



## Tyne and Wear Integrated Transport Authority

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Meeting to be held on Thursday 23 January 2014 at 10.00 am in a Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

(Labour Group pre-meeting at 9:00am) (Opposition Group pre-meeting at 9:30am)

Membership: Curran, Errington, M Green, S Green, Hobson, Hodson, Lambert, Lott, Maughan, McCarty, McElroy, Miller, Smith, Stone, D Wood and P Wood

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### AGENDA

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| 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 - 10  |
| 4. Minutes of the special meeting held on 19 December 2013  | 11 - 14 |
| 5. ITA Budget and Levy 2014/15  | 15 - 38 |
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| 8. 2013/14 Capital Programme - Third Quarterly Review   | 71 - 80 |
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| 10. Code of Practice for the employment of staff who are engaged wholly or mainly on the provision of services to Nexus by third parties  | 85 - 90 |

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| <b>14.</b> | <b>Petition in relation to the school bus service No. 112 to West Jesmond Primary School, Newcastle upon Tyne</b> | <b>123 - 126</b> |
| <b>15.</b> | <b>Update on Direct Award Franchise for Northern and TransPennine Express</b>                                     |                  |

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.

**16. Highways Agency Consultation: Silverlink Interchange**

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.

**17. Consultation on transforming the Highways Agency into a government-owned company**

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.

**18. Date and Time of the Next Meeting**

Thursday, 27 March 2014 at 10am.

**19. Exclusion of Press and Public**

Exclusion of Press and Public under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.

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| <b>20.</b> | <b>Confidential Minutes of the Previous Meeting</b> | <b>127 - 128</b> |
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**21. Tyne Pedestrian and Cyclist Tunnels - Phase 3 Improvement Works**

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.



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## Tyne and Wear Integrated Transport Authority

28 November 2013  
(10.00 - 11.10 am)

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### **Present:**

Councillor: D Wood (Chair)

Councillors: Curran, Errington, M Green, Hobson, Hodson, Lambert, Lott, Maughan, McCarty, McElroy, Miller, Stone and P Wood

### **In attendance:**

#### **Newcastle City Council:**

P Ritchie - Clerk (ITA)  
P Woods - Treasurer (ITA)  
J Softly - Legal Adviser (ITA)  
G Grant - Policy (ITA)  
E Goodman - Senior Accountant (ITA)  
P Fenwick - New Tyne Crossing Project Director (ITA)  
N Whitefield - Press Office  
V Miller - Democratic Services

#### **Sunderland City Council:**

D Laux

#### **Nexus:**

B Garner - Director General  
T Hughes - Deputy Director General and Director of Customer Services  
R Johnstone - Director Designate of Rail and Infrastructure  
D Punton - Communications Office

### **28. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors S Green and Smith.

### **29. DECLARATIONS OF INTEREST OF MEMBERS OR OFFICERS IN ANY MATTER TO BE DISCUSSED AT THE MEETING**

Members did not declare any specific interest but referred to the public Register of Members' Interests that recorded their interests.

In response to a member's question, J Softly clarified that the requirement to declare interests at meetings of the Authority related to members and not officers.

### 30. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 26 September 2013 were approved as a correct record and signed by the Chair.

#### **Matters Arising**

##### **(a) Minutes of the previous meeting held on 25 July 2013 – Matters Arising - (c) Local Transport Plan targets – update report**

(Minute 6 (c) refers)

It was noted that information on the local air quality management was provided in the report for the agenda item 11.

##### **(b) Minutes of the previous meeting held on 25 July 2013 – Matters Arising – (d) 2013/14 Capital Programme – first quarterly review**

(Minute 6 (d) refers)

It was noted that information on gates at the Metro stations was provided in the report for the agenda item 17.

##### **(c) DCLG Consultation paper on Revenue Grant Settlement for 2014/15 and 2015/16.**

(Minute 12 refers)

It was noted that information from the Government on the grant settlement was expected in December. Members would be provided with an update on this in January.

##### **(d) Discretionary CT Schemes: Update**

(Minute 13 refers)

In relation to a member's question that had been raised at the September meeting about the TaxiCard scheme, it was agreed that this matter would be discussed at the February Policy Seminar.

##### **(e) Metro Major Line Closure – Modernisation Works Update**

(Minute 18 refers)

A member expressed concern about the disruption to the Metro services this morning. A member also expressed concern that there had been no announcements for passengers about these disruptions. In response, officers outlined the faults that had caused the disruptions and

reassured members that the issue with the lack of announcements would be raised with the operator.

A member commented that on a different Metro line there were continuous announcements; however, the main concern was the performance of Metro, which seemed to have had worsened when compared to the previous year. When referring to the possible reasons for this performance, a member commented that, whilst the issue of the availability of the Metro cars was understandable, clarification was needed around the issue of a low level of adhesion. Members also commented on the fall in customer satisfaction with Metro. In response, officers explained that a response on these matters, including on the issues with the levels of adhesion, would be provided at a future date.

**(f) Metro Strategy Update Report**

(Minute 22 refers)

On advice from B Garner, it was agreed that a workshop on the long term strategy for Metro, which would provide members with an opportunity to discuss options, would be held in the new year.

**31. PETITION IN RELATION TO THE SCHOOL BUS SERVICE NO. 112 TO WEST JESMOND PRIMARY SCHOOL, NEWCASTLE UPON TYNE**

Submitted: A joint report of the Clerk and the Democratic Services' Team Manager (previously circulated and copy attached to Official Minutes).

Members considered the report which informed them of the receipt of a petition regarding the school bus service No.112 in Newcastle upon Tyne and recommended that the petition should be referred to Nexus for consideration and reporting back to the Authority and Newcastle City Council.

**RESOLVED** – That:

- (i) the receipt of the petition be noted; and
- (ii) the petition be referred to Nexus for consideration and reporting back to the Authority and Newcastle City Council.

**32. PETITION, AS ORGANISED BY STAGECOACH NORTH EAST, AGAINST THE PROPOSED QUALITY CONTRACT SCHEME**

Submitted: A joint report of the Clerk and the Democratic Services' Team Manager (previously circulated and copy attached to Official Minutes).

Members considered the report which informed them of the receipt of a petition that had been organised by Stagecoach North East asking members to vote against the proposed Quality Contracts Scheme (QCS). The report also recommended that members request Nexus

to prepare a response to the Authority and Stagecoach North East on the issues raised in the petition.

**RESOLVED** – That:

- (i) the receipt of the petition be noted; and
- (ii) the petition be considered and responded to as part of the consultation process on the Quality Contracts Scheme.

### 33. **REVENUE BUDGET MONITORING REPORT TO OCTOBER 2013**

Submitted:

- (i) A report of the Treasurer (previously circulated and copy attached to Official Minutes); and
- (ii) Additional detail to Agenda Item 6 – Proposal to Repay ITA Pension Deficit (with the Chairman’s permission, due to the timetables involved circulated at the meeting and copy attached to Official Minutes).

Members considered the report which provided an update on the revenue budget monitoring position for the period 1 April to 31 October 2013. The report also sought members’ approval for the use of revenue reserves to repay the Authority’s historic pension deficit. The report was introduced by P Woods.

The additional paper which was circulated at the meeting provided further detail on the proposals in relation to the repayment of the pension deficit. It was noted that whilst the figures from the Pension Fund had now been provided, they would be subject to further checks. If members supported the proposals, they would be reflected in the budget report that would be submitted to the January meeting.

**RESOLVED** – That:

- (i) the position in relation to the revenue budget to the end of October 2013 be noted; and
- (ii) the Treasurer be authorised to progress action to make a payment of up to £10.1m to the pension fund once the due diligence checks on the amount of the repayment have been satisfactory completed.

### 34. **TREASURY MANAGEMENT MID-YEAR REVIEW**

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

Members considered the report which provided them with information on the treasury management activity in the first six months of 2013/14. The report also sought members’

approval of the changes to the 2013/14 prudential indicators and the amended investment criteria and limits. The report was introduced by P Woods.

A member commented on the importance of protecting the ethical values of the Authority when choosing an institution for investment. In response, it was confirmed that this would be considered within the procurement process.

**RESOLVED** – That:

- (i) the report be noted;
- (ii) the changes to the 2013/14 prudential borrowing indicates, as set out in section 6 of the report, be agreed; and
- (iii) the amended investment criteria and limits, as set out in section 5 of the report, be agreed.

### 35. **REVISION TO METRO AND FERRY FARES 2014**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which sought members' approval of the changes to the Metro and Ferry fares for 2014. The report was introduced by T Hughes.

During the ensuing discussion, the following points were raised:

- A member expressed concern about the short notice in relation to the proposal to remove the University of Sunderland Metro Card from the 2<sup>nd</sup> of January 2014. In response, officers suggested that consideration could be given to extending this timescale. Officers would liaise with representatives from Sunderland University to inform them of the proposal and revised timescales.
- In response to a member's question, T Hughes suggested that detailed information on the elasticity of demand could be provided to members after the meeting.
- A member welcomed the discounted products that were available for young people.
- A member suggested that consideration should also be given to reviewing the costs of short journeys. A member explained that this question was frequently raised by residents.
- A member commented on the importance of promotion of the Metro and Ferry fare products to the public.

**RESOLVED** – That:

- (i) the proposed levels for the Metro and Ferry fares, as set out in Appendices A, B, C and D of the report, be approved; and
- (ii) the withdrawal of the Sunderland University Metrocard be postponed to a later date in 2014, to be identified in discussions between Nexus and Sunderland University.

**36. DISPOSAL OF LAND AT WHITBURN ROAD, SUNDERLAND**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which sought their approval for the disposal of land at Whitburn Road, Sunderland.

**RESOLVED** – That the sale of the land at Whitburn Road, Sunderland, as specified in the report, be approved subject to Nexus securing best value.

**37. ANNUAL AUDIT LETTER 2012/13**

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

Members considered the report which presented the Annual Audit Letter for 2012/13.

**RESOLVED** – That the report and the Annual Audit Letter be received and noted.

**38. GENERAL POLICY UPDATE**

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

Members considered the report which provided an overview of the recent national transport announcements and developments, including some of those wider national policies that had a direct link to transport and the Authority's ability to meet its objectives. The report was introduced by G Grant.

During the ensuing discussion, it was noted that:

- Nexus were preparing a response to the High Speed Rail (HS2) consultations and a copy of the draft response could be sent to members on request.
- A discussion on the licensing practices in relation to taxis would be scheduled for the February Policy Seminar.

**RESOLVED** – That:



(i) the report be noted; and

(ii) the Clerk would oversee and sign off the submission of a response to the consultation on the transformation of the Highways Agency into a government-owned company.

**39. LSTF PROGRAMME UPDATE AND EXTENSION PROPOSAL**

Submitted: A report of the Chair of the Joint Transport Steering Group (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the progress of the Go Smarter programme and sought their endorsement of the submitted expression of interest in any additional funding that could become available for the Local Sustainable Transport Fund (LSTF) programme.

During the consideration of this item, the Chairman and the Leader of the Opposition, on behalf of the Authority, thanked G Grant for this work for the Authority and wished him well for the future.

**RESOLVED** – That:

(i) the report be noted; and

(ii) the expression of interest in additional funding for the LSTF programme be endorsed.

**40. TYNE PEDESTRIAN AND CYCLIST TUNNELS (TPCT) - PHASE 3 IMPROVEMENT WORKS UPDATE**

Submitted: A report of the Project Director to the New Tyne Crossing (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the progress that had been achieved on the Phase 3 improvement works to the Tyne Pedestrian and Cyclist Tunnels (TPCT) and the associated arrangements to maintain this cross Tyne link for users. The report was introduced by P Fenwick. The Chairman informed members about a memorial that had been created to commemorate the work of the late Councillor Hanson on the Tyne Tunnels.

**RESOLVED** – That the report be noted.

**41. 2013/14 CAPITAL PROGRAMME - SECOND QUARTERLY REVIEW**

Submitted: A joint report of the Treasurer of the Authority and the Director of Finance and Resources of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the overall performance of the 2013/14 Capital Programme, including its delivery to the end of the second quarter. The report was introduced by P Woods and B Garner. B Garner reported that work continued to achieve a better value for money with regard to the Metro Asset Renewal Plan (ARP), in line with the Department for Transport (DfT) requirements. The Chair commented on the

significance of the ARP programme, including that it was recognised as a major engineering programme in Tyne and Wear.

**RESOLVED** – That the report and the position with regard to the 2013/14 Capital Programme at the end of the second quarter, as outlined in section 2 of the report, be noted.

**42. NEXUS ANNUAL EXPENDITURE AND ACTIVITY ANALYSIS REPORT 2012/13**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which provided financial and statistical information relating to Nexus' services as part of its annual reporting processes. The report was introduced by B Garner.

**RESOLVED** – That:

- (i) the report be noted; and
- (ii) the report be circulated to the five Councils for comment and then brought back to the Authority for consideration or information as appropriate.

**43. CHRISTMAS AND NEW YEAR SERVICES 2013/2014**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the proposed Metro, Ferry, Secured Bus and Northern Rail operations over the Christmas and New Year period. The report was introduced by T Hughes.

During the ensuing discussion, the following points were raised:

- A member referred to paragraph 3.1 of the report and suggested that taxis should be considered as public transport services.
- B Garner was pleased to report that bus operators were running an increased number of commercial services on Boxing Day.

**RESOLVED** – That the report be noted.

**44. METRO SMART TICKETING - UPDATE**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which provided them with an update on the introduction of smart ticketing on the Tyne and Wear Metro system by means of the Pop Card. The report was introduced by T Hughes.

In response to a member's comment about only one validator being operational at South Gosforth, T Hughes explained that each non-gated station should have two validators on each platform. Members were encouraged to report any issues of non-operational validators to Nexus.

**RESOLVED** – That the delivery programme, as set out in the report, be noted.

#### 45. **BUS STRATEGY DELIVERY PROJECT UPDATE**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the consultation process on the proposed Quality Contract Scheme for Tyne and Wear and associated matters. The report was introduced by P Ritchie.

It was noted that, although responses had been received from large bus operators, no responses had been received from smaller local operators. Leaflets submitted by one of the bus operators containing staff member comments would be treated as responses to the consultation.

In relation to the Voluntary Partnership Agreement, although a 'Heads of Terms' had been received, further detail was required and a dialogue was being maintained with the North East Bus Operators' Association (NEBOA) to achieve this. It was envisaged that a report for decision could be brought to the March 2014 meeting subject to any actions arising from the consideration of the consultation responses being completed to this timescale.

During the ensuing discussion, the following points were raised:

- A member regretted that the timeline for bringing a report on the Bus Strategy Delivery Project for decision had slipped. In response, B Garner explained that this was due to a number of factors, including particularly the need to accommodate the request of bus operators for an extension of the consultation period whilst providing sufficient time to fully assess and carefully evaluate the content of the responses.
- A member expressed concern about the objectivity of the assessment of the proposals. A member emphasised the importance of a careful assessment and evaluation of the proposals and asked for evidence of this process. In response, P Ritchie offered reassurance for members and explained that she and the Treasurer of the Authority would be involved in the assessment and evaluation process, testing the consultation process and reviewing the detail. The final report on the proposals would be submitted by the Clerk.

**RESOLVED** – That:

(i) The report be noted; and

(ii) A report for decision on the Bus Strategy Delivery Project be submitted to the March 2014 meeting.

**46. SUMMARY OF RECENT PASSENGER FOCUS RESEARCH**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members considered the report which provided a summary of the two recent Passenger Focus reports: Perceptions of Value for Money on Bus Services and Giving Passengers a Voice in Bus Services.

**RESOLVED** – That the report be noted.

**47. DATE AND TIME OF THE NEXT MEETING**

Thursday, 23 January 2014 at 10am.

**48. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** – That by virtue of section 100A and paragraphs 1, 2 and 3 of Schedule 12A of the Local Government Act 1972 press and public be excluded during the consideration of the following items: Confidential Minutes of the Previous Meeting and Changes to Nexus Executive Director Structure, because exempt information was likely to be disclosed and the public interest against the disclosure had been satisfied.



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## Tyne and Wear Integrated Transport Authority

19 December 2013  
(10.30 - 11.00 am)

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### **Present:**

Councillor: D Wood (Chair)

Councillors: M Green, Hodson, Lambert, Lott, Maughan, McCarty, McElroy and P Wood

### **In attendance:**

#### **Newcastle City Council:**

P Ritchie - Clerk (ITA)  
P Woods - Treasurer (ITA)  
A Lewis - Assistant Chief Executive  
J Softly - Legal Adviser (ITA)  
E Goodman - Senior Accountant (ITA)  
N Whitefield - Senior Communications Officer (ITA)  
V Miller - Democratic Services Officer

#### **Nexus:**

T Hughes - Deputy Director General and Director of Customer Services  
J Fenwick - Director of Finance and Resources  
C Whittle - Head of Legal Services

### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Curran, S Green, Errington, Hobson, Miller and Smith.

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3. PROPOSAL TO ESTABLISH A COMBINED AUTHORITY FOR THE AREA OF DURHAM, NORTHUMBERLAND AND TYNE AND WEAR**

Submitted:

- (i) A report of the Clerk (previously circulated and copy attached to Official Minutes); and
- (ii) Copies of the following document: “Draft Response to Government consultation on Proposal to establish a combined authority - Local Consultation Report” (with the Chair’s permission, due to the timetables involved circulated at the meeting and copy attached to Official Minutes).

Members considered the report in relation to the establishment of a combined authority for Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. The report was introduced by the Clerk. The report invited members to:

- Endorse the response attached at Annex A of this report, to act as the response to the Secretary of State’s consultation on the creation of a combined authority;
- Note that a summary of responses from across the combined authority area would also be submitted to the government; and
- Consider any issues relating to transport that members wished to draw to the attention of the Leaders of the seven councils as they considered matters that were to be determined locally about the operation of the combined authority.

During the ensuing discussion, it was noted that:

- In response to a member’s question, it was confirmed that examples of other local authorities had been taken into consideration and discussions with some of them continued, including on sharing best practices.
- In acknowledging the potential benefits of a combined authority and the opportunity for it to be successful, a member welcomed the proposals in principle but commented on the importance of consulting with the wider public, introducing robust scrutiny arrangements, including having a requirement rather than a recommendation to have scrutiny arrangements, ensuring presence of political opposition and ensuring a requirement for political balance. A member also commented on the importance of putting mechanisms and processes in place that would enable effective discussions between the seven councils, so that as far as possible an informed consensus could be generally reached.
- Members referred to the overall benefits of having a combined authority and the importance of continuing conversations about the detail of local arrangements.
- It was noted that the work on financial aspects continued, including finalising the wording of the Order to ensure it included clarification of assets and liabilities, including pension and the Tyne Tunnels.

**RESOLVED** – That:

- (i) the response attached at Annex A of this report be endorsed to act as the response to the Secretary of State’s consultation on the creation of a combined authority;

- (ii) the Authority noted that a summary of responses from across the combined authority area would also be submitted to the government;
- (iii) members would contact the Chairman of the Authority with any issues relating to transport that they wished to be drawn to the attention of the Leaders of the seven councils as they considered matters that were to be determined locally about the operation of the combined authority. The Chairman would raise these issues with the Leaders of the seven councils and respond to members accordingly; and
- (iv) The Chairman would raise with the Leaders of the seven councils the suggestion that the arrangements for the combined authority should incorporate a requirement for political balance.

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**DATE:** 23 January 2014

**SUBJECT:** ITA Budget and Levy 2014/15

**REPORT OF:** Treasurer, TWITA and Director of Finance and Resources, Nexus

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## PURPOSE OF REPORT

This report sets out the Budget and Levy requirements for the Tyne and Wear ITA in 2014/15.

Following discussion with the five Metropolitan District councils in Tyne and Wear, a reduction in the levy is proposed for 2014/15. This makes permanent the £2m 'rebate' for 2013/14 and 2014/15 which was agreed in January 2013.

The Authority is therefore asked to consider the draft Budget for 2014/15 and to set its levy for 2014/15 at £68,207,132. The Authority is also asked to agree a Revenue Grant of £64,920,000 to Nexus for 2014/15.

## RECOMMENDATIONS

The ITA is recommended to:

1. Approve the ITA and Nexus Revenue Budgets for 2014/15 as set out in this report;
2. Approve a levy of £68,207,132 for 2014/15:
  - a. The levy to be apportioned between the five District councils in accordance with the Transport Levying Bodies Regulations 1992 made under the Local Government Act 1988, which uses the 2012 mid-year population estimates as the basis of the levy allocation, as set out in paragraph 3.2;
  - b. The Districts to pay in twelve equal instalments, each instalment to be received by the Treasurer to the ITA on or before the last working day of each month;
3. Approve the amount of Revenue Grant to Nexus of £64,920,000 for 2014/15;
4. Note the intention for a cash freeze in the levy in 2015/16 and future years should an acceptable Voluntary Partnership Agreement be reached or a Quality Contracts Scheme be agreed;
5. Note that should there be any delay in the implementation of the ITA's Bus Strategy, providing that there was a levy freeze in 2015/16, that this financial strategy could be extended until at least March 2016;

Write to DCLG ministers to notify them that the reduction in the ITA Levy is intended to help District Councils meet the Governments grant funding cuts and that it is still



the view of the ITA view that the 2014/15 levy change should not be taken into account in the calculation of the council tax referendum limit for the District Councils;

6. Approve a reduction in the price of the Metro concessionary Gold Card (from £25 to £12 for Tyne and Wear residents and from £35 to £25 for non-Tyne and Wear residents – paragraph 5.3 refers);
7. Approve the statement on minimum revenue provision repayments for borrowed capital expenditure for 2014/15 as set out in Appendix C.
8. Note that should the proposed Combined Authority be implemented from 1 April 2014, the levy and financial assets and liabilities of the ITA will be transferred to that Authority from its date of operation.
9. Note that should the proposed Combined Authority be implemented from 1 April 2014, an estimated £9.6m of the ITA's usable reserves will continue to be earmarked by the Combined Authority for investment in the Metro Asset Renewal Plan (paragraphs 5.5 and 6.4 refer)

## BACKGROUND DOCUMENTS

Held by the contact officers

## CONTACT OFFICERS

|                        |   |                      |
|------------------------|---|----------------------|
| <i>Eleanor Goodman</i> | <u><a href="mailto:eleanor.goodman@twita.gov.uk">eleanor.goodman@twita.gov.uk</a></u> | <i>0191 277 7518</i> |
| <i>John Fenwick</i>    | <u><a href="mailto:john.fenwick@nexus.org.uk">john.fenwick@nexus.org.uk</a></u>       | <i>0191 203 3249</i> |

## IMPACT ON OBJECTIVES

|  |          |
|--|----------|
| To support economic development and regeneration | Positive |
| To address climate change                        | Positive |
| To support safe and sustainable communities      | Positive |



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## 1 Executive Summary

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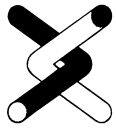
- 1.1 This report sets out the Budget and Levy requirements for the ITA in 2014/15 and indicative funding requirements for 2015/16 onwards.
- 1.2 It is recommended that the ITA agree a £2m reduction in the levy for 2014/15, and note the intention for a subsequent cash freeze in future years should an appropriate Voluntary Partnership Agreement be reached or Quality Contracts Scheme be agreed. This is consistent with the discussions that have been held with Chief Executives and Leaders and Elected Mayor, where a cash freeze would provide the funding certainty necessary to deliver the ITA's Bus Strategy, whether under the terms of a Quality Contracts Scheme or a Voluntary Partnership Agreement. As well as the £2m immediate permanent saving, this proposal delivers future real terms savings to the Districts as the levy would not be uplifted for inflation.

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## 2 Background information

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- 2.1 When the Districts and the ITA approved its Medium Term Financial Strategy for the period 2011/12 to 2013/14 it was agreed to deliver a 10% (£7.151m) reduction in the levy over the first two years, with a cash freeze in 2013/14. A further £1.435m of grant was retained by the Districts in 2011/12, and a £2m 'rebate' provided in 2013/14, giving a total saving to Tyne and Wear Districts of £10.606m or 14.8% over the period. The £2m rebate was agreed in principle for 2014/15 as well, with no certainty of it being continued after that.
- 2.2 The front-loaded levy saving was delivered through a combination of efficiency savings, including reduced staffing in Nexus where, amongst other efficiency measures, there has been a 20% reduction in headcount since 2011, and by using revenue reserves to support expenditure while sustainable and permanent cost savings were implemented. In the absence of securing appropriate funding from Government for the costs of Statutory Concession Travel scheme, sustainable savings were planned through a combination of a) the Bus Strategy project to develop either a Voluntary Bus Partnership or Quality Contract scheme; and b) further efficiency savings within the ITA and Nexus.



### 3 ITA Levy

3.1 Under the Transport Levying Bodies regulations 1992, the ITA is required to issue a levy proportioned by reference to the total resident population at the relevant date of the area of each District concerned (the relevant date being 30 June in the financial year which commenced two years previous to the levying year).

3.2 Table 1 below sets out the proposed levy for 2014/15, which represents a £2m reduction on the base levy for 2013/14.

| District       | 2013/14 Levy       | 2012 Mid-Year Population | 2014/15 Proposed Levy | Change              |
|----------------|--------------------|--------------------------|-----------------------|---------------------|
| Gateshead      | £12,736,607        | 200,153                  | £12,318,818           | (£417,789)          |
| Newcastle      | £17,747,316        | 282,442                  | £17,383,460           | (£363,856)          |
| North Tyneside | £12,793,836        | 201,446                  | £12,398,399           | (£395,437)          |
| South Tyneside | £9,423,691         | 148,428                  | £9,135,299            | (£288,392)          |
| Sunderland     | £17,505,682        | 275,743                  | £16,971,156           | (£534,526)          |
| <b>TOTAL</b>   | <b>£70,207,132</b> | <b>1,108,212</b>         | <b>£68,207,132</b>    | <b>(£2,000,000)</b> |

3.3 The change in the levy is taken into account in calculating whether a council exceeds the Council Tax Referendum Limit. This is an issue of concern that has been raised with DCLG to no effect so far. It results in a difference between Metropolitan areas and unitary authorities and shire areas which do not have ITA transport levies. The referendum limit for 2014/15 has still to be confirmed and the issue of the impact of the reduction of the levy to help offset cuts in Government funding to the Districts will continue to be raised with DCLG Ministers.

3.4 Discussions with the Districts have generally indicated that it is preferable to baseline the £2m reduction earlier, rather than later, because of the impact on the ability to raise Council Tax up to the referendum limit, where there may be more pressure for a Council Tax increase in future years. To date the limit for 2014/15 has not yet been announced and although it is unlikely to be more than the 2% set in 2013/14, the Secretary of State has indicated that he would consider requests for a lower limit.



#### 4 The ITA Budget

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- 4.1 The ITA budget has been prepared on a stand still ongoing basis, however should the proposed Combined Authority for the area of Durham, Northumberland and Tyne and Wear be established from 1 April 2014, the ITA budget will transfer to the Combined Authority to fund transport related expenditure. There are a number of decisions still to be taken around the model of support for the proposed Combined Authority and the make-up of its transport committee, and a one-year budget has therefore been prepared largely on a stand-still basis (although it should be noted that the further £2m permanent reduction in the levy has been accommodated), assuming that the current arrangements will continue. Once arrangements have been finalised they will be met within the overall funding envelope, although there may be changes to individual budget lines.
- 4.2 A report was brought to the ITA at its November meeting setting out the proposal to use ITA and Tyne Tunnels reserves to repay the Authority's historic pension deficit. A payment of £9m was made to the Tyne and Wear Pension fund on 2 January, which has meant that the ITA's annual contributions are now nil, as set out in the detailed budget in Appendix A. The ITA levy-funded budget will make an annual contribution to the Tyne Tunnels trading account to repay the reserves it has temporarily borrowed, including interest. The interest rate used for this calculation is 3.5%, which is equivalent to the PWLB borrowing rate for 14 year borrowing at the time the payment was made (14 years being the deficit recovery period set by the Pension Fund at the triennial valuation). A small deficit balance of around £1m will still exist in the Pension Fund on the basis of current assumptions, which will be reassessed at the next triennial valuation (March 2016) and will hopefully reduce at that point.
- 4.3 This approach has enabled a significant annual saving to be made on both the ITA levy budget and the Tyne Tunnels trading account, which is well in excess of the loss of income on revenue reserves as a result of no longer holding these cash balances.
- 4.4 There has also been a reduction in the budget for financing charges applied to the ITA, as historic capital financing debts reduce over time.
- 4.5 The Tyne Tunnels trading account budget is set out in Appendix A. This shows a reducing annual deficit, which remains in line with the overall financing strategy and the modelling that has been undertaken in relation to the thirty year contract with TT2 Ltd. As discussed in paragraph 4.2 above, use has been made of Tunnels reserves to



repay the pension deficit, which has led to a saving on annual pension payments as well as a better return on cash balances that have been treated as a temporary internal loan to the ITA.

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## 5 Nexus Budget

### 5.1 Overview

The Nexus budget proposal for 2014/15 has been formulated taking into account the recommendation made to the ITA when it agreed the Medium Term Financial Strategy (MTFS) in January 2013 which was to agree in principle to the levy freeze adopted in 2013/14 continuing into 2014/15.

This continues the budget strategy previously agreed whereby a cumulative 10% reduction in the levy with effect from 1 April 2011 together with a further £1.435m of grant redirected to the five Districts is being managed through a combination of efficiency savings and use of reserves in order to protect services in the medium term, subject to a more sustainable package of savings linked to the delivery of the bus strategy being achieved.

In this regard, the ITA took a key decision in July 2013 to consult on the implementation of a Bus Quality Contracts Scheme. This does not preclude a Voluntary Partnership Arrangement from being implemented and, at the time of writing, both options are being evaluated.

During the current financial year, the Nexus budget has been able to withstand further pressures, including the accommodation of an additional £2.0m levy reduction which had previously been offered to the five District councils in a cash back arrangement over two years but which will now be permanently base lined.

The budget deficit for 2014/15 remains around £5.0m and is therefore consistent with that which was agreed in January 2013. Due to the improved position being reported in 2013/14, there is a reduced call on usable revenue reserves across the medium term which therefore allows the continuation of this strategy into 2015/16 should there be any delays in implementing the bus strategy.

Appendix B provides a detailed financial summary of the Nexus budget across the three years 2013/14 to 2015/16.



5.2 2013/14 Forecast Budget

Revenue monitoring reports are received by the Nexus Board every four weeks. The latest report indicates that the deficit for the current financial year is forecast to be in the order of £1.5m which represents a £1.5m improvement on the original budget.

This forecast also includes a reduction in the levy of £2.0m which was previously being funded through usable reserves. The forecast outturn for 2013/14 and the impact on usable reserves is therefore some £3.5m better than the original budget.

The movement in the budget is set out in the table below:-

| 2013/14 Budget                      | £000    | £000         |
|-------------------------------------|---------|--------------|
| <b>Base Deficit</b>                 |         | <b>3,000</b> |
| <u>Pressures</u>                    |         |              |
| Metro re-launch                     | 300     |              |
| Investment income                   | 125     | 425          |
| <u>Savings</u>                      |         |              |
| Employees                           | (315)   |              |
| Concessionary Travel                | (450)   |              |
| Metro Fare box                      | (2,200) |              |
| Secured Bus services                | (430)   |              |
| HV Power                            | (150)   |              |
| Metro Concession                    | (253)   |              |
| Other                               | (160)   | (3,958)      |
|                                     |         | (533)        |
| Levy Reduction                      |         | 2,000        |
| <b>Forecast Deficit<sup>1</sup></b> |         | <b>1,467</b> |

The Metro re-launch has not yet occurred but is provided for within the current financial year since it is expected to coincide with the full implementation of gates and the introduction of smart ticketing products before the end of March 2014.

Investment income has suffered as a result of unprecedented low interest rates. The Nexus Board has recently approved changes to its investments policy which it is hoped will address this issue in 2014/15.

<sup>1</sup> Excludes £0.6m expenditure relating to the Bus Strategy Delivery Project



As far as savings being made during the current year are concerned, it should be noted that some of these variances are one-off in nature and do not carry forward to 2014/15.

This is particularly apparent in relation to Concessionary Travel reimbursement where, in the context of two year negotiated settlements with the large bus operators, there are commitments that carry forward into next year so the saving in 2014/15 (against the 2013/14 base) is less than the £0.450m saved in the current year.

Similarly, although savings have been made within the secured bus services network during 2013/14, in the interests of maintaining service provision, cost pressures have to be accommodated in 2014/15. This includes loss of Bus Service Operators Grant (BSOG).

Reduced traction energy consumption is impacting favourably on the budget for HV Power in 2013/14 but significant price inflation means that cost pressures carry forward into 2014/15.

Employee costs are less than budgeted for because the pay freeze for Nexus staff, first introduced in 2010, continued into 2013.

The Metro has suffered performance problems during 2013/14 and, at this time, over £0.2m of additional performance penalties over and above those budgeted for within the base are expected to be levied on DB Regio.

As far as Metro fare revenue is concerned, better than anticipated performance in 2013/14 has provided a significant boost to the budget. This is expected to continue into 2014/15.

### 5.3 2014/15 Base Budget

The 2014/15 budget has been formulated on a stand still basis (whilst taking the opportunity to find and deliver further efficiency savings) as well as ensuring that the £2.0m levy reduction becomes a permanent feature of the base budget requirement.

The forecast deficit for 2014/15 is £4.770m. This compares to an agreed deficit of £5.000m for 2014/15 as approved by the ITA in January 2013. A comparison between the expected movement in the deficit between 2013/14 and 2014/15 (January 2014 on January 2013) is shown below:-





|                             | <b>Original<br/>Forecast<br/>January<br/>2013<br/>£000</b> | <b>Revised<br/>Forecast<br/>January<br/>2014<br/>£000</b> | <b>Variance<br/>£000</b> |
|-----------------------------|--|---|--------------------------|
| Base 2013/14 Deficit        | 3,000  | 3,000   | 0                        |
| Employees                   | 585  | 808   | 223                      |
| Metro Concession            | 1,676  | 1,405   | (271)                    |
| HV Power                    | 500  | 500   | 0                        |
| Metro Fare box              | (800)  | (3,000)   | (2,200)                  |
| Gold Card income            | 0  | 668   | 668                      |
| Concessionary Travel        | 0  | (144)   | (144)                    |
| Other efficiencies          | 29   | (507)   | (536)                    |
|                             | <b>4,990</b>   | <b>2,730</b>  | <b>(2,260)</b>           |
| Levy                        | 0  | 2,000   | 2,000                    |
| Rail Grant                  | 10   | 41  | 31                       |
| <b>Base 2014/15 Deficit</b> | <b>5,000</b>   | <b>4,771</b>  | <b>(229)</b>             |

Employee costs are higher than expected because the 2013 pension fund valuation has increased the future service employer contribution rate by 1.1%. The full year effect of the apprentice training programme where there is now a commitment to recruit 10 apprentices per annum is also included. The pay freeze implemented in April 2013 has compensated part of these increases although incremental progression, payable through the staff performance appraisal system, is provided for within the 2014/15 budget.

The Concession payment to DB Regio is less than originally anticipated because of downward movements in the indexation rates that govern the annual contract price adjustment.

The HV Power inflationary pressure is still expected to be around £0.500m with energy prices increasing by around 10% next year.

Continued growth in the Metro Fare box is expected in 2014/15. This builds on improved performance during the latter part of 2012/13 and throughout 2013/14, although it should be noted that the January 2014 fares increase as recently approved by the ITA at its November meeting is also factored into next year's estimate.



The improved budget position will allow for a reduction in the price of the Gold Card from £25 to £12 (and from £35 to £25 for non-Tyne and Wear residents) should the Authority decide to implement this recommendation which is a reversal of the decision to increase the price in 2012, something that has led to a significant fall in the number of elderly and disabled journeys across the Metro network. Whilst this means accommodating a loss of Gold Card revenue amounting to an estimated £0.668m, work is progressing in offsetting this cost pressure through the Nexus customer services strategy which is aimed at reducing administration and ultimately, the cost of sale for all Metro ticketing products.

There are other efficiencies now built into the 2014/15 budget as a result of further examination of the base budget. These amount to around £0.680m including £0.144m of concessionary travel reimbursement savings that continue into 2014/15 as a result of the two year negotiated settlements with the three large operators. As a proportion of those costs which managers across Nexus directly control, the £0.536m of additional efficiencies amount to around 4% of the controllable cost budget.<sup>2</sup>

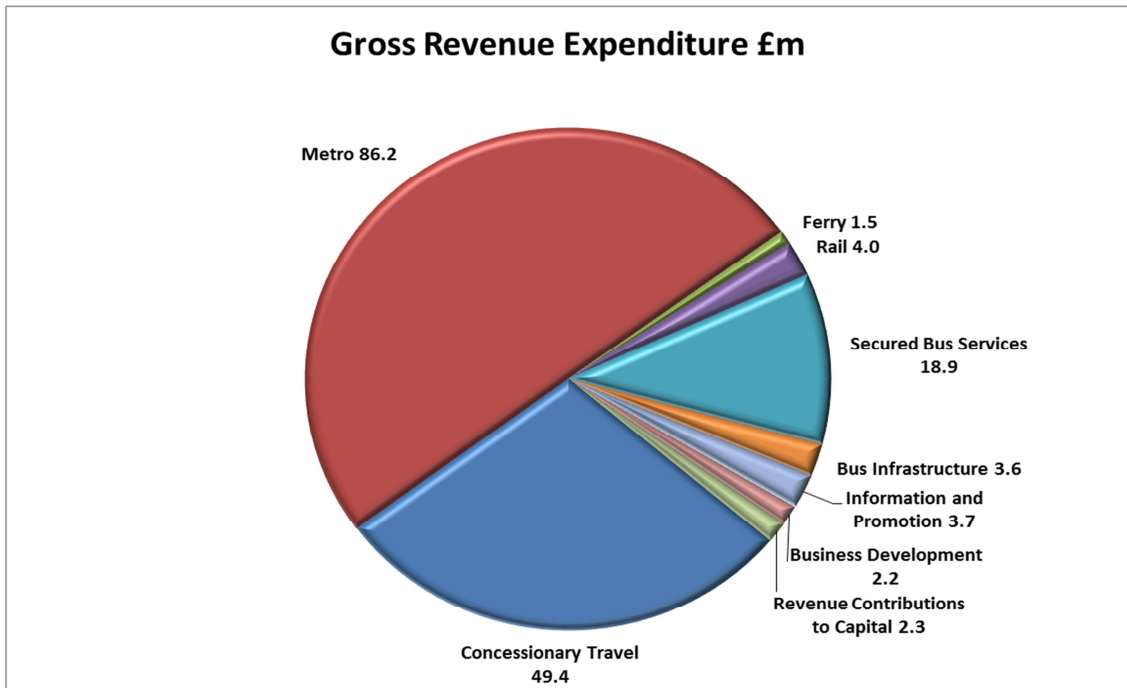
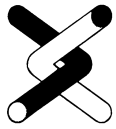
There is a minor change to Metro Rail Grant (MRG), consistent with movements in the indexation rates that govern the annual grant payment from the Department for Transport (DfT).

These further efficiencies have meant an additional £2.0m is now being removed from the levy and, as a result, there is a reduced call on usable reserves across the medium term. This will allow the continuation of this financial strategy into 2015/16 if there are any delays in implementing the bus strategy.

In 2014/15, Nexus will have a gross revenue expenditure requirement of £171.9m which is funded from a combination of income from fare box revenues, Direct Government Grants (including the metro rail grant) and the Levy. An illustration based on the proposed 2014/15 budget of services provided by Nexus is given in the chart below:-

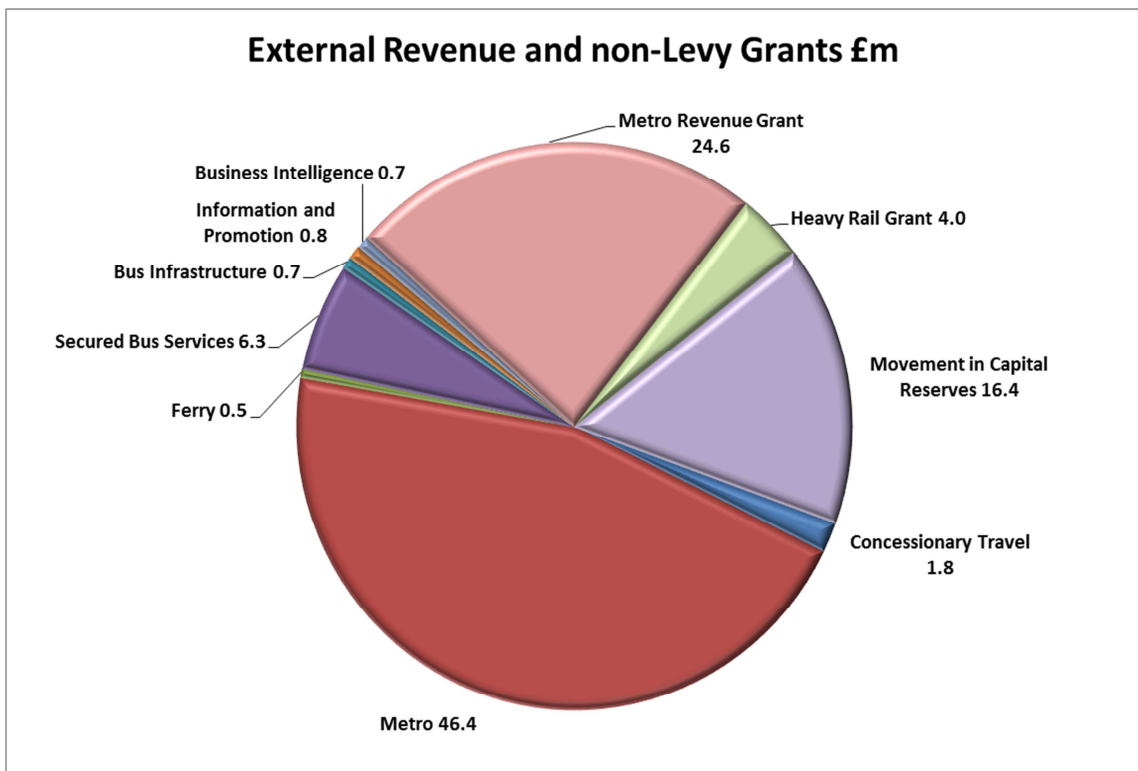
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<sup>2</sup> Controllable costs exclude areas of the budget such as the Metro Concession, Concessionary Travel reimbursement, Secured Bus services, High Voltage Power and Debt Financing Charges. Budget managers across Nexus, whilst tasked to deliver a standstill budget identified further savings amounting to 4% of their controllable budgets



This shows that the largest areas of gross expenditure are in relation to Metro and Bus services (where a significant element of expenditure is for the reimbursement of concessionary travel).

These services are funded as follows:





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

As has been previously explained to the Authority, services which are most impacted by the volatility in the ITA levy payment are Concessionary Travel, which is a largely statutory service relating to bus, Secured Bus services, bus infrastructure, provision of public transport information and the cross Tyne ferry service.

The sustainability of the reduction in the levy is therefore heavily dependent on being able to deliver long term savings in the cost of the bus network for which a strategy was agreed at the November 2011 meeting of the ITA.

This strategy has been in development since the ITA approved its medium term financial strategy in January 2011, when usable revenue reserve funding was earmarked to meet the forecast budget shortfalls in both 2011/12 and 2012/13. The financial strategy has effectively continued into 2013/14 and 2014/15 and the Authority has now consulted on the implementation of a Bus Quality Contracts Scheme. The evaluation of both the Quality Contracts Scheme and a Voluntary Partnership Agreement with bus operators is ongoing at the time of writing.

#### 5.4 Looking Ahead to 2015/16

Depending on which route is taken to deliver the bus strategy, the continuation of the financial strategy might need to be extended through to the end of 2015/16.

Whilst this would only be possible if the levy were to remain frozen, if that was the case, budget estimates are summarised in the following table and as detailed in the attached Appendix B:

|                               | <b>2013/14<br/>Forecast<br/>£000</b> | <b>2014/15<br/>Base<br/>£000</b> | <b>2015/16<br/>Base<br/>£000</b> |
|-------------------------------|--------------------------------------|----------------------------------|----------------------------------|
| Gross Expenditure             | 165,800                              | 171,922                          | 179,252                          |
| Gross Income                  | (70,640)                             | (73,653)                         | (81,233)                         |
| <b>Total Base Requirement</b> | <b>95,160</b>                        | <b>98,269</b>                    | <b>98,019</b>                    |
| Levy                          | (64,920)                             | (64,920)                         | (64,920)                         |
| Metro – MRG                   | (24,897)                             | (24,620)                         | (24,473)                         |
| Rail – Northern Franchise     | (3,876)                              | (3,958)                          | (3,958)                          |



|                           |              |              |              |
|---------------------------|--------------|--------------|--------------|
| <b>Total Base Deficit</b> | <b>1,467</b> | <b>4,771</b> | <b>4,668</b> |
|---------------------------|--------------|--------------|--------------|

Moving forward into 2015/16, cost pressures continue to manifest themselves but these are broadly offset by increased Metro fare revenues and a reduction in the deficit payment to the Tyne and Wear Pension Fund as a result of the 2013 valuation which has the effect of holding the deficit payment constant in 2014/15 but reduces it in both 2015/16 and 2016/17.

Furthermore, it is evident that whilst Metro continues to cover its increasing cost base through fare revenues and maintenance efficiencies, the current system of delivering bus services cannot continue in the longer term unless the bus strategy can deliver the necessary savings or the ITA is able to increase the levy. Given cuts in local government funding the latter option is highly improbable and unrealistic.

### 5.5 Impact on Usable Reserves

As members are aware, this financial strategy has enabled the maintenance of services since the introduction of cuts to the levy. It is dependent on a mix of efficiency savings and use of revenue reserves for which retention of a minimum value of at least £5.0m was previously established. This strategy therefore continues to provide an appropriate balance between these competing objectives, in particular the retention of a minimum, prudent level of revenue reserves.

The effect of the financial strategy on revenue reserves is shown in the table below:-

|   | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> |
|---|----------------|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| Opening Balance                             | 15,838         | 15,709         | 12,282         |
| Transfer from Capital Reserves <sup>3</sup> | 2,000          | 2,000          | 0              |
|   | 17,838         | 17,709         | 12,282         |
| Applied during year <sup>4</sup>            | (2,129)        | (5,427)        | (4,668)        |
| <b>Closing Balance</b>                      | <b>15,709</b>  | <b>12,282</b>  | <b>7,614</b>   |

Usable capital reserves held by Nexus are earmarked for current and future investment purposes. Residual costs relating to the Metro Ticketing and Gating scheme, a

<sup>3</sup> Base lining the further £2.0m reduction in the levy allows a transfer from usable capital reserves to support the extension of the financial strategy; these amounts were previously earmarked for the cash back payment to the District councils in accordance with the January 2013 MTFS

<sup>4</sup> Includes costs relating to the Bus Strategy Delivery Project which are not budgeted for within the revenue account



provision for capital works associated with the Metro station investment programme, the bus strategy project, Metro re-launch and works at Sunderland railway station are all currently earmarked to be met from capital reserves. Capital reserves are also being utilised to underpin the financial strategy in 2013/14 and 2014/15 and are available for this purpose because of reductions in revenue contributions to non-metro capital projects where a combination of LTP, LSTF and Better Bus Area Funding have instead been utilised.

The estimated balance on usable capital reserves as at March 2016 is £22.0m of which £8.2m is forecast as being held on behalf of Nexus by the ITA and earmarked for Metro Reinvigoration with the remainder available for future investment. Should the proposed Combined Authority be implemented from 1 April 2014, the balance of ITA reserves as at 31 March 2014 held on behalf of Nexus (currently estimated to be £9.6m) will therefore need to be earmarked by the Combined Authority for investment in the Metro Asset Renewal Plan.

## **6 Transition to a proposed Combined Authority**

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- 6.1 If the proposed Combined Authority (CA) for the North East is established, the Tyne and Wear ITA will be dissolved from 1 April 2014 and its functions taken over by the CA. The ITA needs to set the levy on a going concern basis, which would be transferred into the CA.
- 6.2 The CA will be the Local Transport Authority, with the power to issue a levy on constituent authorities to meet transport related expenditure. DfT have confirmed that the Tyne and Wear ITA will set its Transport Levy in January 2014, and a CA (if established) would inherit the 2014/15 ITA Levy and set the first Transport Levy across the seven authority footprint in January/February 2015 for the 2015/16 financial year.
- 6.3 The Transport Levying Bodies Regulations will be amended to allow for separate levy calculations for Durham, Northumberland and Tyne and Wear, to recognise the very different levels of transport expenditure per head between the urban and rural conurbations. The Tyne and Wear element of the levy will continue to be allocated between the districts on the basis of population as before.
- 6.4 In addition, assets and liabilities transferring from the Tyne and Wear ITA to the proposed CA will be ringfenced to Tyne and Wear only; this includes those capital reserves currently held by the ITA on behalf of Nexus.



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**7 Risks and Next steps**

- 7.1 Both the Nexus budget strategy and the ITA approach to repaying its pension deficit have involved the use of general reserves. The ITA Treasurer has assessed the risk of reducing reserves in this way and considers that the level of specific earmarked reserves held by the ITA and Nexus and the minimum level of general reserves retained means the risk is manageable.

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**8 Potential impact on objectives**

- 8.1 The budget proposals set out within this report will provide sufficient resources to enable the ITA and Nexus to continue to implement the ITA's objectives.

| ITA/Nexus                             | Summary                 |                           |                         |
|---------------------------------------|-------------------------|---------------------------|-------------------------|
|                                       | 2013/14<br>Budget<br>£m | 2013/14<br>Forecast<br>£m | 2014/15<br>Budget<br>£m |
| <b>Expenditure</b>                    |                         |                           |                         |
| ITA Budget <sup>5</sup>               | 3.408                   | 7.788                     | 3.287                   |
| Nexus Budget                          | 113.059                 | 109.894                   | 115.318                 |
| Levy 'Rebate' to Districts            | 2.000                   | 2.000                     | -                       |
| <b>Total</b>                          | <b>118.467</b>          | <b>119.682</b>            | <b>118.605</b>          |
| <b>Income</b>                         |                         |                           |                         |
| Levy on Tyne & Wear District Councils | (70.207)                | (70.207)                  | (68.207)                |
| Nexus Direct Grants                   | (42.639)                | (42.974)                  | (44.970)                |
| Use of ITA Revenue Reserves           | (0.122)                 | (4.501)                   | -                       |
| Use of Nexus Revenue Reserves         | (5.500)                 | (2.000)                   | (5.428)                 |
| <b>Total</b>                          | <b>(118.467)</b>        | <b>(119.682)</b>          | <b>(118.605)</b>        |

| Tyne Tunnels   | 2013/14<br>Budget<br>£m | 2013/14<br>Forecast<br>£m | 2014/15<br>Budget<br>£m |
|--|-------------------------|---------------------------|-------------------------|
| Net Deficit on Tyne Tunnels Account                              | 0.962                   | 0.926                     | 0.666                   |
| One-off use of reserves for pension deficit payment <sup>6</sup> | -                       | 4.590                     | -                       |
| Temporary Loan of Reserves to ITA                                | -                       | 2.610                     | -                       |
| Repayment of Reserves from ITA                                   | -                       | -                         | (0.240)                 |
| <b>Total effect on Tunnels Reserves</b>                          | <b>0.962</b>            | <b>8.126</b>              | <b>0.426</b>            |

<sup>5</sup> The ITA forecast for 2013/14 includes the one-off payment made to the Tyne and Wear Pension Fund to reduce the ITA pension deficit, as discussed in section 4.2.

<sup>6</sup> The Tyne Tunnels forecast for 2013/14 includes the one-off payment made to the Tyne and Wear Pension Fund to reduce the Tyne Tunnels pension deficit, as discussed in section 4.2.



**APPENDIX A**

|   | <b>ITA Revenue Budget</b> |                             |                           |
|---|---------------------------|-----------------------------|---------------------------|
|   | <b>2013/14<br/>Budget</b> | <b>2013/14<br/>Forecast</b> | <b>2014/15<br/>Budget</b> |
|   | <b>£</b>                  | <b>£</b>                    | <b>£</b>                  |
| ITA Support – Service Level Agreement   | 285,080                   | 286,000                     | 280,000                   |
| External Audit Fee  | 19,560                    | 19,560                      | 19,560                    |
| Members Allowances and Expenses   | 86,300                    | 84,000                      | 86,300                    |
| Conferences, Travel and Subsistence   | 4,000                     | 4,000                       | 4,000                     |
| Accommodation Charges   | 6,120                     | 6,400                       | 6,400                     |
| Subscriptions   | 28,980                    | 28,980                      | 30,000                    |
| IT Development/Website Support  | 20,000                    | 20,000                      | 20,000                    |
| Supplies and Services   | 17,200                    | 15,000                      | 15,000                    |
| Scrutiny Advisory Group   | 4,700                     | 2,000                       | 4,700                     |
| Pension Deficit Payments  | 479,210                   | 479,210                     | -                         |
| One-off Payment to reduce ITA Pension Deficit                                       | -                         | 4,410,000                   | -                         |
| Repayment to Tyne Tunnels account for temporary use of reserves for Pension Payment | -                         | -                           | 240,000                   |
| Financing Charges   | 2,474,830                 | 2,448,100                   | 2,352,200                 |
| Interest Income   | (20,000)                  | (15,000)                    | (3,000)                   |
| Contingency <sup>7</sup>  | -                         | -                           | 232,470                   |
| <b>Net Expenditure on ITA Budget</b>  | <b>3,407,970</b>          | <b>7,788,250</b>            | <b>3,285,630</b>          |
| <b>Contribution from ITA Levy</b>   | <b>(3,285,630)</b>        | <b>(3,287,000)</b>          | <b>(3,285,630)</b>        |
| <b>Use of ITA Reserves</b>  | <b>(122,340)</b>          | <b>(1,891,250)</b>          | <b>-</b>                  |
| <b>Temporary use of Tyne Tunnels Reserves – One-off Pension Payment</b>             | <b>-</b>                  | <b>(2,610,000)</b>          | <b>-</b>                  |

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<sup>7</sup> Due to the uncertainty around arrangements for the proposed Combined Authority, a contingency line has been added to the overall budget. If not required, this will be held as a general reserve for Tyne and Wear within the Combined Authority.

## Tyne Tunnels Revenue Budget

|   | 2013/14<br>Budget<br>£ | 2013/14<br>Forecast<br>£ | 2014/15<br>Budget<br>£ |
|---|------------------------|--------------------------|------------------------|
| Tolls Income  | (23,600,000)           | (23,200,000)             | (24,720,000)           |
| Contract Payments to TT2  | 17,200,000             | 16,900,000               | 18,400,000             |
| Employees   | 35,000                 | 35,000                   | 35,000                 |
| Pension Deficit Payments <sup>8</sup>                                 | 553,000                | 553,000                  | 50,000                 |
| One-off Payment to reduce Tunnels Pension Deficit                     | -                      | 4,590,000                | -                      |
| Support Services – Service Level Agreement                            | 140,000                | 130,000                  | 130,000                |
| Supplies and Services   | 50,000                 | 50,000                   | 50,000                 |
| NTC Community Fund  | 10,000                 | 10,000                   | 10,000                 |
| Financing Charges   | 6,874,000              | 6,723,000                | 6,861,000              |
| Interest Income   | (300,000)              | (275,000)                | (150,000)              |
| Contribution from ITA for use of reserves for pension deficit payment | -                      | -                        | (240,000)              |
| (Surplus)/Deficit on Tyne Tunnels Account                             | 962,000                | 5,516,000                | 426,000                |
| Use of Tyne Tunnels Reserves  | (962,000)              | (5,516,000)              | (426,000)              |
| Net Trading Account Position  | -                      | -                        | -                      |

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<sup>8</sup> By 2014/15 there will be a small annual payment remaining to meet discretionary pension awards (e.g. early retirements) which are paid separately from the regular deficit contributions.

## Nexus Budget

## 2013/14 – Forecast

|   | Costs          | Income          | Net Costs      | Grants          | Net           | Capital Adjust  | Net             |
|---|----------------|-----------------|----------------|-----------------|---------------|-----------------|-----------------|
|   | £m             | £m              | £m             | £m              | £m            | £m              | £m              |
| Concessionary Travel                                | 49.460         | (2.781)         | 46.909         | 0.000           | 46.909        | 0.000           | 46.909          |
| Metro*  | 81.583         | (45.533)        | 36.050         | (24.897)        | 11.153        | (13.567)        | (2.414)         |
| Ferry*  | 1.538          | (0.513)         | 1.025          | 0.000           | 1.025         | (0.174)         | 0.851           |
| Rail  | 3.784          | 0.000           | 3.784          | (3.876)         | (0.092)       | 0.000           | (0.092)         |
| Bus Services*                                       | 17.700         | (5.456)         | 12.244         | 0.000           | 12.244        | (0.067)         | 12.177          |
| Bus Infrastructure                                  | 3.590          | (0.638)         | 2.952          | 0.000           | 2.952         | (0.263)         | 2.689           |
| Information and Promotion                           | 3.848          | (1.263)         | 2.585          | 0.000           | 2.585         | (0.083)         | 2.502           |
| Business Development                                | 1.718          | (0.255)         | 1.463          | 0.000           | 1.463         | (0.047)         | 1.416           |
| <b>TOTAL OPERATIONS</b>                             | <b>163.451</b> | <b>(56.439)</b> | <b>107.012</b> | <b>(28.773)</b> | <b>78.239</b> | <b>(14.201)</b> | <b>64.038</b>   |
| Revenue Contributions to Capital                    | 2.349          | 0.000           | 2.349          | 0.000           | 2.349         |                 | 2.349           |
| Net Movement in Capital Reserve                     | 0.000          | 0.000           | 0.000          | (14.201)        | (14.201)      | 14.201          | 0.000           |
| <b>TOTAL NEXUS REQUIREMENT</b>                      | <b>165.800</b> | <b>(56.439)</b> | <b>109.361</b> | <b>(42.974)</b> | <b>66.387</b> | <b>0.000</b>    | <b>66.387</b>   |
| <b>LEVY</b>   |                |                 |                |                 |               |                 | <b>(64.920)</b> |
| <b>DEFICIT before Bus Strategy Delivery Project</b> |                |                 |                |                 |               |                 | <b>1.467</b>    |
| <b>Bus Strategy Delivery Project</b>                |                |                 |                |                 |               |                 | <b>0.533</b>    |
| <b>DEFICIT</b>                                      |                |                 |                |                 |               |                 | <b>2.000</b>    |

\* includes income for the carriage of concessionary pass holders

## 2014/15 Base Budget

|   | Costs          | Income          | Net Costs      | Grants          | Net           | Capital Adjust  | Net             |
|---|----------------|-----------------|----------------|-----------------|---------------|-----------------|-----------------|
|   | £m             | £m              | £m             | £m              | £m            | £m              | £m              |
| Concessionary Travel                                | 49.446         | (1.802)         | 47.644         | 0.000           | 47.644        | 0.000           | 47.644          |
| Metro*  | 86.236         | (46.414)        | 39.822         | (24.620)        | 15.202        | (15.583)        | (0.381)         |
| Ferry*  | 1.510          | (0.536)         | 0.974          | 0.000           | 0.974         | (0.178)         | 0.796           |
| Rail  | 3.958          | 0.000           | 3.958          | (3.958)         | 0.000         | 0.000           | 0.000           |
| Bus Services*                                       | 18.850         | (6.300)         | 12.550         | 0.000           | 12.550        | (0.056)         | 12.494          |
| Bus Infrastructure                                  | 3.648          | (0.706)         | 2.942          | 0.000           | 2.942         | (0.355)         | 2.587           |
| Information and Promotion                           | 3.707          | (0.788)         | 2.919          | 0.000           | 2.919         | (0.167)         | 2.752           |
| Business Development                                | 2.218          | (0.715)         | 1.503          | 0.000           | 1.503         | (0.053)         | 1.450           |
| <b>TOTAL OPERATIONS</b>                             | <b>169.573</b> | <b>(57.261)</b> | <b>112.312</b> | <b>(28.578)</b> | <b>83.734</b> | <b>(16.392)</b> | <b>67.342</b>   |
| Revenue Contributions to Capital                    | 2.349          | 0.000           | 2.349          | 0.000           | 2.349         |                 | 2.349           |
| Net Movement in Capital Reserve                     | 0.000          | 0.000           | 0.000          | (16.392)        | (16.392)      | 16.392          | 0.000           |
| <b>TOTAL NEXUS REQUIREMENT</b>                      | <b>171.922</b> | <b>(57.261)</b> | <b>114.661</b> | <b>(44.970)</b> | <b>69.691</b> | <b>(0.000)</b>  | <b>69.691</b>   |
| <b>LEVY</b>   |                |                 |                |                 |               |                 | <b>(64.920)</b> |
| <b>DEFICIT before Bus Strategy Delivery Project</b> |                |                 |                |                 |               |                 | <b>4.771</b>    |
| <b>Bus Strategy Delivery Project</b>                |                |                 |                |                 |               |                 | <b>0.657</b>    |
| <b>DEFICIT</b>                                      |                |                 |                |                 |               |                 | <b>5.428</b>    |

\* includes income for the carriage of concessionary pass holders

## 2015/16 Base Budget

|                                  | Costs          | Income          | Net Costs      | Grants          | Net           | Capital Adjust  | Net             |
|----------------------------------|----------------|-----------------|----------------|-----------------|---------------|-----------------|-----------------|
|                                  | £m             | £m              | £m             | £m              | £m            | £m              | £m              |
| Concessionary Travel             | 50.044         | (1.802)         | 48.242         | 0.000           | 48.242        | 0.000           | 48.242          |
| Metro*                           | 87.439         | (47.614)        | 39.825         | (24.473)        | 15.352        | (16.583)        | (1.231)         |
| Ferry*                           | 1.496          | (0.536)         | 0.960          | 0.000           | 0.960         | (0.178)         | 0.782           |
| Rail                             | 3.961          | 0.000           | 3.961          | (3.958)         | 0.003         | 0.000           | 0.003           |
| Bus Services*                    | 19.032         | (6.300)         | 12.732         | 0.000           | 12.732        | (0.056)         | 12.676          |
| Bus Infrastructure               | 3.621          | (0.706)         | 2.915          | 0.000           | 2.915         | (0.355)         | 2.560           |
| Information and Promotion        | 3.714          | (0.788)         | 2.926          | 0.000           | 2.926         | (0.167)         | 2.759           |
| Business Development             | 7.596          | (6.095)         | 1.501          | 0.000           | 1.501         | (0.053)         | 1.448           |
| <b>TOTAL OPERATIONS</b>          | <b>176.903</b> | <b>(63.841)</b> | <b>113.062</b> | <b>(28.431)</b> | <b>84.631</b> | <b>(17.392)</b> | <b>67.239</b>   |
| Revenue Contributions to Capital | 2.349          | 0.000           | 2.349          | 0.000           | 2.349         |                 | 2.349           |
| Net Movement in Capital Reserve  | 0.000          | 0.000           | 0.000          | (17.392)        | (17.392)      | 17.392          | 0.000           |
| <b>TOTAL NEXUS REQUIREMENT</b>   | <b>179.252</b> | <b>(63.841)</b> | <b>115.411</b> | <b>(45.823)</b> | <b>69.588</b> | <b>0.000</b>    | <b>69.588</b>   |
| <b>LEVY</b>                      |                |                 |                |                 |               |                 | <b>(64.920)</b> |
| <b>DEFICIT</b>                   |                |                 |                |                 |               |                 | <b>4.668</b>    |

\* includes income for the carriage of concessionary pass holders

## **Tyne and Wear Integrated Transport Authority Annual Minimum Revenue Provision (MRP) statement for 2014/15 under the Capital Financing and Accounting Amendment Regulations 2008**

### **1. Summary**

The Authority is required to produce a MRP statement which sets out how it will provide for the repayment of any debt. This is the seventh such statement produced by the ITA to recommend which option will be used to calculate the MRP. The regulations provide four options (detailed in Section 5 below).

### **2. Recommendation**

The MRP guidance offers four options on how to calculate MRP, which is the minimum revenue provision set aside for the repayment of debt. Having considered the options it is recommended to agree the adoption for MRP arrangements in 2014/15 of:

- Option 1 for supported capital borrowing, which is a continuation of the previous practice of a 4% minimum revenue provision;
- Option 3 on unsupported capital borrowing (known as Prudential Borrowing), repaying the debt in equal annual instalments over the estimated life of the asset;
- Option 3 on unsupported capital borrowing for the New Tyne Crossing, repaying the debt over the life of the asset on an annuity basis. This basis is beneficial for use in the New Tyne Crossing project as the back-loading of the MRP using the annuity method is consistent with the principal repayment of debt included in the New Tyne Crossing model which will be repaid at the end of a 30 year period. The New Tyne Crossing model reflects an increase in traffic and tolls over the 30 year life which is consistent with back loading the principal repayments.

The ITA has no supported capital expenditure which requires borrowing in 2014/15, since from 1 April 2008 the Integrated Transport Allocation has been provided in the form of capital grant.

More details on the regulations are provided below:

### **3. Background**

Under regulation 27 of the 2003 Regulations, Local Authorities are required to charge to their revenue account for each financial year an amount of MRP to account for the cost of their debt in that year. Prior to its amendments by the 2008 regulations, regulation 28 set out the method authorities were required to follow in calculating MRP. For the financial year 2007/08 and subsequent financial years, the detailed calculation has been replaced with a requirement that local authorities calculate an amount of MRP *which they consider to be prudent*. This guidance is issued under section 21 (1A) of the 2003 Act.

### **4. Previous Practice**

Prior to 2007/08 the calculation of MRP was done via the Regulatory Method under regulation 28, i.e. MRP is equal to 4% of the Capital Financing Requirement (CFR) at the end of the preceding financial year.

## 5. Options for calculation of Minimum Revenue Provision

The Revised MRP Guidance offers four options for prudent provision. These four options are:

### Option 1 – Regulatory Method

For debt which is supported by Revenue Support Grant (RSG), authorities will be able to continue to use the formulae in the current regulations 28 and 29 of the 2003 Regulations, since the RSG is calculated on that basis. This option will be available for all capital expenditure prior to 1 April 2008.

### Option 2 – CFR Method

This can be used on supported debt and is similar to Option 1. While still based on the concept of the CFR, which is easily derived from the balance sheet, it avoids the complexities of the formulae in Regulation 28. This option will be available for all capital expenditure prior to 1 April 2008.

### Option 3 – Asset Life Method

For new borrowing under the Prudential system for which no government support is given and is therefore self-financed, there will be two options. Option 3 is to make MRP provision using either:

- Equal annual instalments over the estimated life of the asset for which the borrowing is undertaken. The original estimate of the life is determined at the outset and should not be changed in later years, even if in reality the asset has changed significantly; or
- Annuity method – this method has the advantage of linking the MRP to the flow of benefits from an asset where the benefits are expected to increase in later years.

The formula allows an Authority to make voluntary extra provision in any year. Freehold land cannot have a life attributed to it and should be treated as a maximum of 50 years.

### Option 4 – Depreciation Method

MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements.

For this purpose standard depreciation accounting procedures should be followed, except in the following respects:

- a. MRP should continue to be made annually until the cumulative amount of the provision is equal to the expenditure originally financed by borrowing or credit arrangements. After that, the Authority may cease to make MRP;

- b. On disposal of the asset, the amount of the capital receipt cannot be taken to the revenue account and the Authority must comply with the normal requirements of the 2003 Act on the use of capital receipts, i.e. receipts go to the balance sheet;
- c. Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.

**Conditions**

Options 1 and 2 can only be used in relation to:

- a. Capital expenditure before 1 April 2008, and
- b. Capital expenditure incurred on or after that date which the Authority is satisfied forms part of its Supported Capital Expenditure.

Options 3 and 4 should be used on all capital expenditure incurred on or after 1 April 2008 which is financed by borrowing or credit arrangements and which does not form part of the Authority's Supported Capital Expenditure, i.e. Prudential Borrowing.

Option 3 can be used for all capital expenditure.

**CFR adjustment**

Where an Authority has used Option 3 or 4, the CFR for the purpose of Options 1 and 2 should be treated as not being increased by the amount of the expenditure on the asset to prevent double counting. In addition, the CFR should not be treated as being decreased by the amount of MRP made under Options 3 and 4.





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REPORT FOR DECISION

**DATE:** 23 January 2014

**SUBJECT:** 2014/15 ITA CAPITAL PROGRAMME

**REPORT OF:** THE TREASURER, ITA AND DIRECTOR OF FINANCE AND RESOURCES,  
NEXUS

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## PURPOSE OF REPORT

To seek approval of the ITA Capital Programme for 2014/15, including both Metro and non-Metro elements.

## RECOMMENDATIONS

The ITA is recommended to:

1. Approve the Non-Metro Capital Programme for 2014/15 as set out in Appendix A and the Metro Capital Programme set out in Appendix B.
2. Agree the distribution of the LTP Integrated Transport Block grant to the Tyne and Wear Districts and Nexus on the basis set out in paragraph 5.2.
3. Agree to receive a further report (or to its successor body) following delivery of the 2013/14 programme, ensuring that any variations during the remainder of the current financial year are accommodated.

## BACKGROUND DOCUMENTS

Held by the contact officer.

## CONTACT OFFICERS

| <i>name</i>     | <i>email</i>   | <i>phone</i>  |
|-----------------|--|---------------|
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**IMPACT ON OBJECTIVES**

|  |          |
|--|----------|
| To support economic development and regeneration | Positive |
| To address climate change                        | Positive |
| To support safe and sustainable communities      | Positive |

## 1 Executive Summary

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- 1.1 This report outlines the proposed overall ITA capital programme for 2014/15 for approval.
- 1.2 This includes both Metro and non-Metro elements of the capital programme.

## 2 Introduction and Background

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- 2.1 This report outlines to the ITA the proposals for the Capital Programme during 2014/15 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements and initiatives.
- 2.2 Funding shown as available for the programme is based on reasonable assumptions and existing approvals. However, the programme will continue to be subject to continuous review to ensure commitments do not exceed available resources.

|   | <b>2014/15<br/>(£000)</b> |
|---|---------------------------|
| Metro Capital Programme (including overprogramming)   | 38,685                    |
| New Tyne Crossing   | 500                       |
| Tyne Pedestrian and Cycle Tunnel  | 3,000                     |
| Local Transport Plan Integrated Transport Block (excluding Metro ARP contribution included above) | 14,786                    |
| Local Sustainable Transport Fund  | 1,804                     |
| North East Smart Ticketing Initiative   | 75                        |
| <b>Total</b>  | <b>58,850</b>             |

## 3 Metro Capital Programme (£38,685k)

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- 3.1 Since April 2010 Nexus has been delivering the first four years of its eleven year Asset Renewal Plan across the Metro network.

As part of the terms of the funding agreement with DfT, Nexus is required to submit a detailed work plan for each financial year no later than 28 February in the preceding year. Appendix A sets out the proposed programme for 2014/15. The Metro sub-committee will also review the indicative three year programme



(2014/15 to 2016/17) when it next meets in February 2014.

### 3.2 Metro Asset Renewal Plan

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3.2.1 The current prediction of £36.9m capital expenditure in 2013/14, as at Period 9, is based upon the master programme which is managed by the Nexus Programme Management Office. It is currently estimated that over £9m will be spent in the remaining four periods of the financial year.

The outturn for 2013/14 will influence the resources available in 2014/15 and it is therefore proposed that a further report be presented to the Authority (or to its successor body) later in the year to:

- Update the programme to reflect the final 2013/14 outturn and;
- Outline the updated over programming levels

DfT confirmed 100% funding for 2013/14 to 2015/16 in early 2013 following positive engagement with civil servants and an audit of delivery across the first three years by external consultants. The general approach towards Year 5 of the Metro All Change Asset Renewal Plan is therefore as follows:-

- Keep customer disruption to a minimum following extensive network closures during the first four years of the programme, in particular the central area blockade of August 2013
- £31m of Metro Rail Grant will be available in 2014/15, of which approximately £1.4m is anticipated to be brought forward into 2013/14
- Consolidation of the processes and procedures that have been successfully introduced during Years 1 to 4
- Maintain delivery of the Asset Renewal Plan within funding limits
- Bring projects that are currently underway to a successful conclusion
- Continue to identify projects required over the eleven year period resulting from increased asset knowledge and prioritise accordingly to maximise value for money for the programme
- Flatten the spend profile throughout the year
- Give consideration to projects with long lead items e.g. new PTI system

In this regard, the major elements of the investment programme for 2014/15 are as follows:



- **Civils: Budget £7.129m**  
Including Earthworks, Drainage and Bridge works of £5.922m and Duct Route repairs and renewals of £1.207m.
- **Communications: Budget £5.301m**  
Including fibre installation and replacement of £0.339m and continuing work on Station Network Connections of £0.865m to replace the open transmission network (OTN) with an internet protocol (IP) network, together with CCTV and PA works (£0.893m). In addition work on the new radio system will continue (£3.204m).
- **Mechanical and Electrical: Budget £3.759m**  
This provides for the continuation of Lift and Escalator replacement including the Heworth and Gateshead escalators at £2.309m. It also provides for the replacement of the Fire Alarm system at £1.254m.
- **Metro Cars ¾ Life Refurbishment: Budget £5.738m**  
Continuation of the refurbishment programme that commenced in 2010/11.
- **Permanent Way: Budget £4.269m**  
Including QEII Bridge Plain Line Renewal and preparatory works relating to Plain Line Renewal from Tynemouth to South Gosforth and remaining works from the Central Area Blockade 2013 (£3.117m) planned for the final quarter of the year. Works also include Switches and Crossing unit renewal at Regent Centre and St. James (£1.152m).
- **Signalling: Budget of £2.322m**  
Continued programme of cable testing and replacement (£1.431m), together with further development of the Positive Train Identification (PTI) equipment replacement at £0.891m.
- **Stations: Budget of £3.615m**  
Completion of on-going Station refurbishment including works at Walkergate, Central Station, Hebburn, Jarrow, Bede, Northumberland Park, Simonside and Pelaw £2.753m.
- **Overhead Line: Budget of £2.155m**  
Commencement of programme to replace overhead line system.



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### 3.3 Overprogramming and Station Investment

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3.3.1 The proposed draft programme detailed at Appendix A totals £38.7m. At this level, the programme is currently 18% over-programmed, assuming approximately £1.4m of the available 2014/15 grant funding will be accelerated in order to fund delivery of the 2013/14 programme. If this doesn't happen, there will be a consequential impact on the level of over programming in next year's ARP, although it should also be recognised that there is flexibility within the funding envelope from DfT to vire funding up to a maximum of 10% of the agreed amount.

However, the programme includes risks associated with the delivery of the programme relating to radio, PTI and Central Station improvements, all of which present a range of challenges associated with their implementation.

Should there be a need to increase the level of over-programming, then a number of projects have been identified which could be accelerated if required.

Acceleration of projects is however, more challenging in Year 5 since:

- Every effort is being made to avoid passenger disruption in 2014/15 (following the central corridor blockade in 2013)
- 'Easy wins' having already been implemented in earlier years
- DfT funding levels have not been confirmed beyond Year 6 of the programme.

As a result it is important not to commit spending to potential projects which may not proceed if funding were to be subsequently reduced in years 7 and beyond. This is currently the subject of discussions with DfT at quarterly progress review meetings.

As far as the Station Investment Programme is concerned, feedback from stakeholders has highlighted the need for consideration of additional works to be carried out at key stations across the network in order to enhance what is currently programmed and financed to occur and to provide synergy with recent works carried out in central Newcastle (Haymarket) and North Shields as well as works previously carried out (below the surface) and also planned (above ground) at Sunderland Station where Nexus has committed resources outside of the Asset Renewal Plan grant funding arrangements in a joint venture with the City Council and Network Rail.



These additional locations include Newcastle Central Station where the City Council has also secured investment for the mainline railway station and improvements to the metro station are seen as complementary, South Shields station where the Council is currently implementing plans to regenerate its town centre and Gateshead where sizeable investment in the town centre has been made.

At this point in time, the resource necessary to deliver these station enhancements has not been fully secured and the Asset Renewal Plan only provides for a basic refurbishment at each location at this time. However, bids for external funding e.g. local major scheme funding and single local growth funding have been put forward and discussions with DfT to explore whether any additional investment could be made available are on-going.

### 3.4 Metro Capital Programme Financing

The anticipated DfT Metro Rail Grant funding for 2014/15 is £31m. The funding available, including the local contribution and anticipated bringing forward of funding to 2013/14 is set out below (NB. – over programming in this respect is a management tool used to ensure that delivery against the funding target actually happens):-

|   | <b>Proposed<br/>2014/15<br/>Budget</b> |
|---|--|
|   | <b>£000</b>                            |
| Metro Rail Grant                                | 31,000                                 |
| Virement between years (proposed at this stage) | -1,447                                 |
| Local contribution (10%)                        | 3,284                                  |
| Total ARP Funding                               | 32,837                                 |
| Over-programming                                | 5,848                                  |
| Over-programming (%)                            | 17.8%                                  |
| <b>Total</b>                                    | <b>38,685</b>                          |



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#### **4 Tyne Tunnels Capital Programme (£3,500k)**

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##### **4.1 New Tyne Crossing (£500k)**

The construction works on the New Tyne Crossing are now complete and the capital programme in relation to this major ITA scheme is therefore significantly smaller than it has been in recent years. The budget requirement for 2014/15 relates to remaining final elements of environmental works and monitoring, professional fees for work towards achieving final completion, costs associated with land transfer work, and provision made for land compensation claims and their assessment.

##### **4.2 Tyne Pedestrian and Cycle Tunnel (TPCT) (£3,000k)**

In July 2010, the ITA considered the future for the TPCT given failures to the lifts and escalators and, in reaffirming the importance of the tunnels as a sustainable and important piece of transport infrastructure, set a budget of £6m for the Phase 3 Improvement Works. These works primarily entail the removal of 2 escalators and the installation of 2 inclined lifts and the complete replacement of all M&E systems.

The TPCT is a Grade II Listed Building and works to the fabric of the TPCT requires Listed Building Consent. The application was lodged with the Local Planning Authorities in April 2011 and the relevant conditions discharged in February 2012. In October 2012 ITA Delegated Committee received a report outlining tender submissions for the Phase 3 works and authorised the Project Director to award the contract.

At the Delegated Committee on 12 October 2012, a £0.5m additional contingency was agreed for the TPCT project, to be funded from Tyne Tunnels reserves and profiled into the 2014/15 programme.

During the third quarter of the 2013/14 financial year, some of the Phase 3 Improvement Works have been found to be more complex and/or extensive than was envisaged during the preparation of the procurement documentation and subsequent bidding process. This has implications for the essential corrosion protection works, and amendments to the budget and programme are required. A full report considering the Tyne Pedestrian and Cycle Tunnels project is elsewhere on this agenda, and the issues have been examined in detail by the Tyne Tunnels Working Group.

The budget requirement for 2014/15 is estimated to be £3.000m, the majority of which relates to the cost of the actual refurbishment works and will be funded through earmarked Tyne Tunnels Reserves and Prudential Borrowing. The revenue





REPORT FOR DECISION

costs associated with the repayment of any borrowing undertaken to fund these works are already built into the overall financial model for the New Tyne Crossing Project.

**5 Local Transport Plan (LTP) Integrated Transport Block (£17,426k)**

- 5.1 The LTP Integrated Transport Block is a flexible source of capital funding awarded by DfT. The grant is awarded to the ITA, who distributes the funds between the Districts and Nexus.
- 5.2 For 2014/15, which is the final year of the current LTP settlement, the ITA is recommended to approve the distribution of the LTP Integrated Transport Block grant on the same proportionate basis as used in previous years, as set out in the table below.

| District                          | 2014/15 Allocation (£000) |
|-----------------------------------|---------------------------|
| Gateshead                         | 2,496                     |
| Newcastle                         | 2,999                     |
| North Tyneside                    | 1,928                     |
| South Tyneside                    | 1,532                     |
| Sunderland                        | 3,011                     |
| Nexus/Public Transport Allocation | 5,460                     |
| <b>Total</b>                      | <b>17,426</b>             |

An element of the grant is top-sliced to meet the local contribution requirements of the Metro Asset Renewal Programme and to fund small public transport schemes, with the distribution as set out below. The remainder is paid directly to Districts on a quarterly basis.

| District   | 2014/15 Allocation (£000) |
|--|---------------------------|
| Nexus Metro ARP Contribution (included with ARP programme at Appendix B) | 2,640                     |
| Less Core Team top-slice (assumed)                                       | 218                       |
| <b>Public Transport schemes:</b>   |                           |
| Gateshead  | 373                       |
| Newcastle  | 448                       |
| North Tyneside   | 288                       |
| South Tyneside   | 229                       |
| Sunderland   | 450                       |
| Nexus  | 815                       |
| <b>Total</b>   | <b>5,460</b>              |

Nexus is planning to use its LTP Public Transport funding of £841k to implement a range of small projects, including a Refit of the Pride ferry, the refurbishment of



## REPORT FOR DECISION

Jarrow Bus Station and development of technology to improve services and realise efficiencies.

### **6 Local Sustainable Transport Fund (LSTF) (£1,130k)**

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#### **6.1 Schools Go Smarter (£584k)**

2014/15 is the final year of the Schools Go Smarter programme which is funded through a mixture of revenue and capital LSTF grant and local contributions. The capital works in the programme for 2014/15 are mainly comprised of the School Links and Grants to Schools workstreams. School grants provides funding for bike sheds, to provide safe places for pupils to store their bicycles, and other works including new paths, pool bikes or tools. School links funds infrastructure works in the Districts making it easier to cycle or walk to school, such as upgrading cycle paths or installing new pedestrian crossings.

#### **6.2 Go Smarter to Work (£1,220k)**

In September 2012, the ITA was notified that it had been successful in its revised bid for a further £5m LSTF funding. The Go Smarter to Work package launched towards the end of 2012 and is designed to ease congestion on the A1 Western Bypass and improve access to the employment areas it serves.

The majority of the capital budget across this project is within the 2014/15 financial year, as the planning and procurement elements have been completed and the projects move to the final delivery stage. Capital works included within the programme for 2014/15 are designed to deliver infrastructure improvements including enhancing cycle and pedestrian facilities at Team Valley to encourage more walk and cycle trips and bus priority investment at Team Valley to encourage modal shift to public transport. Improved information will also be delivered through use of open data sources and Real Time Passenger Information to enable the transport user to access more reliable and up to date details about transport services.

6.3 A detailed update report on delivery of both the revenue and capital aspects of the Schools Go Smarter and Go Smarter to Work programmes will be reported to the ITA (or its successor body) following the end of the financial year.

### **7 North East Smart Ticketing Initiative (NESTI) (£75k)**

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7.1 £75k is included in the capital programme for 2014/15 in relation to NESTI. The



works will include:

- The implementation of the final aspect of the Regional Retail Infrastructure, namely procurement and installation of bus stop validation equipment.
- A provision for further and high education integration projects in all local authority areas throughout the region, similar to that previously agreed for Newcastle University where NESTI is working with University such that its own smart card can also be used in the public transport arena.
- Scope for the South East Northumberland Multi-modal Smartcard change request agreed at the partnership board meeting on the 14<sup>th</sup> December 2012.
- Slippage from implementation of the Retail Distribution Network project and Card Management System integration costs.

7.2 The works will be funded from the NESTI contributions which are held and managed centrally by the ITA in line with the funding treatment agreed in March 2010.

## **8 Potential impact on objectives**

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8.1 The capital programme set out includes works designed to have a positive impact on the ITA's objectives:

- To support economic development and regeneration through addressing transport-related barriers to employment and business growth;
- To address climate change through encouraging use of public transport and sustainable travel modes;
- To support safe and sustainable communities through improving public transport links to communities.

## **9 Next Steps**

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10.1 Progress on the 2014/15 Capital Programme will be reported to the ITA (or its successor body) on a quarterly basis.



**ITA Non-Metro Capital Programme and Financing 2014/15**

| <b>CAPITAL SCHEME</b>                                       | <b>2014/15 BUDGET REQUIREMENT (£000)</b> |
|---|--|
| <b>New Tyne Crossing:</b>                                   | 500                                      |
|   |  |
| <b>Tyne Pedestrian and Cycle Tunnel:</b>                    | 3,000                                    |
|   |  |
| <b>LTP:</b>   |  |
| Integrated Transport Block Grant to Districts               | 11,966                                   |
| Public Transport Element (excluding Metro ARP contribution) | 2,820                                    |
|   |  |
| <b>LSTF:</b>  |  |
| Schools Go Smarter  | 584                                      |
| Go Smarter to Work  | 1,220                                    |
|   |  |
| <b>NESTI</b>  | 75                                       |
|   |  |
|   |  |
| <b>TOTAL CAPITAL EXPENDITURE</b>                            | <b>20,165</b>                            |
|   |  |
| <b>FINANCING</b>  |  |
| To be funded from:  |  |
| Prudential Borrowing  | (1,500)                                  |
| Capital Grant from Central Government                       | (16,590)                                 |
| Earmarked Reserves  | (2,000)                                  |
| Other Grants and Contributions                              | (75)                                     |
| <b>TOTAL CAPITAL FINANCING</b>                              | <b>(20,165)</b>                          |



Metro Capital Programme 2014/15

| Capital code          | Capital Scheme  | 2014/15 Budget Requirement<br>£000 |
|-----------------------|---|------------------------------------|
| <b>Civils</b>         |   |                                    |
| BC201                 | Earthworks - North Shields to Howdon  | 79                                 |
| BC204                 | Earthworks - South Gosforth to Jesmond                                      | 2,144                              |
| BC971                 | Earthworks - TYN - NPK, NPK - SGF   | 119                                |
| BC211                 | Bridges - Hadrian Road to Walkergate (1197 1198 1200)                       | 1                                  |
| BC212                 | Bridges - Wallsend to Walkergate (1201 1203 1204 1206)                      | 39                                 |
| BC213                 | Retaining Walls   | 40                                 |
| BC214                 | Bridges - Monkseaton, Cullercoats (1124 1137 1144)                          | 342                                |
| BC215                 | Bridges - Benton (1114 1115B)   | 15                                 |
| BC216                 | Bridges - Gateshead (1059 1962)   | 25                                 |
| BC217                 | Bridges - Bede, Shiremoor (1024 1024A)                                      | 471                                |
| BC972                 | Bridges GST-SSS   | 93                                 |
| BC488                 | Felling Flood Remedial Works  | 180                                |
| BC283                 | Bridges PCM to SGF  | 315                                |
| BC400                 | Bridges BYK-MAN   | 116                                |
| BC666                 | Gosforth Depot - Roof and Gutter Repairs                                    | 308                                |
| BC634                 | DC Power Cable Ducting  | 532                                |
| BC219                 | Drainage - South Gosforth to Jesmond  | 262                                |
| BC974                 | Drainage - TYN-NPK  | 584                                |
| BC975                 | Drainage for Plain Line   | 72                                 |
| BC226                 | Duct Route - South Gosforth to Jesmond                                      | 410                                |
| BC228                 | Duct Route - Jesmond to Gateshead Stadium and Manors to St. James (tunnels) | 53                                 |
| BC229                 | Duct Route - Gateshead Stadium to South Shields                             | 468                                |
| BC230                 | Duct Route - South Gosforth to Tynemouth                                    | 276                                |
| BC290                 | Ground Investigation - Rest of System                                       | 184                                |
|                       | <b>Total Civils</b>   | <b>7,129</b>                       |
| <b>Communications</b> |   |                                    |
| BC250                 | Cable Pulling - Tynemouth to Manors   | 4                                  |
| BC252                 | Cable Pulling - South Gosforth to Airport                                   | 121                                |
| BC253                 | Cable Pulling - Jesmond to Gateshead Stadium and Manors                     | 1                                  |
| BC254                 | Cable Pulling - Gateshead Stadium to South Shields                          | 101                                |



REPORT FOR DECISION

|       |  |              |
|-------|--|--------------|
| BC255 | Fibre Cable Replacement - South Gosforth Junction to Tynemouth | 112          |
| BC256 | Radio  | 3,205        |
| BC259 | IP Network   | 865          |
| BC840 | CCTV   | 673          |
| BC956 | PA   | 220          |
|       | <b>Total Communications</b>                                    | <b>5,301</b> |

**Level Crossings**

|       |                              |            |
|-------|------------------------------|------------|
| BC277 | Bank Foot Callerton Parkway  | 153        |
|       | <b>Total Level Crossings</b> | <b>153</b> |

**Mechanical and Electrical**

|       |   |              |
|-------|---|--------------|
| BC282 | Escalator - Monument                          | 2            |
| BC992 | Escalator - Heworth                           | 807          |
| BC993 | Escalator - Gateshead 1-2 (previously 1-3)    | 802          |
| BC994 | Escalator - Regent Centre (previously Manors) | 1            |
| BC995 | Escalator - Gateshead 3-6 (previously 4-6)    | 1            |
| BC973 | Lift - St James                               | 2            |
| BC996 | Lift - Regent Centre (previously St James)    | 1            |
| BC977 | Lift - Manors                                 | 349          |
| BC984 | Lift - Jesmond                                | 342          |
| BC286 | Fire Alarm                                    | 1,254        |
| BC805 | Otn-ups Support Power Supply                  | 196          |
|       | <b>Total Mechanical and Electrical</b>        | <b>3,759</b> |

**Metro Cars**

|       |                         |              |
|-------|-------------------------|--------------|
| BC288 | 3/4 Life Refurbishment  | 5,738        |
|       | <b>Total Metro Cars</b> | <b>5,738</b> |

**Capital Maintenance**

|       |  |              |
|-------|--|--------------|
| BC550 | Rail Grinding                          | 100          |
| BC587 | Vehicle Replacement Programme          | 188          |
| BC617 | Lifts Refurbishment/Major Items        | 35           |
| BC703 | Plain Line Renewal                     | 438          |
| BC929 | OHL Network                            | 27           |
| BC954 | Capital Maintenance Concession         | 824          |
| BC532 | Stations Refurb - Esc Imps/Major Items | 35           |
|       | <b>Total Capital Maintenance</b>       | <b>1,647</b> |

**Miscellaneous**

|       |                 |   |
|-------|-----------------|---|
| BC894 | Security Review | 1 |
|-------|-----------------|---|



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|       |                             |              |
|-------|-----------------------------|--------------|
| BC960 | Asset Knowledge             | 47           |
| BC296 | Metro Service               | 310          |
| BC000 | Strategic Risks             | 2,000        |
| BC900 | Nexus Rail HQ Improvements  | 40           |
| BC444 | Control Centre Improvements | 155          |
|       | <b>Total Miscellaneous</b>  | <b>2,553</b> |

**Overhead Line**

|       |                            |              |
|-------|----------------------------|--------------|
| BC240 | OLE - System Development   | 2,155        |
|       | <b>Total Overhead Line</b> | <b>2,155</b> |

**Permanent Way**

|       |  |              |
|-------|--|--------------|
| BC231 | Plain Line - Tynemouth to Chillingham Road | 4            |
| BC232 | Plain Line - South Gosforth to Jesmond     | 847          |
| BC233 | Plain Line - Jesmond to Gateshead Stadium  | 1,283        |
| BC976 | Plain Line - TYN-NPK                       | 841          |
| BC978 | Plain Line NPK-SGF                         | 142          |
| BC237 | Switches & Crossings - Benton              | 10           |
| BC238 | Switches & Crossings - St James            | 467          |
| BC967 | Switches & Crossings - Regent Centre       | 675          |
|       | <b>Total Permanent Way</b>                 | <b>4,269</b> |

**Plant**

|       |                    |            |
|-------|--------------------|------------|
| BC280 | Tamper             | 251        |
|       | <b>Total Plant</b> | <b>251</b> |

**Power**

|       |                              |            |
|-------|------------------------------|------------|
| BC287 | Power - Depot Stray Currents | 655        |
|       | <b>Total Power</b>           | <b>655</b> |

**Signalling**

|       |  |              |
|-------|--|--------------|
| BC261 | Signalling - South Gosforth Interlocking Area              | 343          |
| BC262 | Signalling - Benton Interlocking Area                      | 355          |
| BC264 | Signalling - North Shields Interlocking Area               | 360          |
| BC266 | Signalling - Jesmond Interlocking Area                     | 29           |
| BC267 | Signalling - Manors Interlocking Area                      | 279          |
| BC269 | Signalling - Pelaw Interlocking Area                       | 54           |
| BC272 | Signalling - Depot Interlocking Area                       | 8            |
| BC273 | Signalling - PTI   | 891          |
| BC970 | Signalling - Replacement point motors (critical locations) | 3            |
|       | <b>Total Signalling</b>                                    | <b>2,322</b> |



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**Stations**

|       |   |              |
|-------|---|--------------|
| BC243 | Station - Meadow Well, Percy Main and Howdon        | 4            |
| BC244 | Station - Hadrian Road and Wallsend                 | 1            |
| BC245 | Station - Walkergate and Chillingham Road           | 256          |
| BC246 | Station - South Gosforth                            | 2            |
| BC247 | Station - Ilford Road                               | 1            |
| BC248 | Station - West Jesmond                              | 2            |
| BC249 | Station - Central Station                           | 497          |
| BC968 | Halt Station Package (Hebburn, Jarrow, Bede) Design | 1,166        |
| BC981 | Station - SSS                                       | 374          |
| BC982 | Halt Station Package FEL,GST                        | 118          |
| BC983 | Station - Heworth Interchange                       | 180          |
|       | Station - Northumberland Park                       | 51           |
|       | Station - Simonside                                 | 51           |
|       | Station - Pelaw                                     | 51           |
|       | <b>Total Stations</b>                               | <b>2,753</b> |

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**38,685**

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**DATE:** 23 January 2014

**SUBJECT:** Treasury Management Strategy and Prudential Indicators 2014/15

**REPORT OF:** Treasurer, ITA

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## PURPOSE OF REPORT

The purpose of this report is for the Authority to approve the Treasury Management Strategy and Indicators for 2014/15.

## RECOMMENDATIONS

The Authority is recommended to:

1. Adopt the Treasury Management Policy Statement for 2014/15
2. Approve the Treasury Management Strategy for 2014/15
3. Approve the Treasury Management Indicators for 2014/15, including the Operational Boundary and Authorised Limit for borrowing
4. Approve the Prudential Indicators for 2014/15 included at Appendix 1

## BACKGROUND DOCUMENTS

Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice 2011

## CONTACT OFFICERS

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## IMPACT ON OBJECTIVES

|  |          |
|--|----------|
| To support economic development and regeneration | Positive |
| To address climate change                        | Positive |
| To support safe and sustainable communities      | Positive |



## 1 Executive Summary

1.1 The purpose of the report is for the Authority to approve the Treasury Management Strategy and Indicators for 2014/15, which is an annual requirement. The report also contains background information about the required legislation and guidance and the Authority's current Treasury portfolio.

## 2 Background information

- 2.1 In January 2013 the Authority adopted the Chartered Institute and Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011, which requires the Authority to approve a treasury management strategy before the start of each financial year.
- 2.2 In addition, the Department for Communities and Local Government (CLG) issued revised guidance on Local Authority investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
- 2.3 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

## 3 Current and Expected Treasury Portfolios

### 3.1 Current portfolio

The Authority's treasury portfolio as at 31 December was as follows:

| All figures in £m                                     | Actual         | Authorised     |
|---|----------------|----------------|
| <b>Level of external loans as at 1 April 2013</b>     | <b>204.226</b> | <b>240.000</b> |
| New loans taken out in first six months of year       | -              | n/a            |
| Loans repaid in first six months of year              | (1.333)        | n/a            |
| <b>Level of external loans as at 31 December 2013</b> | <b>202.893</b> | <b>n/a</b>     |
| Estimated net increase/(decrease) in external loans   | (1.333)        | n/a            |



|  |                |                |
|--|----------------|----------------|
| <b>Estimated level of external loans as at 31 March 2014</b> | <b>201.560</b> | <b>240.000</b> |
|--|----------------|----------------|

**3.2 Budget implications**

The budget for debt interest paid in 2013/14 is £9.05m, based on an average interest rate of 4.26%. This includes borrowing undertaken on behalf of Nexus, borrowing charged to the Tyne Tunnels trading account and interest on the ITA’s historic capital financing debt.

**4 Investment Strategy**

4.1 The Authority may, at time, hold surplus funds representing income received in advance of expenditure plus balances and reserves held. Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.

**4.2 Investment criteria and limits**

| <b>Type of Institution</b>   | <b>Financial Limit</b> | <b>Time Limit</b> |
|--|------------------------|-------------------|
| UK Central Government (Debt Management Office)   | Unlimited              | Unlimited         |
| UK banks with AAA, AA+, AA, AA-, A+ credit ratings   | £25m                   | 1 year            |
| UK banks with A and A- credit ratings  | £15m each              | 1 year            |
| UK local authorities   | £5m each               | 3 years           |
| UK building societies whose lowest published long-term credit rating is <u>BB</u> and societies without credit ratings with assets greater than £250m. | £5m each               | 1 year            |



|   |                 |                 |
|---|-----------------|-----------------|
| ITA current account (Co-operative Bank) | See paragraph 5 | See paragraph 5 |
|---|-----------------|-----------------|

4.3 Building Societies

Money market funds are pooled investment vehicles consisting of instruments similar to those used by the Authority. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.1% and 0.2% are deducted from interest paid to the Authority.

Funds that offer same-day liquidity and a constant net asset value may be used as an alternative to instant access call accounts, while funds whose value changes with market prices and/or have a notice period may be used for longer investment periods.

4.4 Risk assessment and credit ratings

The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd., Moody’s Investors Service Inc. and Standard and Poor’s Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Authority’s credit rating criteria are set to ensure that it is unlikely that the Authority will hold speculative grade investments.

Credit ratings are obtained and monitored by the Authority’s treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made;
- Any existing investments that can be recalled or sold at no cost will be;
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative” ) so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks.



4.5 Other information on the security of investments

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will be therefore be given to other available information on the credit quality of the organisation in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. no investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

- 4.6 If these restrictions mean that insufficient commercial organisations of “high credit quality” are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. this will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

4.7 Non-specified investments

The CLG Guidance defines specified investments as those:

- Denominated in pound sterling
- Due to be repaid within 12 months of arrangement
- Not defined as capital expenditure by legislation
- Invested with one of:
  - the UK Government
  - A UK Local Authority, Parish Authority or Community Authority
  - A body or investment scheme of “high credit quality”

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor with any low credit quality bodies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement.

The limit on long-term investments and the total limit on non-specified investments



is £30m.

#### 4.8 **Liquidity Management**

The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments.

Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

#### 4.9 **Planned Investment Strategy for 2014/15**

Surplus funds cover three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned use of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access AAA-rated money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks; this may be achieved by the use of suitable medium-term money market funds. Deposits with lower credit quality names will be made for shorter periods only, while deposits with higher quality names can be made for longer durations.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on



Local Authority services. Security remains important, as any losses from defaults will impact on the total return, but this can be managed over the long term within a diversified portfolio. Liquidity is of lesser concern, although it should still be possible to sell investments, with due notice, if large spending commitments arise unexpectedly. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds may be used to diversify the portfolio. The Authority may consider employing external fund managers that have the skills and resources to manage the risks inherent in a portfolio of long-term investments.

With short-term interest rates currently much lower than long-term rates, due consideration will also be given to using surplus funds to make early repayments of long-term borrowing. In addition to the savings on the interest rate differential, this strategy will also reduce the Authority's exposure to credit risk and interest rate risk.

## **5 Update on Co-operative Bank**

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- 5.1 The ITA's main bank account, and that of the Lead Authority Newcastle City Council, is provided by the Co-operative Bank. Following the downgrading of the Co-operative Bank, to minimise risk, the ITA now aims to clear its current account to nil at the close of each day. In practice, some income may be received after this cut-off point, and this will be invested with the Co-operative Bank overnight and then invested with another third party the following day. Previously the limit to be held in this account was £25m.
- 5.2 The Co-operative Bank has stated its withdrawal from providing banking services to local authorities. As a result, the ITA is seeking a new banking provide through a procurement process with Newcastle City Council as Lead Authority, who are working in conjunction with a number of Local Authorities in the region on a joint approach. Any new arrangements are likely to take effect from 2015.

## **6 Borrowing Strategy**

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- 6.1 The Authority currently holds £203m of long-term loans. The balance at 31 March 2014 is forecast to be £202m after new borrowing and maturing loans. The Authority's capital financing requirement (CFR, or underlying need to borrow to finance capital expenditure) as at 31 March 2014 is expected to be £211m, and is



forecast to decrease to £210m by March 2015 as funds are set aside to meet principal repayments.

## 6.2 Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loans Board
- Any institution approved for investments above
- Any other bank or building society approved by the Financial Services Authority
- Capital market bond investors
- Pension funds and other corporate investors
- Special purpose companies created to enable joint Local Authority bond issues

## 6.3 Planned Borrowing Strategy for 2014/15

With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either borrow short-term loans or variable-rate loans. However, with long-term rates forecast to rise in the coming years, any such short-term savings will need to be balanced against the potential longer-term costs.

The Authority has previously raised a significant proportion of its long-term borrowing from the Public Works Loans Board but other sources of finance, such as bond issues and bank loans, may be considered.

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Authority may take advantage of this and replace some higher rate loans with new loans at lower interest rates, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

## 6.4 Policy on use of Financial Derivatives

Local Authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

The Localism Bill 2011 includes a general power competence that removes the uncertain legal position over Local Authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest





CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Derivative counterparties

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

**7 Treasury Management Indicators**

7.1 The Authority measures and manages its exposures to treasury management risks using the following indicators. The Authority is asked to approve the following indicators:

Security: average credit rating

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio.

|                                 | Target |
|---------------------------------|--------|
| Portfolio average credit rating | A-     |

For the purpose of this indicator, unrated local authorities are assumed to hold an AA+ rating.

7.2 Liquidity: cash available within 3 months

The Authority has adopted a voluntary measure its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period.



|  | Target (£m) |
|--|-------------|
| Total potential cash available without borrowing | 20          |

7.3 Interest rate exposures

This indicator is set to control the Authority’s exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

|   | 2014/15 | 2015/16 | 2016/17 |
|---|---------|---------|---------|
| Upper limit on fixed interest rate exposures    | 100%    | 100%    | 100%    |
| Upper limit on variable interest rate exposures | 100%    | 100%    | 100%    |

7.4 Maturity structure of borrowing

This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

|                                | <u>Upper</u> | <u>Lower</u> |
|--------------------------------|--------------|--------------|
| Under 12 months                | 25%          | 0%           |
| 12 months and within 24 months | 50%          | 0%           |
| 24 months and within 5 years   | 100%         | 0%           |
| Five years and within 10 years | 100%         | 0%           |
| 10 years and above             | 100%         | 0%           |

7.5 Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period will be:

|   | <u>2014/15</u> | <u>2015/16</u> | <u>2016/17</u> |
|---|----------------|----------------|----------------|
| Limit on principal invested beyond year end | £50m           | £50m           | £50m           |



7.6 Gross and net debt

The upper limit on net debt indicator was introduced in 2011 and is intended to highlight where the Authority is borrowing in advance of need.

|                         | 2014/15 | 2015/16 | 2016/17 |
|-------------------------|---------|---------|---------|
| Upper limit on net debt | 100%    | 100%    | 100%    |

7.7 Borrowing limits

The Authority is asked to approve the following borrowing limits:

|                      | 2014/15 | 2015/16 | 2016/17 |
|----------------------|---------|---------|---------|
| Operational boundary | £235m   | £235m   | £235m   |
| Authorised limit     | £240m   | £240m   | £240m   |

**8 Other Matters**

The CLG Investment Guidance requires the Authority to note the following three matters each year as part of the investment strategy:

8.1 Treasury Management Advisers

The Lead Authority contracts with Arlingclose Limited to provide advice and information relating to its investment and borrowing activities, which Treasury Management officers may draw on for ITA matters. However, responsibility for final decision making remains with the Authority and its officers.

The services received include:

- Advice and guidance on relevant policies, strategies and reports
- Advice on investment decisions
- Notification of credit ratings and changes
- Other information on credit quality
- Advice on debt management decisions
- Accounting advice
- Reports on treasury performance
- Forecast of interest rates



8.2 Investment Training

The needs of the Authority’s treasury management staff for training in investment management are assessed every year as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose Limited and CIPFA, and meet regularly with Treasury Management officers from other Core Cities. Relevant staff are encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

8.3 Investment of money borrowed in advance of need

The Authority may, from time to time, borrow in advance of spending need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority’s overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £240m. The maximum period between borrowing and expenditure is expected to be two years, although the Authority does not link particular loans with particular items of expenditure.

9 **Other Options Considered**

9.1 The CLG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The ITA Treasurer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below:

| <b>Alternative</b>  | <b>Impact on income and expenditure</b> | <b>Impact on risk management</b>                    |
|---|---|---|
| Adopt a narrower definition of “high credit quality” and/or shorter time limits | Interest income will be lower           | Reduced risk of losses from credit related defaults |



|   |  |  |
|---|--|--|
| Adopt a wider definition of “high credit quality” and/or longer time limits | Interest income will be higher   | Increased risk of losses from credit related defaults  |
| Borrow additional sums at long-term fixed interest rates                    | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain            |
| Borrow short-term or variable loans instead of long-term fixed rates        | Debt interest costs will initially be lower  | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain |

**10 Treasury Management Policy Statement**

10.1 The Authority’s financial regulations require it to create and maintain a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury activities, as a cornerstone for effective treasury management.

*Definition*

The Authority defines its treasury management activities as: the management of the Authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

*Value for Money*

The Authority greatly values revenue budget stability and will therefore borrow the majority of its long-term funding needs at long-term fixed rates of interest. Short-term and variable rate loans will only be borrowed to the extent that they either offset short-term and variable rate investments or can be shown to produce



revenue savings.

The Authority will set an affordable borrowing limit each year in compliance with the *Local Government Act 2003*, and will have regard to the *CIPFA Prudential Code for Capital Finance in Local Authorities* when setting that limit. It will also set limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.

#### *Investment Policy*

The Authority's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.

The Authority will have regard to the Communities and Local Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

## **11 Next steps**

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- 11.1 The Treasury Management position is monitored regularly by officers as part of Budget Monitoring arrangements and day-to-day cash flow work.
- 11.2 A mid-year update, in line with the requirements of the CIPFA Code, will be presented to the Authority during 2014/15.

## **12 Potential impact on objectives**

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- 12.1 The Authority's Treasury Management strategy aims to minimise interest costs while ensuring the security and liquidity of any financial assets. This enables the ITA to make most effective use of its resources to support its objectives.



**Appendix 1: Prudential Indicators 2014/15**

|   | <b>2013/14<br/>forecast<br/>£m</b> | <b>2014/15<br/>estimate<br/>£m</b> | <b>2015/16<br/>estimate<br/>£m</b> | <b>2016/17<br/>estimate<br/>£m</b> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Capital expenditure                                     | 59.495                             | 58.850                             | 55.000                             | 52.000                             |
| <b>Financing costs to Net Revenue Stream</b>            |                                    |                                    |                                    |                                    |
| ITA levy  | 70.207                             | 68.207                             | 68.207                             | 68.207                             |
| ITA financing costs                                     | 2.398                              | 2.302                              | 2.210                              | 2.122                              |
| %   | 3.42%                              | 3.38%                              | 3.24%                              | 3.11%                              |
| Nexus levy plus direct grants                           | 93.693                             | 93.498                             | 93.351                             | 92.920                             |
| Nexus financing costs                                   | 4.072                              | 3.913                              | 3.761                              | 3.683                              |
| %   | 4.4%                               | 4.2%                               | 4.0%                               | 4.0%                               |
| Tunnels tolls income                                    | 23.200                             | 25.400                             | 26.900                             | 28.000                             |
| Tunnels financing costs                                 | 6.723                              | 6.861                              | 6.875                              | 6.837                              |
| %   | 28.49%                             | 27.01%                             | 25.56%                             | 24.42%                             |
| <b>CFR at end of year</b>                               |                                    |                                    |                                    |                                    |
| Tunnels and ITA   | 164.135                            | 164.471                            | 163.113                            | 161.059                            |
| Nexus   | 47.141                             | 45.236                             | 43.403                             | 41.569                             |
| <b>Total</b>  | <b>211.276</b>                     | <b>209.707</b>                     | <b>206.516</b>                     | <b>202.268</b>                     |
| Incremental impact of CF decisions (impact on ITA levy) | (98)                               | (96)                               | (92)                               | (88)                               |
| Operational Boundary for External Debt                  | 235                                | 235                                | 230                                | 230                                |
| Authorised Limit for External Debt                      | 240                                | 240                                | 235                                | 235                                |
| Actual External Borrowing                               | 202                                | 199                                | 196                                | 196                                |

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REPORT FOR INFORMATION

**DATE:** 23 January 2014

**SUBJECT:** 2013/14 CAPITAL PROGRAMME – THIRD QUARTERLY REVIEW

**REPORT OF:** THE TREASURER, ITA AND DIRECTOR OF FINANCE AND RESOURCES,  
NEXUS

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## PURPOSE OF REPORT

To advise Members of the overall performance of the 2013/14 Capital Programme, including delivery to the end of the third quarter. The report covers the diverse range of activities for which the ITA is the accountable body.

## RECOMMENDATIONS

The ITA is asked to note the position with regard to the 2013/14 Capital Programme at the end of the third quarter, as outlined in Section 2.

## BACKGROUND DOCUMENTS

Metro Capital Programme 2013/14  
2013/14 Non-Metro Capital Programme  
2013/14 Capital Programme – First Quarterly Review  
2013/14 Capital Programme – Second Quarterly Review

## CONTACT OFFICERS

|                        |                                     |                      |
|------------------------|-------------------------------------|----------------------|
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## IMPACT ON OBJECTIVES

|  |         |
|--|---------|
| To support economic development and regeneration | Neutral |
| To address climate change                        | Neutral |
| To support safe and sustainable communities      | Neutral |

## 1 Executive Summary

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- 1.1 This report sets out the overall performance of the 2013/14 Capital Programme, including delivery to the end of the third quarter. The report covers the diverse range of activities for which the ITA is the accountable body.

## 2 Introduction and Background

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- 2.1 The projected outturn for the 2013/14 capital programme as at the end of the third quarter is set out below:-

| <b>Expenditure</b>                        | <b>Latest Approved 2013/14</b> | <b>Projected Outturn 2013/14</b> | <b>Quarter 3 Expenditure 2013/14</b> |
|---|--------------------------------|----------------------------------|--------------------------------------|
|   | <b>£m</b>                      | <b>£m</b>                        | <b>£m</b>                            |
| Metro Asset Renewal Plan                  | 41.998                         | 36.913                           | 27.858                               |
| Metro Ticketing and Gating                | 3.748                          | 3.524                            | 0.934                                |
| New Tyne Crossing                         | 0.585                          | 0.585                            | 0.383                                |
| Tyne Pedestrian and Cycle Tunnel          | 4.000                          | 4.000                            | 1.217                                |
| LTP Integrated Transport Block Allocation | 10.053                         | 10.053                           | 8.274                                |
| NESTI Project                             | 1.987                          | 1.935                            | 0.444                                |
| LSTF Projects                             | 1.275                          | 0.858                            | 0.118                                |
| Better Bus Area Fund                      | 1.627                          | 1.627                            | 0.704                                |
| <b>Total Expenditure</b>                  | <b>65.273</b>                  | <b>59.495</b>                    | <b>39.932</b>                        |

## 3 Metro Asset Renewal Plan

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- 3.1 This reflects the fourth year of our ambitious eleven year programme to renew the Metro network where investment is directed towards those assets where there is greatest need, recognising that logistical and other planning processes also play a significant role in determining where resources are deployed in fulfilling the objectives of Nexus' three year rolling programme of delivery.

The ITA approved the Metro Asset Renewal Programme for 2013/14 in January 2013 totalling £49.269m to DfT (including a sizeable amount of over-programming which was to be addressed once a more logical sequence of programme delivery in 2013/14 and 2014/15 was determined). Following finalisation of these planning assumptions including how the 2012/13 programme actually out-turned, the Metro ARP capital programme was revised to a new level of £40.708m, which was noted by the ITA at its meeting in May. Since then, the programme has been further revised to £41.998m to



reflect the additional tender and bus costs arising from the Central Corridor Blockade works this summer and reduced tender costs for Ilford Road. The budget also now incorporates the negotiated contract settlement at North Shields, Howdon and Meadow Well stations.

Expenditure as at Quarter 3 of 2013/14 is £27.858m, as detailed in Appendix A. At this level, almost 80% of the target DfT spending level has already been spent to the end of Quarter 3. This includes the majority of spending incurred during the August blockade where track and drainage systems were to be completely renewed in the 'Central Corridor'.

The forecast for the year is £36.913m which although slightly adrift of the revised budget is comfortably in excess of the minimum expenditure target for grant purposes for 2013/14 of £31.752m and the target spend of £35.197m in relation to the grant offer from DfT for 2013/14 (prior to any virement adjustments which are allowable under the terms and conditions of Metro Rail Grant). This KPI is monitored on a 4 weekly basis and reported to both the Nexus Board and DfT along with the quarterly reports to the ITA and its Metro sub-committee which last met on 7 November 2013 and considered other aspects of delivery including overall programme affordability.

3.2 A range of outputs are proposed for delivery during the course of the fourth year of the delivery of the Metro Asset Renewal Plan. To the end of Quarter 3 the following key projects have been delivered:-

- Completion of drainage and track replacement works in the Central Corridor from South Gosforth to Jesmond
- Further progress with  $\frac{3}{4}$  life Metro car project (with 39 cars completely refurbished by the end of Quarter 3 of 2013/14);
- Progress towards the implementation of the Master Plan of Ducting, Cable and Fibre replacement projects;
- Progress towards implementation of various ICT projects, including the receipt of tenders relating to the safety critical radio project;
- Completion of Escalator replacements at Gateshead and Regent Centre;
- Further replacement point motors installation;
- Progress towards refurbishment works at stations, including South Gosforth, West Jesmond, Ilford Road and airport stations.



## REPORT FOR INFORMATION

By the end of 2013/14, delivery will have translated into :-

- An anticipated 45 metro cars completely refurbished;
- Completion of Cable replacement project and significant progress toward the Ducting and Fibre replacement projects;
- Completion of drainage and track replacement works in the Central Corridor from South Gosforth to Jesmond;
- Replacement of the Rail Track Tamping Machine;
- Completion of on-going Station refurbishment including works at Walkergate, South Gosforth, Ilford Road, West Jesmond and airport stations;
- Completion of various lift and escalator works including new escalators to the Metro concourse at Gateshead and Regent Centre and new lifts at Regent Centre and St. James.

### **4 Metro Ticketing and Gating**

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4.1 The 2013/14 Ticketing and Gating project has a revised budget and projection of £3.524m at Quarter 3, following slippage in the programme during 2012/13 reported to the Metro Sub Committee at its meeting on 11th July 2013. Virtually all external grants have been fully applied to this project and the majority of costs still to be incurred will be funded from Nexus earmarked capital reserves.

As at the end of the third quarter, all 225 new Ticket Vending Machines had been deployed at the 60 stations across the Metro network. Gate lines at 11 stations have also been installed and the validator installations (196/196) are completed. A further two stations will be gated later in the year.

The significant 'Touch in Day' milestone was achieved in the third quarter, with the project then beginning to close in on the Card Management System and Website deliverables. Roll out of technology and products are in line with the programme of events previously reported.

### **5 New Tyne Crossing**

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5.1 The construction works on the New Tyne Crossing are now complete and the capital programme in relation to this major ITA scheme is therefore significantly smaller than it has been in recent years. The budget requirement of £0.585m for 2013/14 relates



to remaining final elements of environmental works and monitoring, professional fees for work towards achieving final completion, costs associated with land transfer work, and provision made for land compensation claims and their assessment.

## **6 Tyne Pedestrian and Cycle Tunnels**

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- 6.1 Over the third quarter of the 2013/14 financial year, some of the Phase 3 Improvement Works have been found to be more complex and/or extensive than was envisaged during the preparation of the procurement documentation and subsequent bidding process. This has implications for the essential corrosion protection works, and amendments to the budget and programme are required. A full report considering the Tyne Pedestrian and Cycle Tunnels project is elsewhere on this agenda, and the issues have been examined in detail by the Tyne Tunnels Working Group.

To maintain the pedestrian/cycle cross Tyne link, a Shuttle Bus Service has been provided. It operates between the hours of 06:00 and 20:00 every day, is timetabled and free of charge for users and runs from Tyne View Terrace, East Howdon to Tyne Street, Jarrow (effectively rotunda to rotunda). TT2 Ltd is providing a night service consisting of a driver and a suitable vehicle that can carry three people and their bicycles at a time throughout the night. User reaction to both of these services is very positive. The Shuttle Bus and night taxi service will be extended to cover the full period until the tunnels re-open.

The budget requirement for 2013/14 remains £4.000m, the majority of which relates to the cost of the actual refurbishment works, with allocations for professional advisers and other fees. This will be funded through Prudential Borrowing or earmarked Tyne Tunnel revenue reserves. The revenue costs associated with the repayment of any borrowing required are built into the overall financial model for the New Tyne Crossing Project and considered affordable as they can be met by tolls on the vehicle tunnels.

## **7 Nexus / LTP Public Transport Projects**

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Local Transport Plan Integrated Transport block funding of £12.392m is available to the ITA in 2013/14. This funding is allocated as follows:



REPORT FOR INFORMATION

|  | <b>2013/14</b> |
|--|----------------|
| <b>LTP Integrated Transport Block</b>        | <b>£m</b>      |
| Gateshead                                    | 1.775          |
| Newcastle                                    | 2.133          |
| North Tyneside                               | 1.371          |
| South Tyneside                               | 1.089          |
| Sunderland                                   | 2.141          |
| <b>Total</b>                                 | <b>8.509</b>   |
| <b>Nexus/LTP Public Transport Allocation</b> |                |
| Nexus LTP Allocation                         | 3.883          |
| Carried Forward from 2012/13                 | 0.301          |
| <b>Total</b>                                 | <b>4.184</b>   |
| <b>Grand Total</b>                           | <b>12.693</b>  |

The £8.509m element of the Integrated Transport Block is paid quarterly to the Tyne and Wear Districts on receipt of the grant from DfT. £6.382m has been paid to Districts as at quarter 3.

A breakdown of the Nexus/Public Transport Allocation of the LTP Integrated Transport Block for 2013/14 is illustrated in the table below:

|  | <b>Approved<br/>2013/14</b> | <b>Quarter 3<br/>Spend</b> |
|--|-----------------------------|----------------------------|
|  | <b>£m</b>                   | <b>£m</b>                  |
| Gateshead  | 0.156                       | -                          |
| Newcastle  | 0.258                       | -                          |
| North Tyneside   | 0.120                       | -                          |
| South Tyneside   | 0.138                       | -                          |
| Sunderland   | 0.375                       | -                          |
| Nexus  | 0.341                       | 0.063                      |
| LTP Core Team  | 0.155                       | 0.078                      |
| Metro ARP local contribution (included within ARP Programme at Appendix A) | 2.640                       | 2.640                      |
| <b>Total</b>   | <b>4.184</b>                | <b>2.781</b>               |

£0.301m of LTP Public Transport Allocation to Districts was unclaimed at the end of 2012/13. This has been carried forward and is available for use in 2013/14, as is permissible under the grant conditions, so is included within the Approved figures in the table above.

Quarter 3 expenditure has been reported at £2.781m inclusive of the local



contribution for the Metro ARP. LTP claims from Districts for the public transport allocation are submitted at the year-end so at this point in time are shown as nil.

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## 8 NESTI

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8.1 The ITA acts as accountable body for the North East Smart Ticketing Initiative (NESTI) which is a programme of investment in smart ticketing infrastructure across the North East. The programme is governed via a collaboration agreement which was entered into by all 12 local authorities plus Nexus and the ITA with a bi-monthly programme board to steer progress and bi-annual reporting to ANEC. Nexus acts as programme manager for NESTI.

The NESTI project scope has expanded to incorporate a Regional Card Management System (CMS), Web Retail and Part 11 solution. The implementation of these deliverables has begun, with completion dates all within the financial year.

The current year's programme includes:

- Implementation of the Retail Distribution Network project and Card Management System integration costs.
- The implementation of the final aspect of the Regional Retail Infrastructure, namely procurement and installation of bus stop validation equipment
- A provision for further and higher education integration projects similar to that previously agreed for Newcastle University where NESTI is working with University such that its own smart card can also be used in the public transport arena.
- Scope for the South East Northumberland Multi-modal Smartcard change request agreed at the partnership board meeting on 14th December 2012.

The scheme will utilise project contingency in order to fund on-going revenue costs associated with the CMS, Website and Part 11 solution for the 2016/17 and 2017/18 financial years.



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**9 Local Sustainable Transport Fund (LSTF) and Better Bus Area Funding (BBAF)**

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**Schools Go Smarter (LSTF - £0.412m)**

The capital works in the programme for 2013/14 are mainly comprised of the School Links and Grants to Schools work streams. School grants provides funding for bike sheds, to provide safe places for pupils to store their bicycles, and other works including new paths, pool bikes or tools. School links funds infrastructure works in the Districts making it easier to cycle or walk to school, such as upgrading cycle paths or installing new pedestrian crossings.

**Go Smarter to Work (LSTF - £0.446m)**

Capital works included within the programme for 2013/14 are designed to deliver infrastructure improvements including enhancing cycle and pedestrian facilities at Team Valley to encourage more walk and cycle trips and bus priority investment at Team Valley to encourage modal shift to public transport. Improved information will also be delivered through use of open data sources and Real Time Passenger Information to enable the transport user to access more reliable and up to date details about transport services.

During the third quarter of the year, all project managers on the Schools Go Smarter and Go Smarter to Work streams have submitted revised project schedules, profiling expenditure across the remaining 5 quarters of the programme. As a result, the year end spend is now projected to be £0.858m, with the balance of funding carried into the 2014/15 financial year, as is permitted by the grant conditions.

**Better Bus Area Funding (BBAF - £1.627m)**

The budget for 2013/14 is in relation mainly to the completion of the installation of equipment for the Intelligent Transport Solutions element of the programme (which includes CCTV and Automatic Number Plate Recognition) and to improvements at bus interchanges to be delivered by Nexus. Expenditure to the end of quarter 3 is £0.704m, and all works are on target to be complete by the end of the financial year.





## 10 Capital Programme Financing

The following table sets out how the ITA's capital programme for 2013/14 will be financed, based on the projected outturn as set out in this report:-

| Funding Type                   | Funding Allocated in 2013/14 |               |
|--------------------------------|------------------------------|---------------|
|                                | £m                           | £m            |
| Grant                          |                              |               |
| Metro Rail Grant               | 33.222                       |               |
| Smart Ticketing                | 0.322                        |               |
| LTP Integrated Transport Block | 8.509                        |               |
| LTP Public Transport Block     | 4.184                        |               |
| LSTF                           | 0.858                        |               |
| Better Bus Area Funding        | 1.627                        |               |
| Total Grant                    |                              | 48.722        |
| Prudential Borrowing           |                              | 4.585         |
| NESTI                          |                              | 1.935         |
| Reserves                       |                              | 4.253         |
| <b>Total Funding</b>           |                              | <b>59.495</b> |

## 11 Next Steps

The programme will continue to be monitored closely throughout the financial year and reported to the ITA on a quarterly basis.

## 12 Potential impact on objectives

There is no impact on objectives as a result of this report.



**Appendix A – Metro Asset Renewal Plan**

| <b>Asset Category</b>                           | <b>Latest Approved Budget</b> | <b>Projected Outturn 2013/14</b> | <b>Quarter 3 Spend 2013/14</b> |
|---|-------------------------------|----------------------------------|--------------------------------|
|   | <b>£m</b>                     | <b>£m</b>                        | <b>£m</b>                      |
| Civils  | 6.319                         | 5.726                            | 3.798                          |
| Communications                                  | 5.748                         | 4.484                            | 2.231                          |
| Depot Equipment                                 | 0.012                         | 0.014                            | 0.014                          |
| Level Crossings                                 | 0.521                         | 0.443                            | 0.155                          |
| Mechanical and Electrical                       | 2.131                         | 1.805                            | 1.520                          |
| Metro Cars                                      | 5.872                         | 5.977                            | 4.936                          |
| Miscellaneous                                   | 0.778                         | 0.845                            | 0.804                          |
| Overhead Line                                   | 0.470                         | 0.075                            | 0.050                          |
| Permanent Way /Track                            | 9.903                         | 9.259                            | 8.250                          |
| Plant   | 2.001                         | 1.619                            | 1.232                          |
| Power   | 0.820                         | 0.556                            | 0.251                          |
| Signalling                                      | 2.213                         | 1.664                            | 1.329                          |
| Stations  | 5.210                         | 4.446                            | 3.288                          |
| <b>Total Approved 2013/14 Capital Programme</b> | <b>41.998</b>                 | <b>36.913</b>                    | <b>27.858</b>                  |



**DATE:** 23<sup>rd</sup> January 2014  
**SUBJECT:** Consultation on Local Authority Parking  
**REPORT OF:** Chair of the Joint Transport Steering Group

## PURPOSE OF REPORT

This report outlines what the Department for Transport consultation on local authority parking is about and endorses that Joint Transport Steering Group (as the officer group) should submit a response to this consultation on behalf of Tyne and Wear ITA.

## RECOMMENDATIONS

Members are recommended to approve that the Joint Transport Steering Group should submit a response to the Department for Transport consultation on local authority parking consultation on behalf of Tyne and Wear ITA.

## BACKGROUND DOCUMENTS

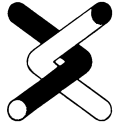
The consultation document can be viewed online at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/263815/parking-consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263815/parking-consultation.pdf)

## CONTACT OFFICERS

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| <i>John Bourn</i>    | <i><a href="mailto:John.Bourn@newcastle.gov.uk">John.Bourn@newcastle.gov.uk</a></i>     | <i>0191 277 8972</i>    |

## IMPACT ON OBJECTIVES

|  |          |
|--|----------|
| To support economic development and regeneration | Negative |
| To address climate change                        | Negative |
| To support safe and sustainable communities      | Negative |



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## **1 Executive Summary**

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- 1.1 This report outlines what the Department for Transport consultation on local authority parking is about and endorses that Joint Transport Steering Group (as the officer group) should submit a response to this consultation on behalf of Tyne and Wear ITA.

## **2 Background information**

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- 2.1 The Department for Transport and Department for Communities and Local Government are jointly consulting on current local authority parking strategies and methods of enforcement. They express concern that local authorities appear not to be using their powers to meet the best interests of road users, communities and businesses in their area, stating that: “There are concerns about over-zealous parking enforcement and high parking charges driving people out of town centres, pushing up the cost of living and making it harder for people to park responsibly and go about their everyday lives.

- 2.2 Most of the proposals contained in the document seek to address these perceived concerns by:

- Stopping the use of CCTV for on–street parking enforcement;
- Giving local communities and businesses new rights to require authorities to review aspects of their parking strategies;
- Introducing limited “grace periods” where a driver has stayed in a parking place for a short period before issuing a parking ticket; and
- Updating statutory guidance to local authorities to emphasise a less heavy-handed approach to parking enforcement, and re-emphasise that parking charges and fines cannot be used to as a means to raise revenues.

The deadline for responses is 14<sup>th</sup> February 2014.

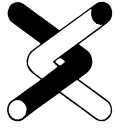
## **3 Proposed Response**

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- 3.1 In drawing up a response, Joint Transport Steering Group have sought views from local authority parking managers and transport policy managers across Tyne and Wear, as well as officers involved in the delivery of the GoSmarter programme. Nexus have also contributed valuable evidence.



- 3.2 In general, the proposed response rejects the assertion that parking strategies and enforcement within Tyne and Wear are being implemented in a way that is unreasonable or heavy-handed and without regard for the viability of town centres.
- 3.3 On the contrary, effective parking enforcement can support local economies by preventing congestion, ensuring equitable access to town centres for various categories of user (including buses, delivery vehicles and the disabled) and protecting road safety..
- 3.4 Particular concern is expressed at the proposal to ban the use of CCTV cameras for parking enforcement. As Members will be aware, as part of the Schools Go Smarter programme (funded by the government through the Local Sustainable Transport Fund), camera cars have been purchased for every district of Tyne and Wear to help enforce parking restrictions outside school entrances.
- 3.5 The use of these vehicles has been widely welcomed by headteachers and parents and they play a role in our aspirations for more children to walk and cycle safely to schools, promoting healthy active travel and reducing congestion caused by 'school run' traffic. Abolition of them would therefore be a retrograde step and one that is inconsistent with the goal of the Department for Transport to encourage more sustainable travel.
- 3.6 Nexus have also pointed out that CCTV vehicles are used to enforce bus stop clearways. Illegal parking at bus stops prevents buses being able to fully reach the kerbside, making boarding/alighting more difficult, especially for passengers with reduced mobility, prams/buggies or heavy luggage. Again, this would appear to conflict with the Department for Transport's stated wish to promote bus use and enhance accessibility.
- 3.7 In general, whilst fully supporting the government's expressed wish to support town centre economies, the proposed remedies appear disproportionate and would inhibit effective parking enforcement across a much wider area (including locations such as schools and at bus stops). It is also felt that the prescriptive approach the government wishes to adopt is inconsistent with the spirit of 'localism'.



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**4 Next steps**

- 4.1 Joint Transport Steering Group will submit a response before the set deadline of 14<sup>th</sup> February. Additional evidence received from local authority colleagues before that date (such as testimonials from schools about the benefits of CCTV enforcement vehicles) may also be incorporated, if it is felt to strengthen the arguments being put forward.

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**5 Potential impact on objectives**

- 5.1 The proposed abolition of the CCTV vehicles used to enforce parking restrictions outside school entrances, helping to promote active healthy travel modes and thereby reducing car use and congestion, would have a negative impact on all of the ITA's objectives.



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**DATE:** 23 January 2014

**SUBJECT:** Code of Practice for the employment of staff who are engaged wholly or mainly on the provision of services to Nexus by third parties

**REPORT OF:** Director of Finance and Resources, Nexus

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## PURPOSE OF REPORT

To seek approval from the ITA to commence the development of a Code of Practice for the employment of staff who are engaged wholly or mainly on the provision of services to Nexus by third parties.

## RECOMMENDATIONS

The ITA is recommended to:-

- i) Mandate Nexus to commence the development of a Code of Practice for the employment of staff who are engaged wholly or mainly on the provision of Services to Nexus by third parties;
- ii) To note that this Code of Practice will be developed in consultation with the relevant key stakeholders, including Trade Unions and key first and second tier sub-contractors;
- iii) To note that the Code of Practice will address issues such as:
  - The public Sector Equality Duty;
  - Employer Responsibilities in the event of a staff transfer (“TUPE transfer”);
  - The development of strong Employee Relations; and
  - The potential implementation of the Living Wage.

## BACKGROUND DOCUMENTS

N/A

## CONTACT OFFICERS

David Bartlett

david.bartlett@nexus.org.uk 0191 203 3238



**IMPACT ON OBJECTIVES**

|  |          |
|--|----------|
| To support economic development and regeneration | Positive |
| To address climate change                        | Neutral  |
| To support safe and sustainable communities      | Neutral  |



|     |   |
|-----|---|
| 1   | <b>Executive Summary</b>  |
|     | It is proposed that Nexus commence the development of a Code of Practice for the employment of staff who are engaged wholly or mainly on the provision of services to Nexus by third parties.   |
| 2   | <b>Background Information</b>   |
| 2.1 | Nexus is increasingly reliant upon sub-contractors for the provision of its services. This reliance is only likely to increase in the future.   |
| 2.2 | Whilst engagement of sub-contractors often provides the best Value for Money proposition, when issues arise from the performance of sub-contractors the reputational impact can fall to Nexus, or ultimately the ITA. This is particularly true in relation to any industrial action taken by employees of a sub-contractor which has a negative impact on the provision of Nexus' services.  |
| 2.3 | In order to mitigate this risk, it is proposed that a Code of Practice be developed by Nexus, in consultation with key stakeholders including Trade Unions and key sub-contractors, which would promote best practice in employment policies, thereby mitigating the risk of poor service provision (through ensuring the provision of a well-motivated workforce) and reducing the risk of industrial action.  |
| 2.4 | Given that this Code of Practice would seek to preserve the ITA's reputation, as well as Nexus, it is proposed that the Code of Practice is developed as a result of a clear mandate from the ITA.  |
| 3   | <b>Proposals</b>  |
| 3.1 | It is proposed that the Code of Practice would be for staff who are wholly or mainly engaged on the provision of services by Nexus (whether through first, second or other tier sub-contractors).   |
| 3.2 | <p>It is proposed that the Code of Practice addresses, but is not necessarily restricted to, the following subjects:-</p> <p><b>a) The Public Sector Equality Duty</b></p> <p>As a Public Sector employer, Nexus has an obligation to promote Equality of Opportunity not just within its own workforce but within its supplier base. The Code of Practice would seek to ensure that sub-contractors provide for equality of opportunity within their own employment practices.</p> |



**b) Staff Transfers**

In 2009, a Code of Practice for Staff Transfers was developed by Nexus to provide for situations when Nexus staff transfer, through TUPE, to third parties. It is envisaged that this Code of Practice would supersede the Code of Practice for Staff Transfers, incorporating key elements.

**c) Promotion of Good Employee Relations**

Regardless of whether or not an employer recognises Trade Unions for collective bargaining purposes, the need for an active dialogue between management, the workforce and their representatives remains essential for a well engaged workforce. Without being overly prescriptive, the Code of Practice would set out some minimum standards in terms of workforce communication and consultation which sub-contractors would be expected to abide by.

**d) The Living Wage**

Nexus is already committed to the principle of paying a Living Wage to its own employees. There is now a growing body of evidence to support the view that those employers who pay a minimum hourly wage sufficient that workers are able to enjoy a reasonable standard of living not otherwise afforded by the National Minimum Wage benefit in terms of staff engagement, productivity and lower levels of absence. Notwithstanding any legal or practical impediment, which will clearly need careful consideration in the context of value for money and other considerations, the Code of Practice would seek to ensure that sub-contractors either pay the Living Wage, or have plans to achieve that aim within three years of adoption of the Code of Practice.

**4 Next Steps**

- 4.1 Once an ITA mandate has been received, key stakeholders would be engaged in the development of the Code of Practice. This will include a full financial evaluation, an evaluation of the legal, commercial and financial risks and benefits and the development of an implementation strategy.
- 4.2 A draft Code of Practice will then be presented to the ITA for endorsement.
- 4.3 It is expected to take three to six months to develop the Code of Practice.
- 4.4 Once formally adopted, the Code of Practice will be incorporated into contracts either as a Contract Variation or at Re-tender.



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**5 Financial Implications**

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5.1 The impact on Nexus of fully implementing the issues listed in paragraph 4 above is indicatively estimated at £350K per annum which at this point in time is not provided for in the Nexus budget. Further refinement of this estimate will be provided as the Code of Practice is progressed, along with the identification of efficiency savings that will lead to a cost neutral implementation proposal.

**6 Potential impact on objectives**

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6.1 Having an engaged workforce either through direct employees or sub-contractors is likely to have a favourable impact on public transport services, which will positively contribute to the ITA objective of supporting economic development and regeneration.

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**DATE:** 23 January 2014  
**SUBJECT:** Bus Strategy Delivery Project Update  
**REPORT OF:** The Director General of Nexus

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## PURPOSE OF REPORT

To update the ITA on progress made in the Bus Strategy Delivery Project, and to discuss next steps.

## RECOMMENDATIONS

The ITA is recommended to note the contents of this report

## BACKGROUND DOCUMENTS

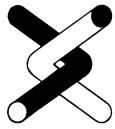
Reports presented to the ITA on Friday 26th July by ITA Officers and the Director General of Nexus ; agenda items 3a (Bus Strategy Delivery Project) and 3b (Bus Strategy Delivery Project Update)

## CONTACT OFFICERS

| <i>Full name</i>    | <i><u>Email address</u></i>  | <i>Telephone number</i> |
|---------------------|--|-------------------------|
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## IMPACT ON OBJECTIVES

|  |          |
|--|----------|
| To support economic development and regeneration | Positive |
| To address climate change                        | Positive |
| To support safe and sustainable communities      | Positive |



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## **1 Executive Summary**

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- 1.1 The period of formal statutory consultation on the proposed Quality Contracts Scheme for Tyne and Wear (QCS) closed on 22<sup>nd</sup> November, 2013. A significant quantity of consultation feedback was received from 16 statutory consultees, 27 organisations who were not statutory consultees, and 35 individuals. During the consultation period over 25,000 visits were made to the main consultation website, and there was significant local and national media coverage.
- 1.2 Nexus is carefully analysing all consultation responses with a view to presenting a final draft Scheme to the ITA in March. At this point no conclusions have been drawn over changes that may be needed to the Scheme arising from consultation and so there is a possibility that additional targeted consultation may be needed. If that is the case, a slight delay may be necessary but in any event an update will be provided to the ITA in March.
- 1.3 A revised Partnership Proposal was submitted by NEBOA on 13<sup>th</sup> December 2013. Further discussions are scheduled to take place with NEBOA with the aim of securing further improvements.

## **2 ITA Direction and Guidance to Nexus on Consultation**

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- 2.1 The ITA provided Direction and Guidance to Nexus regarding the consultation process in accordance with the Clerk's report to the ITA on 26<sup>th</sup> July 2013. For ease of reference this is re-produced at Appendix A to this report. Nexus has followed this Direction and Guidance during and since the period of formal statutory consultation.
- 2.2 Nexus is mindful of the ITA's desire to establish a timely and clear way forward and, working with the Clerk, will make a recommendation to the ITA at the earliest possible opportunity after analysis of consultation responses is complete, in line with paragraph 1.15 of the Direction and Guidance. This is currently envisaged for March 2014, subject to paragraph 2.3 below.
- 2.3 If changes arise from consultation feedback, paragraphs 1.10 and 1.11 of the Direction and Guidance instruct Nexus to consider whether re-consultation is required with any of the statutory consultees in relation to changes to the proposed QCS. If re-consultation does prove to be necessary because of material changes in the proposed Scheme, Nexus will seek to keep its length to a minimum, and to limit re-consultation to those consultees who have an interest in the aspects of the proposal to be changed.



### 3. Update on statutory consultation

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3.1 The period of formal statutory consultation on the proposed Quality Contracts Scheme for Tyne and Wear (QCS) closed on 22<sup>nd</sup> November, 2013, having run from 30<sup>th</sup> July 2013, a period of 16.5 weeks. The consultation period was extended from its original date of intended closure (5<sup>th</sup> November, 2013) at the request of several bus operators which Nexus, after liaising with Clerk, deemed to be a reasonable request in order to align closure of consultation with the agreed date for receipt of a revised VPA.

3.2 Responses were received from 16 statutory consultees:

- Bus Operators: Stagecoach, Go North East and Arriva all submitted substantial responses, each running to many hundreds of pages. No responses were received from any small or medium sized bus operators in Tyne and Wear.
- Local Authorities: Responses were received from the five districts of Tyne and Wear, and Durham and Northumberland County Councils.
- Unions: Responses were received from Unite, TUC, and Unison.
- Passenger groups: Responses were received from Passenger Focus, the Tyne and Wear Public Transport Users Group (PTUG) and Bus Users UK
- Others: A response was received from Network Ticketing Limited, and Oxera consultants provided an appraisal of the affordability model on behalf of all three main incumbent local operators.

A number of responses were received several days after the 22<sup>nd</sup> November. Nexus considers that the views of statutory consultees are of the utmost importance and should be taken into account, provided that it is reasonably practicable to do so. Therefore all responses from statutory consultees that have been received up to this point will be considered.

3.3 Consultation feedback was also received from 27 organisations and 35 individuals who were not statutory consultees. These included :

- The ITA Scrutiny Advisory Group
- major business parks
- business organisations
- unions
- community groups
- NEBOA



- A bus operator from outside the area
  - A large number of individual Go North East employees whose comments were supplied by their employer
- 3.4 All consultation responses are available for viewing on the QCS consultation website <http://www.nexus.org.uk/busstrategy/consultationresponses/>  
Please note that Stagecoach, Go North East and Arriva, along with Oxera (acting for all three) requested that certain information in their responses be treated as confidential; each therefore provided a redacted version for use in the public domain. Paragraphs 1.12 and 1.13 of the Direction and Guidance refer.
- 3.5 As discussed at the November 2013 meeting of the ITA, a petition that was presented to the Authority by Stagecoach North East will be considered alongside other consultation feedback.
- 3.6 During the consultation period Nexus also held face-to-face meetings with the Tyne and Wear Public Transport Users Group (PTUG), Unite the Union and the GMB Union. Nexus also engaged in extensive written correspondence with the bus operators and their advisers.
- 3.7 As a result of feedback from various parties, a small number of errors in the document were identified during the consultation period. When identified these were corrected immediately in the consultation document and a notification of the update sent to statutory consultees. A 'document alert' was also posted on the consultation website <http://www.nexus.org.uk/busstrategy/consultationresponses/consultationdocumentalerts>

Nexus is of the view that none of the errors identified were material in nature.

#### **4 QCS Public information campaign**

- 4.1 In response to paragraph 1.3 of the Directions and Guidance, Nexus added a new section to its website dealing with the QCS consultation, which contained the Consultation Brochure and a wide range of supporting material. This is available at [www.nexus.org.uk/busstrategy](http://www.nexus.org.uk/busstrategy).

During the consultation period, over 25,000 visits were made to the main consultation website.





- 4.2 A number of specific brochures were produced to summarise the key information for the general public, bus company employees, and bus users in Northumberland and Durham. These are available at <http://www.nexus.org.uk/busstrategy/consultationbrochures>
- 4.3 In support of the QCS Public information campaign, Nexus provided numerous briefings to stakeholders. A programme of stakeholder events was arranged covering all Tyne and Wear Districts as well as Northumberland and Durham, and was supplemented by briefings arranged on request by interested parties.
- 4.4 There was significant coverage of the consultation in the media; during the consultation period articles, letters and commentary were noted in local media, the public transport trade press, and national media including the Guardian and Financial Times newspapers. BBC Radio Newcastle and the BBC Politics Show each covered the consultation and held debates between stakeholders.

## **5. Combined Authority**

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- 5.1 It seems possible that a Combined Authority may replace the ITA as the Local Transport Authority covering the Tyne and Wear area in April 2014. If this proves to be the case, the Combined Authority would become the responsible body for making future decisions with regards to the Bus Strategy Delivery Project. Having sought legal advice on this matter, Nexus is of the view that the actions and resolutions of the ITA in conducting a statutory consultation over a proposal for a Quality Contracts Scheme for Tyne and Wear would be carried forward to the Combined Authority as the successor body. It would then be a matter for the Combined Authority to determine what future steps are appropriate.
- 5.2 In order to cater for the possibility that a Combined Authority will replace the ITA as the Local Transport Authority covering the Tyne and Wear area, Nexus will prepare an alternative proposal for governance of the QCS (section 4.11 of the Proposal, and annex 7 of the draft Scheme).

## **6. Partnership Agreement**

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- 6.1 The Direction and Guidance in paragraph 1.15.5 requires Nexus to assess any revised draft Voluntary Partnership Agreement that may be provided, and the ITA specifically required that dialogue be maintained with the bus operators. A revised



partnership proposal has now been received from the bus operators, and can be accessed at

<http://www.nexus.org.uk/partnership-proposal>

6.2 The partnership proposal offers, among other things:

- A minimum of 50 buses for use in “kick start” style projects to drive patronage in Tyne and Wear
- A minimum of 125 low carbon buses to operate in the Tyne and Wear area
- A new Customer Charter for the benefit of passengers in Tyne and Wear
- A commitment to work and cooperate with Nexus on reviews of the bus network in Tyne and Wear to identify areas where savings can be made by Nexus, in order to achieve annualised savings of £2,000,000, of which £400,000 already identified will form a part
- Amended ticketing arrangements for Tyne and Wear, including multi-modal and bus-to-bus multi-operator products through NTL and improved fares for 16-18 year olds
- The establishment of a Governance procedure with the aim of delivering bus network stability in Tyne and Wear

6.3 Some of the areas requiring further clarification are:

- The absence of a smart price cap on fares and any commitment to relate future price increases to cost indices
- Where the ‘kick start’ buses would be deployed and what benefits could be expected to accrue to the public as a result
- Whether the £2,000,000 of savings are expected to be achieved through conversion of subsidised services to commercial provision, or by services being reduced
- A clause requiring that partnership boards shall not withhold permission for an operator to make any change if the operator considers that ‘it is required for reasons of a social, commercial, economic and competitive nature’, and similar clauses that have the effect of exempting many changes from the Governance procedure
- The numerous clauses that would lead to termination of the agreement
- The limitation of liability in the event of breach by an operator, but no such limitation for breach by a local authority or the ITA in the event that their investments are not delivered

6.4 It is possible that the partnership proposal can be further improved through negotiation. A number of meetings have been scheduled between NEBOA and



various parties, including the Clerk, to ascertain whether this is the case.

## **6. Next steps**

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- 4.1 Nexus aims to complete its analysis of the responses to consultation shortly. In consultation with the Clerk, it will then be in a position to determine what, if any, changes to the proposed QCS are recommended along with the scope of any necessary re-consultation prior to the revised QCS Proposal being presented to the ITA.
- 4.2 Further discussions with NEBOA are diarised over coming weeks which may achieve improvements in the VPA.
- 4.3 The outcome of both workstreams will be presented to the ITA or Combined Authority as soon as practicable.
- 4.4 At its meeting in March 2014 it is intended that the ITA will receive either a revised draft QCS Scheme (or, if further targeted consultation is needed, a report updating on progress) and a final draft of a partnership agreement.

## **5 Potential impact on objectives**

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- 5.1 Successful delivery of the Bus Strategy is intended to:
  - support economic development and regeneration and safe and sustainable communities by maintaining or growing access to key facilities, services and employment sites by public transport;
  - address climate change by increasing the use of public transport and thus reducing harmful emissions generated by use of the private car, and by promoting the use of fuel-efficient vehicles.



**APPENDIX A**

**DIRECTION AND GUIDANCE TO NEXUS ON CONSULTATION**

**[ISSUED BY THE ITA ON 26<sup>TH</sup> JULY 2013]**

**1. GENERAL**

Pursuant to a resolution of the ITA dated 26 July 2013 Nexus is directed and hereby authorised to conduct a formal consultation into the QCS Proposal referred to therein pursuant to section 125 of the Transport Act 2000 ("Act").

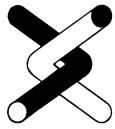
Subject to an overriding requirement to use its discretion to ensure that at all stages the consultation will comply with the requirements of the Act and all other legal requirements necessary for the conduct of a lawful consultation, Nexus is directed to:

- 1.1 use the QCS Proposal as provided to the ITA on 17 July 2013 in conjunction with such ancillary documents as may be required as the basis of the consultation document for the purposes of section 125(1)(A) of the Act;
- 1.2 send this Direction and Guidance document to all statutory consultees and to publish it on the QCS Website (established in accordance with paragraph 1.6 below) so that the basis on which Nexus has been directed by the ITA to consult is made known to all relevant parties and the procedure to be followed by Nexus is clear:
- 1.3 make available, in addition to the consultation document, to all consultees and the public by download from the internet copies of the following:
  - 1.3.1 the instructions to and legal opinion of counsel provided to the ITA for its meeting on 26 July 2013; and
  - 1.3.2 any other relevant documents not included in the QCS Proposal;

Provision of one hard copy of the consultation document to each statutory consultee shall be free of charge. As provided below, Nexus shall provide internet access to documents for all persons free of charge. Nexus will be entitled to charge a reasonable copying charge for the provision of hard copies to any non-statutory consultee who requests such a copy of any document and to statutory consultees who request additional hard copies of any document.



- 1.4 give notice pursuant to sections 125(1) and (2) of the Act in appropriate newspapers circulating in the Tyne & Wear region, such notices to be published on or before 30 July 2013;
- 1.5 liaise with the QCS Board (once formed) as required in respect of the consultation process
- 1.6 establish and maintain a QCS Website which will be accessible to all statutory consultees and the general public free of charge and should include as a minimum:
  - 1.6.1 all information provided to the statutory consultees;
  - 1.6.2 copies of all documents to be made available to the general public for information purposes relating to the QCS Proposal;
  - 1.6.3 once they have been reviewed and assessed by Nexus copies of all formal/substantive responses to the consultation process;
  - 1.6.4 the ITA's resolution and all formal documents of the ITA relating to the conduct of the consultation and the development of the QCS;
  - 1.6.5 the draft QCS Scheme and related documents once produced by Nexus;
  - 1.6.6 any revisions to the QCS Proposal and/or other reports and/or other documents prepared by Nexus and provided to statutory consultees during the consultation process;
  - 1.6.7 any other non-confidential documents that Nexus considers are relevant to the QCS Proposal and may properly be placed in the public domain;
- 1.7 commence the formal consultation process on 30 July 2013 or as soon as reasonably practicable after that date and to allow such process to run for a minimum of 14 weeks;
- 1.8 as provided in Appendix B to the QCS Proposal consult all the persons and bodies required to be consulted as expressly listed in section 125(3) of the Act and those additional persons and bodies included in the said Appendix for the purposes of sections 125(3)(d) and 125(3)(g) of the Act;
- 1.9 give due and prompt consideration to all reasonable requests for clarification and/or further information from persons participating in the consultation and



publish the request and Nexus's substantive response on the consultation website;

1.10 request consultees to provide substantive responses to the consultation by no later than 5 November 2013. Nexus should then:

1.10.1 review and analyse all the responses and place them on the QCS website;

1.10.2 make any revisions to the QCS Proposal or draft QCS Scheme Order necessary to reflect the outcome of the consultation responses;

1.10.3 consider whether it needs to refer any matters to the ITA or otherwise seek guidance from the ITA;

1.10.4 consider whether it needs to re-consult with any of the statutory consultees in relation to any changes made to the QCS Proposal or draft QCS Scheme Order;

1.11 keep under review the time period permitted for consultation and to give due consideration to extending that period in relation to:

1.11.1 any reasonable request from a statutory consultee or other interested party that the period should be so extended;

1.11.2 permitting other consultees to consider and respond to any responses made by Nexus to questions/requests for additional information during the consultation period;

1.11.3 allowing analysis and consideration of any additional data/information disclosed to Nexus by consultees during the consultation process; and

1.11.4 any amendments to the QCS Proposal or draft QCS Scheme Order made by Nexus following consultation.

In respect of sub-paragraph 1.11.4 above Nexus may, in its sole discretion, decide to close the initial period of consultation following the conclusion of the prescribed 14 week period and then undertake a second phase of supplemental consultation;

1.12 proceed on the basis that the consultation and all consultation responses shall be in the public domain save that:

1.12.1 Nexus may, upon the reasonable request of any consultee made at the time of or in advance of any



REPORT FOR INFORMATION

disclosure/communication, redact any commercially sensitive data or other information provided to it as part of the consultation provided that:

- 1.12.1.1 the un-redacted material may if requested be produced to the QCS Board and such redaction will not materially disadvantage other consultees; and/or
  - 1.12.1.2 to the extent that Nexus places reliance on the information or refers to it in any report or submissions to the QCS Board the nature of the reference and Nexus's reliance on such information can be properly and clearly understood despite the redaction; and
  - 1.12.2 Nexus may, also, redact the names of any private individuals referred to in any consultee responses for data protection reasons and redact any other sensitive information that is not required to be disclosed publically for the consultation process to be effective;
  - 1.13 proceed on the basis that any correspondence or document sent to Nexus that is marked private and confidential or legally privileged or the equivalent is not intended to be a response for the purposes of consultation and should not be processed by Nexus as such.
  - 1.14 seek, during the formal consultation period, to convene meetings to seek feedback and discuss issues relevant to the QCS Proposal or draft QCS Scheme:
    - 1.14.1 with the statutory consultees individually and/or in such groups as Nexus considers relevant; and
    - 1.14.2 with any other relevant public/interest groups who wish to obtain further information about the QCS Proposal or draft QCS Scheme and/or to provide feedback to Nexus.
- Nexus shall keep a record of all questions/feedback obtained from such meetings and shall publish that material on the QCS website and provide it to the QCS Board at the appropriate time;
- 1.15 prepare, following the conclusion of formal consultation, a report to the ITA reporting on all matters arising from the formal consultation process that Nexus considers relevant, including :
    - 1.15.1 an analysis of all relevant issues arising from the consultation responses and any data received during the consultation process;



- 1.15.2 any independent expert analysis required to analyse/comment on any consultation responses;
- 1.15.3 Nexus's responses to any key criticisms of the QCS Proposal or draft QCS Scheme and/or any suggested amendments or variations to the QCS Proposal or draft QCS Scheme;
- 1.15.4 Nexus's proposals for any amendments to the QCS Proposal and/or the Draft QCS Scheme following consultation;
- 1.15.5 Nexus's assessment of any revised draft Voluntary Partnership Agreement provided to Nexus for consideration;
- 1.15.6 having taken into account the consultation responses, Nexus's assessment of the compliance of the QCS with the section 124 Transport Act tests and, in particular, the proportionality of the QCS either in its current form and/or if any proposed amendments are adopted by the ITA; and
- 1.15.7 Nexus's recommendations to the ITA as to whether and if so how to proceed with the QCS and any proposed changes to this document and /or any draft resolutions that Nexus requests the ITA to consider.
- 1.16 submit the report to the ITA for submission to a meeting of the full ITA and shall provide all assistance necessary to the ITA's officers to prepare for such a meeting.





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INFORMATION

**DATE:** 23<sup>rd</sup> January 2014

**SUBJECT:** Report 'Buses in Crisis': Campaign for Better Transport

**REPORT OF:** Director General, Nexus

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## PURPOSE OF REPORT

The purpose of this report is to draw members' attention to the 'Buses in Crisis' report published by the Campaign for Better Transport, and identify the key messages it contains and to correct inaccuracies that it contains about cuts in bus services in Tyne and Wear..

## RECOMMENDATIONS

Members are asked to receive, consider and note the report.

## BACKGROUND DOCUMENTS

'Buses in Crisis: A report on bus funding across England and Wales' published by the Campaign for Better Transport in December 2014

[http://www.bettertransport.org.uk/files/Buses\\_In\\_Crisis\\_Report\\_AW\\_PDF\\_09.12.13.pdf](http://www.bettertransport.org.uk/files/Buses_In_Crisis_Report_AW_PDF_09.12.13.pdf)

## CONTACT OFFICERS

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| Graham Robinson | <a href="mailto:graham.robinson@nexus.org.uk">graham.robinson@nexus.org.uk</a> | 0191 203 3296 |

## IMPACT ON OBJECTIVES

|  |         |
|--|---------|
| To support economic development and regeneration | Neutral |
| To address climate change                        | Neutral |
| To support safe and sustainable communities      | Neutral |

|            |   |
|------------|---|
| <b>1.0</b> | <b>Executive Summary</b>  |
| 1.1        | The Campaign for Better Transport (CBT) report 'Buses in crisis' reveals that just under half of local transport authorities reduced their budgeted support for buses for 2013/14 with a small number threatening to remove all support in 2014/15.   |
| 1.2        | The report calls on the government to introduce minimum access standards to key facilities such as hospitals, colleges and areas of employment in order to help meet core policy objectives and provide a 'travel assurance' for regular and occasional bus users alike. It also suggests a new funding approach, with all governmental departments that benefit from buses contributing to a pooled fund, which would be ring-fenced and distributed to local transport authorities.   |
| 1.3        | Although the report identifies a reduction in budgeted support for buses in Tyne and Wear, this is not the case and Nexus has been unable to identify the source of the CBT's information. In fact, the Medium Term Financial Strategy has specifically protected bus and other transport services, despite reduced levy funding.   |
| <b>2.0</b> | <b>Introduction and Background</b>  |
| 2.1        | The CBT seeks to highlight to decision makers the extent of cuts to supported bus services in 2013/14 and what may happen to funding in 2014/15.  |
| 2.1        | This is the third year that the CBT has conducted research into supported bus provision across England, and this year's report also looks at the picture in Wales.  |
| <b>3</b>   | <b>Research Findings</b>  |
| 3.1        | <p>Since 2012/13 there has been a net reduction in £10 million from local transport authority budgets for supported bus services in England:</p> <ul style="list-style-type: none"> <li>• 46% of local transport authorities have cut spending on their supported bus services whilst 36% have either cut or withdrawn services.</li> <li>• 147 services have been cut or withdrawn completely across England.</li> </ul> <p>Since 2011/12 a total of £19 million has been cut from English local transport authority budgets:</p> <ul style="list-style-type: none"> <li>• 155 services have been withdrawn completely.</li> </ul> |
| 3.2        | <p>CBT points out that public funding for buses has been cut in various ways:</p> <ul style="list-style-type: none"> <li>• the government's spending review in 2010 announced that funding to local authorities for transport would be cut by 28%, and</li> </ul>   |



INFORMATION

|     |   |
|-----|---|
|     | <ul style="list-style-type: none"><li>• that BSOG was to be cut by 20% from 2012/13.</li><li>• DfT changed the ENCTS funding formula the effect of which has been to cut around £60 million for local travel concession authorities:</li><li>• the under-funding of the Scheme means that less funding is available for supported bus services up and down the country.</li></ul>   |
| 3.3 | <p>The South East and the East of England were those suffering the worst of the cuts in 2013/14; Luton Borough Council, Southampton City Council, Leicester and Hertfordshire all saw significant cuts or withdrawals of services. The report shows that Southend, Darlington and Hartlepool have become the first 3 local authorities to no longer support any bus services, with 11 counties making year on year cuts of over 10 per cent.</p>  |
| 3.4 | <p>It is very important to note that the ITA/Nexus Medium Term Financial Strategy means that there have been no cuts to secured bus services in Tyne and Wear because of lack of funding, and no cuts are currently planned (although in order to maintain the network efficiently some 'good housekeeping' measures may be necessary). The Bus Strategy Delivery Project, if delivered successfully, is intended to continue this stability. However in its report the CBT identifies Tyne and Wear as having reported a budgeted cut in the provision for secured services of 16% in 2013/14: this is out of kilter with Nexus actual budget figures and there have been no funding cuts to subsidised bus services in Tyne and Wear.</p> |
| 3.5 | <p>Indeed the Bus Strategy Delivery Project, if delivered successfully, is intended to continue this stability. As mentioned above in its report the CBT identifies Tyne and Wear as having reported a budgeted cut in the provision for secured services of 16% in 2013/14. This is not the case and it is not apparent where this information has come from. Members will in fact recall a paper for the ITA Treasurer in September 2013 which was in response to the DCLG Consultation paper of Revenue Grant Settlements for 2014/15 and 2015/16, in which the following comparison of expenditure incurred on public transport services between Tyne and Wear and England was provided:-</p>   |



INFORMATION

|                                    | 2010/11       | 2013/14       | Change       |           |
|------------------------------------|---------------|---------------|--------------|-----------|
|                                    | £000          | £000          | £000         | %         |
| <b>ENGLAND</b>                     |               |               |              |           |
| Concessionary Travel               | 1,111,166     | 1,235,882     | 124,716      | 11%       |
| Support to Transport Operators     | 2,645,408     | 1,369,443     | -1,275,965   | -48%      |
|                                    | 3,756,574     | 2,605,325     | -1,151,249   | -31%      |
| <b>TYNE AND WEAR</b>               |               |               |              |           |
| Concessionary Travel               | 47,656        | 47,336        | -320         | -1%       |
| Support to Transport Operators     |               |               |              |           |
| - Metro/Rail (before Rail Grant) * | 30,086        | 31,645        | 1,559        | 5%        |
| - Ferry                            | 961           | 587           | -374         | -39%      |
| - Bus Services/Infrastructure      | 14,052        | 14,495        | 443          | 3%        |
| <b>Total</b>                       | <b>92,755</b> | <b>94,063</b> | <b>1,308</b> | <b>1%</b> |

Clearly, the current strategy employed within Tyne and Wear has not led to the range of cuts that are being made elsewhere in the country on these key services.

3.6 Looking forward the CBT is clear in its view that 2014/15 will be a difficult year for bus services and have identified reports of some local authorities proposing to cut all or the majority of their funding for supported bus services. This is in response to Government cuts to the block of revenue funding which includes concessionary travel and supported bus services – which the Government propose to cut by 11% in 2014/15 and by 25% by 2015/16.

A brief summary of examples provided in the report is attached at Appendix A.

**4.0 A new way forward**

4.1 The CBT's view is that even with best practice being applied the current managed decline will not survive continued year on year spending cuts: a new approach is suggested around which they hope that a consensus can be reached - the key lines being:

- **Focus on access:** An agreed minimum standard of access could be set down by central government and implemented by local government.
- **Pooled and ring-fenced funding:** Funding for minimum standards of access to employment areas and key facilities and services should be paid for by pooling funding from across government.
- **'Total transport' pilots:** The government could actively promote bringing together the joint commissioning of local transport services of various types.
- **Long term investment plan:** Having a five year investment plan for buses would give the industry and local authorities' certainty and help plan



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INFORMATION

investment in vehicles and infrastructure.

- **Targeted concessions:** The Government should fully fund the scheme, recognising the benefits it brings for reducing social isolation.

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**5.0 Potential impact on objectives**

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5.1 The report is for information only.

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## Campaign for Better Transport report: Buses in Crisis

Examples of local authorities proposing to cut all, or the majority, of their supported bus services with little indication of what might replace these services:

- **Worcestershire County Council** is currently consulting on cutting its entire £3 million budget for supported bus services meaning that 88 supported services on 43 routes around Worcestershire are under severe threat of being lost completely.
- **Cumbria County Council** is proposing to cut up to £1.9 million from its supported bus budget. Currently the overall budget for supported bus services in Cumbria is £1.6 million so this is another county proposing to cut its entire budget for supported bus services.
- **Oxfordshire County Council** has been consulting on cutting supported bus services from areas of Oxfordshire with significant cuts proposed in the Prime Minister's constituency of Witney. In total seven services are under threat of being withdrawn completely, whilst 17 are under threat of having services significantly cut. There is little indication of how much this would save in council spending if this proposal is taken forward
- **North Yorkshire County Council** has been consulting on cutting £1.1 million from its supported bus service budget per year. This would be around 20 per cent of their supported budget.
- **Dorset County Council** conducted a public consultation into cutting £850,000 from its supported bus budget which would have affected 80 services across the county. A total of 1,200 people responded to the consultation which has led to the council rethinking the level of cuts to be made.
- **Essex County Council** is consulting on proposals to cut £2.5 million from its supported bus budgets by 2015. This would represent 30 per cent of its overall budget for supported bus services and would result in many routes being reduced or withdrawn completely.
- **Nottinghamshire County Council** has announced proposals to cut £1.8m from supported bus budgets from August 2014. There is no indication yet as to which services might be affected.
- **The West Midlands Integrated Transport Authority (Centro)** is proposing to cut 25 per cent of its discretionary budget by 2015. This equates to an overall £14m reduction in spending with an unconfirmed amount cut from its supported bus budget.
- **Transport for London (TfL)** has drawn up contingency plans for proposals to cut 20 per cent from London bus subsidy by 2016-17, potentially around £65m. The proposals might mean reductions in at least 230 bus routes, saving £34 million, with an additional £31 million being cut from off peak routes.
- **In Wales, the Welsh Government** is proposing to reduce the concessionary fare reimbursement for bus operators from 74 per cent of the average fare to 46 per cent from 1 April 2014. This shortfall in concessionary funding may lead to significant cuts in services across Wales with some operators claiming that a 30 per cent service reduction is possible.



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## REPORT FOR INFORMATION

**DATE:** 23<sup>rd</sup> January 2013

**SUBJECT:** Service 9 petition from residents of East Howdon

**REPORT OF:** Director General, Nexus

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### PURPOSE OF REPORT

To respond to a petition containing 121 names has been received from residents of East Howdon which requests the reinstatement of the service 9 into East Howdon.

### RECOMMENDATIONS

The ITA is asked to note the Nexus position on the petition.

### BACKGROUND DOCUMENTS

Appendix 1: A copy of the 26 September 2013 report to the ITA on the service 9 petition.

Appendix 2: Service 9 current and investigated routes.

Appendix 3: Current service 9 timetable.

### CONTACT OFFICERS

| <i>Name</i>          | <i>Email</i>                      | <i>Phone</i>        |
|----------------------|-----------------------------------|---------------------|
| <i>Stephen Dodds</i> | <i>Stephen.dodds@nexus.org.uk</i> | <i>0191 2033474</i> |

### IMPACT ON OBJECTIVES

|  |         |
|--|---------|
| To support economic development and regeneration | Neutral |
| To address climate change                        | Neutral |
| To support safe and sustainable communities      | Neutral |

|   |   |
|---|---|
| 1 | <b>Executive Summary</b>  |
|   | A 121 name petition to reinstate the service 9 though East Howdon was referred to Nexus by the ITA at its meeting on 26 <sup>th</sup> September (Appendix 1).   |
|   | Following investigation into the viability of reinstating the service it is considered that there would be no scope within the current timetable to do so. As the service 9 is the only service connecting South Tyneside and Sunderland with North Tyneside via the Tunnel and operating close to east Howdon, there are no options for diverting alternative services.  |
| 2 | <b>Introduction and Background</b>  |
|   | The service 9 (formerly the 319) used to serve East Howdon before the remodelling of the Tyne Tunnel access roads and the opening of the second Tyne Tunnel. The service now operates between Sunderland and North Shields on a 30 minute frequency and is secured by Nexus between Jarrow and North Shields.   |
|   | <p>The changes to the road layout and the opening of the new tunnel forced the re-routing of the service away from East Howdon in order to maintain an hourly headway (the bus takes an hour to travel from North Shields to Sunderland, including recovery time).</p> <p>The bus used to have a direct route to and from the old Tyne Tunnel entrance which took it through East Howdon on its way to North Shields and back.</p> <p>The route for buses entering and leaving the tunnel has changed so that buses entering the tunnel need to enter a gate at the Howdon Road roundabout. Buses leaving the tunnel can still access the roundabout at East Howdon (A19/A187).</p> |
| 3 | <p>The diversion of the northbound bus into East Howdon would not increase the distance travelled by the service but would add an extra minute onto the operating time due to negotiating the road system and serving the additional stops. The main difficulty lies with diverting the southbound bus, which would add an additional 1.5 km onto the journey, and around 4 minutes of additional running time.</p> <p>Please see route maps (appendix 2).</p>  |
|   | The timetable for the service 9 (appendix 3) includes only 3 minutes of layover time at the North Shields end of the journey (the part which is secured by Nexus) and therefore there would be insufficient time to incorporate East Howdon in both directions. In any case this recovery time is very short and even a minor reduction would be bound to introduce reliability issues into the schedule.   |





REPORT FOR INFORMATION

The layover time at the Sunderland end of the route is decided by the commercial operator and Go North East have stated that they would be unable to reduce the layover time at the Sunderland end of the route because it would result in an unreliable service.

There is no scope for withdrawing part of the route from another area in order to incorporate East Howdon. The commercial section is not within the control of Nexus and the secured section is of a direct nature between North Shields and Jarrow.

Residents of East Howdon have a direct link to North Shields via the service 17, which operates every 20 minutes during the day. The link to Jarrow from East Howdon requires interchange onto the service 9 from the service 17 at Percy Main/Howdon Road.

It is unclear from the petition how many residents would want the reinstatement of the service as a link to South Tyneside and Sunderland or how many would want the reinstatement as an additional link to North Shields.

**4 Next Steps**

The service 9 cannot be changed to incorporate East Howdon within current scheduling resources. The service will be monitored and if any opportunity arises in the future to extend the service due to the operator's timetabling changes then this will be considered in the context of practicality and available funding.

**5 Potential impact on objectives**

None.

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**DATE:** 26 September 2013  
**SUBJECT:** Petition in relation to bus service No. 9  
**REPORT OF:** Clerk and Head of Democratic Services

**PURPOSE OF REPORT**

The purpose of this report is to inform members of the receipt of a petition from residents of East Howdon, who requested reinstatement of the number 9 bus through East Howdon. The report also recommends that members refer the petition to Nexus for consideration and reporting back to the Authority.

**RECOMMENDATIONS**

Members are recommended to note the receipt of the petition and refer it to Nexus for consideration and reporting back to the Authority.

**BACKGROUND DOCUMENTS**

Petition from residents of East Howdon dated 9 September 2013, as submitted by Councillor F Lott of North Tyneside Council.

The ITA Standing Orders

**CONTACT OFFICERS**

| <i>Full name</i> | <i><u>Email address</u></i>  | <i>Telephone number</i> |
|------------------|--|-------------------------|
| Linda Scott      | <a href="mailto:linda.scott@twita.gov.uk">linda.scott@twita.gov.uk</a>         | 0191 211 5159           |
| Victoria Miller  | <a href="mailto:victoria.miller@twita.gov.uk">victoria.miller@twita.gov.uk</a> | 0191 211 5118           |

**IMPACT ON OBJECTIVES**

|  |         |
|--|---------|
| To support economic development and regeneration | Neutral |
| To address climate change                        | Neutral |
| To support safe and sustainable communities      | Neutral |



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**1 Executive Summary**

- 1.1 Councillor F Lott of North Tyneside Council presented the Authority with a petition on behalf of residents of East Howdon, who requested reinstatement of the number 9 bus thorough East Howdon.

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**2 Background information**

- 2.1 In accordance with the Standing Orders, all petitions addressed to the ITA shall be reported to the Authority at its next meeting.
- 2.2 On 9 September 2013 Councillor F Lott wrote to the Clerk submitting the petition on behalf of residents of East Howdon and requesting that the petition be presented to the next meeting of the Authority in accordance with its Standing Orders.
- 2.3 The petition states “BRING BACK THE NUMBER 9 BUS THROUGH EAST HOWDON.” The petition is inclusive of 121 signatures.

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**3 Proposals**

- 3.1 Members are recommended to note the receipt of the petition and refer the petition to Nexus for consideration and reporting back to the Authority.

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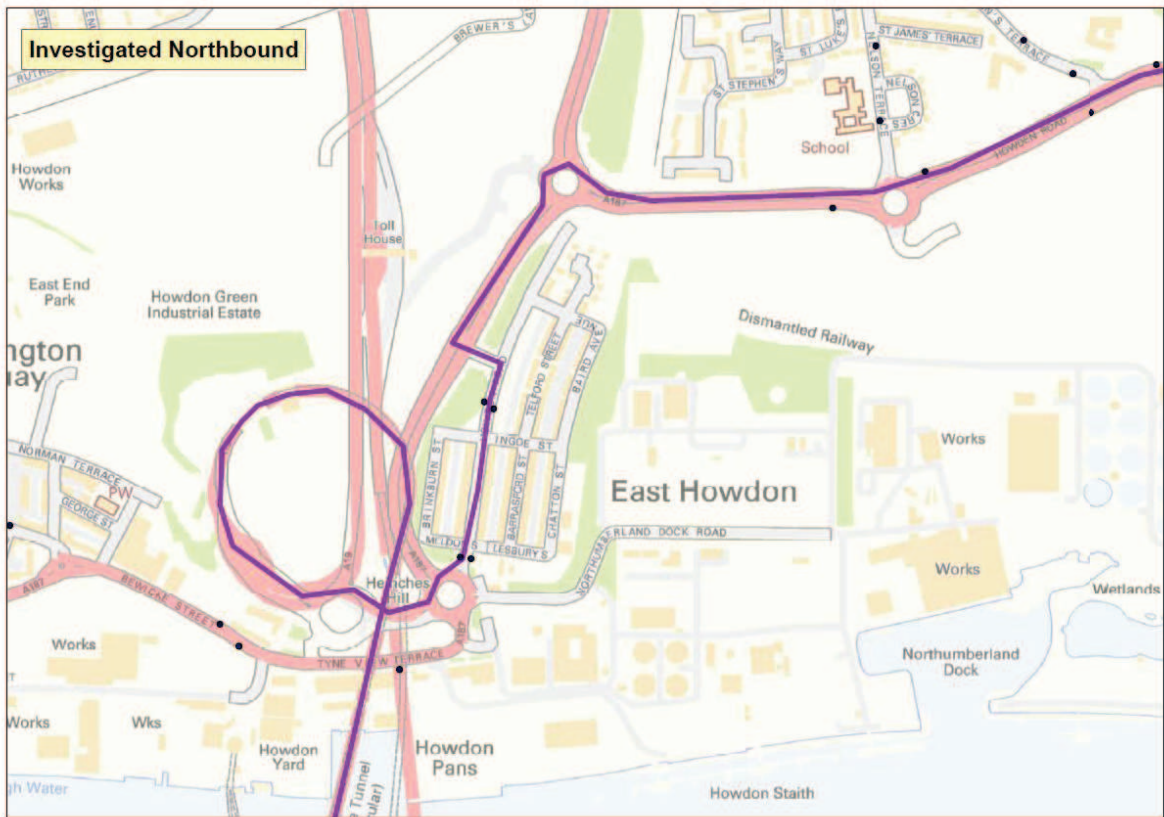
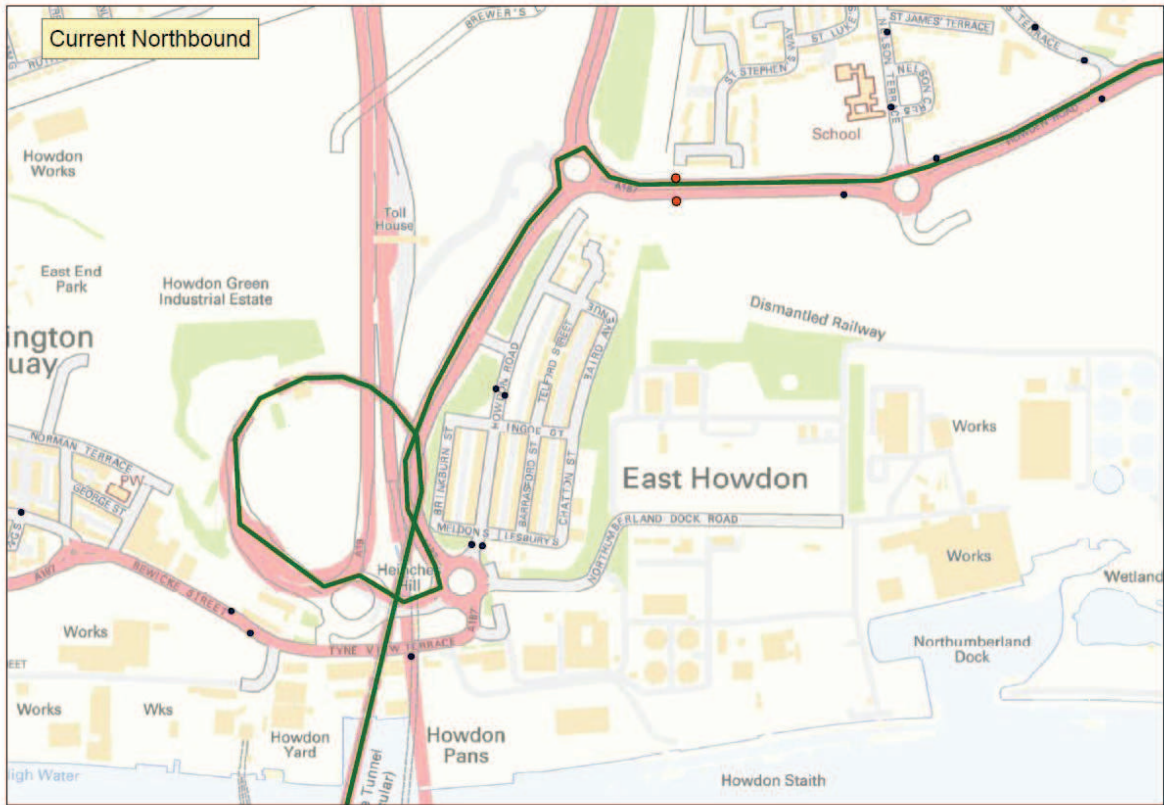
**4 Next steps**

- 4.1 The presenter of the petition will be informed of progress.

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**5 Potential impact on objectives**

- 5.1 Neutral.





# North Shields – Jarrow – Sunderland

via Rudyerd Street, Saville Street West, Prudhoe Street, Howdon Road, A187, A19 Tyne Tunnel, A19, Howard Street, A185, Ellison Street, Station Street, Jarrow Bus Station, Station Street, Ellison Street, Albert Road, Park Road, Kent Street, Bede Burn Road, York Avenue, Calf Close Lane, Hedworth Lane, Abingdon Way, Hedworth Lane, North Road, Cotswolds Lane, Hubert Street, North Road, Rectory Bank, St Nicholas Road, Addison Road, Western Terrace, Front Street, Sunderland Road, Newcastle Road, North Bridge Street, Wearmouth Bridge, St Mary's Way, High Street West, St Michael's Way, Green Terrace, Albion Place, Vine Place, Stockton Road, Sunderland Interchange.  
**From 2000 journeys operate via St Michael's Way, omitting Green Terrace.**

| Monday to Friday                  | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9     | 9    | 9    | 9     | 9    | 9    |      |      |
|-----------------------------------|------|------|------|------|------|------|------|------|------|-------|------|------|-------|------|------|------|------|
| North Shields Town Centre .....   | ...  | ...  | 0627 | 0702 | 0737 | 0807 | 0837 | 0917 | 0947 |       | 17   | 47   |       | 1417 | 1447 | 1517 | 1547 |
| Howdon Road-Earl Grey Way .....   | ...  | ...  | 0632 | 0707 | 0742 | 0812 | 0842 | 0922 | 0952 |       | 22   | 52   |       | 1422 | 1452 | 1522 | 1552 |
| Jarrow Bus Station Stand .....    | 0554 | 0624 | 0644 | 0724 | 0759 | 0829 | 0859 | 0934 | 1004 |       | 34   | 04   |       | 1434 | 1504 | 1534 | 1609 |
| Calfclose Lane-Trent Avenue ..... | 0601 | 0631 | 0651 | 0731 | 0806 | 0836 | 0906 | 0941 | 1011 | Then  | 41   | 11   |       | 1441 | 1511 | 1541 | 1616 |
| Hedworth .....                    | 0603 | 0633 | 0653 | 0733 | 0808 | 0838 | 0908 | 0943 | 1013 | at    | 43   | 13   |       | 1443 | 1513 | 1543 | 1618 |
| Boldon Colliery .....             | 0608 | 0638 | 0659 | 0739 | 0814 | 0844 | 0914 | 0949 | 1019 | these | 49   | 19   |       | 1449 | 1519 | 1549 | 1624 |
| West Boldon .....                 | 0611 | 0641 | 0703 | 0743 | 0818 | 0848 | 0918 | 0953 | 1023 | mins. | 53   | 23   | until | 1453 | 1523 | 1553 | 1628 |
| East Boldon .....                 | 0613 | 0643 | 0705 | 0745 | 0820 | 0850 | 0920 | 0955 | 1025 | past  | 55   | 25   |       | 1455 | 1525 | 1555 | 1630 |
| Fulwell Grange .....              | 0619 | 0649 | 0712 | 0752 | 0827 | 0857 | 0927 | 1002 | 1032 | each  | 02   | 32   |       | 1502 | 1532 | 1602 | 1637 |
| Wheatsheaf .....                  | 0623 | 0653 | 0716 | 0756 | 0831 | 0901 | 0931 | 1006 | 1036 | hour  | 06   | 36   |       | 1506 | 1536 | 1606 | 1641 |
| Sunderland John Street .....      | 0627 | 0657 | 0720 | 0802 | 0837 | 0907 | 0937 | 1012 | 1042 |       | 12   | 42   |       | 1512 | 1542 | 1612 | 1647 |
| Sunderland Interchange .....      | 0629 | 0659 | 0722 | 0804 | 0839 | 0909 | 0939 | 1014 | 1044 |       | 14   | 44   |       | 1514 | 1544 | 1614 | 1649 |
| Monday to Friday (continued)      | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9     | 9    | 9    | 9     | 9    | 9    |      |      |
| North Shields Town Centre .....   | 1622 | 1652 | 1722 | 1802 | 1827 | 1856 | 1926 | 1956 | 2026 | 2056  | 2126 | 2156 | 2226  | 2256 | 2326 |      |      |
| Howdon Road-Earl Grey Way .....   | 1627 | 1657 | 1727 | 1807 | 1832 | 1900 | 1930 | 2000 | 2030 | 2100  | 2130 | 2200 | 2230  | 2300 | 2330 |      |      |
| Jarrow Bus Station Stand .....    | 1644 | 1714 | 1744 | 1817 | 1842 | 1911 | 1941 | 2011 | 2041 | 2111  | 2141 | 2211 | 2241  | 2311 | 2341 |      |      |
| Calfclose Lane-Trent Avenue ..... | 1651 | 1721 | 1751 | 1824 | 1849 | 1918 | 1948 | 2018 | 2048 | 2118  | 2148 | 2218 | 2248  | 2318 | 2348 |      |      |
| Hedworth .....                    | 1653 | 1723 | 1753 | 1826 | 1851 | 1920 | 1950 | 2020 | 2050 | 2120  | 2150 | 2220 | 2250  | 2320 | 2350 |      |      |
| Boldon Colliery .....             | 1659 | 1729 | 1759 | 1831 | 1856 | 1925 | 1955 | 2025 | 2055 | 2125  | 2155 | 2225 | 2255  | 2325 | 2355 |      |      |
| West Boldon .....                 | 1703 | 1733 | 1803 | 1834 | 1859 | 1928 | 1958 | 2028 | 2058 | 2128  | 2158 | 2228 | 2258  | 2328 | 2358 |      |      |
| East Boldon .....                 | 1705 | 1735 | 1805 | 1836 | 1901 | 1930 | 2000 | 2030 | 2100 | 2130  | 2200 | 2230 | 2300  | 2330 | 2359 |      |      |
| Fulwell Grange .....              | 1712 | 1742 | 1812 | 1842 | 1907 | 1936 | 2006 | 2036 | 2106 | 2136  | 2206 | 2236 | 2306  | 2336 | 0006 |      |      |
| Wheatsheaf .....                  | 1716 | 1746 | 1816 | 1846 | 1911 | 1940 | 2010 | 2040 | 2110 | 2140  | 2210 | 2240 | 2310  | 2340 | 0010 |      |      |
| Sunderland John Street .....      | 1722 | 1752 | 1822 | 1850 | 1915 | 1944 | 2014 | 2044 | 2114 | 2144  | 2214 | 2244 | 2314  | 2344 | 0014 |      |      |
| Sunderland Interchange .....      | 1724 | 1754 | 1824 | 1852 | 1917 | 1946 | 2016 | 2046 | 2116 | 2146  | 2216 | 2246 | 2316  | 2346 | 0016 |      |      |

| <b>Saturday</b>                  | 9    | 9    | 9    | 9    | 9    | 9     | 9  | 9  | 9     | 9    | 9    | 9    | 9    | 9    | 9    | 9    |      |
|----------------------------------|------|------|------|------|------|-------|----|----|-------|------|------|------|------|------|------|------|------|
| North Shields Town Centre .....  | ...  | ...  | ...  | 0817 | 0847 |       | 17 | 47 |       | 1617 | 1647 | 1717 | 1747 | 1826 | 1856 | 1926 | 1956 |
| Howdon Road-Earl Grey Way.....   | ...  | ...  | ...  | 0822 | 0852 |       | 22 | 52 |       | 1622 | 1652 | 1722 | 1752 | 1830 | 1900 | 1930 | 2000 |
| Jarrow Bus Station Stand .....   | 0644 | 0739 | 0809 | 0834 | 0904 |       | 34 | 04 |       | 1634 | 1704 | 1734 | 1804 | 1841 | 1911 | 1941 | 2011 |
| Calfclose Lane-Trent Avenue..... | 0651 | 0746 | 0816 | 0841 | 0911 | Then  | 41 | 11 |       | 1641 | 1711 | 1741 | 1811 | 1848 | 1918 | 1948 | 2018 |
| Hedworth.....                    | 0653 | 0748 | 0818 | 0843 | 0913 | at    | 43 | 13 |       | 1643 | 1713 | 1743 | 1813 | 1850 | 1920 | 1950 | 2020 |
| Boldon Colliery .....            | 0659 | 0754 | 0824 | 0849 | 0919 | these | 49 | 19 |       | 1649 | 1719 | 1749 | 1819 | 1855 | 1925 | 1955 | 2025 |
| West Boldon .....                | 0702 | 0757 | 0827 | 0853 | 0923 | mins. | 53 | 23 | until | 1653 | 1723 | 1752 | 1822 | 1858 | 1928 | 1958 | 2028 |
| East Boldon.....                 | 0704 | 0759 | 0829 | 0855 | 0925 | past  | 55 | 25 |       | 1655 | 1725 | 1754 | 1824 | 1900 | 1930 | 2000 | 2030 |
| Fulwell Grange .....             | 0710 | 0805 | 0835 | 0902 | 0932 | each  | 02 | 32 |       | 1702 | 1732 | 1800 | 1830 | 1906 | 1936 | 2006 | 2036 |
| Wheatsheaf .....                 | 0714 | 0809 | 0839 | 0906 | 0936 | hour  | 06 | 36 |       | 1706 | 1736 | 1804 | 1834 | 1910 | 1940 | 2010 | 2040 |
| Sunderland John Street .....     | 0718 | 0813 | 0843 | 0912 | 0942 |       | 12 | 42 |       | 1712 | 1742 | 1808 | 1838 | 1914 | 1944 | 2014 | 2044 |
| Sunderland Interchange.....      | 0720 | 0815 | 0845 | 0914 | 0944 |       | 14 | 44 |       | 1714 | 1744 | 1810 | 1840 | 1916 | 1946 | 2016 | 2046 |

| <b>Saturday (continued)</b>      | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
|----------------------------------|------|------|------|------|------|------|------|
| North Shields Town Centre .....  | 2026 | 2056 | 2126 | 2156 | 2226 | 2256 | 2326 |
| Howdon Road-Earl Grey Way.....   | 2030 | 2100 | 2130 | 2200 | 2230 | 2300 | 2330 |
| Jarrow Bus Station Stand .....   | 2041 | 2111 | 2141 | 2211 | 2241 | 2311 | 2341 |
| Calfclose Lane-Trent Avenue..... | 2048 | 2118 | 2148 | 2218 | 2248 | 2318 | 2348 |
| Hedworth.....                    | 2050 | 2120 | 2150 | 2220 | 2250 | 2320 | 2350 |
| Boldon Colliery .....            | 2055 | 2125 | 2155 | 2225 | 2255 | 2325 | 2355 |
| West Boldon .....                | 2058 | 2128 | 2158 | 2228 | 2258 | 2328 | 2358 |
| East Boldon.....                 | 2100 | 2130 | 2200 | 2230 | 2300 | 2330 | 2359 |
| Fulwell Grange .....             | 2106 | 2136 | 2206 | 2236 | 2306 | 2336 | 0006 |
| Wheatsheaf .....                 | 2110 | 2140 | 2210 | 2240 | 2310 | 2340 | 0010 |
| Sunderland John Street .....     | 2114 | 2144 | 2214 | 2244 | 2314 | 2344 | 0014 |
| Sunderland Interchange.....      | 2116 | 2146 | 2216 | 2246 | 2316 | 2346 | 0016 |

| <b>Sunday</b>                    | 9    | 9    | 9    | 9     | 9  | 9  | 9     | 9    | 9    |      |
|----------------------------------|------|------|------|-------|----|----|-------|------|------|------|
| North Shields Town Centre .....  | 0856 | 0926 | 0956 |       | 26 | 56 |       | 2226 | 2256 | 2326 |
| Howdon Road-Earl Grey Way.....   | 0901 | 0931 | 1001 |       | 31 | 01 |       | 2231 | 2301 | 2331 |
| Jarrow Bus Station Stand .....   | 0911 | 0941 | 1011 |       | 41 | 11 |       | 2241 | 2311 | 2341 |
| Calfclose Lane-Trent Avenue..... | 0918 | 0948 | 1018 | Then  | 48 | 18 |       | 2248 | 2318 | 2348 |
| Hedworth.....                    | 0920 | 0950 | 1020 | at    | 50 | 20 |       | 2250 | 2320 | 2350 |
| Boldon Colliery .....            | 0925 | 0955 | 1025 | these | 55 | 25 |       | 2255 | 2325 | 2355 |
| West Boldon .....                | 0928 | 0958 | 1028 | mins. | 58 | 28 | until | 2258 | 2328 | 2358 |
| East Boldon.....                 | 0930 | 1000 | 1030 | past  | 00 | 30 |       | 2300 | 2330 | 0000 |
| Fulwell Grange .....             | 0936 | 1006 | 1036 | each  | 06 | 36 |       | 2306 | 2336 | 0006 |
| Wheatsheaf .....                 | 0940 | 1010 | 1040 | hour  | 10 | 40 |       | 2310 | 2340 | 0010 |
| Sunderland John Street .....     | 0944 | 1014 | 1044 |       | 14 | 44 |       | 2314 | 2344 | 0014 |
| Sunderland Interchange.....      | 0946 | 1016 | 1046 |       | 16 | 46 |       | 2316 | 2346 | 0016 |



## Sunderland – Jarrow – North Shields

Via Sunderland Interchange, Mary Street, Albion Place, Vine Place, Holmeside, Fawcett Street, High Street West, Bedford Street, West Wear Street, Wearmouth Bridge, North Bridge Street, Newcastle Road, Sunderland Road, Front Street, Western Terrace, Addison Road, Rectory Bank, North Road, Hubert Street, Cotswolds Lane, North Road, Hedworth Lane, Abingdon Way, Hedworth Lane, Calf Close Lane, York Avenue, Bede Burn Road, Sussex Street, Park Road, Albert Road, Ellison Street, Station Street, Jarrow Bus Station, Station Street, Ellison Street, Howard Street, A19, Tyne Tunnel, A19, A187, East Howdon By-pass, A187, Howdon Road, Prudhoe Street, Borough Road, Railway Terrace, Rudyerd Street.

| <b>Monday to Friday</b>             | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9     | 9    | 9    | 9     | 9    | 9    | 9    | 9    | 9    |      |
|-------------------------------------|------|------|------|------|------|------|------|-------|------|------|-------|------|------|------|------|------|------|
| Sunderland Interchange .....        | 0634 | 0704 | 0734 | 0809 | 0847 | 0919 | 0949 |       | 19   | 49   |       | 1419 | 1449 | 1519 | 1549 | 1619 | 1657 |
| Sunderland Fawcett Street .....     | 0637 | 0707 | 0737 | 0812 | 0850 | 0922 | 0952 |       | 22   | 52   |       | 1422 | 1452 | 1522 | 1552 | 1622 | 1700 |
| Wheatsheaf .....                    | 0640 | 0710 | 0740 | 0815 | 0853 | 0925 | 0955 |       | 25   | 55   |       | 1425 | 1455 | 1525 | 1555 | 1625 | 1703 |
| Fulwell Grange .....                | 0646 | 0716 | 0746 | 0821 | 0859 | 0931 | 1001 | Then  | 31   | 01   |       | 1431 | 1501 | 1531 | 1601 | 1631 | 1709 |
| East Boldon .....                   | 0652 | 0722 | 0752 | 0827 | 0905 | 0937 | 1007 | at    | 37   | 07   |       | 1437 | 1507 | 1537 | 1607 | 1637 | 1715 |
| West Boldon .....                   | 0655 | 0725 | 0755 | 0830 | 0908 | 0940 | 1010 | these | 40   | 10   |       | 1440 | 1510 | 1540 | 1610 | 1640 | 1718 |
| Boldon Asda .....                   | 0659 | 0729 | 0759 | 0834 | 0912 | 0944 | 1014 | mins. | 44   | 14   | until | 1444 | 1514 | 1544 | 1614 | 1644 | 1722 |
| Hedworth .....                      | 0704 | 0734 | 0804 | 0839 | 0917 | 0949 | 1019 | past  | 49   | 19   |       | 1449 | 1519 | 1549 | 1619 | 1649 | 1727 |
| Calfclose Lane-Ribble Walk .....    | 0706 | 0736 | 0806 | 0841 | 0919 | 0951 | 1021 | each  | 51   | 21   |       | 1451 | 1521 | 1551 | 1621 | 1651 | 1729 |
| Jarrow Bus Station .....            | 0716 | 0746 | 0816 | 0851 | 0929 | 1001 | 1031 | hour  | 01   | 31   |       | 1501 | 1531 | 1601 | 1631 | 1701 | 1739 |
| Howdon Road .....                   | 0724 | 0754 | 0824 | 0859 | 0937 | 1009 | 1039 |       | 09   | 39   |       | 1509 | 1539 | 1609 | 1639 | 1709 | 1747 |
| North Shields Town Centre .....     | 0734 | 0804 | 0834 | 0909 | 0942 | 1014 | 1044 |       | 14   | 44   |       | 1514 | 1544 | 1619 | 1649 | 1719 | 1757 |
| <b>Monday to Friday (continued)</b> | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9     | 9    | 9    | 9     | 9    | 9    | 9    | 9    | 9    | 9    |
| Sunderland Interchange .....        | 1729 | 1759 | 1829 | 1855 | 1920 | 1950 | 2020 | 2050  | 2120 | 2150 | 2220  | 2250 | 2320 |      |      |      |      |
| Sunderland Fawcett Street .....     | 1732 | 1802 | 1832 | 1858 | 1923 | 1953 | 2023 | 2053  | 2123 | 2153 | 2223  | 2253 | 2323 |      |      |      |      |
| Wheatsheaf .....                    | 1735 | 1805 | 1835 | 1901 | 1926 | 1956 | 2026 | 2056  | 2126 | 2156 | 2226  | 2256 | 2326 |      |      |      |      |
| Fulwell Grange .....                | 1741 | 1811 | 1839 | 1905 | 1930 | 2000 | 2030 | 2100  | 2130 | 2200 | 2230  | 2300 | 2330 |      |      |      |      |
| East Boldon .....                   | 1747 | 1817 | 1844 | 1910 | 1935 | 2005 | 2035 | 2105  | 2135 | 2205 | 2235  | 2305 | 2335 |      |      |      |      |
| West Boldon .....                   | 1750 | 1820 | 1847 | 1913 | 1938 | 2008 | 2038 | 2108  | 2138 | 2208 | 2238  | 2308 | 2338 |      |      |      |      |
| Boldon Asda .....                   | 1754 | 1824 | 1850 | 1916 | 1941 | 2011 | 2041 | 2111  | 2141 | 2211 | 2241  | 2311 | 2341 |      |      |      |      |
| Hedworth .....                      | 1759 | 1829 | 1855 | 1921 | 1946 | 2016 | 2046 | 2116  | 2146 | 2216 | 2246  | 2316 | 2346 |      |      |      |      |
| Calfclose Lane-Ribble Walk .....    | 1801 | 1831 | 1857 | 1922 | 1948 | 2018 | 2048 | 2118  | 2148 | 2218 | 2248  | 2318 | 2348 |      |      |      |      |
| Jarrow Bus Station .....            | 1811 | 1840 | 1905 | 1931 | 1956 | 2026 | 2056 | 2126  | 2156 | 2226 | 2256  | 2326 | 2356 |      |      |      |      |
| Howdon Road .....                   | 1819 | 1848 | 1913 | 1939 | 2004 | 2034 | 2104 | 2134  | 2204 | 2234 | 2304  | 2334 | ...  |      |      |      |      |
| North Shields Town Centre .....     | 1824 | 1853 | 1918 | 1944 | 2009 | 2039 | 2109 | 2139  | 2209 | 2239 | 2309  | 2339 | ...  |      |      |      |      |

| <b>Saturday</b>                 | 9    | 9    | 9    | 9    | 9    | 9     | 9  | 9  | 9     | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
|---------------------------------|------|------|------|------|------|-------|----|----|-------|------|------|------|------|------|------|------|------|
| Sunderland Interchange .....    | 0654 | 0724 | 0754 | 0819 | 0849 |       | 19 | 49 |       | 1719 | 1749 | 1820 | 1850 | 1920 | 1950 | 2020 | 2050 |
| Sunderland Fawcett Street ..... | 0657 | 0727 | 0757 | 0822 | 0852 |       | 22 | 52 |       | 1722 | 1752 | 1823 | 1853 | 1923 | 1953 | 2023 | 2053 |
| Wheatsheaf .....                | 0700 | 0730 | 0800 | 0825 | 0855 |       | 25 | 55 |       | 1725 | 1755 | 1826 | 1856 | 1926 | 1956 | 2026 | 2056 |
| Fulwell Grange .....            | 0704 | 0734 | 0804 | 0831 | 0901 | Then  | 31 | 01 |       | 1731 | 1801 | 1830 | 1900 | 1930 | 2000 | 2030 | 2100 |
| East Boldon .....               | 0709 | 0739 | 0809 | 0837 | 0907 | at    | 37 | 07 |       | 1737 | 1807 | 1835 | 1905 | 1935 | 2005 | 2035 | 2105 |
| West Boldon .....               | 0712 | 0742 | 0812 | 0840 | 0910 | these | 40 | 10 |       | 1740 | 1810 | 1838 | 1908 | 1938 | 2008 | 2038 | 2108 |
| Boldon Asda .....               | 0715 | 0745 | 0815 | 0844 | 0914 | mins. | 44 | 14 | until | 1744 | 1814 | 1841 | 1911 | 1941 | 2011 | 2041 | 2111 |
| Hedworth.....                   | 0720 | 0750 | 0820 | 0849 | 0919 | past  | 49 | 19 |       | 1749 | 1819 | 1846 | 1916 | 1946 | 2016 | 2046 | 2116 |
| Calfclose Lane-Ribble Walk..... | 0722 | 0752 | 0822 | 0851 | 0921 | each  | 51 | 21 |       | 1751 | 1821 | 1848 | 1918 | 1948 | 2018 | 2048 | 2118 |
| Jarrow Bus Station .....        | 0729 | 0759 | 0831 | 0901 | 0931 | hour  | 01 | 31 |       | 1801 | 1831 | 1856 | 1926 | 1956 | 2026 | 2056 | 2126 |
| Howdon Road.....                | ...  | ...  | 0839 | 0909 | 0939 |       | 09 | 39 |       | 1809 | 1839 | 1904 | 1934 | 2004 | 2034 | 2104 | 2134 |
| North Shields Town Centre.....  | ...  | ...  | 0844 | 0914 | 0944 |       | 14 | 44 |       | 1814 | 1844 | 1909 | 1939 | 2009 | 2039 | 2109 | 2139 |

| <b>Saturday (continued)</b>     | 9    | 9    | 9    | 9    | 9    |   |  |  |  |  |  |  |  |  |  |  |  |
|---------------------------------|------|------|------|------|------|---|--|--|--|--|--|--|--|--|--|--|--|
| Sunderland Interchange .....    | 2120 | 2150 | 2220 | 2250 | 2320 | ● |  |  |  |  |  |  |  |  |  |  |  |
| Sunderland Fawcett Street ..... | 2123 | 2153 | 2223 | 2253 | 2323 |   |  |  |  |  |  |  |  |  |  |  |  |
| Wheatsheaf .....                | 2126 | 2156 | 2226 | 2256 | 2326 |   |  |  |  |  |  |  |  |  |  |  |  |
| Fulwell Grange .....            | 2130 | 2200 | 2230 | 2300 | 2330 |   |  |  |  |  |  |  |  |  |  |  |  |
| East Boldon .....               | 2135 | 2205 | 2235 | 2305 | 2335 |   |  |  |  |  |  |  |  |  |  |  |  |
| West Boldon .....               | 2138 | 2208 | 2238 | 2308 | 2338 |   |  |  |  |  |  |  |  |  |  |  |  |
| Boldon Asda .....               | 2141 | 2211 | 2241 | 2311 | 2341 |   |  |  |  |  |  |  |  |  |  |  |  |
| Hedworth.....                   | 2146 | 2216 | 2246 | 2316 | 2346 |   |  |  |  |  |  |  |  |  |  |  |  |
| Calfclose Lane-Ribble Walk..... | 2148 | 2218 | 2248 | 2318 | 2348 |   |  |  |  |  |  |  |  |  |  |  |  |
| Jarrow Bus Station .....        | 2156 | 2226 | 2256 | 2326 | 2356 |   |  |  |  |  |  |  |  |  |  |  |  |
| Howdon Road.....                | 2204 | 2234 | 2304 | 2334 | ...  |   |  |  |  |  |  |  |  |  |  |  |  |
| North Shields Town Centre.....  | 2209 | 2239 | 2309 | 2339 | ...  |   |  |  |  |  |  |  |  |  |  |  |  |

| <b>Sunday</b>                   | 9    | 9    | 9    | 9     | 9  | 9  | 9     | 9    | 9    | 9    | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
|---------------------------------|------|------|------|-------|----|----|-------|------|------|------|---|---|---|---|---|---|---|
| Sunderland Interchange .....    | 0850 | 0920 | 0950 |       | 20 | 50 |       | 2220 | 2250 | 2320 |   |   |   |   |   |   |   |
| Sunderland Fawcett Street ..... | 0853 | 0923 | 0953 |       | 23 | 53 |       | 2223 | 2253 | 2323 |   |   |   |   |   |   |   |
| Wheatsheaf .....                | 0856 | 0926 | 0956 |       | 26 | 56 |       | 2226 | 2256 | 2326 |   |   |   |   |   |   |   |
| Fulwell Grange .....            | 0900 | 0930 | 1000 | Then  | 30 | 00 |       | 2230 | 2300 | 2330 |   |   |   |   |   |   |   |
| East Boldon .....               | 0905 | 0935 | 1005 | at    | 35 | 05 |       | 2235 | 2305 | 2335 |   |   |   |   |   |   |   |
| West Boldon .....               | 0908 | 0938 | 1008 | these | 38 | 08 | until | 2238 | 2308 | 2338 |   |   |   |   |   |   |   |
| Boldon Asda .....               | 0911 | 0941 | 1011 | mins. | 41 | 11 | until | 2241 | 2311 | 2341 |   |   |   |   |   |   |   |
| Hedworth.....                   | 0916 | 0946 | 1016 | past  | 46 | 16 |       | 2246 | 2316 | 2346 |   |   |   |   |   |   |   |
| Calfclose Lane-Ribble Walk..... | 0918 | 0948 | 1018 | each  | 48 | 18 |       | 2248 | 2318 | 2348 |   |   |   |   |   |   |   |
| Jarrow Bus Station .....        | 0926 | 0956 | 1026 | hour  | 56 | 26 |       | 2256 | 2326 | 2355 |   |   |   |   |   |   |   |
| Howdon Road.....                | 0934 | 1004 | 1034 |       | 04 | 34 |       | 2304 | 2334 | ...  |   |   |   |   |   |   |   |
| North Shields Town Centre.....  | 0939 | 1009 | 1039 |       | 09 | 39 |       | 2309 | 2339 | ...  |   |   |   |   |   |   |   |

●: Continues to Howdon Road/Nelson Terrace arriving 6 mins after Jarrow Bus Station.

## Sunderland – Jarrow – North Shields

Via Sunderland Interchange, Mary Street, Albion Place, Vine Place, Holmeside, Fawcett Street, High Street West, Bedford Street, West Wear Street, Wearmouth Bridge, North Bridge Street, Newcastle Road, Sunderland Road, Front Street, Western Terrace, Addison Road, Rectory Bank, North Road, Hubert Street, Cotswolds Lane, North Road, Hedworth Lane, Abingdon Way, Hedworth Lane, Fellgate Avenue, Durham Drive(clockwise loop) Fellgate Avenue, Hedworth Lane, Calf Close Lane, York Avenue, Bede Burn Road, Sussex Street, Park Road, Albert Road, Ellison Street, Station Street, Jarrow Bus Station, Station Street, Ellison Street, Howard Street, A19, Tyne Tunnel, A19, A187, East Howdon By-Pass, A187, Howdon Road, Prudhoe Street, Borough Road, Railway Terrace, Rudyerd Street.

| <b>Monday to Friday</b>         | 9A   | 9A   |
|---------------------------------|------|------|
| Sunderland Interchange .....    | 0532 | 0602 |
| Sunderland Fawcett Street ..... | 0535 | 0605 |
| Wheatsheaf .....                | 0538 | 0608 |
| Fulwell Grange .....            | 0542 | 0612 |
| East Boldon .....               | 0547 | 0617 |
| West Boldon .....               | 0550 | 0620 |
| Boldon Asda .....               | 0553 | 0623 |
| Hedworth.....                   | 0559 | 0629 |
| Fellgate .....                  | 0601 | 0631 |
| Fellgate Metro .....            | 0603 | 0633 |
| Hedworth.....                   | 0604 | 0634 |
| Jarrow Bus Station .....        | 0614 | 0645 |
| Howdon Road .....               | ...  | 0653 |
| North Shields Town Centre.....  | ...  | 0658 |
| <b>Saturday</b>                 | 9A   |      |
| Sunderland Interchange .....    | 0557 |      |
| Sunderland Fawcett Street ..... | 0600 |      |
| Wheatsheaf .....                | 0603 |      |
| Fulwell Grange .....            | 0607 |      |
| East Boldon .....               | 0612 |      |
| West Boldon .....               | 0615 |      |
| Boldon Asda .....               | 0618 |      |
| Hedworth.....                   | 0623 |      |
| Fellgate .....                  | 0632 |      |
| Fellgate Metro .....            | 0633 |      |
| Hedworth.....                   | 0634 |      |
| Jarrow Bus Station .....        | 0639 |      |

Certain journeys are secured on your behalf by Nexus.

Operated by: Go North East

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INFORMATION

**DATE:** 23 January 2014

**SUBJECT:** Petition in relation to the school bus service No. 112 to West Jesmond Primary School, Newcastle upon Tyne

**REPORT OF:** Director General of Nexus

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## **PURPOSE OF REPORT**

To advise members on the Nexus response to the above petition originally placed before the Integrated Transport Authority on 28 November 2013.

## **RECOMMENDATIONS**

Members are recommended to note this report.

## **BACKGROUND DOCUMENTS**

Held by the contact officers

## **CONTACT OFFICERS**

*David Spoons*                                    *David.Spoons@nexus.org.uk*      *0191 203 3256*  
(*Bus Contract Manager*)

*Trevor Clark*                                    *Trevor.Clark@nexus.org.uk*      *0191 203 3443*  
(*Assistant Bus Contract  
Manager*)

## **IMPACT ON OBJECTIVES**

To support economic development and regeneration                                    Neutral

To address climate change    Neutral

To support safe and sustainable communities    Neutral

## **1 Executive Summary**

This report provides a response from Nexus to the petition received regarding school bus service No. 112 to/from West Jesmond Primary School in Newcastle upon Tyne.

## **2 Background Information**

- 2.1 In 2012/13, Nexus provided subsidy for the operation of two bus services to/from West Jesmond Primary School, namely Service 112 from Gloucester Street, Elswick and Service 113 from Jesmond Dene Road/Ilford Road.
- 2.2 A joint review of home to school transport services in the Newcastle area was carried out by Nexus and Newcastle City Council prior to the academic year 2013/14. The review identified that patronage on both services was low, around 20 out of minimum capacity of 44. One vehicle could accommodate all passengers utilising a revised route. This would allow the second vehicle to be re-allocated to another school where capacity problems were being encountered providing best use of the vehicle resource.
- 2.3 There are also parking problems at the school in the morning and afternoon. This culminated in a bus receiving a parking ticket.
- 2.4 Newcastle City Council and Nexus agreed that a revised route and timetable would be scheduled to best utilise one vehicle to encompass both routes to serve pupils travelling to and from school.
- 2.5 Since the implementation of the new service, regular checks have been carried out by Nexus staffs which have shown that the vehicle is operating within capacity and to the advertised timetable.
- 2.6 A petition from parents regarding the revised operation of the service to West Jesmond School was received by Newcastle City Council on 31<sup>st</sup> October 2013 and presented to the Integrated Transport Authority on 28<sup>th</sup> November 2013. The petition was referred to Nexus for consideration and investigation on all points.

## **3 Proposals**

- 3.1 There are several key issues raised in the petition, ranging from the impact of the length of trip on younger and older children in relation to pre-arranged after school activities, and the length of the journey from Gosforth/Montagu, the fact the service was trialled in summer and did not take into account the potential effect of winter weather and the bus arriving later at school in the morning than scheduled.



- 3.2 Nexus has considered the issues raised in the petition and has provided its responses in the section below.

***Longer Journey Times***

*The merger of the two services has meant that the route distance is 7.7 miles, compared to the original service between the school and Gloucester Road of 6.3 miles. The revised route, has been diverted away from a number of traffic 'pinch points' which caused delays. This has resulted in journey time savings. The morning journey time is approximately 5 minutes shorter than the previous timetable whereas the afternoon journey time has increased by 15 minutes. There are examples of similar or longer journey times on other services to and from schools elsewhere in Tyne and Wear.*

***Potential impact of winter weather on journey times***

*The service still operates between the school and Elswick and poor winter weather will not have any additional effects over previous years. With regard to congestion and operation along residential streets, it has already been mentioned that Nexus has diverted the service away from known areas of congestion and we have had no reports from drivers of any incidents.*

***Later arrival of bus in the morning 0840 - 0845***

*The service is scheduled to arrive at the school at 0833hrs and we have had no reports of significant late operation or complaints from the school. Regular checks have been carried out by Nexus staff which has shown that the vehicle is operating to the advertised timetable.*

***Fewer passengers using stop at Gosforth/Montagu***

*We accept that the journey time has increased from this area but the time on bus should be no more than 30 minutes, which again is mirrored by many journeys to school on bus elsewhere in Tyne and Wear. Passenger numbers have varied historically on the service with no significant reduction from Gosforth and Montagu area.*

- 3.3 Additional comments were made by individual parents within the petition, many of which are answered by the responses above but in some cases there is insufficient information for Nexus to comment at this time. Should the parents wish to discuss



## INFORMATION

these matters further then they can contact the Nexus Customer Services on 0191 2020747 where Nexus will attempt to address any enquiry. Following consultation with Newcastle City Council, Nexus are not proposing any changes to the service.

### **4 Next Steps**

Members to note.

### **5 Potential impact on objectives**

Nil.



By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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