budget.

These costs are funded from Tyne Tunnels reserves.

3.5 Other Transport Grants

NECA is the responsible body for a number of DfT grants, which are awarded to the Authority and which it pays to the constituent authorities and delivery agencies to deliver transport works and capital investment in the region.

North East Combined Authority

Transport North East Committee

	Original Approved Budget	Latest Approved Budget	Outturn 2015/16	Variance
	£m	£m	£m	£m
LTP Integrated Transport Block	11.309	12.083	10.962	(1.121)
North East Smart Ticketing Initiative	0.677	0.677	0.108	(0.537)
Total	11.986	12.760	11.070	(1.690)

3.5.1 Local Transport Plan (LTP)

LTP Integrated Transport Block grant is a flexible source of capital funding which is awarded to NECA by the DfT. This grant is provided to NECA's constituent authorities and Nexus, to deliver transport capital schemes, and is paid on a quarterly basis. In the case of Nexus, the grant provides match funding to the Metro Capital grant funding the Metro Asset Renewal Programme.

The variance against the programme primarily relates to carry forward against the funding held for minor public transport schemes to be delivered in constituent local authorities and some contributions to the development of the NECA Local Transport Plan. This funding is to be used to deliver works during 2016/17 which is permitted under the grant conditions.

3.5.2 North East Smart Ticketing Initiative (NESTI)

NECA acts as accountable body for NESTI which is a programme of investment in smart ticketing infrastructure across the wider North East. Capital expenditure of £0.108m during the year has been on the Small Operator Scheme and the Regional Stored Travel Rights system. The works have been funded from the NESTI contributions which are held and managed centrally by NECA. Slippage on the programme will be incorporated into the 2016/17 programme.

North East Combined Authority

Transport North East Committee

4 Transport Capital Programme 2016/17

- 4.1 At its meeting on 20 January 2016, the Leadership Board agreed a total capital programme for 2016/17 of which around £96m related to investment in Transport schemes. The latest approved budget takes into account the outturn position for 2015/16. At this early stage in the year, expenditure for the first two accounting periods is low but the outturn is anticipated to be around £91m at the year end.

	Original Approved Budget 2016/17 £m	Latest Approved Budget 2016/17 £m	Period 2 2016/17 £m	Projected Outturn 2016/17 £m
Local Growth Deal Transport Schemes	41.980	36.078	-	36.078
Metro Asset Renewal Programme	41.192	43.392	5.611	41.015
Nexus Non-Metro*	0.650	0.650	-	0.648
Tyne Tunnels Capital Programme	-	1.199	0.034	1.199
Other Transport Grants*	12.362	12.738	3.480	12.738
Total	96.184	94.057	9.125	91.678

*Less grant funding shown in other programme lines

4.2 Local Growth Deal Capital Schemes 2016/17

- 4.2.1 The total current LGF programme for 2016/17 amounts to £78.222m including £36.078m of Transport schemes as set out in the table below:

Scheme	Approval Status	LGF 2016/17 Current Allocation (£m)
Lindisfarne Roundabout	Approved	2.510
Northern Access Corridor Ph 3 Stage 2	Business Case	3.780
Northern Access Corridor Ph 3 Stage 1	Approved	0.361
Local Sustainable Transport Fund Package	Approved	4.822
A19 employment corridor access improvements (North Tyne)	Approved	1.750
A191 junctions including Coah Lane and	Approved	1.333

North East Combined Authority

Transport North East Committee

Tyne View Park		
Newcastle Central Station to Stephenson Quarter – Stage 2	Pipeline	2.810
Newcastle Central Station to Stephenson Quarter – Stage 1	Approved	0.190
A1056-A189 Weetslade roundabout improvements and A1-A19 link (A1058)	Approved	3.891
Scotswood Bridgehead – Stage 2	Business Case	2.160
Scotswood Bridgehead – Stage 1	Approved	0.139
South Shields Transport Hub – Stage 1	Approved	0.872
Sunderland Low Carbon Zone	Approved	4.592
A1058 Coast Road	Approved	4.130
A167 Park and Ride Corridor	Pipeline	0.500
Northern Access Corridor – Ph 2 Stage 1	Business Case	0.478
Horden Rail Station	Pipeline	0.750
A185/A194/A19 (The Arches)	Pipeline	0.300
		36.078

4.2.2 No grant has yet been drawn down from NECA at the time of writing this report, with claims not due until the end of the first quarter. During the first two months of the year, progress has been made with outstanding Grant Funding Agreements on a number of the Local Sustainable Transport Fund projects within the programme, including Real Time Passenger Information (Nexus), Newcastle Airport Gateway (South Tyneside), Morpeth Cycle Scheme (Northumberland), Durham Wheels to Work (Durham) and South Shields Cycle Scheme (South Tyneside). Progress is also being made with the development of new pipeline projects.

4.2.3 Risks to project delivery in 2015/16 are being managed by the programme team through detailed review of individual contracted projects and monitoring visits to high risk projects.

4.3 Metro Asset Renewal Plan 2016/17

4.3.1 The Leadership Board approved the Metro Asset Renewal Plan (ARP) capital programme for 2016/17 in January 2016 totalling £41.192m. This is the seventh year of Nexus' ambitious eleven year programme to renew the Metro network where investment is directed towards those assets where there is greatest need, according to both asset condition and a risk based approach that ensures future operational requirements are fully considered.

4.3.2 The budget for any particular year should be seen in the context of the long term funding commitment for the programme where the following factors are a

North East Combined Authority

Transport North East Committee

key feature of how Nexus delivers its renewal programme:-

- i) The requirement from DfT that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2016/17 were set at £31.913m and £38.802m respectively);
- ii) The flexible way in which grant funding can be vired between financial years with up to 10% being carried forward into the following year or 10% being brought forward from the following year;
- iii) A recognition that logistical and other planning processes play a significant role in determining where resources are deployed in fulfilling the objectives of Nexus' three year rolling programme, which at any particular time involves the delivery of around 100 individual projects; and
- iv) The need for each individual project comprising the overall programme to deliver value for money.

4.3.3 The 2016/17 capital budget therefore included an over programming level of approximately 20%. This was necessary because experience has shown that over-programming levels reduce during the course of the year as efficiencies are delivered and/or specific projects are re-phased in order that expenditure levels are contained within the agreed DfT funding envelope.

A key benefit of this approach is that it gives Nexus the ability to actively manage the scheduling and delivery of projects to drive efficiencies without a risk of falling below minimum expenditure levels. This includes obtaining procurement savings through consolidating packages of work to increase market interest and competitiveness, and ensuring that the necessary disruption to the Metro service is minimised (by avoiding key events and making best use of school holidays and lower patronage windows).

4.3.4 At the end of the second of 13 periods (ending 28 May 2016), the Metro capital budget has been revised to £43.392m.

The increase in the budget for this year is due to the re-profiling of individual projects, some of which were brought into the current year when the 2015/16 year was closed down, some of which have been moved into future years and some of which have been accelerated i.e. delivered earlier than previously planned. Examples include:

- i) Radio and Rail Traffic Management projects, reflecting the need to re-schedule elements of the programme into future years in order to successfully deliver these complex projects (£1.6m);
- ii) Bridges, which have been re-profiled to future years in conjunction with Network Rail timescales (£0.9m);
- iii) Track works carried out at Easter 2016 which were delivered financially in 2015/16 to a greater extent than originally forecast (£1.5m); and
- iv) Switches and Crossings works at St James and Regent Centre where finalisation of the project is now re-scheduled in 2016/17 (£0.9m).

These examples reflect the dynamic nature of the programme and also helps

North East Combined Authority

Transport North East Committee

ensure spending targets are achieved.

- 4.3.5 The £1.2m movement between the original budget for 2016/17 and the latest budget for 2016/17 can be summarised as follows:-

	£m
Re-phasing from 2015/16, increasing 2016/17 budget	8.1
Accelerated projects (from 2016/17 to 2015/16), reducing 2016/17 budget	(1.9)
Re-phasing from 2016/17 to future years, reducing 2016/17 budget	(5.4)
Accelerated projects (from 2017/18 to 2016/17), increasing 2016/17 budget	0.9
Other changes (largely proposed changes to financing of projects)	(0.5)
TOTAL	1.2

- 4.3.6 Expenditure as at the end of Period 2 is £5.611m. This represents 18% of the £31.913m minimum expenditure level required by DfT for this financial year.

The latest forecast to the year end is now £41.015m; lower than budgeted largely because of reduced expenditure forecasts in the phasing of works relating to the Rail Traffic Management System project.

An evaluation of remaining risks in the programme together with several options to undertake managed re-profiling of expenditure will ensure that the final outturn falls within the DfT's prescribed funding tolerance (which as previously indicated, is required to be at least £31.913m).

At this stage any variation in expenditure against the revised budget that is not forecast to be incurred in the current year will be carried forward into the 2017/18 programme.

- 4.3.7 To the end of the second four week period of 2016/17, the following key projects have been progressed:

- Essential earthworks to ensure long term stability of embankments and cuttings in the South Gosforth to Jesmond corridor are now substantially complete. The works have been completed without impact on Metro services.
- Newcastle Central Metro Station refurbishment continues with installation of new internal cladding and platform canopies. General electrical installations are progressing and the escalator renewal is anticipated to commence in late June.
- The first 15 day possession of the permanent way renewals scheme from Tynemouth to Northumberland Park is now complete and further

North East Combined Authority

Transport North East Committee

works are continuing during 'Control of Line' i.e. in the hours when passenger services don't operate. Planning for the second possession commencing in late July is progressing well.

- Planning is underway to undertake track re-railing within the central area tunnels to commence in June 2016.
- The Railway Traffic Management System (RTMS) project is continuing to programme with associated survey work and the progression of detailed requirements and design documentation. It is envisaged that once this phase is complete the scheme will be temporarily paused in order to accommodate dependencies with Radio infrastructure.
- Tender evaluation is underway for Killingworth Road Bridge as a design and build contract. The response from the prospective contractors has been encouraging thus far.
- Installation of radio infrastructure is continuing and integration testing is underway. Planning for Metrocar radio equipment installation and staff training continues. The overall delivery programme is however being reviewed because of delays in finalising some detailed designs and completing works on site where access and land ownership issues have been encountered. This will impact on the Rail Traffic Management System completion dates because of the dependencies of the two projects.
- Design is underway for the South Shields Transport Interchange. Approval in Principle (form A) sign off is expected in June.
- Preparation for the system wide renewal of the overhead line continues. Specialist plant has been procured and vehicle acceptance is underway. Procurement of the necessary materials is progressing well.

4.3.8 Over the next 3 four week periods of 2016/17, the Metro ARP cost loaded programme shows the following expenditure profile, as detailed in Appendix A:

	Year to Date	Period 3 Forecast	Period 4 Forecast	Period 5 Forecast
	£m	£m	£m	£m
In Period Spend		2.63	3.50	6.97
Cumulative Spend	5.61	8.24	11.74	18.61

- The Newcastle Central Metro Station refurbishment works will continue and are expected to complete in Autumn 2016.
- The track renewal from Tynemouth to Northumberland Park will continue with a second 15 day line closure commencing 23rd July.
- Design work is planned to complete in quarter 2 for Four Lane Ends, Regent Centre and Chichester Stations. Whilst not currently planned to be delivered within the current funding envelope, the completion of the design works will assist in advancing these particular projects to the 'start line' should external funding be made available.
- Collating the full requirements for the RTMS system will be finalised for agreement with stakeholders, following which detailed design,

North East Combined Authority

Transport North East Committee

development and implementation planning will be progressed.

- The Overhead line renewal programme will continue to mobilise following delivery of plant, equipment and materials in quarter 1 of 2016/17. Start on site is expected in September.

4.3.9 The forecast expenditure for 2016/17 is financed as follows:

	Latest Approved Funding 2016/17 £000	Projected Funding 2016/17 £000
ARP		
Metro Rail Grant (MRP)	31,821	31,821
Local Contribution 10%		
• Local Transport Plan (LTP)	2,640	2,640
• Reserves	896	896
Over-programming	6,902	4,389
Total - ARP	42,259	39,746
Major Schemes		
• Reserves	1,133	1,269
Total – Major Schemes	1,133	1,269
Total	43,392	41,015

4.4 Nexus Non-Metro Capital Programme 2016/17

4.4.1

The latest revised budget for 2016/17 is £0.650m, with forecast expenditure at £0.648m, as set out below:-

Nexus Non Metro Programme	Latest Approved Budget 2016/17 £000	Projected Outturn 2016/17 £000	Period 2 Spend 2016/17 £000
Cycling	166	166	-
Real Time Gateway Project	261	261	-
Wi-Fi	61	59	-
Ferry works	162	162	-

North East Combined Authority

Transport North East Committee

Total Nexus Non Metro	650	648	-
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The Cycling project will be completed in 2016/17 and it is planned to procure a concession for the utilisation of Nexus communications infrastructure with the provision of Wi-Fi facilities by the end of the financial year.

Nexus has now received the approval of its business case submission for the Real Time Gateway Project where expenditure, budgeted at £0.261m will now be incurred in 2016/17.

4.4.2 Non-Metro Capital Programme Financing

The following table sets out how the Nexus Non Metro capital programme for 2016/16 will be financed:-

	Latest Approved Funding 2016/17 £000	Projected Funding 2016/17 £000
Grant		
Local Transport Plan (LTP)	77	77
Local Sustainable Transport Fund (LSTF)	261	261
Nexus Contribution		
Reserves	246	244
Other	66	66
Total	650	648

4.5 Tyne Tunnels Capital Programme 2016/17

	Original Approved Budget	Revised Budget 2016/17	Period 2 2016/17	Projected Outturn 2016/17
	Page 87			

North East Combined Authority

Transport North East Committee

	£m	£m	£m	£m
Tyne Pedestrian and Cyclist Tunnels	-	0.947	0.026	0.947
New Tyne Crossing	-	0.252	0.008	0.252
Total Tyne Tunnels	-	1.199	0.034	1.199

4.5.1 Tyne Pedestrian and Cyclist Tunnels

At the time of setting the capital programme in January 2016, no programme was set for the Tyne Tunnels. The revised budget for the year is based on slippage from the previously approved programme into 2016/17. A specialist sub-contractor for the asbestos removal works has now been procured, and the Engineer to the Tunnels is currently evaluating the impact of the recent developments on the overall cost and duration of the project. This will be reported to the Tyne and Wear Sub Committee and following their recommendation the Leadership Board will be requested to revise the budget accordingly to allow the completion of the required works. All works will be funded from the Tyne Tunnel reserves.

4.5.2 New Tyne Crossing

Approvals were given at the May meeting of the Leadership Board for the progression of easements with the Port of Tyne Authority and Virgin Media, and the contribution to the Tyne Rivers Trust for the Hexham Fish Pass. These are expected to be paid during the next few months of this financial year, along with some professional fees and expenses associated with finalising legal agreements in relation to Bilton Hall Bridge, water ingress and land transactions.

4.6 Other Transport Grants 2016/17

	Original Approved Budget 2016/17 £m	Revised Budget 2016/17 £m	Period 2 2016/17 £m
Local Transport Plan (less Metro ARP Local Contribution shown above)	11.309	11.685	3.480
North East Smart Ticketing Initiative	1.053	1.053	-
Total	12.362	12.738	3.480

The revision to the budget is to update the figures to include carried forward grant from 2015/16 as described in section 3.6 above.

North East Combined Authority

Transport North East Committee

5 Next Steps

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

6 Potential Impact on Objectives

- 6.1 The report sets out the transport capital programme of the Combined Authority which supports the meeting of its objectives.

7. Finance and Other Resources

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

8 Legal

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

9 Other Considerations

9.1 Consultation/Community Engagement

The Authority's capital programme for 2015/16 and 2016/17 comprises previously approved budgets which were subject to consultation as part of the approval process.

9.2 Human Rights

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

9.3 Equalities and Diversity

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

9.4 Risk Management

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

9.5 Crime and Disorder

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

9.6 Environment and Sustainability

North East Combined Authority

Transport North East Committee

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

10 Background Documents

- 10.1 Capital Programme 2015/16 – Leadership Board 20 January 2015
- Capital Programme Monitoring Update 2015/16 P2 – TNEC 9 July 2015
- Capital Programme Monitoring Update 2015/16 Q3 – TNEC 24 November 2015
- Capital Programme 2016/17 – Leadership Board 19 January 2016
- Capital Programme Monitoring Update 2015/16 – TNEC 26 February 2015

11 Links to Plans in the Policy Framework

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

12 Appendices

- 12.1 Appendix A – Metro Asset Renewal Plan Outturn 2015/16
- Appendix B – Metro Asset Renewal Plan 2016/17 Update P2

13 Contact Officers

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14 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Section 151 Officer ✓

North East Combined Authority

Transport North East Committee

Appendix A – Metro Asset Renewal Plan Outturn

Asset Category	Latest Approved Budget	Actual 2015/16
	£000	£000
Civils (Note 1)	5,149	4,344
Communications	3,894	3,083
Level Crossings	64	59
Mechanical & Electrical	3,783	3,488
Metro Cars	2,144	2,129
Miscellaneous	519	197
Overhead Line	2,704	2,592
Permanent Way (Note 1)	12,991	13,947
Plant	84	72
Power	93	105
Signalling	5,398	5,042
Stations	1,653	1,165
Total ARP Programme (Note 2)	38,475	36,224
Major Projects	6,120	6,099
TOTAL	44,595	42,323

Note 1

Civils works relating to Easter 2016 blockade included within Permanent way.

Note 2

2016/17 Approved Programme includes various projects that formed part of the original budget for 2015/16 but were subsequently carried forward for delays into future years (Table 1 refers)

North East Combined Authority

Transport North East Committee

Appendix B – Metro Asset Renewal Plan 2016/17

Asset Category	Budgets					Forecasts			
	Original Approved Budget (DfT submission) 2016/17	Amended Programme 2016/17	Approved Programme 2017/18	Approved Programme 2018/19	Total Budget 2016/17-2018/19	Period 2 Forecast 2016/17	Period 2 Forecast 2017/18	Period 2 Forecast 2018/19	Total Forecast 2016/17-2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Civils	1,715	2,241	1,909	842	4,993	1,865	6,425	1,362	9,652
Communications	3,650	4,262	1,254	128	5,644	4,009	2,005	154	6,168
Level Crossings	0	5	0	0	5	13	0	0	13
Mechanical & Electrical	335	570	280	80	930	367	197	167	730
Metro Cars	1,365	1,880	1,750	1,663	5,293	1,416	1,250	1,163	3,829
Miscellaneous	715	659	690	690	2,039	678	1,000	690	2,368
Project Management Costs	0	0	0	1,993	1,993	0	0	1,993	1,993
Inflation allowance	0	0	0	0	0	0	0	0	0
Overhead Line	3,650	4,242	3,000	3,000	10,242	4,578	3,410	3,293	11,280
Permanent Way	19,470	17,990	20,985	13,927	52,901	17,500	12,682	15,297	45,479
Plant	0	12	0	0	12	6	0	0	6
Power	0	305	0	100	405	330	27	0	357
Signalling	6,685	6,453	3,546	965	10,964	5,419	3,468	1,548	9,857
Stations (Note 1)	2,505	3,640	6,079	1,237	10,957	3,567	8,526	6,099	18,769
Total ARP Programme	40,090	42,258	39,493	24,625	106,376	39,746	38,990	31,766	110,502
Major Projects	1,102	1,133	5,910	0	7,043	1,269	5,910	0	7,179
TOTAL	41,192	43,392	45,403	24,625	113,420	41,015	44,900	31,766	117,681

Note 1

Stations' projections include full cost of works. Other funding opportunities are currently being explored and the forecast spend currently provides for the full project costs

North East Combined Authority

Transport North East Committee

DATE: 15 July 2016

SUBJECT: Revenue Budget 2015/16 Outturn and 2016/17 Budget Update

REPORT OF: Chief Finance Officer

EXECUTIVE SUMMARY

This report provides the Transport North East Committee with an update on the outturn position in relation to the 2015/16 revenue budget, and the first monitoring update on the 2016/17 budget. This is a requirement of the NECA constitution and is a function delegated to TNEC.

RECOMMENDATIONS

It is recommended that the Committee notes the content of this report.

North East Combined Authority

Transport North East Committee

1 Executive Summary

- 1.1 This report provides the Transport North East Committee with a progress update in relation to the outturn position on the transport related revenue budget for 2015/16, and the first monitoring update on the 2016/17 budget. This is a requirement of the NECA constitution and is a function delegated to TNEC.
- 1.2 The overall picture on the budget position is positive, with savings being made against various budget heads and the total expenditure being below the budget for the year. However there were continuing pressures on the budgets for Concessionary Travel in some areas.
- 1.3 The grants paid to Durham County Council, Northumberland County Council and Nexus are fixed for the year, with each organisation managing budget overspends or underspends within this. Expenditure against the grants for the full year are set out in the detailed sections for each delivery organisation.
- 1.4 The update for the 2016/17 financial year shows that, at this early stage in the year, expenditure is anticipated to be within budget with further savings and efficiencies identified since the budget was set in January.

2 Background Information

- 2.1 At its meeting held on 20 January 2015, the Combined Authority received a report from the Chief Finance Officer setting out the Authority's proposed base net budget for 2015/16 for Transport activity of £89.254m and total levies of £89.177m.
- 2.2 This report combines the year end outturn position for 2015/16 and an update on spend to the end of period 2 for 2016/17.

3 Transport Revenue Budget 2015/16 Outturn

North East Combined Authority

Transport North East Committee

- 3.1 The table below summarises the net Transport Revenue Budget (i.e. the net cost to the North East Combined Authority after external income and direct government grants are taken into account) for 2015/16. Each element is set out in more detail in the following sections.

	2015/16 Original	2015/16 Forecast	2015/16 Outturn
	£000	£000	£000
Transport Levy	(89,177)	(89,177)	(89,177)
Grant to Durham	16,072	16,072	16,072
Grant to Nexus	64,500	64,500	64,500
Grant to Northumberland	5,896	5,896	5,896
NECA Transport Retained budget	2,786	2,797	2,737
Contribution (to)/from NECA Reserves	77	97	27

3.2 NECA retained levy budget 2015/16 Outturn

- 3.2.1 This levy-funded budget mainly holds items which are a legacy from the former Tyne and Wear ITA, primarily historic financing charges, as well as the running costs of NECA which are attributable to Transport activity.
- 3.2.2 The budget for 2015/16 along with the levies and grants to Transport Authorities was originally set in January 2015 by the NECA, and was revised in January 2016.
- 3.2.3 The outturn against this budget is summarised in the table below:

	2015/16 Revised	2015/16 Outturn	Variance
	£000	£000	£000
Service Level Agreements	250	184	(66)
Training, Travel & Subsistence	3	1	(2)
Members Allowances	5	5	-
Supplies & Services	22	22	-
Audit Fee	13	12	(1)
Contribution to Devolution Activity	110	187	77
Financing Charges	2,159	2,086	(73)
Repayment to Tyne Tunnels Reserves	240	240	-

North East Combined Authority

Transport North East Committee

Interest Income	(5)	-	5
Grant to Durham	16,072	16,072	-
Grant to Northumberland	5,896	5,896	-
Grant to Nexus	64,500	64,500	-
Durham Levy	(16,076)	(16,076)	-
Northumberland Levy	(5,901)	(5,901)	-
Tyne & Wear Levy	(67,200)	(67,200)	-
Contribution (to)/from Reserves	87	27	(60)

- 3.2.4 The net result for the year was a net deficit of £27k, less than the budgeted deficit when the revised budget position for the year was agreed at the NECA Leadership Board in January 2016. Savings were generated on Financing Charges – through lower than budgeted interest costs arising from early repayments of debt where it would generate a net saving to do so. The other significant variance was on the budget for Service Level Agreements, where a review carried out during the year to accurately reflect levels of support required by NECA identified savings.

These savings were in part used to make a larger contribution to the Devolution activity workstream, a substantial element of which has involved work on devolution of transport funding and functions to a future Mayoral Combined Authority.

3.3 Durham 2015/16 Outturn

- 3.3.1 The outturn position shows an underspend of £651k for the year.

- 3.3.2 The main reason for the reported variances (outturn against original budget) is shown below:

- i) Concessionary Fares £100k under budget – this results from lower than expected payments to smaller operators.
- ii) Subsidised Services £473k under budget – this results from action being taken to manage expenditure in anticipation of the £400k budget reduction in 2016/17.
- iii) Bus Stations £9k under budget – this results from general efficiency savings and reduced payments to contracts.
- iv) Bus Shelters £70k under budget – resulting from a reduction in maintenance costs following a programme of refurbishments.

The underspend at the year-end is retained by Durham County Council.

North East Combined Authority

Transport North East Committee

	Original Budget	2015/16 Outturn	Variance (Budget vs Outturn)
	£000	£000	£000
Concessionary Fares	11,891	11,791	(100)
Subsidised Services	3,228	2,755	(473)
Bus Stations	184	175	(9)
Bus Shelters	80	10	(70)
Passenger Transport Information	79	79	0
Staffing	609	610	1
Share of NECA Transport Costs	5	5	0
Net Expenditure	16,076	15,425	(651)

3.4 Northumberland 2015/16 Outturn

3.4.1 The outturn shows that expenditure overspent by £350k, which will be met by Northumberland County Council.

3.4.2 Northumberland's two main areas of revenue expenditure are as follows:

- i) Subsidised Bus Services – Northumberland County Council supports a range of socially necessary bus services, mainly in the rural North and West areas but some in the more urban South East. The Council reviewed all contracts that did not offer value for money and re-tendered some routes with alternative delivery models. The £200k saving was achieved in the financial year but due to pressures that came forward from 2014/15 the budget overspent by £111k.
- ii) Concessionary Travel Scheme – Although claims from operators are made monthly all adjustments to reimbursement rates are made quarterly to ensure that operators are being reimbursed with an accurate overall rate. The year end overspend position of £271k is after final claims have been paid or accrued for to all operators. Since the budget was presented to the Combined Authority the saving (£150k) in relation to performing an audit of eligibility for disabled person's bus passes has been reinstated into the budget resulting in Northumberland County Council showing a forecast overspend of £121k within its accounts.

	Original Budget	2015/16 Outturn	Variance (Budget vs Forecast)
	£000	£000	£000

North East Combined Authority

Transport North East Committee

Concessionary Fares	4,366	4,637	271
Subsidised Services	1,318	1,429	111
PT Information	36	9	(27)
Staffing	176	171	(5)
Net Expenditure	5,896	6,246	350

North East Combined Authority

Transport North East Committee

3.5 Tyne and Wear – Nexus 2015/16 Outturn

3.5.1 Throughout 2015/16 Nexus has reported favourable variations in the forecast outturn when compared to the original budgeted deficit of £3.103m. The outturn for the 2015/16 year for Nexus is a surplus before taxation and exceptional items of £1.789m, a positive variance of £4.892m. Exceptional items during the year have further increased the surplus by £2.666m to £4.455m. The major variances between the budget and the 2015/16 outturn are set out in the narrative and table below.

3.5.2 Expenditure

Metro

There was a reduction in the Concession Payment to DB Regio Tyne and Wear (DBTW) of £0.796m, caused by two major factors.

- (i) The level of performance penalties imposed on DBTW as a result of performance failures during the year amounted to £0.926m against a budget of £0.200m, a variance of £0.726m; and
- (ii) There was a positive variance of £70k resulting from a reduction in the Concession Payment to DB Regio because of changes to inflation indices after the original budget was set.

Other variances are explained below: -

- (iii) A saving of £0.608m was achieved on the Nexus Rail budget as a result of unused risk contingency and savings in staffing costs as a result of proactive vacancy management.
- (iv) The depreciation charged to the revenue account in 2015/16 is in aggregate £57k lower than the budget. This is due to the finalisation of the review of Nexus' fixed assets initiated in the latter part of 2014/15 as well as changes made within the year to the Metro Capital Programme;
- (v) Savings in the cost of High Voltage Power during the year totalled £0.680m reflecting delays in the implementation of the Government's Electricity Market Reform ("EMR") and savings in the wholesale electricity price due to effective procurement;
- (vi) There were several high value insurance claims successfully closed within the year within minimal or no payment occurring. Combined with marginally lower insurance premium renewals, a saving of £0.224m was achieved against the budget at the year end.
- (vii) Nexus successfully appealed against rating valuations in respect of Metro during the year, resulting in a saving of £50k.

The overall saving against budget with respect to Metro operations in 2015/16 was £2.414m

3.5.3 Concessionary Travel

North East Combined Authority

Transport North East Committee

The saving against budget of £0.344m is mainly due to “clawback” of £0.250m of concessionary travel reimbursement where passenger numbers in the previous year (2014/15) were reconciled at being more than 5% below target. In addition, there were administrative savings from having negotiated fixed term reimbursement arrangements with major bus operators.

3.5.4 Bus

Substantial savings against budget have been achieved due to a combination of factors including lower than budgeted contract price inflation, influenced by a fall in fuel prices, the entry of new operators into the market, some services being provided on a commercial basis and a more efficient way of configuring contracts.

Depreciation against bus infrastructure assets is £160k lower than budget which is partly offset by an increase in cleaning against budget of £30k, caused by the need to extend the previous cleaning contract as a result of the procurement process for a new contractor being delayed.

It was originally intended that the costs of the Bus Strategy Delivery Plan, totalling £598k in 2015/16, would not be included in the current year’s revenue results but would instead be met directly from reserves. In view of the overall savings that have been made against budget and the fact that further costs are unlikely to be incurred until such time that a new budget is established, these costs have been charged direct to the revenue account in 2015/16.

3.5.5 Other

The franchise payment to Northern Rail increased by £125k but this is offset by a compensating increase in revenue received from DfT which is shown within the income section of this appendix.

The savings within Customer Services and Support services largely reflect a reduction in employee costs following a combination of the reduction in the number of management posts at the beginning of the year and effective vacancy control during the year.

In respect of pensions and provisions, the £163k adverse variance is a combination of a provision made to cover costs arising from a recent Employment Appeals Tribunal claim, offset by savings in “unfunded” pension costs and a decrease in the provision set aside for slow moving inventories

3.5.6 Income

Grant Income

As with the concession payments to DBTW, the level of the Metro Rail Grant (“MRG”) received from the DfT is partly determined by inflation indices

North East Combined Authority

Transport North East Committee

unavailable at the time the original budget is set. Once the actual indices were published MRG receivable was reduced by £46k.

As noted above the Northern Rail grant was increased by DfT and is passed through Nexus to the Northern Franchise operator.

3.5.7 Commercial Income

Metro

Metro fare revenue for the year (including an estimate of revenue foregone for the carriage of Gold Card holders) amounted to £50.238m, against a budget of £48.695m, a positive variance of £1.543m or 3.2%. This growth in revenue reflected growth in passenger numbers with 40 boardings in 2015/16, a 5% increase on the previous year.

During 2015/16 additional income totalling £580k was received from Network Ticketing Limited (NTL). This arose as a result of a review of NTLL's cash balances and is in respect of undistributed revenue from ticket sales over the past five years or so. This wasn't budgeted for and therefore represents a positive variance on this particular budget.

Bus

Whilst the expenditure in relation to secured buses is substantially below the original budget as noted above, there has also been a decline of £939k in the amount of income received by Nexus where it retains fare revenue risk on its 'minimum cost' services. The main contributing factor is that the Quaylink service is now provided by Go North East on a commercial basis, something that wasn't envisaged when the original budget was set.

Whilst this reduction in income offsets some of the cost savings described above, there was an overall net saving on the secured bus budget of £1.223m.

Concessionary Travel

Following the increase in the price of the Metro Gold Card, sales have been consistently lower than budgeted levels throughout the year and finally out turned at £0.202m below the original budget.

3.5.8 Other Income

As explained in the expenditure section above, the amount of depreciation charged to the revenue account as a result of changes in the Metro capital programme fell during the year and this has led to a corresponding reduction in deferred capital grants released to the revenue account.

The performance of Nexus' cash investments was marginally better than budgeted resulting in an increase in investment income of £37k for the year.

North East Combined Authority

Transport North East Committee

3.5.9 Exceptional Items

The three exceptional items referred to above are detailed below:

Investment in Sunderland Station

Nexus has made a contribution to Sunderland City Council of £3.5m towards the future development of Sunderland Station. Since this is expenditure incurred in support of a capital project to enhance an asset not owned by Nexus, it is necessary that this expenditure is charged to the revenue account. This will ultimately be funded from Nexus' usable capital reserves which were previously earmarked for this purpose.

Provisions written back

As part of the review of Nexus services, a number of provisions held on Nexus' balance sheet have been critically appraised at the year end, resulting in a release of £1.393m to the revenue account.

Airport Extension loan write off

In 1990, the then Tyne and Wear Passenger Transport Authority (PTA) advanced a sum of £4.773m to Nexus in relation to the construction of the Airport extension. During the year, it was established that this is not included within the NECA's long term debtors balance for borrowing undertaken on behalf of Nexus, having been treated as a grant. It is therefore necessary for Nexus to remove this from its long term borrowings. Since none of the original loan has been redeemed since it was originally made, it has been written off in full.

3.5.10 Summary

The following table summarises the performance against budget for the year as described above:

North East Combined Authority

Transport North East Committee

Nexus Revenue Budget Report 2015/16 Outturn Cumulative to 31st March 2016

	Original Budget	Actual	Variance
	£m	£m	£m
EXPENDITURE			
Metro			
- DB Regio Concession Payment	37.108	36.312	(0.796)
- Asset Costs	22.632	22.575	(0.057)
- Nexus Rail	12.313	11.705	(0.608)
- HV Power, Rates and Insurance	9.443	8.490	(0.953)
Concessionary Travel			
- ENCTS	37.633	37.386	(0.247)
- Metro	6.357	6.270	(0.087)
- Under 16s	4.748	4.738	(0.010)
Bus			
- Secured Bus Services	18.136	15.974	(2.162)
- Bus Infrastructure	1.948	1.816	(0.132)
- BSDP	0.000	0.598	0.598
Other			
- Northern Rail	2.907	3.032	0.125
- Ferry	1.230	1.214	(0.016)
- Customer Services	5.038	4.840	(0.198)
- Support Services	8.093	7.651	(0.442)
- Pensions and Provisions	5.011	5.174	0.163
- Loan interest	1.927	1.940	0.013
	174.524	169.715	(4.809)

North East Combined Authority

Transport North East Committee

	Original Budget	Actual	Variance
	£m	£m	£m
INCOME			
Grant Income			
- Local Authority Grant	(64.500)	(64.500)	0.000
- Metro Rail Grant	(24.503)	(24.457)	0.046
- Northern Rail Grant	(2.901)	(3.077)	(0.176)
Commercial Income			
- Metro	(48.695)	(50.238)	(1.543)
- Bus	(6.726)	(5.787)	0.939
- Ferry	(0.570)	(0.542)	0.028
- Concessionary Travel	(1.828)	(1.626)	0.202
- Other	(1.117)	(1.034)	0.083
Other			
- Asset Financing	(20.251)	(19.786)	0.375
- Investment Income	(0.330)	(0.367)	(0.037)
	(171.421)	(171.504)	(0.083)
(Surplus)/Deficit before Exceptional Items	3.103	(1.789)	(4.892)
Exceptional items			
- Sunderland Station	0.000	3.500	3.500
- Provisions written back	0.000	(1.393)	(1.393)
- Airport Loan write off	0.000	(4.773)	(4.773)
	0.000	(2.666)	(2.666)
(Surplus)/Deficit before taxation	3.103	(4.455)	(7.558)

North East Combined Authority

Transport North East Committee

3.6 Tyne and Wear – Tyne Tunnels 2015/16 Outturn

3.6.1 The budget for 2015/16 is set out in the table below, with income and expenditure to the year end.

	2015/16 Revised	2015/16 Actual	Variance
Income			
Tolls	(27,457)	(28,396)	(939)
Interest / Other Income	(234)	(116)	118
Repayment from TW Transport reserve	(240)	(240)	-
Expenditure			
Contract Payments	21,658	22,033	375
Employees	36	36	-
Pensions	56	52	(4)
Support Services	100	103	3
Supplies & Services	35	35	-
Community Fund	10	10	-
Financing Charges	6,419	6,404	(15)
Premises	-	67	67
Net (Surplus)/Deficit	383	(12)	(395)
Contribution to/(from) Tunnels reserve	(383)	12	395
Total	-	-	-

3.6.2 The outturn at the year-end shows an improved position from when the revised budget was agreed in January. The major variances were on Tolls income and Contract Payments to the concessionaire, where higher traffic usage of the tunnel led to increase income partially offset by increased payments to TT2 Ltd. Interest and other income was lower than forecast, as lower cash balances have been held during the year, as these were used for the repayment of debt.

Within the Financing Charges budget line, there were substantial savings on interest charges which enabled the setting aside of additional amounts for the repayment of principal, over and above the Minimum Revenue Provision.

Premises costs which had not been included in the budget were incurred in relation to the Tyne Pedestrian and Cycle Tunnels refurbishment project where the NECA took over the site from the original contractor during the year.

North East Combined Authority

Transport North East Committee

- 3.6.3 The final outturn position was a small surplus of £12k to be added to the Tyne Tunnels reserve. After contributions to the capital programme from the reserve, the remaining level at 31 March 2016 was around £24.3m.

4. Revenue Budget Update – Period 2 2016/17

- 4.1 At this early stage in the year, overall forecast expenditure is anticipated to be within the budget with additional savings identified on a number of areas and no unanticipated costs arising to date.

4.2 NECA Retained Levy Budget

	2016/17 Original Budget	2016/17 Forecast	Actual to P2
Service Level Agreement	245	200	20
External Audit	13	13	-
Members Allowances and Expenses	5	5	1
Conferences, Travel and Subsistence	3	3	-
Supplies & Services	22	22	3
Repayment to Tyne Tunnels	240	240	40
Financing Charges	2,098	2,073	346
Contribution to Transport Devolution Activity	110	110	-
Grant to Durham	15,435	15,345	2,558
Grant to Northumberland	6,329	6,329	1,055
Grant to Nexus	62,500	62,500	10,417
Total Expenditure	87,000	86,840	14,440
Durham Levy	(15,440)	(15,440)	(2,573)
Northumberland Levy	(6,334)	(6,334)	(1,056)
Tyne and Wear Levy	(65,120)	(65,120)	(10,853)
Misc Income	(3)	-	-
Total Income	(86,897)	(86,894)	(14,482)
Net Expenditure	103	(54)	(42)

North East Combined Authority

Transport North East Committee

4.3 Durham

4.3.1 The latest forecast indicates that there will be a budget underspend of £463k for the year.

4.3.2 The main reason for the reported variances (forecast outturn against original budget) is shown below:

- i) Concessionary Fares £395k under budget – this results from the reimbursement to operators being lower than budget due to the budget being set before negotiations took place.
- ii) Staffing £68k under budget – this results from vacancy savings.

The projected underspend at the year-end will be retained by Durham County Council.

	Original Budget	Spend to Date (May 2016)	Forecast to Year end	Variance (Budget vs Forecast)
	£000	£000	£000	£000
Concessionary Fares	11,765	1,562	11,370	(395)
Subsidised Services	2,822	(80)	2,822	0
Bus Stations	142	2	142	0
Bus Shelters	(13)	13	(13)	0
Passenger Transport Information	88	(102)	88	0
Staffing	631	105	563	(68)
Share of NECA Transport Costs	5	0	5	0
Net Expenditure	15,440	1,500	14,977	(463)

4.4 Northumberland

4.4.1 The latest forecast indicates that expenditure will break even. Northumberland County Council's two main areas of revenue expenditure are as follows:

- i) Subsidised Bus Services – Northumberland County Council supports a range of socially necessary bus services, mainly in the rural North and West areas but some in the more urban South East. The Council reviewed all contracts that did not offer value for money during 2015/16 and re-tendered some routes with alternative delivery models. A slight pressure remains within the budget but the unit is currently working with a major operator with a view to reducing the subsidy on a number of routes.
- ii) Concessionary Travel Scheme – Although claims from operators are made monthly all adjustments to reimbursement rates are made

North East Combined Authority

Transport North East Committee

quarterly to ensure that operators are being reimbursed with an accurate overall rate. Work has not yet been completed to calculate the reimbursement rate for the first quarter but will be completed during July on receipt of the first quarter's data from the operators. At this stage of the financial year it is assumed that the budget will break even.

4.4.2 Summary to end of Period 2:

	Original Budget 2016/17	Spend to date	Forecast to Year end	Variance (Budget vs Forecast)
	£000	£000	£000	£000
Concessionary Fares	4,663	400	4,663	0
Subsidised Bus Services	1,303	232	1,303	0
PT Information	3	0	3	0
Staffing	190	32	190	0
Net Expenditure	6,159	664	6,159	0

4.5 Tyne and Wear – Nexus

4.5.1 When approving Nexus' revenue budget for 2016/17, the Leadership Board approved use of £3.659m of reserves in order that Nexus could set a balanced budget. In so doing, the Leadership Board acknowledged the need for a review of Nexus' services so that savings could be made in the medium term, thereby negating the use of reserves in the future. The Leadership Board delegated the supervisory aspects of the review to the Tyne and Wear Sub-Committee.

4.5.2 On 6 June, Nexus launched a consultation looking at how service users and key stakeholders view the services it provides. The consultation will run for a period of 8 weeks and will help inform how Nexus can operate without such a dependency on its reserves in future.

4.5.3 As part of the review, Nexus is critically examining its base budget requirement and the closure of the 2015/16 accounts has also enabled a similar examination of the balance sheet. In addition the 2015/16 year-end position was far better than the forecast made at the time the 2016/17 budget was being formulated; a forecast surplus of £0.1m at the end of calendar year 2015 has grown to an actual surplus of £1.8m. This favourable progress has been reported to this Committee already and elsewhere in this report, the Committee is provided with further detail in relation to Nexus' outturn position for 2015/16.

4.5.4 The base budget review referred to in the paragraph above is not yet complete but it is envisaged that a significant, permanent reduction can be

North East Combined Authority

Transport North East Committee

made to Nexus' base requirement, particularly in relation to secured bus services and concessionary fares reimbursement. This will help ensure that any service reductions are minimised, notwithstanding the fact that the levy and therefore the grant that Nexus receives from the North East Combined Authority could be further reduced in 2017/18 and future years. The outcome of the base budget review will be reported to this Committee at its November 2016 meeting.

4.5.5 Despite pressures on Nexus' revenue budget, there will be a need to direct significant resources into two major devolution work streams, namely the production of business cases and/or scoping studies for:-

- A new fleet of Metrocars and associated infrastructure;
- The continuation of the current programme of essential renewals across the Metro network;
- Route extensions and enhancements across Metro and the local rail network; and
- Bus franchising.

4.5.6 In regards the Metro work streams, a budget of £1.0m was established within the 'Major Projects' part of the Nexus base budget for developmental activity during 2016/17. This budget has been transferred from 'Major Projects' into 'Metro' within the table at paragraph 4.5.12, something that is also explained in paragraph 4.5.11 of this report. However, in addition to the need to commit expenditure in respect of the Metro devolution work streams, it is likely, given that the contract for train operations with DB Regio will expire at the end of the year with operations being provided in-house from 1 April 2017, that the £1.0m Metro development budget will prove insufficient during 2016/17 because of the need to ensure that a smooth and effective transition occurs. (NB – this cost is not a new cost, it is a cost that Nexus would have incurred whenever the contract with DB Regio expired; the fact that it is happening in 2017 as opposed to 2019 means that the cost of transition has been brought forward by a full two years).

4.5.7 Accordingly, it is envisaged that any additional costs incurred in respect of Metro transition and Metro devolution work streams this financial year that are in excess of the £1.0m already provided for within Nexus' base budget will be met from Nexus' capital reserves, although it might be possible to draw down some resources from the single pot development budget and/or the Large Local Major Scheme fund if bids that are currently being formulated are successful.

4.5.8 It will also be important to establish a budget in order that the NECA is able to respond to the Buses Bill. Nexus is already incurring expenditure in this regard and these costs will need to be met from Nexus' capital reserves, although as with Metro devolution work streams, it might be possible to draw down some resource from the single pot development budget if a bid that is currently being formulated is successful.

North East Combined Authority

Transport North East Committee

- 4.5.9 There will be a separate report to the Leadership Board on 19 July dealing with funding in respect of various devolution work streams.
- 4.5.10 Setting aside the base budget review and also the need for further budgets to progress devolution work streams, Nexus is forecasting an outturn for 2016/17 as at Period 2 of a deficit before taxation of £3.515m. This compares with the original budgeted deficit of £3.659m, a positive variance of £0.144m.
- 4.5.11 The major variance between the original budget and the forecast outturn identified to date are set out below:-

Base Budget Reclassifications

Since the Leadership Board agreed the budget in January 2015, and in order to ensure the cost of running Metro is more accurately reflected in the base budget, it has been necessary to reclassify two budget entries:-

- The £1.0m Metro development budget initially contained within the Major Projects part of the budget and referred to in paragraph 4.36 has been transferred into the Metro budget.
- The Metro Gold Card income budget of £0.965m has also been transferred into the Metro budget (this had previously been contained within the Discretionary CT budget line).

The effect of these changes (on the net budget) is zero, reflected as follows:-

- Metro + £0.035m
- Discretionary CT + £0.965m
- Major Projects - £1.000m

Metro

Net forecast Metro expenditure shows a positive variance of £0.042m. This reflects savings from the revised schedule of general rates for Nexus properties of £0.022m, and fuel savings of £0.020m due to the low price of this commodity compared to when the budget was initially established.

Concessionary Travel

The inflation indices used to adjust the level of concessionary travel payments in 2016/17 is less than estimated, resulting in a positive variance of £0.028m.

Bus and Customer Services

There is a forecast net saving of £0.052m in relation to the cleaning and security contracts within the Bus Infrastructure budget. Efficiencies have resulted from a revision of shift patterns and a reduction in night time working.

North East Combined Authority

Transport North East Committee

Grant Income

The inflation indices used to adjust the level of Rail Administration Grant which is received from DfT are less than estimated, resulting in a positive variance of £0.022m.

4.5.12 The table below, which replicates the format used in the Leadership Board budget report from January 2016 provides the Committee with a summary of Nexus' budget position as at the end of period 2:-

<u>Service Area</u>	<u>Net Budget</u>	<u>Forecast</u>	<u>Variation</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
ENCTS	36.530	36.504	(0.026)
Discretionary CT	3.552	4.515	0.963
Metro	4.221	4.214	(0.007)
Ferry	1.160	1.160	0.000
Local Rail	0.187	0.165	(0.022)
Bus Services	14.110	14.110	(0.000)
Bus Infrastructure	2.401	2.349	(0.052)
Public Transport Information	1.649	1.649	0.000
Major Projects	2.349	1.349	(1.000)
TOTAL NET REQUIREMENT	66.159	66.015	(0.144)
NECA Grant (Levy)	(62.500)	(62.500)	0.000
Deficit on ordinary activities	3.659	3.515*	(0.144)

** Whilst the deficit for 2016/17 is currently forecast at £3.515m, as paragraph 4.5.4 sets out, this does not include the outcome of Nexus' base budget review, which will be reported to the Committee in November 2016. At this stage, the base budget review is expected to lead to a significant, permanent reduction to Nexus' base budget requirement, particularly in relation to secured bus services and concessionary fares reimbursement.*

North East Combined Authority

Transport North East Committee

4.6 Tyne Tunnels

Expenditure to the end of Period 2 is set out in the table below along with the forecast for the year. This shows that expenditure is anticipated to be within budget at the year end, with a small deficit against the revenue account.

	2016/17 Original Budget	2016/17 Forecast	Actual to P2
Income			
Tolls	(29,243)	(30,100)	(4,800)
Interest / Other Income	(200)	(200)	-
Repayment from TW Transport reserve	(240)	(240)	(40)
Expenditure			
Contract Payments	22,277	23,100	3,857
Employees	37	37	6
Pensions	58	52	9
Support Services	90	90	-
Supplies & Services	35	35	3
Community Fund	10	10	-
Financing Charges	7,465	7,465	1,244
Net (Surplus)/Deficit	289	249	279
Contribution to/(from) Tunnels reserve	(289)	(249)	(279)
Total	-	-	-

5 Next Steps

- 5.1 The transport revenue budget will be monitored for the remainder of the financial year and progress reported to the committee at regular intervals, with the outturn position reported following the year end.

6 Potential Impact on Objectives

- 6.1 The report sets out the transport revenue budget of the Combined Authority which supports the meeting of its objectives.

North East Combined Authority

Transport North East Committee

7 Finance and Other Resources

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

8 Legal

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

9 Other Considerations

9.1 Consultation/Community Engagement

The Authority's revenue budget for 2015/16 and 2016/17 comprises previously approved budgets which were subject to consultation as part of the approval process.

9.2 Human Rights

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

9.3 Equalities and Diversity

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

9.4 Risk Management

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

9.5 Crime and Disorder

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

9.6 Environment and Sustainability

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

10 Background Documents

- 10.1 Revenue Budget 2015/16 – Leadership Board 21 January 2015
Revenue Budget 2015/16 – Leadership Board 17 February 2015

North East Combined Authority

Transport North East Committee

Revenue Budget 2015/16 P2 Update – TNEC 9 July 2015

Revenue Budget 2015/16 P6 Update – TNEC 24 November 2015

Revenue Budget 2016/17 – Leadership Board 19 January 2016

11 Links to Plans in the Policy Framework

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

12 Appendices

12.1 n/a

13 Contact Officers

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14 Sign off

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