



Tyne and Wear Integrated Transport Authority

Meeting to be held at Newcastle Civic Centre
on Thursday 25 March 2010 at 10.00 am
(Labour Group meeting at 9:00am) (Opposition Group meeting at 9:30am)

Page

1. Apologies for absence
2. Declarations of Interest of Council Members , Co-opted Members or Officers in any matter to be discussed at the meeting

(If any Member has a personal/prejudicial interest please complete the appropriate form and hand this to the Democratic Services Officer before leaving the meeting. A blank form can be obtained from the DSO at the meeting).

Members are reminded to verbally declare their interest and the nature of it and, if prejudicial , leave where appropriate at the point of the meeting when the item is to be discussed.
3. Minutes of the meeting held on 28th January 2010 1 - 12
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6. Revenue Budget Monitoring Report April to February 2010 51 - 56
7. Treasury Management Statement 57 - 76
8. Tyne Tunnels Byelaws Update 77 - 80
9. New Tyne Crossing Update

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985
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11. Tyne and Wear City Region Governance Review 89 - 92

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NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.



Tyne and Wear Integrated Transport Authority

28 January 2010
(10 – 11.50)

In Attendance:-

B Rowland, P Woods, H Emms, S Ovens, G MacDonald, P Fenwick, P Staines, R Gill, S Vincent, M France, J Curran.

Representing Nexus:

B Garner, J Fenwick, T Hughes, H Lewis, L Robinson.

4. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Blackburn and Taylor.

5. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 26 November 2009 were confirmed as a correct record.

Matters Arising:-

(a) Sunderland Station

(Minute 91(a) refers).

B Garner gave an update, explaining that the programme of works was ongoing at Sunderland Station although there was a slight slippage of two weeks. The first phase was expected to be completed in late February when the south platforms would reopen to passengers to allow work to be carried out on the north platforms. The escalator and lifts would be back in service by this date. A good deal of work had been undertaken with Sunderland Council and Network Rail to progress a development at ground level. A steering group had been set up including representatives of Nexus, Sunderland City Council, Network Rail, Grand Central and Northern Rail. This group had met twice. The work to be done above ground would include a new ticket office, retail opportunities and the introduction of toilets. Members would be kept updated of progress on this scheme. A member welcomed the information particularly that relating to toilets on the station.

(b) Christmas and New Year Services 2009

(Minute 101 refers).

B Garner reported that Nexus had procured almost all the services which had operated on Boxing Day. The services had been well used over the Christmas and New Year period. Trends showed that there was a market for transport on the 26 December and efforts would be made to encourage bus companies to operate more services on this day. In 2009 only Go North East had operated on 26 December.

B Garner reported that Metro had provided a very reliable service over the recent period of severe weather. He wished to place on record his thanks to Metro staff and bus operators who had made every effort to continue running services during this difficult period. The Chair also wished to place on record his thanks to B Garner and staff operating Metro services for the excellent service provided during the recent spell of severe weather, and indicated he had put out a press release to this effect at the time.

A member queried why St Peter's Station was closed on days on which football matches were held. K Mackay reported that Nexus had an agreement with British Transport Police that the station would be closed on match days and this was to facilitate crowd control and was in the interests of health and safety. Supporters had to be separated and some were directed to St Peter's and some to the Stadium of Light as trains from Sunderland could be very heavily loaded and this was to avoid problems on platforms. Similar measures were undertaken in other stations on match days. It was not unusual for Police to request this to happen. This practice had been in operation since 2002.

6. **NEXUS(NON METRO),NEW TYNE CROSSING AND LOCAL TRANSPORT PLAN CAPITAL PROGRAMME 2010/11 TO 2012/13**

Submitted: Joint report of the Clerk to the Authority and the Director General of Nexus (copies attached to official minutes).

J Fenwick introduced the report which sought approval for the Nexus (Non-Metro) New Tyne Crossing and LTP Capital Programme for 2010/11 in light of the expected funding available and outlined indicative scheme allocations for 2011/12 and 2012/13. Metro schemes would be the works subject of a separate report on the agenda.

P Woods went on to outline the Prudential Code for 2010/11 – 2012/13. He drew attention to the figures for borrowing to fund New Tyne Crossing works. He explained that because of the level of interest rates, there was a reduced level of borrowing. At the year end the borrowing figure was £160m because of investments.

Questions/Comments

Members raised the following questions/comments:-

- A member referred to paragraph 4.1.1 which outlined the ITA's four overarching objectives and referred particularly to the commitment to reduce road traffic congestion. One of the arguments for building the New Tyne Crossing was to

reduce road congestion. However this would create two extra traffic lanes and would not necessarily produce a move to use public transport. He queried whether this wording should be amended.

- B Garner explained that in relation to the overarching objectives it was a question of balance between sometimes conflicting objectives; whereas the construction of the Tunnel would reduce traffic congestion and also stimulate economic regeneration within the region and this contributed to the objectives.
- A member referred to the list of reserve schemes and particularly to the Park and Ride schemes and queried what was envisaged and whether any sites had been identified for Park and Ride.
- T Hughes explained there were a number of Park and Ride sites developed as part of the bus package and a good deal of advance planning had to be undertaken before they were introduced.
- There were no specific sites put forward in Phase 1. He referred to two existing sites in the Gateshead area included in the second package, there was a scheme around the Eighton Banks area which needed further development.
- He was not aware of any schemes linked to the A19 as yet.

RESOLVED – That:

- (i) the Nexus (non-Metro), New Tyne Crossing and LTP Capital Programme for 2010/11 – 2012/13, as detailed in Appendix A totalling £103.280m, be approved;
- (ii) the indicative schemes listed in paragraph 4.3 (and Appendix A as reserve schemes) totaling £6.614m which would seek full approval for Capital Funding if capital resources became available, following submission of an appropriate business case, be noted;
- (iii) the LTPS31 District Schemes as reported to the ITA In January 2009 for 2010/11 only, included in Appendix B, be noted; and
- (iv) (iv)the prudential indicators for 2009/10 and the prudential borrowing as described in Appendix 3 which covered the complete ITA Capital Programme, be approved.

7. 2009/10 CAPITAL PROGRAMME SECOND QUARTERLY REVIEW

Submitted: Report of the Clerk to the Authority and the Director General of Nexus (copies attached to official minutes).

J Fenwick introduced the report which advised members of the overall performance of the 2009/10 Capital Programme including delivery to the end of the second quarter (ending 30 September 2009).

P Woods gave an update on the Capital Programme relating to the increase in the New Tyne Crossing budget which was due to bring forward the second construction payment due in April 2010 to March 2010 and included the rephrasing of works for the lift replacement at the pedestrian and Cyclist tunnel.

In response to a query, K Mackay highlighted the new maintenance management system which was a key feature of taking forward Metro reinvention.

RESOLVED – That

- (i) the position with regard to the 2009/10 Capital Programme as per Appendix 8 of the report, be noted;
- (ii) the scheme changes, as detailed in Appendix B, to the report, be approved; and
- (iii) the increase in development costs of the 2010/11 – 2012/13 Capital Programme from £2.274m to £4.088m, as detailed in Appendix C to the report. be approved.

8. METRO CAPITAL PROGRAMME 2010/11 TO 2012/13

Submitted: Joint report of the Clerk to the Authority and the Director General of Nexus.

K Mackay introduced the report explaining that this was a new way of presenting the report to members which complemented the previous capital reports, but was fundamentally different. It sought approval for the Metro Capital Programme for 2010/11 in light of the expected funding available and members are requested to note the scheme allocation for 2011/12 – 2012/13. He outlined in detail the Metro Asset Renewal Plan which sought to maximise the funding commitment from the DfT made in correspondence 5 August 2008 where the government had indicated that no more than £350m would be made available to Nexus. The funding available was based on the three year Capital Programme and he stressed the need for flexibility. The final outturn for 2009/10 was not yet known.

Questions/Comments

- A member queried whether with such a large Capital Programme there were issues around capacity and project management.
- A member went on to refer to the need to allocate resources according to local need and he referred particularly to the poor facilities at Walkergate Metro Station. He felt that this was one of the worst stations on the system particularly in terms of DDA compliance.
- K Mackay explained that in terms of the procurement system, the work was likely to be delivered by large contractors through framework contracts. But these

contractors would recruit locally and therefore it was a good news story particularly in terms of jobs for the region. Consultants had been engaged to assist with the long term planning work.

- In terms of station refurbishment, he agreed that there needed to be some further refinement to the programme to reflect local situations. The programme had been submitted and considered by the DfT and there was some flexibility and he hoped these issues would be able to be dealt with.
- In response to a query on the decision of the DfT Investment Decision Committee meeting of 19 January, K Mackay explained that he was still waiting to hear. He understood that once the funding was signed off by the DfT, it had to go to the relevant Minister and to the Treasury before it was finally approved. He expected the process to take days rather than weeks.
- Members expressed concern about the length of time the DfT had taken to make this decision.

RESOLVED - That the Metro Capital Programme for 2010/11 – 2012/13 as detailed in Appendices A and B totalling £181.844m be approved.

9. **FINANCIAL STRATEGY 2010/11 TO 2012/13**

Submitted: Joint Report of the Deputy Clerk and Treasurer, ITA and the Director of Finance and Resources, Nexus (copies attached to official minutes).

P Woods introduced the report which set out the budget and levy requirements for the ITA in 2010/11 and the indicative funding requirements for 2011/12 and 2012/13. He referred to the £1.5% proposed increase in the levy for next year. He drew members' attention to paragraph 3.1 of the report, where there was an amendment to the figure in the second line which should read £0.070m. He went through the budget in detail drawing attention to the build up of reserves.

J Fenwick explained that the amount of the levy reflected discussions held with the Leaders of all Councils in Tyne and Wear throughout December. In relation to concessionary travel he felt that Nexus were close to a voluntary agreement with bus operators. He gave details of the agreement including the possibility of looking at a scheme for 16 – 18 year olds. He would bring a complete updated report to the March meeting.

In response to a member's concerns, P Woods agreed that there was a lot of uncertainty around the programme in 2011/12 – 13. However, he felt it was good practice to produce a three year forecast and this was an audit Commission recommendation. He went on to explain that in preparing the budget offices had had to prepare for both organisations for the fact that there may not be an increase in funding allocated and there may be a need for enforced efficiency savings within the organisation. Other joint services in Tyne and Wear were facing a similar very tight financial situation in the coming years. It was hard to be definitive.

J Fenwick explained that the position did put a strain on procedures in Nexus as we work to deliver ITA objectives. A number of efficiency savings had been developed to bridge any funding gaps thereby avoiding a planned deficit.

In response to a query on the pension fund, P Woods explained it was managed by South Tyneside and was the subject of a review every three years. The valuation would be undertaken by the Actuaries on 31 March 2010. They would provide an estimate of the liability on the funds in relation to everyone who was employed. It may be that the deficit would have to be spread over a longer period of time. He added that this a problem for Local Government as a whole. The LGA had held discussions on the issue. The position would also be included in the SRF statement which would be submitted to the Standards and Audit Committee. Members would be kept up to date with developments.

B Garner commented on the positive position overall.

RESOLVED – That

- (i) the ITA and Nexus Revenue Budgets for 2010/11 (appendix A refers) be approved;
- (ii) approval be given to a levy of £71,702 for 2010/11,
 - (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 used the 2008 mid year population estimates as the basis of the levy allocation, as set out in section 4.3.2. of the report and
 - (b) the districts to pay in 12 equal instalments, each instalment to be received by the Treasurer to the ITA on or before the last working day of each month;
- (iii) approval be given to the amount of revenue grant to Nexus of £68,555,000 from the levy for 2010/11 as illustrated in paras. 4.4 and 4.4.4 of the report for the minimum revenue provision payments for borrowed Capital expenditure for 2010/11 (Appendix C to the report) be approved;
- (iv) approval be given to the retention of a £12 fee in regard to the Metro concessionary Gold Card for pensioners;
- (v) it be noted that the ITA would continue to hold reserves for part of the local contribution towards the Metro Asset Renewal Plan, currently amounting to £12.9m (see Appendix A to the report); and
- (vi) when approval was received from DfT, the Director of Finance and Resources, Nexus be authorised to accept Metro Rail Grant (Revenue) on behalf of the ITA in 2010/11 (paras. 4.3.7 and 4.4.8 refers).

10. **REVISION TO TYNE TUNNELS BYELAWS**

Submitted: a Joint Report of the Clerk, ITA Legal Adviser and NTC Project Director (copies attached to Official Minutes).

S Ovens gave details of the proposed changes to the byelaws as follows:-

- (a) Byelaw number 12 - in the last line after the word 'breakdown' – these words be inserted "so long as the vehicle stops for one of those purposes"
- (b) Byelaw number 27 (4) – in the first line after the word "applies" insert the words "and which is approaching the tunnel from the north."
- (c) Byelaw number 27 (4) – in the second line amend "vehicular tunnels" to read "vehicular tunnel".

He referred to the need to insert a new Byelaw 27 (5) to read as follows: "The driver of every vehicle to which paragraph 1 of this Byelaw applies and which is approaching the tunnel from the South, shall stop in that part of the Tunnel approach which is designated as a vehicle inspection area, signed as such and shall not proceed further into the vehicular tunnel until he has received the permission of the Tunnel Manager under this byelaw".

RESOLVED - That approval be given to the amendments as detailed and the Tyne Tunnel Byelaws be revised accordingly and thereafter confirmation be sought to them from Secretary of State.

11. **NEW TYNE CROSSING UPDATE**

Submitted: Report of the NTC Project Director (copies attached to Official Minutes).

P Fenwick introduced the report which gave an overview of progress on construction since the last update. He circulated a pamphlet containing photographs of the latest works.

The Chairman welcomed the report and accompanying information and he commented on the successful placement of first two immersed tubes. A member queried when the next sections would be floated and would the time be given out so members could see this. P Fenwick explained that this would depend on the tides, but he would provide the information to members as far as possible. He added that by April it should be possible to walk through the tunnel from North to South and he would arrange a visit around this time for members. In addition, there would be a site visit on 4 February following the Tyne Tunnel Working Group to which all members were invited.

RESOLVED - That the progress made be noted.

12. **FUTURE OF URBAN TRANSPORT**

Submitted: A Joint report to the Clerk of the Authority and the Director General of Nexus (copies attached to Official Minutes).

R Gill introduced the report which set out the Cabinet Office's recent report into the future of urban transport together with the Department for Transport's response.

T Hughes outlined the Cabinet Office Report in detail and the Department for Transport's response for members' information.

The Chair congratulated the Clerk for his involvement in this. In response to a query, T Hughes explained that the ITA was responsible for the LTP covering Tyne and Wear which involved highways and would be delivered through various agencies such as Nexus, the Highways Agency and District Councils.

A member referred to problems with a lack of uniformity across Tyne and Wear i.e. some areas had bus only lanes, some had no car lanes, in some areas buses and taxis were allowed to use these lanes, but not in all areas and he felt that this led to confusion. There was a need for uniformity and improvements across Tyne and Wear.

B Rowland explained these issues had been picked up by the districts in Tyne and Wear and raised at the City Region level and the need for commonality was recognised. He anticipated it being discussed again in the next few months, together with a response from the ITA which would be fed to district leaders. It was important to have a structured and common approach. The DfT had recognised the progress made with the PTAs becoming ITAs. It was important to recognise their ability to provide strategic leadership. Following discussions here, there would be further discussions at Tyne and Wear Leaders and City region meetings.

In response to a members query, B Rowland stressed the importance of reaching agreement between local authorities and he hoped that members here could carry the support of their own Councils. He felt that work was already ongoing towards identifying common ground across the five Councils in Tyne and Wear trying to deal with local issues. The Chair added that the LTP Working Group would make recommendations to the Authority.

RESOLVED - That the report be received and noted and be brought back on the issues raised at the earliest opportunity.

13. **DASTS UPDATE**

Submitted: A report of the Clerk to the Authority (copies attached to official minutes).

The report set out an update on the Delivering a Sustainable Transport System (DaSTS) process for ITA members.

(Councillor Symonds declared an interest in this matter as a member of the One North East Board.)

In relation to the study sponsor group, it was agreed that the Chair and the Director General of Nexus would be the Authorities representatives on this group.

RESOLVED - That:

- (i) the Report be received and noted.
- (ii) the Chair and the Director General of Nexus be confirmed as representatives on the Study Sponsor Group.

14. ESTABLISHMENT OF A METRO SUB COMMITTEE

Submitted: A joint report of the Clerk to the Authority and the Director General of Nexus and the ITA legal adviser (copies attached to Official Minutes).

A member queried the use of the word to “review” service standards in the terms of reference and queried how this fitted in with the agreement already reached with DB Regio Tyne Wear Limited, as the operator. B Garner replied that the review would cover standards of delivery on the ground, for example in relation to fare setting. This would ultimately be determined by the ITA, with a need to review how the contractor was meeting the financial terms of the contract.

A member went on to express further concern about the use of the word “review” as he felt this meant investigating whether performance was to the standard agreed and the ITA did not have the powers to change the standard. B Garner explained that it referred to reviewing performance in determining if any action was required in terms of any possible shortfall. He was however, quite happy to change the word “review” for “monitor” and it was agreed accordingly.

A member queried whether it would be possible to have named substitutes from the ITA. The Chair agreed this would be possible. He understood S Ovens was to circulate details of the membership once the political balance had been worked out.

RESOLVED - That the setting up of a Metro sub-Committee be approved to the terms of reference subject to the amendment to the terms of reference paragraph 2 where the word “review” be replaced with the word “monitor” terms of reference be approved and membership of the proposed sub-Committee be approved.

15. HIGH SPEED RAIL UPDATE

Submitted: a report of the Director General of Nexus (copies attached to Official Minutes).

T Hughes introduced the report which gave members an update on High Speed 2 Limited and summarised the outputs of advocacy work undertaken on behalf of the Chairs of the Tyne and Wear, West Yorkshire and South Yorkshire ITAs. The three ITAs in the East of the country had been holding discussions with a view to joint lobbying in respect of the case for improved rail links on the East of England.

B Rowland explained to members that he had been invited to a meeting with Lord Adonis on the 21 January when there had been a chance to press the case for improved rail links for the North East and the points had been forcibly made. He felt the

minister was, on the whole, very responsive and encouraged the North East to continue with this work. He saw the network improvements including the North East. The argument for investment in the East coast had been pressed and the importance of connectivity, particularly in terms of the Trans Penine link. Members welcomed this and it was

RESOLVED - That the progress being made towards route definition by HS2 be noted.

16. **ITA BUS CORRIDOR IMPROVEMENT PROGRAMME**

Submitted: a Report of the Director General of Nexus (copies attached to Official Minutes).

B Garner gave a detailed introduction to the report which advised on progress with the Tyne and Wear Bus Corridor Improvement Programme Major Scheme Business Case (MSBC) phase 2 and presented for members the options for determining the content of the major scheme to be submitted to Government.

He drew attention to the recommendations of the ITA LTP Working Group from its December 2009 meeting ie that the Authority should pursue the option of looking at all funding available, taking on board the view of stakeholders and the level of support for each scheme and come back to the next meeting with recommended priorities.

Questions/Comments

- A member expressed some concern about this suggested approach and noted that the funding for the North East and not just Tyne and Wear. He expressed concerns about any delay.
- T Hughes referred to a meeting of the IRTB on 22 February, after which he hoped there would be further clarity on other sources of funding available.
- Another member expressed his agreement with the suggestion of deferring this decision until there was greater clarity on funding prospects.
- A member expressed concern that if there was any delay by the deferring of a decision, the money could be lost to the region and he referred to the fact that this had happened in other areas.
- B Rowland advised that more information would give members the opportunity to make a more informed decision within the necessary time limit. He advised deferring a decision on priorities at this stage.
- The view of the Tyne and Wear Leaders was that there was time available and the decision should not be made without the full information being available to the ITA.
- There had been a backlog in agreeing phase 1 schemes across the country.
- In response to a query T Hughes did not believe that it was the case that funding would be lost as £14.9 million had been confirmed as available for phase 2.

A member went on to suggest that as a compromise that the schemes in relation to the Great North Road and Haddricks Mill Gosforth and Boldon Lane in Stanhope Road South Shields totalling 8.6 million should be submitted and a report brought back in March to discuss the prioritisation of the remaining scheme. This was seconded.

A member felt it would be more sensible to take the advice of the Clerk and Officers in deferring a decision on prioritisation to the March meeting of the ITA.

The following recommendations were put forward:

- (i) That a decision on prioritisation be delayed until the March meeting of the ITA to seek further clarification on further funding available and to await the outcome of discussions between the leaders of Councils in Tyne and Wear and,
- (ii) That the following two schemes be prioritised and put forward immediately. The Great North Road and Haddricks Mill, Gosforth and secondly the Boldon Lane and Stanhope Road, South Shields scheme.

On being put to the vote the first recommendation was agreed by 7 votes to 3. It was therefore

RESOLVED - That

- (i) the preparation of a final major scheme business case in its submission to the DFT be delayed until greater certainty around alternative sources of funding exists; and
- (ii) a report be brought back to the March meeting of the ITA.

17. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED - That the Press and Public be excluded from the meeting during consideration of the confidential Minutes of the meeting held on 3rd December 2009.

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Tyne and Wear Integrated Transport Authority

TITLE: RATE OF INCREASE OF MEMBERS ALLOWANCES 2010/11

Date: 25 MARCH 2010

REPORT OF INDEPENDENT REMUNERATION PANEL

1. **Synopsis**

1.1 This report sets out the recommendations of the Independent Remuneration Panel as to the rate of increase of the Authority's Members Allowances for 2010/11.

2. **Recommendations**

2.1 The Panel recommend that in line with the approved budget provision, the members allowances for 2010/11 be increased by 0.5% and that a new Members Allowances Scheme be made accordingly.

3. **Introduction / Background**

3.1 The current Members Allowances Scheme was approved by the Authority on 26th March 2009.

3.2 However, under the Local Authorities (Members Allowances) (England) Regulations 2003, the Authority has to make a new scheme before 1st April each year. The Authority must have regard to the recommendations of its Independent Remuneration Panel on the rate of any increase in its members' allowances and this must form a standing item on the agenda for the Authority's March meeting. Although the Regulations enable an index to be applied for a period of up to 4 years, the Authority previously agreed that the Panel should review the situation annually, the only exception being travelling rates which will be indexed to Inland Revenue rates.

4. **Rate of Increase**

4.1 The current Scheme has been in place since April 2009 and as agreed by the

Authority the previous month, includes provision for allowances for the Independent Members of the Standards and Audit Committee.

- 4.2 The Panel were advised that the Authority had made budget provision for a 0.5% increase in members allowances for 2010/11. In the circumstances, the Panel consider that a 0.5% increase is acceptable and recommend that this be applied for the new financial year. This would have the effect of increasing the allowances as follows:

Allowance	Current (£)	New (3)
Basic Allowance	3107	3113
Special Responsibility Allowance		
Chairman	12198	12259
Statutory Vice-Chairman	4055	4075
Vice-Chairmen (2)	2025	2035
Independent Chair, Standards & Audit Committee	2025	2035
Leader of the Opposition	2025	2035
Independent Members, Standards & Audit Committee	1013	1018

- 4.3 Apart from any increase in line with changes in Inland Revenue rates, the Panel do not recommend any alteration to travel and subsistence allowances at this stage.
- 4.4 There have been no further changes to the Authority's committee structure which have warranted requesting the Panel to submit any other recommendations at this stage.

5. **Background Papers**

- 5.1 Report of Independent Remuneration Panel to the Authority, 26 March 2009 – Rate of Increase of Members Allowances 2009/10.
The Local Authorities (Members Allowances) (England) Regulations 2003 (as amended).

6 **Contact Officer (s)**

- 6.1 Contact Officer: Ian Poll, Tel: 2328520 Ext. 25159



Tyne and Wear Integrated Transport Authority

TITLE: Rate of increase of Members Allowances 2010/11 – 25 March 2010

REPORT OF THE CLERK TO THE AUTHORITY

1. **Summary / Purpose of Report**

- 1.1 The attached report sets out the recommendations of the Independent Remuneration Panel regarding the rate of increase of the Authority's Members' Allowances for 2010/11.

2. **Recommendations**

- 2.1 The Authority is recommended to consider the Panel's recommendations concerning the level of increase of the Members' Allowances and, if approved, make a new Scheme accordingly and revoke the existing Scheme.

3. **Introduction / Background**

- 3.1 The Local Authorities (Members Allowances) (England) Regulations 2003 require that Joint Authorities make a new Members Allowances Scheme by 1 April each year and in doing so, have regard to the recommendations of their Independent Remuneration Panel.

4. **Recommendations of the Independent Remuneration Panel**

- 4.1 The Regulations stipulate that an Authority must have regard to the recommendations of its Independent Remuneration Panel in deciding the rate of any increase in its Members Allowances. The Panel have discussed this matter and recommend that the Allowances be increased in line with the budget provision of 0.5%. Their report is attached.

5. **Next Steps**

- 5.1 In line with the Regulations, the Panel's recommendations have been published in a statutory notice. A further notice setting out the Authority's response will need to be published. A new Members Allowances Scheme will also be

prepared to take effect from 1 April 2010 and the existing Scheme revoked.

6.

Further comments by the:

- **Clerk** – The Clerk to the Authority has seen the report and has no further comments
- **Deputy Clerk and Treasurer** - **The Deputy Clerk and Treasurer confirm that budget provision is included for the 0.5% increase in members allowances**
- **Legal Advisor** – The views of the Legal Advisor and Monitoring Officer have been reflected in the report.
- **Director General** (if any).

7 Background Papers

7.1 The Local Authorities (Members Allowances) (England) Regulations 2003 (as amended)

8 Contact Officer

8.1 Ian Poll, Telephone number 0191 211 5159

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NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 25th March 2010**

REPORT TITLE 2009/10 CAPITAL PROGRAMME – THIRD QUARTERLY REVIEW

REPORT OF **THE CLERK OF THE AUTHORITY / DIRECTOR GENERAL OF NEXUS**

Reasons for confidentiality (if confidential)

District Implications

1. Summary / Purpose of Report

1.1 The purpose of this report is to advise members of the overall performance of the 2009/10 Capital Programme including delivery to the end of the third quarter (ending 31st December 2009).

2. Recommendations

2.1 The ITA is recommended to;

- Note the position with regard to the 2009/10 capital Programme, as per Appendix A
- Approve the scheme changes as detailed in Appendix B,
- Approve the variation in the Development Costs of the 2010/11 – 2012/13 capital programme, from £4.088m to £3.088m as detailed in Appendix C
- Note the status and progress of the Metro schemes as detailed in Appendix D

3. Introduction / Background

3.1 The ITA approved a revised capital programme for 2009/10 in January 2010 totalling £69.442m. A review of the capital programme has been undertaken at the end of the third quarter, resulting in a revised capital programme of £63.848m.

3.2 As at the end of the third quarter actual spend is £14.543m (22.8%).

Commitments are estimated to be £41.422m (57.2%). The main reason for the low level of actual expenditure is due to the Tyne Tunnel scheme which will not incur the bulk of its expenditure (construction contributions) until the fourth quarter of 2009/10.

- 3.3 The Nexus variations reported in this third quarterly monitoring report consist of £1.621m slippage into future years on capital schemes, together with a reduction of £2.730m in other schemes either as a result of under-spends or a reduction in risk contingency. This is offset by the introduction of £0.129m of new schemes to the 2009/10 capital programme. There is also a £1.000m reduction in the capital development costs requirement (as outlined in appendix C and para 4.6)
- 3.4 The major schemes variations to the capital programme for 2009/10 consist of slippage of £0.118m and other variations of £0.279m, resulting in an overall reduction of budget requirement of £0.397m in 2009/10. These variations are detailed in Appendix B but are mainly due to the reduction in the risk contingency budget requirement in 2009/10.
- 3.5 The main points to note are:-
- The development of schemes that will be delivered as part of the Metro Reinvigoration Phase 2 are currently being defined within the revised funding allocation, notified by DfT in February 2010, for the first 3 years of the Asset Renewal Plan (ARP). This necessarily includes making provision for schemes that will not be completed this financial year
 - The forecast for Metro schemes at quarter 3 monitoring is reporting an under utilisation of around £250k (1.15%) of Metropolitan Rail Grant. Efforts are being made to minimise this further where possible.

4. Information

- 4.1 The ITA approved a revised Capital Programme for 2009/10 of £69.442m in January 2010.
- 4.2 A review of this programme has been completed at the end of the third quarter, ending 31st December 2009. The information contained in this report is based on information received from Project Managers responsible for the schemes, and a review of schemes carried out by the Nexus Asset Management Director and the Tyne Tunnel Project Director.
- 4.3 Following the third quarterly review of the capital programme a number of changes have been identified. These can be seen in Appendix B and in summary below:-

Revised Capital Programme as reported January 2010		£69.442m
New schemes identified	£0.129m	
Variations to Major Schemes	(£0.397m)	
Variation to Development Costs	(£1.000m)	
Other Variations – including slippage	(£4.351m)	
Tyne Tunnel Crossing Variation	£0.025m	
Revised 2009/10 Capital Programme		£63.848m

4.4 New Schemes

The only new schemes approved during quarter 3 relate to:-

- £117k for the Development of the Nexus Web Site. This budget is required to update the look and format of the site, provide more secure online payment systems, provide interactive bus maps, bus interchange maps/timetables and video description and update the site to allow a reduction in downtime.
- £12k for RNIB REACT talking signs at Monument and Haymarket Metro stations, which has funding agreed through LTP.

4.5 Variations – Major Schemes

Major scheme variations reported in this quarter total a reduction in the 2009/10 capital programme of £0.397m and consists of the following :-

- The finalisation of the Haymarket Station Redevelopment is forecasting a reduction in expected expenditure of £79k
- Bus Corridor Major Scheme slippage of £55k is due to DfT being unable to progress our phase 1 bid
- There will be a reduction of £0.200m in the risk contingency on the Ticketing and Gating scheme for 2009/10, as the scheme is progressing as planned.

4.6 Variation to Development Costs

The rationale for the development costs was explained in the report to the ITA when the first quarter monitoring report was presented in November 2009. In order to be prepared for delivery of the Metro ARP between 2010-13 it has been necessary to undertake surveys, intrusive investigation and design works in order to adequately define the investment need. The more preparative work done in advance, the better equipped Nexus will be for delivery of its enhanced programme of works.

However, costs relating to developing the 2010/11 – 2012/13 capital programme

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were reviewed during the third quarter and the current forecast expenditure, to the end of 2009/10 is now estimated as £3.088m, which represents a £1.000m reduction in that previously forecast.

There are several reasons for this. These are summarised below:

Topographical surveys which inform the preparation of design and tender documentation have been delayed whilst the precise nature of the survey work required was established.

In terms of signalling, following receipt of the results of cable testing, the emphasis of the ARP has changed from one of migrating to a new system, to renewing the existing system. Therefore some of the substantial up front design costs have been postponed until later in the programme.

The stations design programme has not progressed in accordance with the original plan. This is a consequence of having to revisit priorities for investment within the available funding envelope; something that has been recently exacerbated by the DfT's decision to provide its capital funding contribution to metro reinvigoration phase II over an eleven year period from 2010 as opposed to nine years.

The details of this revised requirement are attached in Appendix C.

4.7

Other Variations

Other variations to the 2009/10 capital programme, totalling a reduction in budget requirement of £4.351m are detailed in Appendix B of this report, and the major variations listed below:-

- **Central Area Tunnels increase of £301k** – whilst this budget was previously reduced reflecting lower than anticipated tenders, the cost associated with the removal and replacement of the Haymarket wet shield has been transferred into the Central Area tunnels budget, resulting in an increase in forecast expenditure on the latter project.
- **Smart Ticketing reduction of £220k** – this scheme has secured funding from other sources and is therefore proposing to return £220k LTP grant to the plan partners for reallocation in order to fund over-programming
- **Road / Rail Vehicles reduction of £263k** – slippage due to manufacturing timescales for the new vehicles.
- **CCTV on Metro Cars reduction of £206k** – potentially represents a project underspend subject to peer review. The only remaining works is for engineering snagging and sign off.
- **Multi-core Cable Replacement reduction of £1,306k** – almost 50% of this under spend relates to an unused risk provision. The other 50% can be explained by delays in the procurement process having breached expenditure limits under a previous framework contract.
- **Knotts Bridge Repair reduction of £222k** – slippage caused by delays in receiving design from the lead consultant together with the contract

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price being lower than the original estimate.

- **Diesel Shunters Battery Locos reduction of £250k** – slippage due to non-availability of structural capacity (bridge loading / axle weight) data .
- **Overhead Line Network reduction of £230k** – revised strategy for overhead line maintenance and renewal has resulted in significant savings in the short term. This expenditure will carry over in to 2010 to address areas considered to be in the poorest condition.
- **Manors Enhancement Works reduction of £224k** – reduction in scope due to withdrawal of Nexus Rail resources, therefore replacement of points machines to be incorporated as part of the switching and crossing replacement.
- **On-Train PA reduction of £153k** - this represents unused risk provision as the contractor employed to undertake this work prior to commencement of the Metro Operating Concession has completed the work ahead of schedule. Some minor work will carry over into 2010 although this will be undertaken whilst the trains are stabled and will therefore not affect their operation.
- **Cable Troughing reduction of £142k** – the cable troughing strategy and scheme design still under review as it is an integral part of ARP.
- **Structural Maintenance Deneholme and Mast Lane reduction of £108k** – slippage resulting in a budget requirement this financial year to cover design and Nexus internal costs only.
- **Tail Cables reduction of £128k** - reduction in budget due to the outcome of cable testing work in the Monkseaton Interlocking area not being available until after March 2010.

4.8




The revised programme for 2009/10 is detailed below:-

	Approved Programme 2009/2010 £m	Revised Programme 2009/2010 £m	Change During third Quarter £m
Bus Infrastructure	1.679	1.380	(0.299)
Business Improvements	1.210	1.202	(0.008)
Ferry	0.121	0.121	0.000
Major Projects	10.794	10.397	(0.397)
Metro			
- Buildings, Depot, Equip & Plant	2.655	1.781	(0.874)
- Electrical & Mechanical Services	1.324	1.277	(0.047)
- Metrocars	0.694	0.640	(0.054)
- Power	0.280	0.220	(0.060)

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- Signalling & Telecommunications	6.679	4.447	(2.232)
- Stations	0.346	0.136	(0.210)
- Structures	2.965	2.754	(0.211)
- Track	2.413	2.314	(0.099)
- Other	0.715	0.587	(0.128)
- ARP Development Costs	4.088	3.088	(1.000)
Passenger Improvements/Info.	0.105	0.117	0.012
Miscellaneous	0.013	0.001	(0.012)
New Tyne Crossing	33.361	33.386	0.025
Total Capital Programme	69.442	63.848	(5.594)

- 4.9 At the end of the third quarter the actual spend is £14.543m (22.8%). Commitments are estimated to be £41.422m (64.9%). The main reason for the low actual expenditure is due to the Tyne Tunnel scheme which at the third quarter had only spent £698k (2.1% of the Tyne Tunnel project budget). The allocated budget for this scheme is largely (94%) for the construction contributions which are payable in January 2010 and March 2010 and which therefore fall into the fourth quarter of 2009/10.
- 4.10 Full details of the above changes are shown in appendices A, B and C
- 4.11 The status and performance against project timelines for Major project schemes are detailed below. The status and performance against project timelines for Metro Improvement and Maintenance project schemes >£100k are detailed in appendix D. The colour codes in the table below are to aid in quickly assessing the delivery of these projects against program.

Project Scheme within original timeline	
Project Scheme timeline slippage but expected completion within this financial year	
Project Scheme timeline slippage but not expected to be completed within this financial year	

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4.12 Major Projects

BB001 - Central Area tunnel Refurbishment	Site work progressing and approximately 26 linear metres of tunnel ring sections from Jesmond to Haymarket have been remediated and encapsulated.		
BB002 - Haymarket Development	Practical completion certified by Summers Inman. VE panelling work still not complete, awaiting materials. PA system still to complete and handover. Ongoing minor problems with CCTV and SCADA being addressed by in house staff. Cleaning of station causing concern due to apparent lack of cleaning staff. Recent slip test results on the platform edge area have shown substandard slip resistance in these areas which will require remedial action involving daytime closure of the station.		
BB003 - Maintenance Management System	Strategix interface built and signed off in Test environment, organising build in Live. First level data work carried out to allow Nexus Rail/ Fleet split in April.		
BB005 - Sunderland Station Redevelopment	Phase 2 site work commenced with Situation 1 South Concourse and Platform Area commenced due to complete in Jan 2010. Project is now behind schedule approx 4 weeks due to delays incurred due to non completion of the contractors deigns elements and number of technical changes being uncovered during the situation 1 construction work		
BB006 – Ticket & Gating	Production of Scheme designs being progressed by S&B, some have been received and are under review. Outline of station layout drawings for gated stations received. Passenger flow models for gated stations completed and under review. Walkover surveys for all non gated stations to review TVM positions etc completed. Project at present is approximately 4 week behind on the scheme design stage		

4.13 This total revised Capital Programme for 2009/2010 is £63.848m. The funding of this is from a number of different sources. The funding available in 2009/10 is as follows:-

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	2009/10 Approved Funding	2009/10 Revised Funding	Variance
	£m	£m	£m
LTP Minor Schemes	3.767	3.499	(0.268)
Revenue Contribution to Capital	0.886	0.856	(0.030)
Over-programming (Non Metro)	3.246	0.232	(3.014)
Grants and Contributions	23.221	22.756	(0.465)
Prudential Borrowing	3.300	2.161	(1.139)
Reserves	1.661	0.958	(0.703)
New Tyne Crossing	33.361	33.386	0.025
Total Capital Funding	69.442	63.848	(5.594)

4.14 The major changes to the funding above are as follows:-

- The reduction in LTP Grant is due to the Information Delivery Improvement £25k budget and the Travel Plans £35k scheme slipping to future years. The Smart Ticketing scheme has secured funding from other sources and is therefore proposing to return the £220k LTP grant. This funding will go back to the central LTP districts allocation to cover the over-programming currently built in to the 2009/10 capital programme. A new scheme for RNIB Talking Signs has secured LTP funding of £12k which makes up the variation in the LTP funding reported since quarter 2 monitoring.
- Over-programming has reduced on Metro schemes to zero. These schemes have been transferred to Metro Rail Grant funding to ensure Nexus maximises its Metro Rail Grant allocation.
- Grants and Contributions have reduced due to the revised Ticketing and Gating funding requirement for 2009/10 following the removal of the risk contingency budget of £200k in 2009/10.
- The requirement for prudential borrowing has been reprogrammed into 2010/11 to allow the maximisation of the Metro Rail Grant in 2009/10.
- There is a £328k variation in reserves, where Metro schemes have been transferred to Metro Rail Grant funding to ensure Nexus maximises its 2009/10 Metro Rail Grant allocation. The Bus Corridor and Maintenance Management System schemes are also reporting slippage into 2010/11 of £119k. The Haymarket Development scheme is now projecting a reduced requirement from developers' contributions of £172k and the Ticketing and Gating scheme re-profiled funding requirement indicates a reduction in reserves requirement of £84k.

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5. **Next Steps**

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7 **Background Papers**

8 **Contact Officer (s)**

- 8.1 Carol Bainbridge, Head of Capital and Projects (0191) 2033244
Diane Scott, Capital Accountant (0191) 2033410
Tony Quinn, Asset Director (0191) 2033418
Graham Campbell, Metro Renewals Director (0191) 2033216

APPENDIX A

**Nexus Capital Programme Monitoring Report
2009/10 as at 31st December 2009
Summary**

	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
Bus Infrastructure	1,459	398	785	595	1,380	-79
Business Improvements	1,430	480	585	617	1,202	-228
Ferry	121	43	50	71	121	0
Major Projects	14,641	6,036	10,775	2,531	13,306	-1,335
Metro Improvements	4,142	1,625	2,866	500	3,366	-776
Metro Maintenance	14,182	5,262	7,169	3,800	10,969	-3,213
Miscellaneous	1	1	1	0	1	0
Passenger Improvements	0	0	0	12	12	12
Passenger Information	105	0	93	12	105	0
Tyne Tunnel Crossing	33,361	698	19,098	14,288	33,386	25
Grand Total	69,442	14,543	41,422	22,426	63,848	-5,619

Nexus Capital Programme Monitoring Report 2009/10 as at 31st December 2009

	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
Bus Infrastructure						
BA001 BUS SHELTERS NEW BUILD	160	42	82	78	160	0
BA002 SUPERROUTE SHELTERS	70	45	45	25	70	0
BA004 BUS SHELTER DEPARTURE BOARDS	50	0	33	17	50	0
BA005 REPLACEMENT BUS SHELTERS	120	109	120	20	140	20
BA006 SHELTER REFURBISHMENT PROGRAMME	300	106	253	47	300	0
BA007 BUS SHELTER LIGHTING POWER SUPPLY	150	18	87	63	150	0
BA008 BUS STATION REFURBISHMENT	210	60	110	100	210	0
BA009 CCTV AT BUS SHELTERS	10	0	0	10	10	0
BA010 EAST BOLDON P & R	9	0	0	9	9	0
BA012 INFORMATION PROVISION AT HOSPITALS	35	0	0	0	0	-35
BA015 NORTHUMBERLAND PARK MULTI STOREY CAR	139	1	2	148	150	11
BA017 BUS STATION SIGNING	40	14	20	0	20	-20
BA018 INFORMATION DELIVERY IMPROVEMENTS	25	0	0	0	0	-25
BA019 PRIORITISATION SYSTEM	40	2	2	8	10	-30
BA020 TICKET DATA RETRIEVAL SYSTEM	1	1	1	0	1	0
BA021 CCTV ON BUS INFRASTRUCTURE	100	0	30	70	100	0

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	1,459	398	785	595	1,380	-79
Total	1,459	398	785	595	1,380	-79
	App Estimate	Actual to date	Cited Estimate	Uncitfd	Revised	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Business Improvements						
BA302	189	5	5	95	100	-89
BA701	190	99	152	38	190	0
BA702	153	28	62	88	150	-3
BA704	15	0	0	15	15	0
BA708	21	15	15	0	15	-6
BA710	12	12	12	0	12	0
BA716	42	38	38	4	42	0
BA717	218	191	209	9	218	0
BA718	55	30	30	25	55	0
BA719	30	0	0	30	30	0
BA720	0	0	0	117	117	117
BA803	220	0	0	0	0	-220
BC849	147	60	60	60	120	-27
BC947	138	2	2	136	138	0
Total	1,430	480	585	617	1,202	-228

Ferry

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BA501	FERRY REPLACEMENT	1	1	1	0	1	0
BA502	NORTH SHIELDS FERRY LANDING	120	42	49	71	120	0
Total		121	43	50	71	121	0
Major Projects							
BA014	ORPHEUS - BUS	126	50	70	0	70	-56
BB002	HAYMARKET DEVELOPMENT	1,892	1,506	1,543	270	1,813	-79
BB004	STEPHENSON CORRIDOR `S LINK	8	8	8	0	8	0
BB005	SUNDERLAND STATION REDEVELOPMENT	4,565	1,769	4,565	0	4,565	0
BB006	TIM REPLACEMENT	3,962	1,876	3,762	0	3,762	-200
BC	DEVELOPMENT COSTS	4,088	827	827	2,261	3,088	-1000
Total		14,641	6,036	10,775	2,531	13,306	-1,335
Metro Improvements							
BC517	ROAD/RAIL VEHICLES	263	0	0	0	0	-263
BC556	HELP POINTS	200	87	89	113	202	2
BC623	CCTV ON METRO CARS	401	95	147	48	195	-206
BC737	FELLING BRIDGE & STATION IMPROVEMENTS	39	20	34	10	44	5
BC758	METRO SIGNAGE	66	60	61	5	66	0
BC811	BENTON STATION FOOTBRIDGE	103	47	48	42	90	-13
BC819 &	SIMONSIDE STATION	20	20	20	0	20	0

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	63	13	14	47	61	-2
	BC840	CCTV/PA ACCESS				
	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
BC844	11	3	3	4	7	-4
BC853	3	7	8	0	8	5
BC854	222	183	224	5	229	7
BC855	92	76	80	76	156	64
BC856	12	0	0	0	0	-12
BC863	169	132	132	0	132	-37
BC864	150	45	46	14	60	-90
BC874	1,853	620	1,670	30	1,700	-153
BC878	23	2	2	5	7	-16
BC882	15	0	0	15	15	0
BC884	303	167	240	0	240	-63
BC906	50	26	26	24	50	0
BC907	4	7	7	0	7	3
BC908	12	8	8	1	9	-3
BC919	6	2	2	4	6	0
BC924	62	5	5	57	62	0
Total	4,142	1,625	2,866	500	3,366	-776
Metro Maintenance						
BB001	594	295	514	381	895	301

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	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
BB003						
MAINT MANAGEMENT SYSTEM						
BC532	178	98	102	76	178	0
STATIONS REFURB - ESC IMPS/MAJOR ITEMS						
BC539	50	4	7	22	29	-21
LEVEL CROSSINGS						
BC543	34	2	2	20	22	-12
QEII BRIDGE REFURBISHMENT						
BC545	40	11	11	0	11	-29
DEPOT REFURBISHMENT						
BC546	74	4	4	60	64	-10
FLEET- MAJOR EQUIPMENT RENEWAL						
BC550	130	0	0	75	75	-55
RAIL GRINDING						
BC558	99	42	68	31	99	0
SECURITY FENCING						
BC566	0	12	12	0	12	12
RADIO SYSTEM						
BC587	181	156	173	1	174	-7
VEHICLE REPLACEMENT PROGRAMME						
BC597	0	1	1	0	1	1
STATIONS REFURB - ROOF RENEWALS						
BC617	100	84	84	16	100	0
LIFTS REFURBISHMENT/MAJOR ITEMS						
BC686	4	5	5	0	5	1
TIM CABLING REPLACEMENT						
BC689	32	5	5	30	35	3
METRO OFFICES VEHICLE REFUELLING POINT						
BC690	36	2	2	36	38	2
THAMES VALLEY CONTROLLERS						
BC693	224	34	92	92	184	-40
RENEWALS & REPLACEMENT OF EQUIPMENT						
BC694	353	133	142	211	353	0
TRACTION MOTOR UPGRADES						
BC695	43	29	30	9	39	-4
ELECTRONIC METROCAR DEST INDICATORS						
BC703	1,063	830	845	386	1,231	168
PLAIN LINE RENEWAL						
BC705	182	180	180	4	184	2
SWITCH HEATER REPLACEMENT						
BC706	327	32	32	250	282	-45
SWITCH & CROSSING RENEWAL						

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BC708	TREADLE REPLACEMENT - MANORS	281	264	272	0	272	-9
BC709	POINT MACHINE REPLACEMENT	2	2	2	0	2	0

	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance	
							£'000
BC714	TAMPER TRAINSTOP	25	0	0	0	0	-25
BC720	LIGHTING UPGRADE	81	15	36	45	81	0
BC723	STATION ROOF & GUTTER RENEWALS	56	3	3	5	8	-48
BC745	VEHICLE INFORMATION SYSTEM	7	5	5	0	5	-2
BC768	STAFF MESSING FACILITIES	37	37	37	0	37	0
BC798	REPLACEMENT OF SCADA CONTROL EQUIPMENT	54	15	22	32	54	0
BC799	MONKSEATON STATION RAMP	157	47	67	0	67	-90
BC800	LX ROAD MONITORING	122	3	3	119	122	0
BC802	TICKET AREAS ROOF RENEWALS	13	8	13	0	13	0
BC804	MULTICORE CABLE REPLACEMENT	2,661	531	704	651	1,355	-1306
BC805	OTN-UPS SUPPORT POWER SUPPLY	83	23	23	50	73	-10
BC807	LIFT RENEWAL	755	410	686	0	686	-69
BC825	GOSFORTH CONTROL CENTRE OFFICE	45	11	11	34	45	0
BC858	SUBSTATION INTERTRIPPING EQUIPMENT	10	9	9	0	9	-1
BC866	ARCH BRIDGES - ILF TO SGF	731	577	608	62	670	-61
BC883	DEPOT LIGHTING UPGRADE	106	7	7	25	32	-74
BC887	EARSDON ROAD BRIDGE REPAIR	298	173	232	147	379	81
BC892	DEPOT HEATING SYSTEM REPLACEMENT	77	20	20	85	105	28
BC894	SECURITY REVIEW 2008/09	266	16	46	170	216	-50

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Total 1 1 1 0 1 0

App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
£'000	£'000	£'000	£'000	£'000	£'000

Passenger Improvements

BA304 RNIB REACT SIGNS UPGRADE

Total 0 0 0 12 12 12

Passenger Information

BA301 REAL TIME INFORMATION

Total 105 0 93 12 105 0

Tyne Tunnel Crossing

33,361 698 19,098 14,288 33,386 25

Grand Total

69,442 14,543 41,422 22,426 63,848 -5,594

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APPENDIX B

	2009/10 £ m	2010/11 £ m	2011/12 £ m
Capital Programme Agreed by ITA January 2010	69.442		
New Schemes Identified			
CORPORATE WEB SITE DEVELOPMENT – this new scheme is to update the look and format of the site, provide more secure online payment systems, provide interactive bus maps, bus interchange maps/timetables and video description and update the site to allow cost reduction and a reduction in the downtime of the website	0.117		
RNIB REACT SIGNS UPGRADE - talking signs at Monument and Haymarket Metro stations	0.012		
TOTAL NEW SCHEMES IDENTIFIED	0.129		
VARIATIONS TO MAJOR SCHEMES			
BUS CORRIDOR MAJOR SCHEME – this slippage is due to DfT not being able to give indication of timescales for progression of Phase 1 bid.	(0.055)	0.055	
HAYMARKET DEVELOPMENT – slippage due to late delivery of remaining VE panels and time to complete snagging items	(0.079)		
MAINTENANCE MANAGEMENT SYSTEM – Mobile pilot has not been organised due to project slippage caused by concession recut	(0.063)	0.063	
TICKET AND GATING – reduction of the 2009/10 risk budget	(0.200)		
TOTAL VARIATIONS TO MAJOR SCHEMES	(0.397)	0.118	
DEVELOPMENT COSTS – this variation is detailed in Appendix C	(1.000)		

	2009/10 £ m	2010/11 £ m	2011/12 £ m
VARIATIONS TO OTHER SCHEMES			
ARCH BRIDGES ILFORD ROAD TO SOUTH GOSFORTH – work completed and under budget	(0.061)		
CABLE TROUGHING - strategy for cable troughing now part of system wide replacement as part of ARP	(0.142)		
CCTV ON METRO CARS - under spend due to an efficiency from combining two projects together i.e. On Train PA	(0.206)		
CENTRAL AREA TUNNEL REFURBISHMENT – the cost of the wet shield is to be transferred from the Haymarket Development costs	0.301		
DEPOT LIGHTING UPGRADE - Scope reviewed and changed in order to minimise disruption to the Depot	(0.074)	0.025	
DIESEL SHUNTERS BATTERY LOCOS - Unable to progress project until structural capacity (bridge loading / axle weight) data is made available	(0.250)	0.200	
DRAINAGE REMEDIAL WORKS - development of scope of works not completed in order to submit planning details	(0.085)	0.075	
EARSDON ROAD BRIDGE REPAIRS – additional work to North Tyneside council areas and Nexus work was approved at Management Committee in January 2010	0.081		
FLOODING - work requirements being incorporated as part of the ARP scheme designs	(0.039)	0.039	
KNOTTS BRIDGE REPAIR – slippage caused by delays in receiving design from the lead consultant	(0.222)	0.111	
LIFT RENEWAL – under spend due to contingency not used. Out year cost covering retention	(0.069)	0.030	
MANORS ENHANCEMENT WORKS – withdrawal of Nexus Rail resources, therefore replacement of points machines to be incorporated as part of the switching and crossing replacement	(0.224)	0.098	
MOG REMODELLING – increase in budget due to relocation of Nexus Rail Plant section from the depot to NRHQ	0.064		
MONKSEATON STATION RAMP – ramp scheme not progressed, only expenditure expected for bridge scheme may be required, still awaiting Appeal decision.	(0.090)	0.090	

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	2009/10 £ m	2010/11 £ m	2011/12 £ m
MULTI CORE CABLE REPLACEMENT - insufficient resources to engineer and supervise current cable replacement works	(1.306)		
NORTH SHIELDS TUNNELS - Tendered prices received were £500k above budget and review of work scope and costs has delayed the award of contract.	(0.090)	0.090	
OHL NETWORK - slippage due to procurement issues of purchasing bespoke switch boxes	(0.230)		
ON TRAIN PA – Slippage due to snagging and control system issues which still need to be rectified. Install will be complete but completion of commissioning could slip into April 2010	(0.153)	0.002	
OPERATIONS BUILDINGS MISCELLANEOUS -	(0.077)		
PID INDICATORS - slippage due to engineering problems with OTN interface	(0.037)		
PLAIN LINE RENEWAL – line renewal works being undertaken to include re-railing of corroded rails and fastenings within central area tunnels.	0.168		
PLATFORM SURFACING - No progress in quarter due to other work being deemed higher priority.	(0.052)	0.044	
RAIL GRINDING – due to procurement and planning timescales it is necessary to slip £55k into 2010/11	(0.055)	0.055	
RENEWALS AND REPLACEMENT OF EQUIPMENT - under spend due to awaiting outcome of concession requirements	(0.040)		
ROAD/RAIL VEHICLES – this slippage is due to manufacturing timescales	(0.263)	0.263	
ROSTERING SYSTEM – under spend due to work being undertaken in house by IT to interface Timetable, Rostering and allocation software to reduce inefficiency and improve accuracy	(0.090)		
SECURITY REVIEW – costs returned in tenders exceed budget value, scope review in progress to reduce costs	(0.050)		

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	2009/10 £ m	2010/11 £ m	2011/12 £ m
SMART TICKETING – this scheme is to be resourced through other methods of funding	(0.220)		
STATION ROOF AND GUTTER RENEWALS - Minimal progress in quarter due to other work deemed higher priority	(0.048)	0.037	
STRUCTURAL MAINTENANCE DENHOLME AND MAST LANE – Budget was originally based on design and Nexus costs only	(0.108)	0.108	
SUB SURFACE VENT SYSTEMS - increase in cost associated with introduction of DX Cooling to the relay rooms, alarms and indication connected to SCADA. Man Com report to be submitted	0.036		
SWITCH AND CROSSING RENEWAL – Procurement and planning process/timescales, limited resource availability	(0.045)	0.045	
TAIL CABLES - cable have been replaced as part of the Manors Enhancement project but other s may be replaced as part of the Monkseaton interlocking area cable testing	(0.128)		
TRANSPORT MANAGEMENT SYSTEM - this project has slipped into future years due to resource capacity internally to Nexus	(0.089)	0.089	
TRAVEL PLANS – this project has slipped into future years due to resource capacity internally to Nexus.	(0.035)	0.000	0.035
TUNNEL LIGHTING UPGRADE - under spend due to completing 8 weeks in advance and therefore savings in supervision and installation costs	(0.063)		
MINOR CHANGES – Additional changes less than £30k.	(0.335)	0.185	
TOTAL VARIATIONS TO OTHER SCHEMES	(4.326)	1.586	0.035
TOTAL CHANGE TO PROGRAMME	(5.594)	1.704	0.035
REVISED CAPITAL PROGRAMME	63.848		

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APPENDIX C

In order to be in a position to commence implementation of ARP capital schemes in 2010/11 it is necessary to carry out certain development activities in advance ie 2009/10.

These activities typically include:

- Site Surveys
- Site investigations
- Options Study
- Preliminary Design
- Tender Specification and documents preparation
- Programme, cost and risk management

Two specific areas have been selected to be addressed in the first three years of the programme they are Chillingham Road – Tynemouth and South Gosforth –Jesmond. It is considered this geographic approach represents an efficient and effective delivery method. This approach should permit better communication of impending passenger disruption whilst delivering tangible customer benefits once the work is complete.

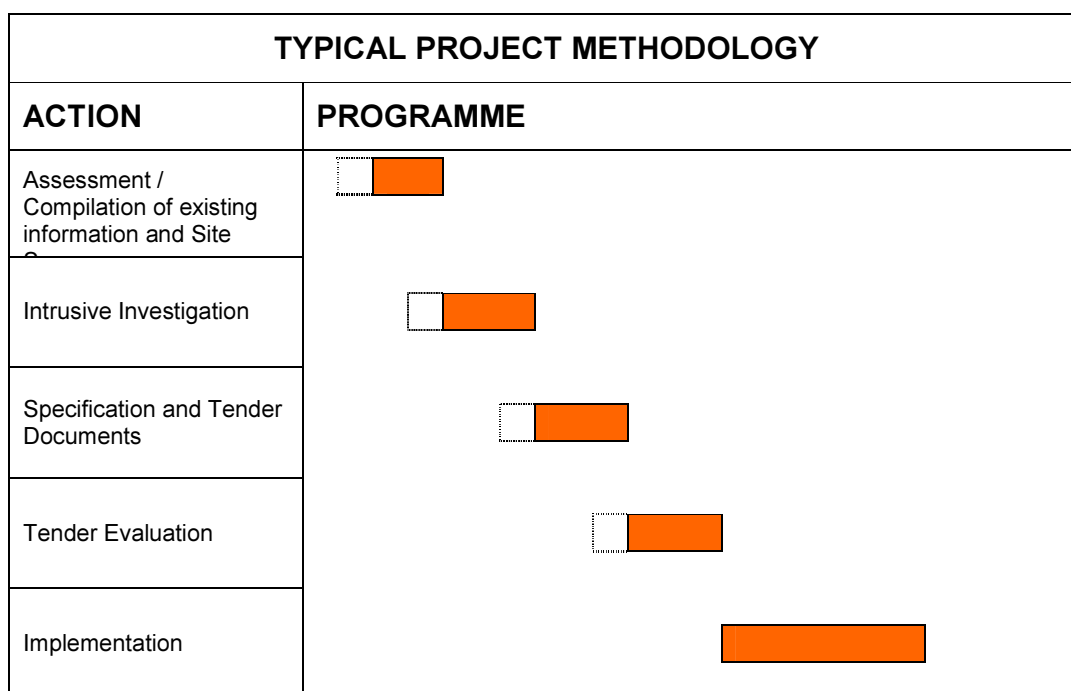
Nevertheless some asset groups, because of their nature, will still be implemented system wide rather than confined to these particular areas e.g., Signalling and Communications.

To fill the data gap in these areas various surveys and investigations have been required.

These include topographical surveys, geotechnical site investigations, discipline-specific investigations e.g. on Communications and Signalling and multi / cross-discipline validation.

Design and procurement activities follow on from this initial work.

A typical project methodology, up to and including implementation is shown below.



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In addition to scheme specific activities there is a need to manage the programme of works as a whole. It is proposed these costs associated with these activities be apportioned to schemes, in proportion to their relative value, as an overhead.

The work breakdown structure for the schemes to be undertaken in next 3 years is shown in the table below which also includes the associated budgets for the 'development costs' to be incurred in 2009/10.

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DEVELOPMENT COSTS OF THE 2010/11–2012/13 CAPITAL PROGRAMME

Schemes Reported at Q2 Monitoring	Total 2009/10 Development Cost Budget at Q2	Variation Reported at Q3 Monitoring	New Capital Code	Schemes	Total 2009/10 Development Cost Budget at Q3
	£	£			£
Earthworks and Geotechnical					
North Shields to Chillingham Road	277,676	-12,408	BC200	Earthworks Ground Investigations TYN - CRD	66,317
			BC201	Earthworks NSH - HOW	66,317
			BC202	Earthworks HOW - WSD	66,317
			BC203	Earthworks WSD - CRD	66,317
South Gosforth to Jesmond	50,447	-2,254	BC204	Earthworks SGF - JES	48,193
Civils & Structures					
Bridges					
North Shields to Chillingham Road	286,128	-35,683	BC205	Bridges TYN - NSH	31,306
			BC206	Bridges PCM - WSD	31,306
			BC207	Bridges HOW - PCM	31,306
			BC208	Bridges MWL - WKG	31,306
			BC209	Bridges TYN - MWL	31,306
			BC210	Bridges PCM - HDR	31,306
			BC211	Bridges HDR - WKG	31,306
			BC212	Bridges WSD - WKG	31,306
Rest of System	72,813	-9,081	BC214	Bridges MSN - CUL	15,933
			BC215	Bridges BTN	15,933
			BC216	Bridges GHD	15,933

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Schemes Reported at Q2 Monitoring	Total 2009/10 Development Cost Budget at Q2 £	Variation Reported at Q3 Monitoring £	New Capital Code	Schemes	Total 2009/10 Development Cost Budget at Q3 £
			BC217	Bridges BDE and SMR	15,933
Retaining Walls & Culverts					
North Shields to Chillingham Road	69,102	-49,070	BC213	Retaining Walls	16,255
South Gosforth to Jesmond	21,590	-15,331	BC241	Culverts	16,255
Rest of System	21,449	-15,231			
Drainage					
North Shields to Chillingham Road	84,844	-10,581	BC218	Drainage TYN Knotts Flats	32,943
South Gosforth to Jesmond	28,281	-3,527	BC219	Drainage SGF - JES	24,754
			BC220	Drainage – SMR	17,405
			BC221	Drainage – APT	23,915
Permanent Way					
North Shields to Chillingham Road	599,578	-91,142	BC231	Plain line TYN - CRD	508,436
South Gosforth to Jesmond	205,039	-31,168	BC232	Plain line SGF - JES	173,871
Rest of System	317,598	-48,278	BC233	Plain line JES - GST	269,320
Overhead Line Equipment					
North Shields to Chillingham Road	16,208	-2,021	BC240	OHLE System Design	95,177
South Gosforth to Jesmond	4,502	-561			
Rest of System	88,028	-10,978			

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Schemes Reported at Q2 Monitoring	Total 2009/10 Development Cost Budget at Q2 £	Variation Reported at Q3 Monitoring £	New Capital Code	Schemes	Total 2009/10 Development Cost Budget at Q3 £
Stations					
North Shields to Chillingham Road					
North Shields	95,861	-51,386	BC242	Station - NSH	44,475
Meadow Well	45,180	-24,219	BC243	Station - MWL, PCM, HOW	58,611
Percy Main	35,970	-19,282			
Howden	45,180	-24,219			
Hadrian Road	45,180	-24,219	BC244	Station - HDR and WSD	41,923
Wallsend	45,180	-24,219			
Walkergate	45,180	-24,219	BC245	Station - WKG and CRD	41,923
Chillingham Road	45,180	-24,219			
South Gosforth to Jesmond					
South Gosforth	43,022	-23,062	BC246	Station - SGF	19,960
Iford Road	43,022	-23,062	BC247	Station - ILF	19,960
West Jesmond	43,022	-23,062	BC248	Station - WJS	19,960
Communications					
Design and Cabling of whole system	366,959	-45,764	BC250	Comms Cabling - TYN - CRD	51,866
			BC251	Comms Cabling - SGF - JES	51,866
			BC252	Comms Cabling - SGF - APT	51,866
			BC253	Comms Cabling - JES - GST and MAN - SJM	51,866

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Schemes Reported at Q2 Monitoring	Total 2009/10 Development Cost Budget at Q2 £	Variation Reported at Q3 Monitoring £	New Capital Code	Schemes	Total 2009/10 Development Cost Budget at Q3 £
			BC254	Comms Cabling - GST - SSS	51,866
			BC255	Comms Cabling - SGF - TYN	51,866
			BC258	Remedial Works to Fibre Network	10,000
Radio	90,514	-11,288	BC256	Radio	79,226
Signalling					
PTI	130,332	-16,254	BC273	PTI	114,078
Migration Plan	259,848	-207,464	BC274	Future Signalling System	52,385
Level Crossings	89,849	-11,205	BC275	Level Crossings - KSP	26,215
			BC276	Level Crossings - FAW	26,215
			BC277	Level Crossings - Highway Works HOW/FAW/KSP/BFT/CAL	26,215
Cable Degradation	214,265	-26,721	BC260	Signalling Bankfoot Interlocking Area	14,426
			BC261	Signalling South Gosforth Interlocking Area	14,426
			BC262	Signalling Benton Interlocking Area	14,426
			BC263	Signalling Monkseaton Interlocking Area	14,426
			BC264	Signalling North Shields Interlocking Area	14,426
			BC265	Signalling Wallsend Interlocking Area	14,426

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Schemes Reported at Q2 Monitoring	Total 2009/10 Development Cost Budget at Q2 £	Variation Reported at Q3 Monitoring £	New Capital Code	Schemes	Total 2009/10 Development Cost Budget at Q3 £
			BC266	Signalling Jesmond Interlocking Area	14,426
			BC267	Signalling Manors Interlocking Area	14,426
			BC268	Signalling Heworth Interlocking Area	14,426
			BC269	Signalling Pelaw Interlocking Area	14,426
			BC270	Signalling Jarrow Interlocking Area	14,426
			BC271	Signalling South Shields Interlocking Area	14,426
			BC272	Signalling Depot Interlocking Area	14,426
Depot Equipment and Plant					
Depot Equipment - Train Wash	28,647	-3,573	BC278	Train Wash	25,075
Depot Equipment - Wheel Lathe	85,943	-54,482	BC279	Wheel Lathe	31,460
Power					
Depot Isolation	35,096	13,129	BC287	Depot Stray Currents	48,225
Miscellaneous					
Ongoing Capital Renewals & Maintenance Works	15,000	-1,871		Capital Maintenance Works - Misc	97,544
Miscellaneous	96,442	-12,027			
	4,088,156	-1,000,000			3,088,156





















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APPENDIX D

METRO IMPROVEMENT & MAINTENANCE PROJECT SCHEME STATUS & TIMELINE
PERFORMANCE





















Metro Improvements Projects

Qtr 2 Qtr 3



BC811 – Benton Station Footbridge	Project behind schedule due to planning issues. Proposal by the employed Conservation Architect were rejected by the North Tyneside Council planners and conservation officer. Awaiting planning approval in Feb 2010 before award of contract can be processed		
BC855 – MOG Remodelling	Proposals for conversion of part of the MOG stores into a Plant workshop have been drawn up and prices for construction of a partition wall being pursued so work can commence in March 2010. Office alterations to NRHQ have been reviewed and scope to be produced. Installation of New electrical supply from NEDL completed as planned in Dec 09		
BC854 – SGF Office Works	All work has been completed		
BC556 – Help Points	Site work progressing and expected to be completed by end of Mar 2010		
BC874 – On Train PA	On train display, wiring and alterations to PA system completed. Test train held and software updates now in progress. Installation of control system and commissioning to commence by end of Feb 2010. Completion of commissioning may not be completed until 1 st or 2 nd week in April		
BC623 – CCTV on Metro Cars	The site work is nearing completion with the CCTV equipment installed. System now going through final snagging and handover		
BC884 – Tunnel Lighting Upgrade	Tunnel completed and to be handed over 8 weeks earlier than planned.		
BC910 – Track Geometry Measuring Kit	Demonstration of system held. Tender now on hold and to be incorporated as part of the new Tamper procurement.		
BC864 – Rostering System	New software to manage timetable changes and resource allocation has been installed and is expected to be fully tested and in operation before the financial year end.		
BC863 – PID Indicators	Issues with data transfer and interface with the OTN currently being addressed		

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Metro Maintenance Projects

		Qtr2	Qtr3
BC517 – Road/Rail Vehicles	Scope includes replacement of 3 Unimog vehicles Specification completed and tender to be completed for release before Jan 2010. However manufacturing timescales will necessitate monetary purchase in 2010/2011		
BC550 – Rail Grinding	Initial meeting held with suppliers in early Nov 09, tenders still to be produced and issued.		
BC558 – Security Fencing	BFT - CAL Deer run fencing going to plan, installation of additional fencing planned at Longbenton and Benton Flyover before end of the financial year		
BC703 – Plain Line Renewal	Work at Kingston Park ongoing. Work planned for line renewal at GST to GHD and WMN Platform		
BC705 – Switch Heater Replacement	All work now completed in Nov 09		
BC706 – Switch & Crossing Renewal	Planned work to be carried out as part of a 54 hour possession in Mar 2010 at Hilton Street North Shields cancelled. No progress since last quarter due limited resource availability to process procurement and planning process/timescales,		
C708 – Manors Treadle Replacement	The treadle replacement work has been completed. Still awaiting final walkthrough and snagging to be undertaken before final handover is completed		
BC799 – Monkseaton Station Ramp	This project has been delayed due to the original plans being rejected. Awaiting "overdue" appointment of HM Planning Inspector to commence Appeal. Tender and contract documentation to be issued upon planning approval expected in Feb 2010. Project will not be completed this finance year.		
BC800 – LX Road Monitoring	Man Com report to be submitted to install 3 sites at KSP and BFT and award contract. Issues with buried services still to be addressed.		
BC804 – Multicore Cable Replacement	Cable testing in Gosforth, Manors and Jesmond Interlocking areas complete. Tenders for cable testing at Monkseaton and installing new cables		

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	and troughing Gosforth to Jesmond completed with award of contract in Jan 2010 and for site work to commence starting Feb 2010		
BC805 – OTN UPS Support Power Supply	Arup's have conducted surveys, produced drawings and the functional design specification for the scheme. Tender still to be issued. Work on site not expect to commence until April 2010		

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Tyne and Wear Integrated Transport Authority

25 March 2010

TITLE: REVENUE BUDGET MONITORING REPORT (APRIL 2009 –February 2010)

REPORT OF THE DEPUTY CLERK AND TREASURER (ITA)

Reasons for confidentiality (if confidential)

District Implications - All

1. Summary / Purpose of Report

- 1.1 The purpose of this report is to provide members with a revenue budget monitor report for the period April 2009 to February 2010.
- 1.2 The monitor includes current financial information relating to ITA administration and financing and the Tyne Tunnels.
- 1.3 The report sets out expenditure to date and compares this with the revised estimate presented to the Integrated Transport Authority at its meeting of the 28 January 2010. It shows that the likely outturn position is anticipated to be within budget.
- 1.4 The report also provides an update on the level of the ITA's borrowing and lending for information.

2. Recommendations

- 2.1 The Committee is recommended to note the financial position as at 28 February 2010 set out in this report and attached appendices 1 and 2.

3. Introduction / Background

- 3.1 The budget monitor has been prepared by comparing the actual income and expenditure (analysed into ITA and Tyne Tunnels) from April 2009 to February 2010 with the budget for 2009/10. Appendices 1 and 2 summarise the recorded spending position as at 28 February 2010
- 3.2 For the ITA, expenditure at £65.60m is 92% of the annual budget for the year, with no unexpected costs incurred to date. There is some variation in the

percentage spending on individual budget items but this is broadly in line with expectations apart from the following -

- Support Services. – The majority of the costs of officer support activity of the ITA are charged into the revenue account in the second half of the year. Overall costs are expected to be in line with the budget.
- Interest on Revenue Balances – A review of expected interest received has been carried out and it is anticipated that the interest received balances will be within budget for the ITA and the Tyne Tunnels

It is anticipated that the likely outturn position will be within budget, based on the expenditure to date and the known commitments at this time

3.3 2009/10 is the second full year of the contract with TT2 for the operation of the Tyne Tunnels. Payment to TT2 is linked to the tolls income. For the first seven months of 2009/10 the position is summarised in Appendix 2, with key bullet points shown below -

- Toll income is collected by TT2 and paid to the ITA within 4 working days of being actually received. The monthly payment to TT2 is paid within 30 working days after the end of the relevant month.
- Net tolls income (tolls income received less payment to TT2) is within 2% of the budgeted net income for the first eleven months of 2009/10.
- Actual traffic is approximately 2.1% lower than for the first eleven months of 2008/09 which is reflected in the lower tolls income.
- Repairs and Maintenance expenditure relates to the major maintenance on the Pedestrian and Cycle Tunnel carried out by TT2 but rechargeable under the terms of the agreement to the ITA. This will be met from the Tyne Tunnel reserves.
- Other Expenses – this budget has been revised.

Treasury Management Update – Borrowing and Lending

Borrowing

3.4 1. The ITA's approved Authorised borrowing limit for the 2009/10 year is £230 million and its Operational borrowing limit is £225 million. The level of external borrowing as at 28 February 2010 is £145.56 million. This is within the limits agreed by ITA and has been throughout the year to date. This includes the money that the ITA needs to borrow to fund its share of the new Tyne tunnel contract. The average interest rate payable on the ITA's loans this year is estimated at 4.24%.

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Lending

- 3.5 The ITA has been lending in line with the limits agreed for individual institutions agreed by the ITA. Our lending at 28 February was £12.0m. This was lent to one UK Building society.

The ITA had not lent money to any Icelandic Banks and had not lent money to other foreign institutions. Normal loan periods range from overnight to 364 days. The average interest rate on investments is estimated at 4.41 % so far this year. Interest rates on new investments are falling. The amount of money that the ITA is lending out has reduced significantly in 2009/10 from £126m at 1 April 2009 and £54.6m at 31 October 2009 to the current £12.0m .This is a result of debt repayment in order to manage the risk of the credit crunch and the contract payments have started to be made to the New Tyne Crossing concessionaire.

4. **Next Steps**

- 4.1 The budget and the ITA's treasury management position will continue to be monitored carefully by the Treasurer

5. **Further comments by the:**

- **Clerk** none
- **Treasurer** see main report
- **Legal Advisor**
- **Director General**

6 **Background Papers**

- 6.1 Revenue Monitoring reports to February 2010

7 **Contact Officer (s)**

- 7.1 Marilyn France 0191 277 7517

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Appendix 1: ITA Revenue Budget Monitor for the Period April 2009 to February 2010

Spend to 28 February (2009/10)					
<u>ITA</u>	<u>Spend to</u> <u>28.02.10</u>	<u>Budget</u>	<u>Spend</u> <u>against</u> <u>Budget</u>	<u>Expected</u> <u>Spend (%)</u>	<u>Notes</u>
	£				
Revenue Expenditure					
Travel Costs	2,449	4,000	61%	92%	
Supplies & Services	48,844	107,700	45%	92%	
Support Services	364,700	423,910	86%	92%	
PTA Website Charges	31,946	34,850	92%	92%	
Pension Costs	467,500	510,000	92%	92%	
Grant to Nexus	61,962,120	67,595,040	92%	92%	
TGA Subscription	40,036	40,040	100%	100%	Paid at commencement of year
Financing Charges	2,685,393	2,929,520	92%	92%	Based on estimate
	<u>65,602,987</u>	<u>71,645,060</u>	92%	92%	
Income					
Levy Income	(66,226,587)	(70,646,000)	94%	92%	
Interest on Balances	(111,833)	(122,000)	92%	0%	Based on estimate
	<u>(66,338,420)</u>	<u>(70,768,000)</u>	94%	92%	
Contribution from Reserves	-735,433	877,060			

For further information or detail, please contact Marilyn France on 0191 2777517



Tyne and Wear Integrated Transport Authority

Tyne and Wear Integrated Transport Authority's Treasury Management Strategy Report 2010/11

25 March 2010

Report by: Treasurer and Deputy Clerk

District Implications: ALL

1. Purpose of the report

1.1 This report sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The **treasury management strategy statement** which sets out how the Authority's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Authority could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Section 4;
- The **investment strategy** which sets out the Authority's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the Department for Communities and Local Government (CLG) Investment Guidance and is also shown in Section 5.

Revised editions of the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice were produced in November 2009. The CLG is currently consulting on changes to the Investment Guidance. The revised guidance arising from these Codes has been incorporated within these reports, with the CLG proposals being incorporated where these do not conflict with current Guidance. If necessary the Investment Strategy contained in Section 4 will be revised if any elements of the final CLG Investment Guidance have not already been covered.

The main changes initiated in the revisions above increase the Members' responsibility in this area. This would require greater Member scrutiny of the treasury policies, increased Member training and awareness and greater frequency of information.

One element of the revised CIPFA Treasury Management Code of Practice is that the clauses to be adopted as part of the Authority's standing orders/financial

regulations/constitution be amended. This revision is shown at Section 9 for approval. The key change is that a responsible body (committee, board or group) be responsible for ensuring effective scrutiny of the treasury management strategy and policies, before making recommendations to Authority.

The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

2. Recommendations

2.1 The Authority is recommended to approve each of the six key elements of these reports as listed below:

1. The Treasury Management Strategy 2010/11 to 2012/13.
2. The Investment Strategy 2010/11 contained in the treasury management strategy (Section 3), and the detailed criteria included in Section 4.
3. The Treasury Policy Statement in Section 6.
4. Security Liquidity and Yield Benchmarking Section 7
5. Approved Institutions Section 8
6. The revision to the Authority's Financial Regulations at Section 9.

3. Treasury Management Strategy 2010/11 – 2012/13

3.1 Introduction and background

3.1.1 The treasury management service is an important part of the overall financial management of the Authority's affairs. The prudential indicators consider the affordability and impact of capital expenditure decisions, and set out the Authority's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Authority meets its balanced budget requirement under the Local Government Finance Act 1992.

The Authority's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management – revised November 2009). This Authority adopted the Code of Practice on Treasury Management in September 2002, and will adopt the revised Code.

As a result of adopting the Code the Authority also adopted a Treasury Management Policy Statement. This adoption is the requirement of one of the prudential indicators. However the revised Code of Practice has amended the Treasury Management Policy Statement and this is detailed in Section 6 for approval.

CIPFA recommends that all public service organisations adopt, as part of their financial regulations, four clauses pertaining to effective treasury management, as detailed in Section 9. These clauses will be included in Financial Regulations

following approval at the May 2010 meeting of the Authority.

An annual strategy is reported to Authority outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report, the first of which will be presented to the Authority November 2010.

This strategy covers:

- The Authority's debt and investment projections;
- The Authority's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Authority's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;

4.1 Debt and Investment Projections 2010/11 – 2012/13

4.1.1 The borrowing requirement comprises the expected movement in the Capital Financing Requirement and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. The expected maximum debt position during each year represents the Operational Boundary prudential indicator, and so may be different from the year end position. The table also highlights the expected change in investment balances.

£000	2009/10 Revised	2010/11 Estimated	2011/12 Estimated	2012/13 Estimated
External Debt				
Debt at 1 April	219,560	145,560	175,560	217,560
Expected change in debt	-74,000	30,000	42,000	-
Debt at 31 March	145,560	175,560	217,560	217,560
Operational Boundary for External Debt				
Borrowing	223,000	226,000	238,000	233,000
Other long term liabilities	2,000	213,000	223,000	235,000
	225,000	439,000	461,000	468,000
Investments				
Total Investments at 31 March	-	-	-	-
Investment change	-	-	-	-

The related impact of the above movements on the revenue budget are:

£000	2009/10 Revised	2010/11 Estimated	2011/12 Estimated	2012/13 Estimated
Revenue Budget				
Interest on Borrowing	6,925	7,234	9,292	10,693
Investment income	2,445	-	-	-

4.2 Limits to Borrowing Activity

4.2.1 Within the prudential indicators there are a number of key indicators to ensure the Authority operates its activities within well defined limits

For the first of these the Authority needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2010/11 and the following two financial years (the relevant comparative figures are highlighted). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

£m	2009/10 Revised	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
Gross Borrowing	145,560	175,560	217,560	217,560
Investments	-	-	-	-
Net Borrowing	145,560	175,560	217,560	217,560
CFR	142,937	180,056	222,890	218,196

The Treasurer & Deputy Clerk reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authorities' plans, or those of a specific Authority, although no control has yet been exercised.

4.2.2

The Authority approved the following Authorised Limit at its January meeting:

Authorised limit £m	2009/10 Revised	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
Borrowing	228,000	231,000	243,000	238,000
Other long term liabilities	2,000	213,000	223,000	235,000
Authorised Limit	230,000	444,000	466,000	473,000

4.2.3

Borrowing in advance of need – The Authority has some flexibility to borrow funds this year for use in future years. The Treasurer & Deputy Clerk may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Treasurer & Deputy Clerk will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that

- It will be limited to no more than 100% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not be more than 12 months in advance of need.

Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

4.2.4

Expected Movement in Interest Rates

Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	20 year	50 year
2008/09	3.9	5.0	5.3	4.2	4.8	4.5
2009/10	0.5	0.8	1.4	3.2	4.4	4.6
2010/11	1.0	1.5	2.3	4.0	5.0	5.2
2011/12	2.0	2.5	3.3	4.3	5.3	5.3
2012/13	4.5	4.8	5.3	5.3	5.5	5.3

* Borrowing Rates

Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced but it will remain insipid and there is a danger that early reversal of monetary ease, (rate cuts and Quantitative Easing {QE}), could trigger a dip back to negative growth and a W-shaped Gross Domestic Product (GDP) path.

Credit extension to the corporate and personal sectors has improved modestly but banks remain nervous about the viability of counterparties. This is likely to remain a drag upon activity prospects, as will the lacklustre growth of broad money supply.

The main drag upon the economy is expected to be weak consumers' expenditure growth. The combination of the desire to reduce the level of personal debt and job uncertainty is likely to weigh heavily upon spending. This will be amplified by the

prospective increases in taxation already scheduled for 2010 – VAT and National Insurance. Without a rebound in this key element of UK GDP growth, any recovery in the economy is set to be weak and protracted.

The Monetary Policy Committee (MPC) will continue to promote easy credit conditions via QE. QE has been extended to a total of £200bn and there is still an outside chance that it could be expanded further next February. Whether this has much impact in the near term remains a moot point given the personal sector's reluctance to take on more debt and add to its already unhealthy balance sheet.

With inflation set to remain subdued in the next few years, the pressure upon the MPC to hike rates will remain moderate. But some increase will be seen as necessary in 2010 to counter the effects of external cost pressures (as commodity prices begin to rise again) and to avoid damage that sterling could endure if the UK is seen to defy an international move to commence policy exit strategies.

Longer term rates are expected to be more volatile. The current 'softness' of gilt yields & Public Works Loan Board (PWL) rates may continue for a while yet, given that these are being driven by a benign international backdrop and the effects of QE. Nevertheless this process will come to an end before the close of the financial year.

This is likely to herald a return to rising yields for a number of reasons:

- Net gilt issuance will rise sharply;
- This will be increased by the extent to which the Bank of England (BoE) attempts to claw back funds injected to the economy via the QE programme;
- Investors will be looking to place more of their funds in alternative instruments as their risk appetite increases, demand for gilts will weaken as a consequence;
- A decision to leave QE in place will generate inflation concerns and pressurise long yields higher.

The market/BoE is in a lose/lose situation.

4.3 Borrowing Strategy 2010/11 – 2012/13

4.3.1 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Authority will take a cautious approach to its treasury strategy.

Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The Treasurer & Deputy Clerk, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

With the likelihood of long term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Treasurer & Deputy Clerk and treasury officers will monitor prevailing rates for any opportunities during the year.

The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the

expected fall in investments returns.

4.4 Investment Strategy 2010/11 – 2012/13

4.4.1 Key Objectives - The Authority's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background above, the over-riding risk consideration of the current investment climate is counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

4.4.2 Risk Benchmarking – A development in the revised Codes and the Communities and Local Government Committee consultation paper is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature. Additional background in the approach taken is attached at Section 5.

These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

Security - The Authority's security risk is monitored continuously. Three ratings agencies provide detail relating to the financial strength of the institutions in which the Authority invests surpluses. This information is provided with regular updates by the Authority's treasury advisors, Butlers. The section below on Investment Counterparty Selection Criteria outlines the principles of security monitoring.

Liquidity – In respect of this area the Authority seeks to maintain:

- Liquid short term deposits of at least £1 million available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.30 years, with a maximum of 3 years.

Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

4.4.3 Investment Counterparty Selection Criteria - The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Authority will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out

in the Specified and Non-Specified investment sections below.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.

4.4.4 The Treasurer & Deputy Clerk will maintain a counterparty list in compliance with the following criteria and will revise the criteria and report them to Authority as necessary. The current List of Approved Institutions is shown in Section 8. These criteria are separate to those which choose Specified and Non-Specified investments as they provide an overall pool of counterparties considered high enough quality which the Authority may use rather than defining what its investments are.

The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Authority's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Authority's criteria, the other does not, the institution may fall outside the lending criteria. The Treasurer & Deputy Clerk will further assess risk factors pertaining to institutions and this may result in an institution being included which does not meet the ratings requirements described above. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is obtained from ratings agencies on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria may be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are obtained by officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum Authority criteria may result in suspension from use, with all others being reviewed in light of market conditions.

The ratings used to monitor financial strength of institutions are taken from three agencies, namely Fitch, Standard & Poors and Moodys. For the purposes of this report Fitch ratings are shown although equivalent ratings of the other agencies form part of the daily monitoring procedure. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- **Banks 1 - Good Credit Quality** – the Authority will only use banks which:
 - i. Are UK banks; and/or
 - ii. Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA

And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

- i. **Short Term** – F1
- ii. **Long Term** – A-
- iii. **Individual / Financial Strength** – C

iv. **Support – 3**

v. **Banks 2 – Guaranteed Banks with suitable Sovereign Support** – In addition, the Authority will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:

- (a) wholesale deposits in the bank are covered by a government guarantee;
 - (b) the government providing the guarantee is rated “AAA” by all three major rating agencies (Fitch, Moody’s and Standard & Poors); and
 - (c) the Authority’s investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- **Banks 3 – Eligible Institutions** - the organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.
 - **Banks 4** – The Authority’s own banker, the Co-operative Bank plc., currently hold a rating of F2. This rating is currently below the Authority’s minimum requirements. As such, the entity will only be used for transactional purposes.
 - **Bank Subsidiary and Treasury Operations** – the Authority will use these where the parent bank has the necessary ratings outlined above.
 - i. **Building Societies** - There is no record of a building society not meeting its obligations, either directly or by being taken over by another society. However, for the sake of prudence the list is limited to societies with minimum ratings as outlined for banks above. The Authority will also use Societies which meet the requirements in Banks 3 – Eligible Institutions.
 - **Money Market Funds** – AAA
 - **UK Government** (including gilts and the DMADF)
 - **Local Authorities, Parish Authorities**
 - **Supranational institutions**

A limit of 30% will be applied to the use of Non-Specified investments

Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Authority’s investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- no more than 20% will be placed with any non-UK country at any time;
- limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

4.4.5 requirements under the Code of Practice now require the Authority to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, and equity prices) will be considered when comparing the relative security of differing investment counterparties.

4.4.6 **Time and Monetary Limits applying to Investments** - The time and monetary limits for institutions on the Authority's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch (or equivalent)	Money Limit	Time Limit
Limit 1 Category	AAA	£30m	3 years
Limit 2 Category	AA	£30m	1 year
Limit 3 Category	A	£25m	3 months
Local Authority Limits	Not rated	£25m	6 months
United Kingdom Debt Management Office	Not rated	£50m	6 months
Money Market Funds	AAA	£30m	n/a

The proposed criteria for Specified and Non-Specified investments are shown in Section 6 for approval.

In the normal course of the Authority's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Authority's liquidity requirements are safeguarded. This will also be limited by the longer term investment limits.

4.4.7 **Economic Investment Considerations** - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid-2010. The Authority's investment decisions are based on comparisons between the rises priced into market rates against the Authority's and advisers own forecasts.

There is an operational difficulty arising from the current banking crisis. There is currently little value investing longer term unless credit quality is reduced. Whilst some selective options do provide additional yield uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

The criteria for choosing counterparties set out above provide a sound approach

to investment in “normal” market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Treasurer & Deputy Clerk may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments will be restricted.

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

Sensitivity to Interest Rate Movements

Future Authority accounts will be required to disclose the impact of risks on the Authority’s treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

	2010/11 Estimated ± 1%
Revenue Budgets	£m
Interest on Borrowing	0.14
Investment income	-

Treasury Management Limits on Activity

4.4.8

There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Authority’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set with regard to the Authority’s liquidity requirements and to reduce the need for early sale of an investment, and are based on

the availability of funds after each year-end

The Authority is asked to approve the limits:

	2010/11	2011/12	2012/13
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	120%	120%	120%
Limits on variable interest rates based on net debt	59%	59%	59%
Limits on fixed interest rates:			
• Debt only	100%	100%	100%
• Investments only	100%	100%	100%
Limits on variable interest rates			
• Debt only	50%	50%	50%
• Investments only	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2010/11			
	Lower	Upper	
Under 12 months	0%	40%	
12 months to 2 years	0%	40%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	40%	
10 years to 20 years	0%	40%	
20 years to 30 years	0%	30%	
30 years to 40 years	0%	30%	
40 years to 50 years	0%	60%	
50 years to 60 years	0%	40%	
60 years to 70 years	0%	40%	
Maximum principal sums invested > 364 days	£50m	£50m	£50m

Performance Indicators

The Code of Practice on Treasury Management requires the Authority to set performance indicators to assess the adequacy of the treasury function over the

4.4.9 year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Outturn Report.

Treasury Management Advisers

The Authority uses Butlers as its treasury management advisors. The company provides a range of services which include:

- 4.4.10
- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
 - Economic and interest rate analysis;
 - Debt services which includes advice on the timing of borrowing;
 - Debt rescheduling advice surrounding the existing portfolio;
 - Generic investment advice on interest rates, timing and investment instruments;
 - Credit ratings from the three main rating agencies and market information on potential investment counterparties;

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Authority. This service is subject to regular review.

Member and Officer Training

- 4.4.11
- The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Authority has addressed this important issue by providing members with treasury management training through our treasury advisors, Butlers and treasury management officers. This facility is ongoing so that new and current members have access to training when required.

5. Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

- 5.1
- The Office of the Deputy Prime Minister (now Communities and Local Government Committee) issued Investment Guidance on 12th March 2004, and this forms the structure of the Authority's policy below. The Communities and Local Government Committee is currently consulting over revisions to the Guidance and where applicable the Consultation recommendations have been included within this policy. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Authority to have regard to the Chartered Institute of Public Finance and Accountancy publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Authority adopted the Code in September 2002 and will apply its principles to all investment activity. In accordance with the Code, the Treasurer & Deputy Clerk has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

5.2 **Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Authority will use. These are high security (i.e. high credit rating, although this is defined by the Authority, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Authority is:

5.3 **Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

5.4 **Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish Authority or community Authority.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society. For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

5.5

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit
a.	<p>Supranational Bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>AAA long term ratings</p> <p>10%</p> <p>10%</p>
b.	<p>Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	10%
c.	<p>Eligible Institutions - the organisation (including both banks and building societies) is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.</p>	100%
d.	<p>The Authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	30%
e.	<p>Any bank or building society that has a minimum long term credit rating of AAA [this ties in with limits outlined elsewhere in the document], for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	100%

- 5.6 **The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Authority obtains credit rating information (changes, rating watches and rating outlooks) from ratings agencies and Butlers, the Authority's treasury advisors as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria may be removed from the list immediately by the Treasurer & Deputy Clerk, and if required new counterparties which meet the criteria will be added to the list.

6. **Tyne & Wear Integrated Transport Authority Treasury Management Policy Statement**

The Authority defines the policies and objectives of its treasury management activities as follows: -

"The management of the authority's 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".

The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

7. **Security, Liquidity and Yield Benchmarking**

- 7.1 **Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service** - A development for Member reporting is the consideration and approval of security and liquidity benchmarks.

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield – These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are -

- Investments – Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

Liquidity – This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). In respect of this area the Authority seeks to maintain:

- Bank overdraft - Less than £100,000 daily surplus or deficit
- Liquid short term deposits of at least £1m available with a week’s notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be no higher than 1 year. The benchmark for the annual weighted average life of the portfolio is 3 months. The maximum period is 1 year.

Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Authority’s investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2007.

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%	0.03%	0.06%
A	0.03%	0.15%	0.30%	0.44%	0.65%
BBB	0.24%	0.78%	1.48%	2.24%	3.11%

The Authority’s minimum long term rating criteria is currently “A” , meaning the average expectation of default for a one year investment in a counterparty with a “A” long term rating would be 0.03% of the total investment (e.g. for a £1m investment the average loss would be £300). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

8. Tyne and Wear Integrated Transport Authority Treasury Management Approved Institutions For External Investments

Limits of Investments per Institution.

<u>Institution</u>	<u>Investment Limit</u>	<u>Support Rating</u>	<u>Maximum Period</u>	<u>Individual Rating</u>	<u>Short-term Rating</u>	<u>Long-term Rating</u>
Co-operative Bank	£30m	3	3 months	B/C	F2	A-
United Kingdom Debt Management Office (Maximum Period)	£50m	See note	6 months - DMO limit	Note: This is a United Kingdom government facility and an executive agency of the Treasury. Deposits placed with it are guaranteed by the government and have the equivalent of a sovereign triple-A credit rating.		
Barclays Bank	£30m	1	364 days	B	F1+	AA-
HSBC Bank	£30m	1	364 days	A/B	F1+	AA
Lloyds Banking Group (LBG) - see below	£30m group total includes Lloyds TSB and Bank of Scotland	1		C	F1+	AA-
LBG (a) - Lloyds TSB Bank	£20m	1	364 days	C	F1+	AA-
LBG (b) - Bank of Scotland	£10m	1	364 days	C	F1+	AA-
Nationwide Building Society	£30m	1	364 days	B	F1+	AA-
Northern Rock plc	£30m	1	3 months	F	F1+	A-
Royal Bank of Scotland	£30m	1	3 months	D/E	F1+	AA-
Coventry Building Society	£20m	3	6 months	B	F1	A
Leeds Building Society	£20m	3	6 months	B/C	F1	A
Newcastle Building Society	£10m	3	3 months	C/D	F3	BBB-
U.K. Local Authorities	£10m per authority	-	3 months			

9. Treasury Management Clauses to form part of Financial Regulations

9.1 For inclusion in FPN9

FPN9 TREASURY MANAGEMENT

The following four clauses have been adopted by the Authority in accordance with recommendations by the Chartered Institute of Public Finance and Accountancy in the Treasury Management in the Public Services (CIPFA) – Code of Practice and Cross-Sectoral Guidance Notes – Fully Revised Second Edition 2009.

1. The Authority will create and maintain, as the cornerstones for effective treasury management:
 - a. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - b. suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. The content of the policy and the TMPs will follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
3. Full Authority will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
4. The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit Committee, and for the execution and administration of treasury management decisions to the Treasurer & Deputy Clerk, who will act in accordance with the Authority's policy statement and TMPs and if that officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
5. The Authority is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

10. Corporate Implications

10.1 Financial

The financial implications for the programme are set out in the earlier sections of this report.

10.2 Legal

There are no legal or human rights implications

10.3 Environmental and Sustainability

There are no environmental and sustainability implications

10.4 Risk

Debt and investment management involves the risk of interest rate volatility and security of cash investments. The revised Treasury Management in the Public Services: Code of Practice and Guidance Notes for Local Authorities recognises the priority to manage and control risk effectively. Treasury Management staff will manage these risks in accordance with it.

10.5 Scrutiny

The Authority is responsible for scrutiny.

11 What happens next.

- 11.1 Member training took place on 16 February 2010 in accordance with the requirements of the revised CIPFA Treasury Management Code as outlined in this report. An ongoing process of member training is available if required.

12. Background papers

Held by Capital Investments Projects Team, Chief Executive's

13. Contact officers

Ian Richardson, Senior Loans & Investments Officer, Capital Investments Projects Team, ext 26684. Email i.richardson@newcastle.gov.uk

Iain Duncan, Senior Accountant, Capital Investments Projects Team, ext 26684. Email iain.duncan@newcastle.gov.uk



Tyne and Wear Integrated Transport Authority

The Tyne Tunnels Byelaws 2010 - amendments

Report of The Clerk, ITA Legal Advisor and NTC Project Director

For Decision

District Implications: North Tyneside, South Tyneside

1. **Summary / Purpose of Report**

- 1.1 To seek approval of minor amendments to the proposed Tyne Tunnels Byelaws 2010 following further consideration of the same and suggestions from the Department for Transport.

2. **Recommendations**

- 2.1 That the Authority agree the minor amendments of the Tyne Tunnels Byelaws 2010 proposed in this report and that confirmation of the byelaws be sought as so amended.

3. **Introduction / Background**

- 3.1 At its meeting on 28 January, the Authority agreed the draft Tyne Tunnels Byelaws 2010, including some minor amendments to the draft annexed to the report which were reported verbally to the meeting (minute number 10 of 28 January 2010 refers).
- 3.2 Following the meeting, those verbal amendments were communicated to the DfT who suggested some slight improvements to the text. It is considered sensible to agree their suggestions bearing in mind formal confirmation of the byelaws as a whole by the Secretary of State is required.
- 3.3 It has also become apparent that byelaw 10a which limits the speed of traffic within the vehicular tunnels to
“30 or 40 mph as indicated by the displayed road signs”
requires amendment. This is because the definition of vehicular tunnels includes the tunnel approaches where the speed limit needs to vary between the national speed limit, 50 mph, 40 mph and 20 mph.
- 3.4 It has also become apparent following discussions with the Highways Agency

that the drawings showing the extent of the tunnel approaches need to be altered in light of changes in land ownership.

4. **Required changes**

4.1 The amendments relate to byelaw 10a, 12, 27(3), 27(4) and 27(5).

4.2 Byelaw 10a, as approved by the Committee reads as follows:

“The maximum speed for a vehicle in the vehicular tunnels, shall be 30 or 40 miles per hour as indicated by the displayed road signs,”

The Committee is invited to replace this wording with the following:

“The maximum speed for a vehicle in the vehicular tunnels shall be that which is indicated by the displayed road signs.....”

4.3 Byelaw 12, as approved by the Committee reads as follows:

“Except and subject as provided in byelaws 8 and 9, the driver of a vehicle on or in the tunnel approaches shall proceed along the carriageways without stopping. Provided that this byelaw shall not prohibit vehicles from stopping in lay-bys provided for emergency, inspection or breakdown so long as the vehicle stops for one of those purposes or if instructed to do so by a tunnels officer.”

The Committee is invited to replace this wording with the following:

“Except and subject as provided in byelaws 8 and 9, the driver of a vehicle in the tunnel or on the tunnel approaches shall proceed along the carriageway without stopping except to stop in a lay-by provided for emergency, inspection or breakdown so long as the vehicle stops for one of those purposes or if instructed to do so by a tunnels officer.”

4.4 The suggested amendments to byelaws 27(3), 27(4) and 27(5) consist of the replacement of the term “permission” with the word “consent” in order to make byelaw 27 consistent with other parts of the byelaws which require the Tunnel Manager’s “consent” be sought.

4.5 The Authority is invited to adopt the amended drawings in place of those which were approved at the meeting on 28 January 2010 and which will form part of the byelaws.

4.6 The text of all these changes has been agreed with the DfT.

5.1 As reported to this Committee in January once the Integrated Transport Authority has made the byelaws, they need to be confirmed by the Secretary of State before they can come into effect and on approval of these amendments, this confirmation will be sought.

6. **Further comments by the:**

- **Clerk** (if any);

3

- **Treasurer** (if any);
- **Legal Advisor** (if any); **nothing further to add.**
- **Director General** (if any).

7 Background Papers

7.1 XWP00001 Legal Services

8 Contact Officer (s)

8.1 Paul Fenwick, Project Director, New Tyne Crossing (ext 26058)

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Tyne and Wear Integrated Transport Authority

25 March 2010

New Tyne Crossing - Update

Report of NTC Project Director

For Decision

District Implications : North Tyneside, South Tyneside

1. Synopsis

- 1.1 This report provides an overview of progress made on the construction since the last update report to the Authority on 28th January 2010.

2. Recommendations

- 2.1 The Authority is recommended to:-
- (i) Note progress made on the project.
 - (ii) Approve the proposal as set out in para 8 for the distribution of any 'surplus' toll revenue post opening of the new tunnel(PTU1)
 - (iii) Authorise the Project Director to make the necessary arrangements to effect this distribution of 'surplus' toll revenue

3. Background

- 3.1 Construction of the New Tyne Crossing (NTC) began on 22 April 2008. Key dates as set out in the Project Agreement signed on 23 November 2007 and those subsequently revised during the construction phase are as follows:-

PTU1	15 December 2010 (opening of new tunnel) Revised to 4 February 2011 on 2 April 2009 – see para 4.1
PTU2	3 December 2011 (opening of refurbished existing tunnel)
Completion	3 December 2011

4. Progress – Since January 2010

Progress photographs will be available at the meeting.

4.1 Programme

The construction programme issued on 2 April 2009 following the special NTC Project Board Meeting on 10 March 2009 was revised to account for significant re-planning and programming of the works. The revised programme was issued on 13 October 2009 and does not affect the key dates. Progress is now measured against it and overall the project is on programme to meet the key dates set out in para 3.1.

4.2 North Approach Works

Works to fitting out the tunnel has started with the installation of the pipe-work to the fixed fire suppression system, the laying of the base courses for the carriageway and kerb-laying. The permanent reinstatement of Tyne View Terrace is advanced and trafficked – the temporary diversion route has been excavated to allow works on the construction of the Howdon service building to commence. The A19 northbound has been reduced to one lane to allow construction of drainage within the central reserve and bridge pier protection works. Work has also started on the refurbishment of the existing Tyne Tunnel offices. TT2 have temporarily moved into the Howdon Supply Base site while this work is done. The exceptions being that the control room and reception area are still functioning in the old offices. Overall the works in this section are currently on programme.

4.3 Immersed Tube Works – Walker (formerly A&P) Dock 4

Flotation and immersion of the 4 units took place as follows:-

Tube 1 – 3 January 2010 and 14 January 2010

Tube 2 – 17 January 2010 and 26 January 2010

Tube 3 – 1 February 2010 and 9 February 2010

Tube 4 – 16 February 2010 and 23 February 2010

The closure joint between Tubes 3 and 4 was made water-tight on 4 March 2010 – this was the first time that it was possible at all for a person to pass from one bank of the Tyne to the other through the new tunnel.

This work was completed to programme.

4.4 Back-filling(Dredging)

The suction dredger – the Alexander von Humboldt – arrived in the Tyne on 9 March 2010, to start backfilling the trench around the tunnel units. The material for this will be taken from the mouth of the Tyne that otherwise would have been dredged by the Port of Tyne for navigation purposes and disposed of at sea. Howdon Basin will also be back-filled at the same time. These works are on programme.

4.5 South Approach Works

Installation work on the top slabs and internal walls is progressing but remains behind programme. Bouygues TP has maintained the additional resources brought on to site in January 2010 to recover the programme and the 4 week delay has reduced to 2 weeks. The first section of sprayed concrete lining tunnel is being prepared to receive its reinforced concrete inner lining. Works on the excavation for the second section of sprayed concrete lining are ongoing. The operation is progressing safely with comprehensive monitoring and no complaints from adjacent land-owners/occupiers to date. The SCL works are currently 8 weeks behind programme

The new Howard Street Bridge structure is complete and was opened to traffic on 11 February 2010. The existing Howard Street Bridge will be demolished in May 2010 following diversion of the BT cables. Overall these works are behind programme.

4.6 South Junction Works

Works to the Howard St/Priory Road roundabout is on-going. Construction of the new ventilation building, including the service gallery linking to the south portal and the inspection garage is on-going. The underside voids to the structures supporting the southern half of the existing round-about have been exposed for investigatory works to determine their future. The express lane arrangement for tunnel traffic is performing well and maintaining hourly throughput at levels comparable and even slightly better at times to those achieved prior to the construction of the new tunnel. Overall construction work for the junction is on programme.

5. Landscape Master-planning

- 5.1 The final landscape master-plan drawings have now been submitted to North and South Tyneside Councils for approval. It is expected that the planning applications will be considered by the relevant Planning Committees by the end of May 2010.

6. Land

- 6.1 Arrangements relating to hand-back of land have now been initiated and will be discussed in detail between the relevant parties on the basis of the landscape master-plans submitted for approval. Arrangements are now in hand for the land occupied by the new tunnel structure itself to be acquired using the General Vesting Declaration powers conferred by the River Tyne (Tunnels) Order 2005.

7. Communication

- 7.1 The communication strategy is being applied successfully – all stakeholders are kept informed of progress and issues on a regular basis. The strategic and local partnering fora continue to meet regularly.
- 7.2 A Newsletter is to be issued in March 2010. The web-sites (NTC & TT2) are updated almost daily. Drop-in-sessions continue to be held weekly on both sides of the river and Ward Councillors are given regular 'activity' schedules so that they are briefed on forthcoming events/developments. The Helpline is maintained and staffed 24/7. The 3D virtual reality model has been developed by BYTP (UK) and has been enhanced with the details from the draft master-plan drawings.
- 7.3 The construction activity and progress continues to stimulate considerable demand for visits from a wide variety of organisations. The Minister of State for Transport visited the site on the 18 February 2010. TWITA/BYTP (UK)/TT2 share the load on this issue to accommodate requests as much as possible. The immersion of the tubes created much media interest, particularly the immersion of the fourth tube on the 23 February 2010.

8 Operations

8.1 The NTC Project Board has considered the issue of the distribution of 'surplus' toll monies between the TWITA and TT2 Ltd. These monies are apparent as a result of some tunnel users electing to pay more than the advertised toll charge in preference to ensuring they approach with the correct toll or taking advantage of the change machines located in the toll plaza areas. The amount of the surplus has varied month by month but has averaged at approximately £4,000/month since the Tyne Tunnel operation was transferred to TT2, this has been shared up until PTU1 in the same proportion of the tolls income (i.e 30/70). The NTC Project Board have examined the Project Agreement and have concluded that as it contained no specific provision in this regard, it would be equitable for any surplus to be split 50:50 between the TWITA and TT2 once the new tolls system is in place and functioning. This will occur at PTU1 – currently programmed for 4 February 2010(see para 3.1). TT2 have been consulted and approve of the arrangement and indicated that they would expend the money in the following manner: i) Renewable Energy [*Green Power*], ii) Community Support [*Good Neighbourliness*], & iii) Promotion of Sustainable Transport in a socially responsible manner [*inclusive of the wellbeing of local communities and TT2 staff*]. The TWITA is recommended to approve this proposal and authorise the Project Director to make the necessary arrangements.

9. Further Comments by the

9.1 Clerk - none

9.2 Treasurer – Distribution of surplus toll monies will be taken into account in setting the budget for 2011/12

9.3 Legal Adviser – none

10 Background Papers

9.1 River Tyne (Tunnels) Order 2005.

9.2 Report of the Inspector in to the Proposals for the New Tyne Crossing dated 2003.

9.3 Decision letter of the Secretary of State dated 21 July 2005.

9.4 New Tyne Crossing file held by the NTC Project Director

Contact Officer: P Fenwick, phone: (0191) 211 6058



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 25 March 2010**
InterCity East Coast Franchise Consultation

REPORT OF **Director General of Nexus**

Not Confidential

District Implications: All Districts

1. **Purpose of Report**
- 1.1 To inform ITA Members of the consultation process being undertaken by the Department for Transport (DfT) on the East Coast franchise, and to include a draft response on behalf of the ITA and Nexus for consideration.
2. **Recommendations**
- 2.1 Members are recommended to approve the draft response, included as Appendix A. The DfT consultation document is supplied as Appendix B.
3. **Summary of Key Issues**
- 3.1 A similar frequency of service is proposed from May 2011, but with some faster journey times.
- 3.2 The DfT intends to invite Network Rail to submit proposals to take over the operation and management of certain stations, including Newcastle station.
- 3.3 The introduction of 'Super Express Trains' to replace existing trains after 2016 is currently being evaluated.
4. **Information**
- 4.1 Following the premature end of the National Express East Coast franchise and the subsequent temporary operation of services by the nationalised Directly Owned Railways company, trading as 'East Coast', the DfT has issued a

consultation paper explaining its proposals to re-let the franchise.

- 4.2 Comments from interested parties are sought, so that they can be taken account of when the terms of the new franchise are published later in the year. Re-letting of the franchise is linked to the proposed introduction of new trains during its lifetime, so a franchise term of at least ten years is envisaged – and possibly considerably longer, subject to investment by the franchisee – so long as performance targets are met. This is viewed as a positive development, as it would allow scope for a successful franchisee to invest in services over and above its contractual requirements, and would result in a period of stability for customers and staff.
- 4.3 The new franchise will run from autumn 2011, following the introduction of a new timetable in May 2011 which promises a ‘clock-face’ schedule, and some faster journey times between Newcastle and London, with an average express journey time of 2 hours 50 minutes. The timetable is still being assembled and is also the subject of separate stakeholder consultation; quicker journeys will be achieved at the expense of some station calls and there are concerns amongst some regional stakeholders that there may be deterioration in the level of services at stations such as Durham, Alnmouth and Berwick-upon-Tweed. Service patterns have yet to be finalised, and ITA and Nexus officers will continue to liaise with the DfT and Network Rail to ensure that the interests of regional and local travellers are protected during this process.
- 4.4 The franchise terms will anticipate a continuing increase in demand for ECML services, with growth in off-peak traffic likely to be the focus of attention. Fares policy will continue its current structure, with regulated fares set according to the DfT’s prevailing fares policy, and unregulated fares set by the franchisee.
- 4.5 The basic service and frequency patterns at Newcastle station will continue, with one train an hour operating from Edinburgh to London and vice versa, calling at Berwick-upon-Tweed, Newcastle, Darlington and York en route, and an hourly train between Newcastle and London, calling at most intermediate stations. In combination, these will provide a half-hourly service throughout the day. One non-stop service in each direction between Newcastle and London by 2012 is also proposed. A change to the current service pattern is that most East Coast trains will start and end their journeys at Edinburgh, whereas at present one train every two hours is extended to Glasgow: Cross Country train services will be extended beyond Edinburgh instead.
- 4.6 The DfT proposes that Super Express Trains (SETs) be introduced during the new franchise. SETs will comprise a mixture of new electric trains, and ‘bi-mode’ trains capable of being powered by electric or diesel traction. Based on their superior acceleration and capacity, an increase to six trains per hour off-peak and eight trains per hour at peak times out of London is planned after 2016. The document states that the introduction of SETs could potentially introduce regular services between London and a number of new destinations, including Sunderland. The DfT recently announced a delay in the award of contracts authorising the construction of these trains, pending the findings of an ongoing

value-for-money exercise.

- 4.7 The consultation proposes that further key stations could be directly operated by Network Rail, in the way that stations such as Leeds and London Kings Cross are currently managed, if such a transfer can be shown to be in the public interest. Newcastle station falls into this category. This proposal should be welcomed, as it would provide long-term certainty of station management regardless of changes in train operating companies, and access to potential funding sources and property management and development activities co-ordinated by Network Rail.

5 **Next Steps**

- 5.1 Responses to consultation will be analysed by the DfT and any appropriate amendments made before an Invitation to Tender is issued later this year, at which time potential bidders will be invited to liaise further with the ITA and Nexus.
- 5.2 Subject to confirmation that the level of through train services between Glasgow and Newcastle will remain broadly similar under the proposed new arrangements, the contents of the consultation paper suggest that Newcastle passengers will continue to enjoy a fast and frequent service of trains on the East Coast route. The introduction of new rolling stock towards the end of the decade would result in further improvements in the longer-term, pending the eventual arrival of a High Speed Line.

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7 **Background Papers**

- 7.1 InterCity East Coast Franchise Consultation. Department for Transport 2010.

8 **Contact Officer (s)**

- 8.1 Toby Hughes, Director of Strategy, Nexus

Appendix ADraft ITA/Nexus Response to DfT East Coast Franchise Consultation

1. *Consultees are encouraged to consider the length of franchise and comment as to whether the proposed length is appropriate.*

The proposed increase in the franchise length is welcomed, and is seen as appropriate for a franchise which is likely to involve a substantial element of premium payments. It will give the successful franchisee time to invest in their staff and assets, and to achieve the economies of scale accruing from a longer return period. The proposed break clauses for non-performance will protect the interests of passengers and stakeholders.

2. *Consultees are invited to identify any specific local factors that they believe might influence the future level of passenger demand on the ECML.*

Local commuting flows along the ECML between Alnmouth, Morpeth, Newcastle, Durham and Darlington have consistently exceeded DfT forecasts over recent years. This trend seems likely to continue, as commuting distances to and from Tyne and Wear increase further. Service patterns should make provision for these movements and / or allocate sufficient capacity to other train operating companies to allow them to cater for predicted demand.

3. *The Department would welcome views on how the fares structure in this franchise could be made easier to understand, and whether there are any changes that would give passengers greater confidence in the fares system. Consultees are also invited to comment on opportunities to make better use of new technology.*

The current fares array can be confusing and inflexible; equally, it provides scope for some excellent value for money for those able to book with certainty well in advance. There is no objection to the practice of yield management as such, however the confusing way in which it continues to be presented online, and continuing doubts over the accessibility of such fares to customers who do not buy online, are matters of concern. The franchisee should be encouraged to introduce a simplified fares 'front page' online which sets out the lowest cost of the three cardinal fares identified by ATOC - Advance, Off Peak, Anytime - with a comprehensive selection of bespoke fares also available upon further enquiry. Franchisees should also be required to demonstrate how they will ensure that customers who are unable or unwilling to book online are not financially disadvantaged as a result.

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.

Nexus is currently co-ordinating the region-wide introduction of smart ticketing, via the North East Smart Ticketing Initiative (NESTI), and would welcome early discussions with the DfT and prospective franchisees to assess the extent of inter-availability and integration between NESTI and National Rail products and protocols.

4. *Consultees are invited to comment on whether the Department should require any specific revenue protection measures to be implemented by the new franchisee.*

There are currently no penalty fares schemes in operation amongst train operating companies using the northern section of the ECML. The Tyne and Wear Metro operates a penalty fares scheme across its network. The ITA and Nexus hold no particular view regarding the appropriateness of a penalty fares regime on East Coast services, but note that the recent installation of ticket barriers at certain stations could make the implementation of a penalty fares scheme more transparent than has been the case historically.

Adequate facilities for fare payment at destination stations with ticket barriers are required for those passengers who have boarded trains at tickets without barriers, and have been unable to buy tickets on board.

5. *The Department would welcome views on the priorities for additional services and any other train services that consultees believe should be addressed in the early years of the new franchise, including any specific aspirations for earlier or later services in the evenings or at weekends.*

Later services on Saturday evenings – where the last train from Edinburgh currently arrives at Newcastle at 2040 and becomes the final train of the day for stations south of Darlington – are sought. In addition, the needs of local commuting patterns along the ECML centred on Newcastle from stations between Berwick-upon-Tweed and Darlington need to be taken account of in the development of the new franchise and timetable; either in terms of provision by East Coast services, or through the adequate allocation of train paths and rolling stock to enable other operators to provide necessary services. Improved local services for Chester-le-Street and stations between Newcastle and Berwick are also sought to provide improved local journey opportunities, better integration with long distance ECML services, and more effective rail links across and beyond the Tyne and Wear city region.

6. *Consultees are invited to comment on the opportunities presented by the introduction of Super Express Trains and to identify their priorities for improving the train service offered by the ICEC franchise.*

The Department also seeks views on the extent to which it should secure aspects of the longer term train service pattern through the franchise specification.

In principle, the opportunities afforded by the introduction of Super Express trains are welcomed in terms of the faster journey speeds, additional capacity and frequency they will provide. The ITA and Nexus would wish to see these trains used to further improve the speed and frequency of ECML services along the route serving the Tyne and Wear area. The reference to the potential use of SETs to serve Sunderland station is noted; whilst their use may be desirable over the longer term, it would be unhelpful were this to create uncertainty with regard to the existing links provided on an open access basis by Grand Central.

It may therefore be more appropriate for the DfT to remain flexible over the proposed use of SETs until closer to the time of their introduction into service, given that the programme for construction and operation remains flexible at this stage. This would allow the DfT, the franchisee and stakeholders to take an informed view as to their optimum utilisation, based upon the experience of the initial years of the franchise, and the prevailing and predicted patterns of demand for rail travel.

7. *The Department would welcome views on how it might protect an acceptable level of catering provision on trains whilst allowing the franchisee flexibility to meet emerging demands.*

The current arrangements, whereby a proportion of trains are equipped to provide a full restaurant service to cater for business demand with the majority configured for buffets and snacks, appears to be an appropriate compromise between customer choice and financial efficiency.

8. *The Department would welcome views on the priorities for improvements to stations within the ICEC franchise area, including any particular accessibility and security issues.*

The ITA and Nexus seek improvements to accessibility at Newcastle station in two ways. From the standpoint of improved connectivity with the rest of the city and with the adjacent bus network, improvements to the pedestrian / vehicle interface in the station portico and clearer signage of bus routes would provide an improved passenger ambience and integrate the city more closely with station facilities. In the longer term, construction of a subway connecting Metro with all main-line platforms and the area south of the station would bring comprehensive passenger benefits.

9. *Consultees are asked to consider what environmental key performance indicators (KPIs) should be set within the franchise specification and whether it is appropriate to set particular targets or to require bidders to set their own bidding targets within their bids.*

The ITA and Nexus do not suggest any specific recommendations for KPIs, but note that the industry trend is towards reducing levels of energy consumption wherever possible. For instance, the 'Metro Re-invigoration Invitation to Negotiate', issued by Nexus in 2009, requires the successful operating concessionaire to achieve at least 7% high voltage consumption efficiencies over the lifetime of the Metro concession. Successful pricing policies should be used to ensure that East Coast trains achieve high occupancy rates, thereby reducing fuel consumption per passenger kilometre. Finally, maximum usage of the electrification infrastructure would increase the proportion of route kilometres whereby trains are powered by electricity generated from more sustainable sources, and it is anticipated that the introduction of SETs will go some way towards achieving this objective.

10. *Consultees are invited to identify any other matters that they believe should be included within the Department's base case specification for the new ICEC franchise.*

No further comments.

11. *The Department would welcome comments on the types and levels of investment or other commitments that might provide justification for a longer franchise to be awarded.*

Local authorities and any other potential funders are invited to submit their proposals for any increments or decrements to the Department's base case that they would wish to see included in the specification for the new franchise.

A commitment to invest substantially in station facilities – to the extent of funding major upgrades such as the proposed subway scheme at Newcastle station – would be considered sufficient justification for the awarding of a longer franchise.

The ITA and Nexus currently have no proposals for increments and decrements to the Department's base case franchise.

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Tyne and Wear Integrated Transport Authority

DATE: 25th March 2010

TITLE: Tyne and Wear City Region Transport Governance Review

REPORT OF: The Clerk to the Authority

Not confidential

District Implications: All of Tyne and Wear

1. Purpose of Report

1.1 The report sets out the conclusions to the Review of Transport Governance in the Tyne and Wear City Region.

2. Recommendations

2.1 Members are asked to note the content of the report.

3. Background

3.1 In summer 2008, and in line with Department for Transport guidance, the Tyne and Wear City Region Executive Board commissioned a review of options for improving transport governance across the City Region, with a view to ensuring that transport strategy makes a full contribution to the wider economic, social and environmental agenda.

3.2 The main objective of the Governance Review was to develop a governance model which will achieve better strategic decision making and delivery for transport in the City Region, and in turn support sustainable economic growth while retaining appropriate levels of democratic accountability.

3.3 Atkins consultants were commissioned to carry out the review, which has been conducted in two stages. Stage 1 was completed in late 2008, and set out potential areas for reform to address the issues and challenges identified. Stage 2 was completed in August 2009, and presented a set of proposals for governance reforms based on the outcomes of Stage 1 and further dialogue with partners and stakeholders

3.4 The review resulted in some changes to structures, mainly at the Tyne and Wear City Region level with no material changes to the ITA's role. The ITA will

continue to have the lead role for developing transport strategy in Tyne and Wear and will have a strong role to play in the development of City Region transport policy.

- 3.5 The City Region Executive Board agreed the following recommendations at its meeting in January 2010:
- Agree to the production of a City Region Transport Strategy by March 2011 which will have a high level strategic outlook and will link to the economic priorities identified by the economic review.
 - Agree to the establishment of a City Region Transport Sub-group reporting to the City Region Executive Board to oversee and steer the development of the City Region Transport Strategy.
 - Agree to the use of resources in the City Region Team budget to recruit dedicated officer capacity to produce a City Region Transport Strategy in partnership with local transport authorities.

The implications for the Tyne and Wear City Region and the ITA are discussed in more detail below.

4. **Proposals for improving governance and delivery of transport in the Tyne and Wear City Region**

- 4.1 There is no requirement for the preparation of a formal Governance Scheme (i.e. legislative changes requiring approval by the Secretary of State) at this stage, given that new working arrangements could be developed under existing powers. Partner organisations have consistently emphasised the need for partnership working and active engagement in new arrangements.
- 4.2 The City Region Transport Strategy will identify key outcomes and strategic investment priorities for transport within the defined functional economic geography of the Tyne and Wear City Region. The Strategy will be informed by evidence collected through studies undertaken as part of the Delivering a Sustainable Transport System (DaSTS) process and other research taking place as part of the City Region Economic Review. The Strategy will be prepared alongside the development of LTP 3 to ensure consistency and alignment so that LTPs can take account of high level City Region transport priorities. The strategy will inform any investment prioritisation processes at the national, regional or sub-regional level, including DaSTS and LTP investment planning.
- 4.3 Existing constitutional arrangements for the City Region Executive Board (non-statutory) should continue at this stage. However, other city regions such as Leeds are pursuing more formal arrangements, and these should not be ruled out in the future.
- 4.4 The City Region Executive Board is to have responsibility for the development of a City Region Transport Strategy. This strategy will form a framework plan to coordinate the three LTPs, linking transport to wider City Region economic objectives, identifying key outcomes and investment priorities for transport within the City Region's economic geography. An agreed City Region Transport

Strategy will be in place by the end of March 2011.

- 4.5 To oversee and inform the development of the City Region Transport Strategy a dedicated City Region Transport Sub-Group will be established. The Sub-Group will have an advisory role, with no decision making powers, and will report directly to the City Region Executive Board. Membership of this group will consist of the City Region Lead Elected Member/Mayor for Transport along with a representative from each of the sub-regional local transport authorities (in this case, the Chair of the Tyne and Wear ITA along with the Lead Elected Members for transport in Durham and Northumberland). Other partners and stakeholders of the Executive Board may also be invited to attend meetings where appropriate to contribute to the Transport Sub-Group. The Chair of the ITA will be Tyne and Wear's representative on the City Region Transport Sub Group and will be able to directly influence city regional transport strategy.
- 4.6 At present, there is no dedicated officer capacity to support City Region transport activity. In order to produce a City Region Transport Strategy, partners have identified the need for a transport specialist to be recruited to support the City Region and the City Region Executive Board agreed to this proposal.

Proposals for improving governance and delivery of transport in the Tyne and Wear Conurbation

- 4.7 As a result of the Local Transport Act (2008) and the Transport Governance Review, the ITA has strengthened its position in terms of developing transport strategy and policy at the Tyne and Wear level. The ITA will lead on the development of transport strategies for the Tyne and Wear, including the Local Transport Plan (LTP), aligned with the City Region Transport Strategy and Durham and Northumberland LTP's and will be able to influence the development of City Region transport strategy.

5. Next Steps

- 5.1 The first meeting of the City Region Transport Sub Group is scheduled for June 2010, and will be chaired by Mayor Arkley from North Tyneside. The group will meet quarterly.
- 5.2 The Economic Review of the City Region is due to be finalised in July so it will be important that the development of the City Region Transport Strategy is aligned with the outcomes of this piece of work.
- 5.3 We are progressing with plans for LTP3 and it is an opportune time to ensure that these are aligned with and are consistent with the emerging City Region Transport Strategy.
- 5.4 Recruitment is underway for the City Region Transport Adviser. It is anticipated that they will be appointed in April.

6. Further comments by the:

- **Clerk** (if any);

- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7. Background Papers

8.1 ITA Papers from November 2008, March 2009 and May 2009

9. Contact Officer (s)

9.1 Roger Gill, ITA Policy Manager, 0191 211 4805



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 25th March 2010**
Secured Services Strategy

REPORT OF **Director General of Nexus**

Not Confidential

District Implications: All Districts

1. Purpose of Report

1.1 To explain the development of the Secured Services Strategy, and to seek ITA agreement that the strategy be implemented with effect from April 2010.

2. Recommendations

2.1 Members are recommended to note the contents of the strategy, and to agree that it be adopted as Nexus policy with effect from 1 April 2010.

3. Summary of Key Issues

3.1 The Secured Services Strategy has been developed to guide the future provision of socially necessary bus services across Tyne and Wear.

3.2 Following public consultation, the ITA Bus Strategy Working Group has recommended that the strategy be formally adopted.

4. Information

4.1 All aspects of the activities of Nexus are being critically analysed through the development of a suite of strategies which will help to guide and inform the future direction of the organisation. In March 2009, the then PTA agreed to the adoption of the ITA/Nexus Bus Strategy which includes actions aimed at improving all aspects of bus travel across Tyne and Wear. An important aspect of this is the way in which Nexus delivers socially necessary bus services. This term covers the panoply of services not provided commercially by bus operators,

including secured scheduled bus services, LinkUp demand responsive transport, taxibuses, shopper services and support for community transport providers. With more than eight million passenger trips made yearly and an annual budget in excess of £10 million, the delivery of secured services forms an important part of the activities of Nexus. In this context, the need to deliver services relevant to the needs of passengers in a targeted and cost-effective way is all-important.

- 4.2 The strategy aims to achieve this by securing economies of scale and optimum use of technology to deliver services tailored and personalised to the needs of individuals and communities. It concentrates on the best way of delivering those needs from a menu of inputs and resources, with accessibility for all to key services as a guiding principle – an outcome of this process, for instance, is the iteration of the Accessible Bus Network Design Project which is, or will be, the subject of public consultation across most districts of Tyne and Wear.
- 4.3 The draft strategy is appended to this report, and provides full details of the proposed approach and anticipated outcomes. The process has been based around the principle of achieving significantly better value for money from a similar level of financial resources, enabling efficiency savings to facilitate the expansion of services for users and communities with greater levels of need. A key recommendation is the withdrawal of the existing Tyne and Wear-wide LinkUp demand responsive transport service and the provision of suitable alternatives, including additional scheduled secured bus services, taxibuses, community transport and other tailored provision as dictated by specific circumstances. The strategy will be annually refreshed to reflect prevailing financial circumstances and feedback received from passengers and service providers.
- 4.4 The ITA Bus Strategy Working Group previously considered the draft strategy at its meeting held on 22 October 2009, where it was agreed that the strategy would be advertised for public consultation over an eight-week period. This process included publication of the document in full on the Nexus website, and requests for comments from all bus service providers, local authorities and local strategic partnerships, along with other interested parties such as third sector organisations. A total of 17 responses were received; the majority were in general or strong agreement with the proposed direction of the strategy although some reservations were expressed by bus operators. A summary of the responses received is attached as Appendix 1. The Working Group agreed at its 21 January meeting to recommend to the ITA that the strategy be adopted.

5. **Next Steps**

- 5.1 Subject to ITA agreement, elements of the strategy will be implemented progressively and upon the expiry of existing contractual arrangements.

6. **Further comments by the:**

- **Clerk** (if any);

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.

- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7 Background Papers

7.1 Secured Services Strategy 2010-12.

8 Contact Officer (s)

8.1 Tobyn Hughes, Director of Strategy, Nexus

APPENDIX 1

Summary of Responses to Secured Services Strategy Consultation

Bus Operator - some agreement with value for money and flexibility of service delivery objectives, but concerns over the complexity and feasibility of the assessment criteria set out in the strategy. Doubts expressed over the availability of funding to support the initiatives described, and considers the strategy approach will increase dependency on subsidy, rather than encouraging increased viability of commercial services via a partnership approach in which Nexus directs its resources towards marketing public transport and influencing council policy on bus priority and highways development.

Bus Operator - general agreement with the strategy approach. Questions the magnitude of savings to be achieved through contract bundling.

4 bus operators - general agreement with the strategy approach.

North Tyneside Council –

- The definition of ‘customer needs’ should extend to the demands of those currently unable to use secured services, for whatever reason.
- The carbon footprint of the network should be kept under review, with targets for reduction.

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- An objective to deliver 'Smarter Choices' aims should be more clearly defined within the strategy.
- More fixed-route services sought, and a reduction in LinkUp provision supported.
- Greater use of taxis and private hire vehicles sought as part of the public transport network through taxibus and demand-responsive services.
- Some secured service contracts should specify provision for the carriage of cycles.
- Benchmarking process sought, to establish equality of provision by district across Tyne and Wear.

Sunderland City Council - general agreement with the strategy approach, suggests an examination of the potential for joint working with other sectors of public services e.g. Adult Services, NHS. Seeking further information on current level of service provision in Sunderland before able to comment on any detailed impact of the proposed changes.

Gateshead Council – in agreement with the direction of the strategy, seeking a more complete explanation of the replacement provision for LinkUp (to be delivered at a local level through the Accessible Network Design Project consultation process).

Taxi Operator – agreement with the strategy approach, favours greater use of taxibus contracts.

Taxi Association – suggested personalisation of services be accompanied by greater autonomy on choosing service providers, favours greater use of taxibus contracts, does not support greater involvement of community transport service providers, suggests replacement of LinkUp operations with subsidised taxis.

Hackney Carriage Association – suggests an automated taxi hailing system using a network of on-street call boxes across North Tyneside.

Members of public – general agreement, suggestion that the same company should provide daytime and evening services to allow for the use of company-specific season tickets.

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.



Secured Services Strategy 2010 – 2012

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1. Executive Summary

- 1.1 Secured services are an essential part of what Nexus does to improve accessibility for all of Tyne and Wear's citizens. The phrase 'secured services' encompasses a variety of products which aim to fill the gap between what is provided commercially, and what is required to provide a uniform standard of access across our region. Often unseen and unknown to many, they are nonetheless an essential part of what we offer to maintain and improve people's quality of life.
- 1.2 With an annual budget in excess of £10 million, secured services represent a major element of the expenditure plans of Nexus. It is therefore important to critically examine the services which we provide both in terms of their basic 'value for money', and also to assess the extent to which they address the ITA's overarching objectives concerning reducing congestion, reducing transport-related social exclusion, economic regeneration and environmental protection.
- 1.3 We also need to take account of changing demands for our services. The basic structure of secured service provision dates from the time of 1980s deregulation, with incremental adjustments. Taking account of the changes within society which have taken place since then, and the potential offered by the provisions of the Local Transport Act 2008, the time is right to look afresh at what Nexus provides in the way of secured services, and why.
- 1.4 Many of the basic requirements remain. We still need to make sure that the specific transport needs of children and older people are met, and that the requirements of more vulnerable people are properly catered for. We aim to do this going forward, as now, in partnership with a wide variety of private, public and third sector organisations. One of the chief differences in how we will fulfil our obligations in future is in terms of the intelligent use of technology to deliver a more personalised service. Through the use of smart ticketing products and scheduling and despatching software, Nexus will aim to co-ordinate a range of products and providers to deliver a transport offer for individuals and groups which is both seamless and diverse.

- 1.5 The recently published ITA/Nexus Bus Strategy also guides the principles of this strategy. Many of the pledges within the Bus Strategy relating to accessibility and equality will be fulfilled by the types of services described within this document. In particular, aspects of service delivery relating to minimum distances to bus routes, and the partnership approach to network delivery, have informed the detail of many of the measures proposed.
- 1.6 All of our customers have different needs, including those currently unable to use secured services, for whatever reason. By recognising this and by building up a greater understanding of the needs of current and prospective users through customer relationship management techniques, Nexus aims to provide services which are relevant and affordable, centred on what people require from a flexible public transport network.
- 1.7 The proposals and recommendations of this strategy are based on four key objectives :-
- Design a package of services to meet customer needs
 - Deliver a framework for secured transport provision
 - Deliver a flexible hierarchy of services
 - Provide value for money
- 1.8 In developing a medium-term forward strategy for secured services, we have also taken account of the following:
- much of what we already provide is well-used and cost-effective;
 - the appropriate use of new technology can bring cost savings;
 - there is further scope for efficiencies in service procurement and delivery, and
 - we have learned much from the delivery of flexible transport services.
- 1.9 The main proposals of the strategy are described in summary below. A matrix of options for service provision indicates the appropriate level of provision to meet an identified level of

demand. We aim to continue to maximise integration and co-ordination with the commercially operated bus network, whilst also procuring a wider range of secured service delivery from a more varied menu of options.

LinkUp Demand Responsive Transport (DRT)

- 1.10 A change in the way vehicles dedicated to the LinkUp contract are utilised is recommended prior to the expiry of the current operating contract, with resources progressively redirected towards the provision of fixed route, timetabled services. DRT in its current Tyne and Wear-wide service provision model is expensive to operate per passenger trip, and the concept has not been taken up by the number of users predicted at the outset, as use has been constrained by the availability of capacity at times of high demand. Suitable travel alternatives will be sought for existing LinkUp users including scheduled services, community transport and taxi / private hire provision as appropriate to individual circumstances.

Scheduled Tendered Bus Services

- 1.11 It is proposed to initiate a pilot programme of bundling together many existing contracts within a defined area, to seek economies of scale in operation, and to effect administrative savings. The opportunity exists for this activity to be co-ordinated with the establishment of area-based voluntary bus partnerships.
- 1.12 The practicalities of Nexus owning vehicles for secured services will be investigated, and improved marketing and branding of these services will be developed.

Community Transport and Vehicle Brokerage

- 1.13 The continued involvement of the community transport in delivering secured services is recommended, for social enterprise and equity reasons. Those organisations demonstrating the necessary competencies should be able to tender on an equal basis with all other interested parties for a range of secured services provision, including scheduled services, group transport and shopper services.
- 1.14 Nexus will continue to encourage increased levels of vehicle brokerage activity across Tyne and Wear.

Taxibuses

- 1.15 Taxibuses have demonstrated their abilities in several niche roles in parts of the area in recent years. Nexus will continue to include the concept within a portfolio of appropriate interventions for this category of secured service.

TaxiCard

- 1.16 It is recommended that current use of the product continues, as market research demonstrates that the majority of users are very satisfied with the service provided. Also, an evaluation of the potential for further use of the concept and its associated technology is recommended.

Taxi and Private Hire providers

- 1.17 The strategy identifies that the sector can play a role in the fulfilment of Nexus' secured service obligations, subject to value for money, equity and availability criteria being met. This is most likely to be the case in circumstances where the level of passenger demand is low and random in nature.

2. Strategic Context



- 2.1 The Secured Services Strategy is a sub-set of the Nexus/ITA Bus Strategy, which defines a framework of actions designed to ensure that bus travel is accessible, affordable, reliable and safe. The key policy drivers of the Bus Strategy, from the Local Transport Act through *DaSTS*¹ to the Tyne and Wear Local Transport Plan² also inform this strategy indirectly, however the central context of this strategy is that it allows the intended outcomes of the Bus Strategy to be delivered at a local level, regardless of who runs the service and on what financial basis.
- 2.2 Users of secured transport disproportionately comprise holders of concessionary passes: young and elderly people, and people with disabilities.³ In terms of achieving objectives of increasing personal accessibility and reducing transport-related social exclusion, the services covered by this strategy have a key role to play. Therefore although a key output of the strategy is to operate the secured transport network efficiently within available resources, of equal importance is the need to ensure that

¹ Delivering a Sustainable Transport System, Department for Transport 2008

² Tyne and Wear Local Transport Plan 2006-11

³ Nexus Market Research LinkUp Study: May 2007

changes to existing provision will result in service improvements by making transport easier and more convenient to use.

3. Introduction

3.1 Secured services are provided by Nexus where a private sector solution, delivered on a commercial basis, is not offered by the market. Such services are provided through a number of different delivery mechanisms. Whilst the conventional bus vehicle, operating to a published timetable, remains the most common type of secured service, an increasing number of alternatives are being used to ensure that value for money and flexibilities are achieved, and that the most appropriate type of provision is supplied to meet customers' needs.

The current framework of secured service provision in its simplest terms, indicating the scale of each activity, is as follows:

	Cost per journey	Users per year
Tendered Bus Services	71p	8,400,000
LinkUp	£11.18	127,000
Group Travel	£5.63	80,000
Shopper Services	£3.97	17,500
Taxi bus	£2.56	55,000
TaxiCard	£3.28	64,000*

*Based upon 32,000 journeys September 2008 - March 2009

4. Objectives

4.1 The objectives set for this strategy are to:

- Design a package of services to meet customer needs
- Deliver a framework for secured transport provision
- Deliver a flexible hierarchy of services
- Provide value for money

4.2 In meeting these objectives, Nexus and the ITA will aim to ensure that public transport allows people in Tyne and Wear to have convenient access to essential services, and that a comprehensive integrated transport network is maintained, meeting local, regional and national requirements. Equality of provision by district across Tyne and Wear will be sought, with individual and area-based interventions tailored closely to meet local circumstances.

5. Current Situation

5.1 The current provision of secured services is summarised below:

5.1.1 **Tendered services**

These comprise the bulk of the services currently paid for by Nexus. Most of the current 277 contracts are operated by the three large bus companies based within the region – Arriva, Go North East and Stagecoach - although a number of smaller operators also successfully tender for these contracts. These services operate according to individual contracts and are provided by Nexus as fulfilling specified cost/benefit and accessibility criteria. Works and schools services also come into this category – the latter being the subject of the School Travel Strategy. Nexus also secures most Boxing Day bus services. 8.4 million journeys were made on secured services during 2008/09, at an average cost of £0.71 per journey. The current network of secured service provision has a long and evolutionary history, in some cases preceding deregulation. Services have adapted since deregulation to changing patterns of demand due to housing, employment and demographic changes, as well as to the ebb and flow of the commercial bus network. Over time, the process of service specification has become increasingly quantitative as modelling and accessibility planning techniques have increased in importance. To some extent however, the network continues react to short-term, unpredictable imperatives.

5.1.2 **LinkUp**

The LinkUp service came into existence in July 2006 a replacement, with TaxiLink, for the former Care Service and Ucall services. Regular users of the Care Service had declined to about 3,500 of 18,000 registered members; this change was attributed to the high proportion of low floor vehicles in the Tyne and Wear bus fleet. It was proposed to replace the Care Service (and the fixed route Ucall operation) with a taxi-based service (which became TaxiLink) and community buses (which became LinkUp). The community buses would operate both as demand-responsive and fixed route. The report forecast that there would be a slight saving in costs and that overall numbers of journeys would increase from 307,000 per year to 540,000 per year with the average cost per trip halved from £8.14 to £4.07.

LinkUp currently delivers a total of 436,000 journeys (fixed route and demand responsive) at a cost per passenger of £5.28. This breaks down into 309,000 journeys fixed route at a cost of £1.47, and 127,000 demand responsive journeys at a cost of £11.18. The level of requests which cannot be fulfilled is running at 13%. There are 21,600 registered users of the scheme, but only around 4,100 active users. Half of all journeys are made by just 378 users (9% of active members). Some high users gain very high levels of subsidy from the scheme, the highest user obtains an annual equivalent subsidy of almost £10,000, and the top one hundred obtain an equivalent annual subsidy of over £3,300 each.

Benchmarking with other PTEs is more difficult than usual in respect of demand responsive transport provision, because of differing models of provision and the inclusion or otherwise of all overhead costs. Greater Manchester PTE quotes £4.71 per passenger trip for their Local Link service, but this reflects a provision model combining the use of buses and shared taxis.

Some areas show high demand, such as parts of South Tyneside, east Gateshead, outer west Newcastle, and the 'Sunderland Coalfield' areas. Areas such as south and west Gateshead, North Tyneside and Sunderland (east of the A19) show little interest in the product. The reasons for this disparity are not wholly clear. The intensity of the existing bus network may be a factor, (e.g. in Sunderland) but that does not explain the lack of demand in other areas. Such variability in demand helps to explain the wide range of variable costs produced in operating the service, by time of day and day of week according to the location and usage of each vehicle.

Reasons for high cost per passenger include vehicles spending a large proportion of their time moving from one job to another, and the jobs themselves covering very long distances. As a result, the unproductive time of the vehicles ranges between 15% and 40%, depending on time of day and day of week. Vehicle occupancy is usually one (70%), with the majority of others being couples, with occasional 'block bookings'. Journey purposes are predominantly entertainment/visiting (48%), work (21%) shopping (16%) and health-related (5%). One of the original concepts of LinkUp was to provide connections to mainstream public transport services. This has not taken place to any great extent, and it has been used by customers mainly as a door-to-door service.

LinkUp services are open to all, with no age or medically-related criteria. That said, 70% of users are aged 60 or over, and evidence from surveys suggests that many users have mobility problems and regard LinkUp as a replacement for the former Care Service. The service is highly valued by those who are able to access it, enabling people to be socially active. It is therefore important that adequate replacement facilities are provided for these customers. However, about half of users did use other forms of public transport, demonstrating their capability to use accessible buses and Metro.

Mystery shopping commissioned by Nexus has identified the following issues:

- Difficulty in getting through to the call centre
- Some call takers more effective than others, though staff always friendly and professional

In summary: LinkUp works well for a very small number of users. In attempting to enhance social inclusion at a time of commercial service withdrawals, a universal system has been provided which provides a theoretically equal level of service provision, irrespective of any definition of need. However, the resources allocated are insufficient to provide that level of service effectively, a situation which has to some extent been masked by lower than expected demand. Experience has also shown that the current vehicles are too large for the service, on the basis of average loads carried on demand responsive trips. On average, DRT proves to be an expensive option per passenger trip on the basis of 'universal' availability and restricted demand, however in certain circumstances it works well and at a significantly lower cost per passenger, suggesting that a different operating model could deliver a very different outcome.

5.1.3 Community Transport

These are not-for-profit, community-based transport resources operated on a social enterprise basis. Nexus currently uses community transport organisations to provide group travel and shopper services; a recent development has been their success in tendering for a scheduled secured service – 8X in South Hylton. The main providers are currently Compass Community Transport and Connect, based in Sunderland and South Tyneside respectively. At present, the scale of their activity carried out on behalf of Nexus is fairly low outside of the provision of tailored facilities for older people and people with disabilities.

Community transport provision sub-divides into:

- **Shopper services:** pre-arranged trips for elderly and disabled people at an average cost of £3.97 per journey, between residential areas and neighbourhood centres, organised in collaboration with agencies such as Age Concern.
- **Group travel:** a transport resource for neighbourhood organisations and groups with a common interest, involving trips to destinations of their choice and restricted to group members. Group Travel and Shopper Services provide 80,000 journeys per year at a cost of £5.63 per journey. The use of these services is restricted to membership of an identified group known and approved by Nexus. They are not accessible on demand by the public as a whole.
- **Vehicle brokerage:** where a 'clearing house' of requests for vehicle resources attempts to match supply with demand through the use of vehicles owned by community groups and public sector bodies.

Case Study: Compass Community Transport

Compass is Sunderland's community transport provider. It has grown from small beginnings to its current more sustainable size. With a fleet of 13 vehicles, including a new 25-seat midibus, Compass operates group transport on behalf of Nexus and Sunderland City Council, and operates scheduled services in the Hendon and South Hylton areas.

Case Study: Vehicle Brokerage in North Tyneside

North Tyneside Council was an early exponent of vehicle brokerage as a means of meeting specific transport needs in particular areas. Student transport between educational sites in the north west of the borough is provided via a combination of the authority's own vehicles and support from community transport provider Connect. This provides the flexibility of a tailored service based upon social enterprise, not-for-profit principles.



5.1.4 Taxi operations

Legal position

Taxis and private hire vehicles are separate entities in terms of their functions and legal obligations. Taxis – more accurately hackney carriage vehicles - are more closely regulated. Journeys made by taxi have regulated maximum tariffs, and taxis are permitted to ply for hire on-street or on ranks in the council district in which they are licensed. Additionally, taxis can trade as private hire vehicles in areas outwith their licensing district. PHVs do not operate a system of tariffs, fares are agreed between operator and passenger, and drivers are not permitted to pick up passengers on-street, but only through a booking made via a company office.

Taxibuses

A network of seven taxibus services is co-ordinated by Nexus. Taxibuses are large taxis operating timetabled services under a restricted bus operator's licence – providing daytime links to local services. They are particularly versatile in penetrating residential estates where the road geometry prohibits the use of larger buses, and in doing so may open up areas previously out-of-bounds to bus operations – with consequent benefits for area accessibility targets. This has proven to be the case in the Eighton Banks area of Gateshead, served by Taxibus 10. Taxibus operations are best suited to areas with a low but steady demand for trips to and from local neighbourhood services. Taxibuses are available for all to use, with no eligibility criteria in force.

Taxibus services as defined by Section 12 of the Transport Act 1985 may be provided by either hackney carriage vehicles or – as amended by the Local Transport Act 2008 – by private hire vehicles, so long as the operator holds a “special restricted” O-licence from the Traffic Commissioner. The conditions are the same for both, that a registered taxibus service must have at least one stopping point in the area in which the vehicle is licenced. The 2008 Act also amends the provisions of Section 19 of the 1985 Act in relation to providing services to isolated communities. This legislation allows not-for-profit voluntary

organisations to serve those residents of an isolated geographical area who do not have access to public transport. Such restrictions require pre-booking of trips. The amendment removes the former maximum vehicle capacity of 16 seats, allows drivers to be paid, and imposes a five year maximum validity for such permits.

TaxiCard

Travel resources for people with disabilities and other medical needs are provided through the Nexus TaxiCard scheme, which the sector operates on our behalf. This scheme replaced the former TaxiLink service with a smart-card type operation during September 2008. Previously, TaxiLink had provided about 125,000 journeys at a cost per passenger of just over £8.00. The replacement service, TaxiCard, delivered 32,000 journeys in the first six months of operation at a cost per journey of £3.28.

Around 3000 TaxiCards are used by people who have difficulty in using other forms of public transport and an estimated 950 vehicles across Tyne and Wear are equipped with a reader. Evolving technology offers the potential for taxis and private hire operations to play a wider role in the delivery of secured public transport – such as through the use of smart ticketing products – but this has yet to develop beyond the TaxiCard niche product. Overall satisfaction with TaxiCard is high with a user survey recording an overall score of 86%, and 82% of respondents considering it good value for money⁴.

Case Study: Nexus TaxiCard

Nexus introduced a new way of paying for subsidised taxi trips for people who are medically eligible, in September 2008. Using smartcard technology, individuals are able to use up to £200 annual subsidy as they wish on taxi journeys with a maximum subsidy per trip of £2.50⁵ making their own arrangements direct

⁴ Nexus TaxiCard user survey 2009

⁵ Changes to be introduced from April 2010: Maximum spend £225 p.a. maximum fare subsidised at half fare increased to £6, initial £1.50 passenger contribution abolished.

with the taxi operator, and removing the need for an intermediate call centre booking system. This has reduced the subsidy per passenger trip from just over £8.00 under the old Taxilink system to £3.28 during the first six months of Taxicard operation.

5.1.5 Commercially operated non-core services: these are services operated commercially by bus companies but which do not form part of what they might view as their core or trunk networks. These services are potentially within the scope of this strategy because they are regularly reviewed for commercial viability, and it cannot be assumed that their operation on a commercial basis will continue indefinitely. An assessment of how these services are provided within the context of the Bus Network Design Project, in partnership with commercial operators, may suggest more efficient delivery frameworks which cost-effectively meet local accessibility targets.

5.2 Table 5.1 below summarises the attributes and costs of each of the modes described above.

	Advantages	Disadvantages	Costs (2008/09 unless stated)	Opportunities
Tendered services	<p>Offer good value for money</p> <p>Easily understood by users</p> <p>Good links with commercial bus network</p>	<p>Not very flexible to changing circumstances</p> <p>Cost per passenger journey rises if patronage falls</p> <p>Frequent over-capacity by route and by time of day</p>	<p>£0.71 per passenger trip</p>	<p>Bundling of tenders could bring about cost savings</p> <p>Partnership agreements with operators can bring about increased network stability</p> <p>Improved integration with Metro and Superoutes could release resources for use elsewhere</p>
LinkUp DRT	<p>Truly demand responsive, meeting individual travel requirements</p>	<p>Expensive to provide</p> <p>Concept is difficult to 'sell' to potential users</p> <p>Supply and demand frequently mis-matched</p>	<p>£11.18 per trip made</p> <p>Highest by far of any secured mode</p>	<p>Cost and under-utilisation limit the potential of LinkUp</p> <p>Niche role in specific (remote) locations and particular times of day</p> <p>Opportunities exist to incorporate attributes of LinkUp into a wider application of the TaxiCard</p>

					concept
Shopper services	<p>Allows elderly people with mobility issues easy access to the shops</p> <p>Friendly and sociable transport provision, reducing social exclusion</p> <p>Potential opportunities for community transport providers</p>	<p>Restricted to a limited cohort of transport users</p> <p>Relatively costly to provide</p>	<p>£3.97 per person per trip (often shared with local authority partners)</p>	<p>Potential to develop services through closer liaison with third sector</p> <p>Vehicle brokerage opportunities</p>	
Group travel	<p>Social enterprise-based transport provision, boosting community cohesion</p> <p>Group travel allows users to build confidence in using transport</p> <p>Potential opportunities for community</p>	<p>Potentially restricted to a limited cohort of transport users</p> <p>Relatively costly to provide</p> <p>Demand may outstrip supply</p>	<p>£5.63 per person per trip</p>	<p>Potential to develop services through closer liaison with third sector and local authority groups – or to devolve operation to these bodies</p> <p>Vehicle brokerage opportunities</p>	

	transport providers to provide wider benefits to the community			
Brokerage	<p>Optimum use of resources, 'whole greater than sum of parts'</p> <p>Allows vehicle owners to reduce costs</p> <p>Can foster closer links between partner organisations</p>	<p>Can be difficult to achieve effectively in practice</p> <p>Bureaucratic issues need to be overcome</p> <p>Mismatch between supply and demand can occur</p> <p>Lack of knowledge of brokerage options can affect success of concept</p>	<p>No information available</p> <p>Costs are difficult to quantify and are often internalised by owning organisations</p>	<p>Considerable potential exists for increased vehicle brokerage, depending on the use of technology and awareness of the pool of transport resources</p> <p>Brokerage opportunities exist within and between public sector bodies e.g. Adult Services departments, the NHS, and between third sector organisations</p>
TaxiCard	<p>Technology allows a personalised service to be provided to clients</p> <p>Smartcard avoids the need for intermediate call centre</p> <p>Involvement of</p>	<p>Some high-use customers have fewer opportunities to travel than previously</p> <p>Occasional reliability issues with taxi contractors and smart technology</p> <p>Uptake has been lower</p>	<p>£3.28 per passenger trip (Sept 2008 – March 2009)</p>	<p>Mostly positive experiences with smart media suggests a greater potential role for TaxiCard transactions</p> <p>Larger taxi firms have the technology to expand the scope of TaxiCard beyond current limits</p>

	hackney and private hire sector in delivering public transport Lower costs	than predicted		
Taxi Bus	Niche role in local transport provision More flexible for customers as can operate as "hail and ride" under certain conditions. Cheaper than LinkUp provision Accessibility advantages in specific locations (housing estates)	More expensive than average cost of tendered service – although normally a replacement for the worst-performing services	£2.56 per passenger boarding	Further limited opportunities likely as secured service patronage decreases Option of bundled contracts to achieve greater scale economies
Private hire / taxis	Fully flexible Theoretical 24/7 availability Cost-effective to Nexus under certain	Expensive to Nexus on a large scale Availability restricted at times of high demand Potential cost to non-	No information available	Extension of current TaxiCard to a wider cohort of transport users under certain specific and defined circumstances

	circumstances	concessionary customers		
Commercially operated non-core services	<p>Often comprise orbital routes and links to smaller communities, improving network cohesion</p> <p>Local links between communities</p> <p>Good value for public sector</p>	<p>Vulnerable to alteration or withdrawal by operators</p> <p>Older vehicles often employed</p> <p>Rarely marketed or promoted</p>	No subsidy from Nexus	<p>Incorporation of these services into VMA arrangements e.g. East Gateshead would provide increased network stability</p>

5.3 Financial comparisons with other PTEs

2008/09	Centro	GMPTE	Merseytravel	Nexus	South Yorkshire	West Yorkshire
Net expenditure on local bus service contracts	£8,058,000	£18,432,745	£15,884,000	£9,120,000	£7,622,522	£16,258,000
ITA Budget 2008/09	£119,782,000	£129,973,062	£87,500,000	£64,161,760	£93,800,000	£89,147,000
Secured Services as % of ITA budget	6.73%	14.18%	18.15%	14.21%	8.18%	18.24%
Population	2,591,300	2,562,200	1,353,575	1,095,200	1,305,900	2,200,000
Cost per head	£3.11	£7.19	£11.73	£8.33	£5.88	£7.39

Source: ATCO Price, Expenditure and Competition Survey 2009

The table above demonstrates the diversity of expenditure on secured local bus services across PTE areas, largely reflecting local circumstances. Nexus expenditure per head of population is close to the mean of the six PTEs.

6. Links to other strategies

Equality and Diversity Strategy

- 6.1 Through the objectives of the Equality and Diversity Strategy, Nexus aims to provide a transport system which is accessible to all, in all respects. We recognise that the provision and use of secured services can play an important part in working towards a more equal and diverse society. We aim to incorporate these objectives within our all of our strategies from first principles. During the consultation process, we will pay particular attention to feedback from groups and individuals as to how this strategy can meet these objectives. Secured services must be genuinely accessible to all, in both physical and perceptual terms. All future secured service contracts will specify the use of low-floor vehicles (currently excluding dedicated works and schools services). Where a non-accessible vehicle operates a service secured by Nexus, there will be a guarantee of alternative accessible taxi provision, on request.
- 6.2 This strategy has been the assessed by the Nexus Comprehensive Screening Tool to ensure that it addresses equality and diversity issues as fully as possible, and identified areas for improvement are flagged up for future improvement.

ITA / Nexus Bus Strategy

- 6.3 The Bus Strategy defines our core aims for bus travel: accessible, attractive services helping to reduce traffic congestion and promote social inclusion across Tyne and Wear. It underlines the importance of unprofitable, non-commercial services in providing essential links for individuals and communities. The Bus Strategy sets the agenda: the Secured Services Strategy outlines the ways in which that agenda can be delivered effectively and efficiently, in terms of socially necessary services.

Network Design Project

- 6.4 The project aims to identify the most effective ways of providing a consistently high standard of network provision across Tyne and Wear, based upon accessibility to key services and corridors. It defines the optimum network. The Secured Services Strategy, together with operator partners, then identifies how that network

can be established and maintained and puts forward a range of delivery options.

School Travel Strategy

- 6.5 A strategy for the future delivery of home-to-school transport for under-18s in Tyne and Wear is currently being produced. Its outcomes will aim to reflect the requirements and aspirations of the ITA and of schools, colleges, parents and guardians. It will examine the range of possible delivery mechanisms ranging from vehicle brokerage through current methods of provision to a fleet of dedicated vehicles. Schools transport is a major area of secured services provision, with 2.4 million journeys made annually at a cost of £3.1 million.
- 6.6 One aspect of current home-to-school transport relevant to the Secured Services Strategy is the dual use of buses on schools and works contracts as part of 'miscellaneous workings' contracts. This method of provision captures scale economies by enabling one bus to perform two or more separate roles in both morning and afternoon peaks. The recommendations of the SchoolTravel Strategy will inform this strategy during the annual refresh process, and it will take account of the implications of the recommendations set out in the following section.

Fares and Ticketing Strategy

- 6.7 A strategy outlining improvements to fares and ticketing products across all modes is being prepared alongside this strategy. It aims to make paying for and using buses as fair and simple as possible, through the appropriate use of new technologies and suggested interventions for passengers who may experience affordability issues.
- 6.8 Nexus sets the fares and specifies ticketing products across all secured service provision, working to guidance set by the ITA. This offers the opportunity for these services to make a real difference to the affordability and accessibility of travel. Despite a significant proportion of the secured service market comprising those eligible for concessionary free or reduced-rate travel, many other users would benefit from cheaper or simpler products. The progressive roll-out of smart ticketing products will help to deliver them; the advent of a multi-functional card, capable of being used across modes such as bus, taxi and community transport, could be the key which unlocks the true

benefits of a range of secured transport provision, easily accessible via a single payment / entitlement portal.

Smarter Choices

- 6.9 The Smarter Choices agenda aims to foster sustainable, socially inclusive transport by focusing on attitudinal and lifestyle changes which individuals and groups can make. The strength of Smarter Choices lies in its marketing and awareness techniques which can increase the use of bus travel through a better understanding of its benefits to individuals and society. The Tyne and Wear Smarter Choices team, based at Nexus, will work towards the implementation of this strategy as part of their wider portfolio of activities. By helping to secure modal shift away from car use where possible, and raise public awareness of more sustainable transport options by making services easier to access and use for the full range of users and potential users, this strategy will help to deliver Smarter Choices objectives.

Environment Strategy

- 6.10 The relevant objective of this strategy is to play a key role, in partnership with local authorities and operators, in developing and implementing environmental and transport policies that will be efficient and sustainable. By providing essential public transport which is not commercially viable in as resource-efficient a way as possible, we aim to encourage modal shift towards bus use and to help combat climate change.
- 6.11 The carbon footprint of the secured services network will be kept under review, with the aim of achieving lower emissions levels through technological and resource efficiencies.

7. Options and Recommendations

- 7.1 The options listed below refer back to the objectives listed in Section 4. As far as possible within any legislative and financial constraints, Nexus aims to tailor its secured service provision to genuinely address the needs of the people who currently use them, or may do so in the future. In order to achieve this from first principles, the critical appraisal of each delivery option at Table 5.1 is combined with an analysis of how each mode relates to the strategy's key objectives, to create the recommendations set out below.
- 7.2 We recognise that secured services, specified and paid for by Nexus, are well-positioned to make real improvements to people's everyday lives. The impact of these improvements can be added to by effective partnership working with a wide range of public, private and third sector organisations
- 7.3 Following the analysis by mode of service provision below, the issues of demand thresholds and a service scoring system are discussed, to illustrate how Nexus proposes to allocate resources to meet the needs of secured service users. These tools continue to be refined as the Accessible Network Design Project develops; the purpose of this strategy at present is to clearly define the nature of the processes which will be used to match demand with supply, and to ensure that the secured service network meets the accessibility needs of our customers as effectively as possible.

Analysis of options by delivery mode

LinkUp Demand Responsive Transport

7.4 The options for LinkUp going forward are:

	Advantages	Disadvantages	Costs
1. Continue service as currently operating	User familiarity Comprehensive DRT provision	Poor value for money compared to other forms of secured service delivery Limited demand in dense urban areas Current offer could not accommodate potential demand Passengers appear to prefer timetabled fixed routes Limited opportunity to refine or amend the booking approach in the short term.	Very high £11.18 per trip made in 2008/09
2. Continue operation of LinkUp under limited defined circumstances where product is well-used	LinkUp has customer loyalty and recognition in certain defined locations e.g. Sunderland Coalfields area Core-and-feeder principle	Contact centre overheads would increase per passenger trip as volumes reduce, unless an alternative fulfilment mechanism is sought Perceptions of a two-tier standard of	Likely to be reduced, but central overheads would remain high

	is suitable for DRT operation where it attracts patronage	service provision if not continued across Tyne and Wear	
3. Replace LinkUp with a taxi-based service	Cheaper to operate per passenger assuming current patronage levels	Equity considerations – firm justification for taxi use required Concerns of non-contracted taxi and private hire operators and of bus operators Practicalities of this change in provision will be complex – possible extension of TaxiCard concept beyond current medically-defined user base	Not known
4. Disband service in current format and redeploy resources	In the majority of locations, the under-utilised LinkUp resource can be more effectively used to deliver elements of the fixed secured service network currently sourced via other providers	A small number of regular LinkUp users will be adversely affected if the service facility is withdrawn, unless bespoke alternatives are identified and provided	Costs per passenger trip will reduce: the headline costs for DRT and tendered fixed-route scheduled secured services are £11.18 and 71p respectively

	<p>Removal of contact centre and certain other overheads</p> <p>Significant opportunities to provide additional services using the LinkUp fleet</p>		
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- 7.5 Option 4 is recommended for implementation. The benefits to be gained by increasing the use made of the buses currently deployed in the under-used LinkUp outweigh the disadvantages that will accrue to a small minority of LinkUp users. It is proposed that the vehicles currently deployed on a demand responsive basis will be made available in the short-term to provide fixed scheduled services along corridors where there is a proven level of existing demand: this practice is already taking place in certain areas to reflect specific local circumstances.
- 7.6 DRT in the form of LinkUp has proven to be an expensive option, providing a very high flexibility of service for too small a pool of users. Experience has shown that DRT should be used only in circumstances where no alternative methods of transport provision are feasible. Consideration should be given to a system of benchmarking the need for some critical services; there is no doubt that DRT can provide an extremely high standard of service, but at a commensurate cost. If there are locations and customers for whom DRT can genuinely be justified then this should continue to be the case, so long as the continuing high cost implications and the limited scope to effect further future savings are accepted.
- 7.7 A shift in service provision on this scale would require a comprehensive communications plan to ensure that the 3500 or so regular users of LinkUp are not overly disadvantaged by the change, and are aware of the alternative options available to them. Where customers are significantly disadvantaged by proposed changes in service provision, personalised journey planning techniques will be offered, which may result in a number of different travel options being identified.
- 7.8 As the existing LinkUp contract with the service provider expires in summer 2011, it is proposed that DRT operation is reduced in scope prior to this time. However, it should be noted that the

contract between Nexus and the service provider could not be terminated in advance of this date. As associated overheads will increase further per passenger trip as volumes reduce, it is recommended that opportunities for the future use of the contact centre resource are examined as quickly as possible. The vehicles currently operating on LinkUp services are owned by the contractor, Veolia, and will not be available to Nexus post-contract expiry. In the intervening period it is recommended that these buses are progressively redeployed on Nexus-specified fixed routes, informed by the emerging conclusions of the network design project, with the DRT concept in its current form fully withdrawn by the end of financial year 2010/11.

Scheduled Tendered Secured Services

	Advantages	Disadvantages	Costs
1. Pilot scheme involving bundling of secured network contracts	<p>Lower costs of contract definition and administration</p> <p>Larger contracts can result in lower costs as greater flexibility afforded to operators</p> <p>Scope for a fresh look at the secured service network and for alignment with voluntary partnership objectives</p> <p>Recommendations of the network design project can be implemented at an area-wide</p>	<p>Smaller operators potentially less able to tender, depending upon size of new contracts</p> <p>Lack of operators with scale to perform contract could inflate operating costs and reduce number of tenders</p> <p>Economies not guaranteed or proven</p> <p>Withdrawal of commercially operated</p>	<p>Economies of scale predicted for contracts administration due to fewer, larger contracts</p>

	<p>level</p> <p>Some miscellaneous and scholars services are already bundled contracts</p>	<p>secondary services by bus companies could increase budgetary pressures and reduce contractual flexibility</p> <p>Loss of cost effective marginal additions to the existing core network</p>	
<p>2. Heightened branding of secured services –on-bus, at stops, in publicity</p>	<p>Increases the visibility of local services paid for by Nexus</p> <p>Differentiates brand from commercially-operated services</p> <p>Potential growth in patronage through brand identification</p> <p>Allows a diverse range of service providers to be marketed under a single 'umbrella' brand</p>	<p>Possible reduced vehicle flexibility, depending on chosen brand</p> <p>Adverse performance would reflect poorly upon Nexus</p> <p>Potential conflict with commercial operator branding</p>	<p>Dependent upon scale of branding exercise</p>
<p>3. Nexus-owned buses</p>	<p>Complete control over operation, branding and vehicle quality</p> <p>Resources can be switched without recourse to</p>	<p>Vehicle maintenance and operation issues rest with Nexus, with associated bureaucracy,</p>	<p>Cost/benefit exercise comparing options of ownership versus contracting-out to be fully</p>

	<p>contractual amendment</p> <p>Potential to introduce “green” vehicles</p> <p>Potential to reduce tender prices if contracts let on an “operate only” basis</p>	<p>risks and cost</p> <p>Changing circumstances could result in asset redundancy</p> <p>Potentially restricts the pool of interested operators by being specific about vehicle solution</p> <p>Control over operation, branding and quality can be achieved without recourse to vehicle ownership</p>	<p>evaluated</p>
<p>4. Maintain present system of individual route/service tendering</p>	<p>Costs and benefits can be closely analysed on an individual route and service basis</p> <p>System is finely-tuned and offers good value for money per passenger journey</p> <p>Encourages competition between commercial operators</p> <p>Smaller operators have the opportunity to bid for individual</p>	<p>Encourages bids and operations on the basis of price rather than quality</p> <p>A shortage of bidders for tenders increases costs above inflation</p> <p>High administrative costs associated with individual route/service tenders</p> <p>Difficult to</p>	<p>Competitive: 71p per passenger trip in 2008/09</p> <p>Trend rate increasing above inflation due to lack of competition for tenders</p>

	contracts	market or brand contracted services effectively Efficiencies of scale resulting from larger procurement may not be achieved	
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7.9 Subject to the outcome of the pilot study, opportunities to explore Option 1 – bundling of network contracts – should be examined. This option may help to preserve the benefits of competitive tendering and allow for meaningful scale economies to be achieved, at a scale which best reflects local circumstances. Improved marketing and branding of secured services could also be implemented. In some specific cases this could involve vehicle ownership by Nexus identified in option 3, although for the large part vehicles would be supplied or sourced by the successful tenderer. Future expansion or withdrawal of the concept would follow a full evaluation of the pilot scheme.

7.10 In practice it is envisaged that the introduction of network bundling will be an incremental process, its progress dependent upon the outcome of the following factors as a minimum:

- Reduced DRT-based LinkUp operations towards the end of the current contract in 2011.
- Recommendations arising from the outputs of the bus network design project.
- Progress towards area-based voluntary partnerships with bus operators.
- Expiry dates of miscellaneous working contracts.
- State of readiness of alternative methods of secured provision for locations and communities where fixed route services are not appropriate.
- Budgetary considerations.
- Clarification of the strategic relationships and protocols between the secondary commercial network (i.e. non-Superoutes) and the secured services network and the transfer of services between those networks in situations where quality

partnership agreements with operators have yet to be successfully concluded.

Community transport (Shopper Services, Group travel, Brokerage)

	Advantages	Disadvantages	Costs
1. Maintain current levels of participation and involvement with sector	<p>Allows the sector further time to develop whilst maintaining a basic level of support</p> <p>Brokerage opportunities are promising but require further development</p>	<p>Community transport may not be able to achieve the critical mass required to reach a new level of involvement without greater investment</p>	<p>£3.97 per trip shopper services</p> <p>£5.63 per trip group travel in 2008/09</p>
2. Increase the role and scope of community transport and vehicle brokerage	<p>Expansion of these sectors would deliver social enterprise opportunities</p> <p>Opportunities for not-for-profit community-based service provision</p> <p>Security of revenue streams would foster the growth of other non-transport community-based initiatives</p>	<p>Concerns over the ability of the sector to consistently deliver to the standard and scale demanded of area-based secured service provision</p> <p>Issues over supply of community transport vehicles through public sector funding potentially compromises transparency of tendering</p>	<p>Not known</p>

		process	
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- 7.11 Option 2 is recommended; whilst some players within the community transport sector are clearly willing and able to expand the nature and scope of their activities, others may need further time and encouragement to evolve beyond their currently restricted ambit. Similarly, whilst the principle of vehicle brokerage is accepted as a useful tool with which to develop local transport provision, the incremental expansion of schemes involving committed and enthusiastic partners is recommended ahead of any blanket proposals.
- 7.12 In practical terms, the most straightforward option involving the increased involvement of the community transport and voluntary sector would be to continue to support the much-valued group travel and shopper services, and to invite suitably qualified organisations to tender for the fulfilment of bundled network contracts. However, this approach risks the outcome that bundled tenders will be either too large to be fulfilled by community transport operators, or too small to capture the envisaged economies of scale which justify their consideration. It must also be recognised that the sector is subject to the same tendering and contractual regulations as all other potential service providers, mindful of potential 'state aid' issues, and must therefore demonstrate the appropriate levels of commercial and legal awareness.

Taxibus Operations

	Advantages	Disadvantages	Costs
1. Maintain similar levels of taxibus operations	<p>Taxibuses have achieved successful local services at an acceptable cost</p> <p>Taxibuses can reach estates inaccessible to larger vehicles</p> <p>Provides a route</p>	<p>Most current contracts specify Monday –Saturday daytime operation only – late evening / all-day taxibus provision not widely tested for supply or</p>	<p>£3.02 per passenger trip 2008/09</p>

	for taxi operator participation in public transport provision, as outlined in Tyne and Wear Local Transport Plan	demand	
2. Increase the number of taxibus contracts	<p>Concept has worked well to date and appears popular with users</p> <p>Cost per passenger less than DRT option</p> <p>Taxi operators keen to play a greater role in secured service provision</p> <p>More competition introduced to overall secured service marketplace</p> <p>Scope for bundled taxibus contracts issued by taxi licensing area (district councils)</p>	<p>Increased resource input may challenge the industry at times of peak demand</p> <p>Potential conflicts with the network contract bundling model if separate provision/supply model required for taxibus operations.</p>	Similar unit costs anticipated
3. Reduce or terminate taxibus operations	Improves the potential flexibility of the network bundling concept	<p>Taxi operators removed from a role where they have performed well</p> <p>Other resource options may be unavailable, or deliver a lower standard of</p>	In line with option 1 costs – but services would need to be provided through other means

		service	
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7.13 In the light of the above options analysis, it is recommended that Nexus looks to increase the number of tendered services operated as taxibuses, given the successful operations and savings achieved thus far, subject to their not compromising the effectiveness of the network bundling concept, and following consultation with local authorities.

TaxiCard

	Advantages	Disadvantages	Costs
1. Restrict TaxiCard to existing uses and client base	<p>Current users of TaxiCard can be justified on the basis of verified medical need</p> <p>Improves accessibility for people with disabilities</p> <p>Costs can be contained within current levels: cost per passenger remains fairly constant regardless of number of journeys</p>	<p>Technology has capacity to service a substantially greater level of transactions</p> <p>Low subsidy per passenger trip and potential high demand may mean that restricting uses either constrains demand for travel or displaces demand to more effective or more expensive models</p>	£3.28 for period September 2008 – March 2009
2. Expand use of TaxiCard concept beyond current uses	Provides a potential solution to transport provision for individuals in locations or at times of day	<p>Potentially more expensive per passenger trip than provision of a tendered secured bus service</p> <p>Potential issues</p>	Not known, but expected to reduce from current level per passenger trip

	<p>which do not justify provision of a timetabled secured service</p> <p>Enables taxi and private hire providers to play a greater role in the delivery of public transport</p>	<p>over the ability of taxi providers to supply trips at times of peak industry demand</p> <p>Different financial model required to accommodate concessionary pass-holders entitled to free travel</p>	
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- 7.14 It is recommended that the TaxiCard product be considered for wider application, as the technology is proven and it offers an effective and flexible way of delivering demand responsive transport in closely defined circumstances at a lower cost than via the generic LinkUp product. However issues of customer equity, industry performance, financial implications and administrative arrangements are important and potentially intractable, requiring further analysis.
- 7.15 Taxibus and TaxiCard represent two ways in which hackney carriage and private hire vehicle (PHV) providers can continue to play a role in the provision of secured transport provision. The taxi and private hire industries have consistently requested a wider role in public transport provision. This needs to be evaluated within the context of clarifying what role the sector can play within the hierarchy of secured service provision, in those locations and situations where it represents the best compromise between cost and passenger convenience.
- 7.16 Taxis and private hire vehicles can operate as taxibuses on a registered local bus service operating either on a fixed route with a fixed timetable – fixed stops and hail-and-ride, or mixed – or as a flexible pre-booked DRT service. In other words, it is an ordinary bus service which just happens to use a taxi or private hire vehicle. This is a basis upon which taxis and PHVs can offer a solution to the dilemma of catering for small loadings whilst maintaining a cohesive and integrated network.
- 7.17 Taxis and PHVs (as well as community transport providers) therefore have a role to play in the delivery of Nexus-secured

services to individuals who qualify by spatial or temporal isolation, or via mobility considerations, in other words:

- Those who live in locations not served by scheduled public transport
- Those who can only access scheduled public transport at certain times of day or days of week e.g. evenings, weekends
- Those who experience difficulty in walking the distance used for Nexus accessibility thresholds (currently 400 metres) but who are not eligible to use TaxiCard as prescribed by the existing membership conditions.

Proposals for change

7.18 Use of the VISUM model will provide a quantitative analysis of accessibility. This will be further validated by a qualitative analysis of the characteristics of individual neighbourhoods. People living in locations which are determined as being below acceptable thresholds of accessibility, as listed above, will become eligible for tailored service provision, reflecting their specific needs, delivered by potentially a number of service providers. This process will be informed by the development of a detailed set of eligibility criteria.

7.19 This model of service provision is already used elsewhere, for example in Greater Manchester.

Case Study: GMPTE Local Link

In Greater Manchester, the Local Link service offers a number of transport options providing access to key local services and main transport corridors. 33 Local Link services are operated almost equally by community transport and taxi companies – only one service is provided via a bus operator contract. GMPTE states⁶ that taxi-operated Local Link services are provided at marginal cost, using existing vehicle, driver, booking staff and systems to fill in small network gaps where a dedicated resource would not be fully utilised or its cost justified. Fares charged are slightly higher than bus fares, but lower than taxi fares.

⁶ GMPTE Flexible Transport Review April 2009

7.20 Within Tyne and Wear, migration towards this operating model is under way in areas of South Tyneside, where blanket LinkUp provision has been adjusted to meet prevailing levels of demand. Taxis are being used to deliver an equivalent level of service at a lower cost per journey than before, reflecting the fact that hitherto a very small number of people were making use of a universal service, with resulting inefficiencies in terms of cost per journey and availability.

7.21 The recommended process for the delivery of this model is as follows:

1. Define levels of need from the Tyne and Wear Bus Strategy, identifying the two most important destinations e.g. local centre including group medical practice, local interchange.
2. Define mobility by the network, location-specific factors and the characteristics of the individual.
3. Determine the costs of provision versus a fixed-route service.
4. Implement the solution which represents the best compromise between cost, availability and customer service.

7.22 These proposals herald a change in the way Nexus fulfils its secured service obligations. The possible use of 'bundled' network contracts for timetabled secured services, and the use of a wider range of options for service provision, tailored to meet specific local or personal needs, are amongst the options proposed. A wider role for community transport providers and vehicle brokerage in meeting passenger needs is encouraged subject to meeting cost, quality and contractual requirements as with all other potential operators, allowing greater scope for local transport needs to be met at a neighbourhood level.

7.23 In this way, Nexus would be able to capture both scale economies, and the advantages of personalised transport provision to those whose circumstances require a new approach. To achieve this requires access to the full range of available transport provision, together with the appropriate use of enabling technologies, to provide secured services fully meeting the varied needs of Tyne and Wear's citizens.

Definition of demand thresholds

- 7.24 Effective use secured services resources will depend upon a robust definition of demand, and the thresholds which will determine the type and size of vehicle to be provided.
- 7.25 More accurate demand mapping techniques will become available upon the completion of a VISUM transport model, currently under construction. The annual refresh of this strategy will contain a more precise definition of thresholds, based upon use of the model outputs. In the meantime, the following approach is proposed at a strategic level, to be refined in the light of practical experience and model outputs.
- 7.26 The challenge for Nexus is obviously to match supply with demand as closely as possible. Over-provision is neither financially nor environmentally desirable. Thresholds need to be flexible enough to accommodate a fluctuating level of demand. Aligning them too closely with observed demand is also undesirable; regular operations close to 100% capacity are not comfortable or practical for service users, and should be avoided just as much as persistent over-provision in terms of vehicle types used.
- 7.27 Secured services will be ranked in terms of ridership as measured by the average daytime hourly flow, with reference to known peak flows. A number of potential delivery solutions are then available to meet the anticipated level of passenger demand. These include modulating the service frequency, and choosing vehicle types and sizes from the list below:

Large bus	39 seating capacity or greater
Medium bus	25 to 38 seating capacity
Small bus	16 to 24 seating capacity
Minibus	8 to 15 seating capacity
Taxi	7 seats or fewer

- 7.28 The appropriate choice of vehicle will confer benefits in terms of accessibility, economy, sustainability and passenger convenience; also of importance in the process are the economies of scale and operation which derive from the use of a limited number of vehicle types which possess the flexibility to be used across a variety of service patterns.

Proposed scoring system for Nexus secured services

7.29 Design of the detail of the secured service network needs to be informed by a number of factors, in order to achieve maximum accessibility benefits for users. The attributes of a secured service will be defined by three parameters:

- the optimal service type (e.g. fixed or variable route, commercial or secured);
- the most appropriate vehicle size, and
- the best routing solution balancing local requirements.

7.30 The principle of a scoring system for the individual characteristics of each geographical area of the secured network will be developed. This takes into account the individual factors of each service which will inform the quality, frequency and route taken. Elements of the scoring system will comprise:

- Additional secured journeys on core network – operating times and /or minor route deviations to improve frequency / accessibility
- Increasing service frequencies to target levels
- Financial efficiency: where lower-cost interventions score higher
- Deprivation index of wards served – focus on the most deprived 10% of wards
- Improved accessibility to major centres
- Improved accessibility to local service centres
- Improved accessibility to hospitals and health centres
- Improved accessibility to educational establishments
- Better access to key employment areas
- Integration with other modes and the core network
- Walking distance to alternative bus stops within 400 metres
- Local topography: hills, rivers, dual carriageways
- Accessibility for vulnerable communities (e.g. elderly or disabled warden-controlled housing, care homes and sheltered accommodation)

The proposed scoring system is included as Appendix A.

8. Action Plan

Key objective and outcomes	Action	Responsibility	Resources	Start Date	End date
Establishing the network	Design the accessible network, and allocate optimal service provision type in line with the matrix at table 7.1	Strategy, Network Development	Network Design Project, Major Scheme corridors inputs	In progress	Summer 2010
	Establish agreed scoring system for routes	As above	As above	In progress	Summer 2010
	Agree medium-term actions for duration of LinkUp contract	Network Development	LinkUp demand and diversion of resources to fixed routes	In progress	March 2011
Determine the future role of LinkUp	Withdrawal of blanket coverage LinkUp product	Network Development	Reallocation of existing resources	2010	July 2011
	Identification of alternative provision for existing users	Network Development	Delivery options funded by secured services budget	2010	July 2011
	Agree future use of scheduling software	Network Development/IT	Trapeze	2010	2011
Commercially operated secondary services	Discuss role and viability of network	Network Development and bus operators	Internal and operators	Summer 2009	March 2010

	Consider scope for inclusion of these services within voluntary partnerships	As above	As above	Ongoing	Ongoing
Tendered services	Investigate a pilot area-based 'bundled' secured service contract for tendering fixed routes over a defined area	Network Development	Bus network design project	In progress	March 2010
	Assess suitability of vehicle and operator types for network bundling concept	Network Development	Knowledge of vehicle types and views of local operators	In progress	End-2009
Shopper services	Achieve uniform charging regime	Network Development	Existing charges related to subsidy costs	In progress	Summer 2010
	Identify and implement optimal mode of provision	Network Development	Internal assessment	July 2009	Summer 2010
	Liaison with current service providers	Network Development and service providers	External communications exercise	July 2009	Summer 2010
	Communication with service users	Via service providers	External communications	July 2009	Summer 2010
Group travel	Employ an established mechanism to identify and allocate transport for pre-	Network Development and	Internal assessment, discussions with providers, industry	Ongoing	Ongoing

registered group travel	community transport providers	best practice evaluation		
Establish potential for delivery of group transport through different mechanisms	Network Development, Transport Integration	Internal	September 2009	March 2011
Conduct an audit of organisations committed to or interested in vehicle brokerage	Network Development, Transport Integration, District Councils, community transport and third sector	Input into joint exercise with Nexus contacts within the sector	April 2010	September 2011
Brokerage				
Maintain a tendering framework to retain the option of taxibus operation	Network Development	Internal – aligned with network design project iteration	July 2009	December 2009
Identify potential areas where taxibus operation could replace DRT	Network Development, Transport Integration	Internal with recourse to Trapeze outputs	July 2009	December 2009
Investigate widening the remit of TaxiCard to include existing DRT customers in defined circumstances	Network Development	Analysis of Trapeze outputs	April 2010	September 2010
Taxi bus				
TaxiCard				

	Consider simplifying the TaxiCard offer/conditions	Network Development	Analysis of journey patterns made since product introduction	April 2010	September 2010
'Taxi Home' Guarantee	Introduce 'taxi home' guarantee for passengers with accessibility needs, if non-accessible vehicles used on Nexus-secured services – currently excluding miscellaneous workings contracts	Network Development	Establishment of fallback facility with details of taxi companies provided to secured service operators	September 2009	-
Benchmarking	Establish an agreed system of benchmarking of certain critical services, in terms of their agreed value, to set the scene for future business decisions in this sector	Strategy, Network Development	Quantitative and qualitative benchmarking exercise	September 2009	April 2010

Appendix A

Proposed scoring system for Nexus secured bus services

Key Facilities	Details
Key employment areas	Serves key employment area as defined within the Bus Strategy
Access to Learning	Serves an education establishment
Access to hospital	Serves a general hospital as defined within the bus strategy
Access to major centre	Serves major centre as defined within the Bus Strategy
Access to local centre	Serves local centre as defined within the Bus Strategy

Contracts are ranked in order of the number of key facilities served by the route/routes.

- The first category is contracts which serve one or more of the key facilities as defined above.
- The second category is contracts which serve one key facility as defined above.

Within each category the contracts are then ranked by cost recovery. Net costs are then illustrated for each contract.

Glossary of Terms

Care Services

Former bespoke Nexus provision for passengers with disabilities.

Commercial service

A service provided by an operator without subsidy and meeting the operator's criteria.

Demand Responsive Transport

Buses running to a wholly or partly flexible route according to customer requests, often with a defined origin and /or destination.

Hackney Carriage

A taxi allowed to ply the streets looking for passengers to pick up, as opposed to private hire vehicles which may pick up only passengers who have previously booked or who visit the taxi operator's office.

Local Transport Act 2008

An Act to make further provision in relation to local transport authorities, the provision and regulation of road transport services and the subsidising of passenger transport services; to amend sections 74, 75 and 79 of the Transport Act 1985; to make provision for or in relation to committees which represent the interests of users of public transport; to rename Passenger Transport Authorities as Integrated Transport Authorities and to make further provision in relation to them.

Secured services

Public transport wholly or partly funded by Nexus or procured by Nexus on behalf of a third party.

Smarter Choices

The brand name for the personalised delivery of the sustainable transport agenda.

Smart ticketing

Tickets stored electronically on a micro-chip, usually embedded in a smartcard.

Sunderland Coalfield

The Hetton, Houghton, Easington Lane and Raintons area, west of the A19.

Third Sector

Charities and the voluntary sector.



Tyne and Wear Integrated Transport Authority

Date: 25th March 2010

TITLE: Tyne and Wear Bus Corridor Improvement Programme Major Scheme Update

REPORT OF Director General of Nexus

Not confidential

District Implications - All

1. Purpose of Report

1.1 To advise Members on the outcome of the process to prioritise schemes for potential inclusion in the Phase 2 Tyne & Wear Bus Corridor Improvement Programme Major Scheme Business Case submission to government.

2. Recommendations

2.1 Members are recommended to agree that Phase 2 Tyne & Wear Bus Corridor Improvement Programme Major Scheme Business Case submission to government proceeds as detailed in paragraphs 5.4 and 5.5.

3. Background

3.1 A report to the ITA in January updated members with progress on Tyne & Wear Bus Corridor Improvement Programme Major Scheme Business Case submissions to DfT with the key issues being:

- The Major Scheme Business Case for Phase 1 was submitted to the DfT in December 2008;
- £14.9m is allocated in the Regional Funding Allocation for Phase 2 Bus Corridor Improvement MSBC;
- Six schemes across Tyne & Wear have been put forward for potential inclusion in the Phase 2 submission to a value of £37m (significantly in excess of the funding currently allocated within the RFA).

3.2 Thus the problem remains that the total amount sought by the six schemes put forward for potential inclusion in Phase 2 greatly exceeds the available Major Scheme funding allocation in the RFA.

3.3 To overcome this the ITA meeting in January agreed that:

a) Nexus send the letter (as to submitted to the January ITA Appendix B to the report) to Government Office requesting that the region consider increasing the allocation for Phase 2 to £37m.

b) Nexus allocate a priority score for each scheme based on its compliance to DfT Major Scheme guidance plus the local contribution to improving bus services and allocate the available funding to the schemes which achieve the highest score.

4 Request for Increase in RFA Allocation

4.1 Government Office North East has responded to the letter requesting that the region consider increasing the allocation for Phase 2 to £37m *stating as the RFA already contains a level of over programming in future years there is no scope to meet requests for additional funding.*

5. Priority Score

5.1 Six schemes are being promoted for possible inclusion in the Phase 2 MSBC submission:

Scheme	Promoter	Amount sought (£ million)
West Road	Newcastle	9.1
Gosforth	Newcastle	6.9
Coast Road	North Tyneside	5.5
Durham Road	Gateshead	4.1
Boldon Lane/Stanhope Road	South Tyneside	1.7
Chester Road	Sunderland	9.8

These scheme costs exclude the minimum required 10% local contribution.

5.2 Officers representing the scheme promoters met on Friday 26th February 2010 and agreed that schemes should be scored against the following criteria:

- a. Strategic Fit
 - The scheme is compliant with the MSBC objectives to deliver better

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bus services.

- b. Deliverability
 - The scheme has full Financial Approval from the promoting authority.
 - The Bus Operators support the scheme (Letter of Support supplied).
 - A Delivery & Project Plan Provided.
 - Public & Stakeholder Consultation has been undertaken.
 - The scheme has local Political Approval.
 - A second (best) option has been appraised.
- c. Benefit to Bus Operations
 - The number of buses per weekday daytime hour benefiting from scheme delivery (at current service levels)
- d. Benefit To Bus Users
 - Peak passenger journey time saving resulting from scheme delivery (time saving per passenger kilometre in seconds).

5.3 It was further agreed by the scheme promoters if it was not possible to consistently calculate the Benefit to Bus Users then scheme Benefit to Cost Ratio (BCR) would be substituted as a value for money criteria. As insufficient information has been provided to calculate Benefit to Bus Users for all schemes the BCR figure has been used in Appendix A.

5.4 It was agreed no weightings would be applied to any criteria. Therefore a simple scoring system has been applied whereby each scheme has been scored for each criteria (score 6 = highest or best, score 1 = lowest or worst or equal score where all meet the criteria).

When the scores are added up schemes have been ranked from 1 (best score) & highest ranking to 6(lowest score) and lowest ranking.

This scoring methodology has ranked the schemes in the following order:

1 (Joint) Boldon Lane & Stanhope Road, South Shields

1 (Joint) Great North Road & Haddricks Mill Gosforth, Newcastle

3 West Road, Newcastle

4 Chester Road, Sunderland

5 (Joint) Durham Road, Gateshead

5 (Joint) Coast Road Junctions, North Tyneside

5.5 This means the following schemes are recommended to be taken forward to submission:

Boldon Lane & Stanhope Road South Shields (£1.7m)

Great North Road & Haddricks Mill Gosforth Newcastle (£6.9m)

This leaves a balance of £6.1m available within the RFA allocation.

The promoters of Newcastle West Road scheme (ranked 3) will be offered this allocation to enable delivery of their scheme. This allocation could be used alongside an increased local contribution to deliver the full scheme or using this and the local contribution to deliver a reduced scheme. If this cannot be achieved then the next best scheme will be asked and so forth until a scheme is identified that can match the remaining available funding.

5.6 The schemes that do not go forward in the Phase 2 submission are good schemes that are worthy of delivery in the future but when forced to prioritise within available funding the schemes identified in paragraphs 5.4 and 5.5 deliver greatest benefit.

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7 **Background Papers**

7.1 Previous reports:

- Tyne & Wear Bus Corridor Improvement Programme Major Scheme Update in January 2010
- 'Major Scheme Bus Corridor Submission' presented to the (then) PTA in September 2008
- 'RFA2: position update' presented to the ITA in March 2009
- 'Tyne and Wear Bus Corridor Improvement Programme Phase 2, ITA July 2009
- Tyne and Wear Bus Corridor Improvement Programme Phase 2 ITA September 2009.

8 **Contact Officer (s)** Ken Kemp, Interim Services and Integration Director, 203 3657

Priority Ranking

	West Road Newcastle	Great North Road & Haddricks Mill Gosforth Newcastle	Durham Road Gateshead	Coast Road Junctions North Tyneside	Boldon Lane & Stanhope Road South Shields	Chester Road Sunderland
Strategic Fit The scheme is compliant with the MSBC objectives to deliver better bus services	Yes	Yes	Yes	Yes	Yes	Yes
Deliverability The scheme has full Financial Approval from the promoting authority	Yes	Yes	No	Yes	Yes	Yes
Deliverability Scheme has Political Approval	Yes	Yes	Yes	Yes	Yes	Yes
Deliverability Delivery & Project Plan Provided	Yes	Yes	Yes	No	Yes	Yes
Deliverability Public & Stakeholder Consultation undertaken	Yes	Yes	Yes	Stakeholder consultation completed - public consultation at next stage	Stakeholder consultation completed - public consultation at next stage	Yes
Deliverability Bus Operators support the scheme (Letter of Support)	Yes	Yes	Yes	Yes	Yes	Yes

	West Road	Great North Road & Haddricks Mill Gosforth	Durham Road	Coast Road Junctions	Boldon Lane & Stanhope Road	Chester Road
	Newcastle	Newcastle	Gateshead	North Tyneside	South Shields	Sunderland
Deliverability Second Best Option Appraised	Yes	Yes	Yes	Yes	Yes	Yes
Value for Money Benefit to Cost Ratio (BCR)	3.7	5.6	2.9	Not Calculated	7.3	3.4
Buses per hour benefiting from scheme delivery (current service levels)	60	140	36	42	62	56

Based on the details contained in the above table schemes have been scored (score 6 = highest or best, score 1 = lowest or worst or equal score where all meet the criteria). When the scores are added up schemes have been ranked from 1 (best score) & highest ranking to 6 (lowest score) and lowest ranking.

Scoring Criteria & Scores	West Road Newcastle	Great North Road & Haddricks Mill Gosforth Newcastle	Durham Road Gateshead	Coast Road Junctions N Tyneside	Boldon Lane & Stanhope Road South Shields	Chester Road Sunderland
Strategic Fit	6	6	6	6	6	6
Deliverability	6	6	5	5	6	6
Value for Money (BCR)	4	5	2	1	6	3
Benefit to bus operations	4	6	1	2	5	3
TOTAL	20	23	14	14	23	18
RANKING	3	1	5	5	1	4

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Tyne and Wear Integrated Transport Authority

DATE: 25 March 2010

TITLE: Improving Bus Passenger Services through the Regulatory Framework

REPORT OF: Director General, Nexus

Not confidential

District Implications: All of Tyne and Wear

1. Purpose of Report

1.1 To summarise the contents of a consultation paper issued by the Department for Transport (DfT) proposing changes to the legal framework under which local bus services are operated.

2. Recommendation

2.1 Members are asked to note the content of the report, which is for information only. A full response to the consultation document will be submitted to the DfT in advance of the closing date for comments of 1 June 2010.

3. Summary of Key issues

3.1 The DfT is seeking views as to how bus travel can be improved for passengers by possible changes to the legal framework under which they operate.

3.2 The main themes outlined are those of changes to bus service registration and contract procurement procedures, increasing the scope for securing better deals on fares for passengers, and examining the rules which determine the conduct of bus drivers and passengers.

4. Information

4.1 The consultation paper seeks views on a number of possible changes to the legal framework which the DfT considers will provide greater effectiveness and improvements in service delivery for bus passengers. Any changes will be made through secondary legislation. Four main themes are included.

Bus service registration

- 4.2 The paper suggests that local authorities / PTEs be given 14 days advance notification of proposed service changes prior to their being submitted to the traffic commissioner. This would afford Nexus the opportunity to discuss potential concerns with the operator, and a more realistic opportunity to consider whether alternative services can be provided. Also suggested is the possible adoption of the '90 day rule' practised in Scotland, where a newly-registered service must be provided, without variation, for at least that length of time, other than in exceptional circumstances, the thinking behind the proposal being that it could result in improved service stability for passengers. A further suggestion is that operators should display information regarding service changes on buses for at least 21 days beforehand, so that passengers potentially affected can be made aware of the proposals – also Scottish practice.

Changes to bus contract provisions

- 4.3 Changes to *de minimis* arrangements, where authorities may buy in services without the need to undertake competitive tendering, are suggested. The options set out include moving the financial ceiling for such arrangements closer to EU levels. The DfT comments that this could provide greater flexibility to authorities to enter into contracts for the provision of socially necessary services, but could also potentially inhibit competition within the market for local bus services.

Increasing the scope for better deals on fares for passengers

- 4.4 The DfT seeks views on the potential for transport authorities to set maximum fares on bus services in their areas which are lower than commercial fares – either for all passengers or for certain categories of passenger – and to compensate operators accordingly. This would provide the opportunity to extend 'concessionary' travel to other groups, as determined by the ITA; certain provisions in domestic legislation may currently prevent this from taking place in the way envisaged by EC regulations. The paper notes that this may increase the scope for influencing travel behaviour in ways which could benefit social inclusion, traffic congestion and air quality, but could be seen to have the potential to limit competition within the local bus market. The government's view is that the situation would be similar to that applying in the event of a Quality Contract Scheme established under the Local Transport Act 2008.

Driver and passenger conduct

- 4.5 Views are sought as to the need for changes to the Conduct Regulations which set out the rights and duties of bus drivers and passengers. Issues include concerns of older passengers about drivers moving off before they are seated, wheelchair spaces being occupied by prams or pushchairs, and consumption of alcohol and drunkenness on the bus. The paper suggests that the regulations are rarely enforced. Views on the merits of making operators more accountable for the actions of their drivers are sought, as well as the desirability and practicability of introducing a ban on the consumption of alcohol on buses, the latter taking account of the fact that many operators already ban alcohol consumption under their individual Conditions of Carriage.

5. Further comments by the:

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

6. Background Papers

6.1 Improving Bus Passenger Services through the Regulatory Framework: Consultation Paper. Department for Transport, March 2010. Available at <http://dft.gov.uk/consultations/open/2010-17/condoc.pdf>

7. Contact Officer (s)

7.1 Tobaugh Hughes, Director of Strategy, Nexus 0191 203 3246

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Tyne and Wear Integrated Transport Authority

DATE: 25 March 2010

TITLE: Concessionary Travel Issues – Eligibility for Passes and Specific Grant Funding

REPORT OF: DIRECTOR GENERAL OF NEXUS

District Implications: All districts

1. **Summary / Purpose of Report**

- 1.1 To notify the Authority of a change recently introduced by the DfT which revises the date at which senior citizens become eligible for a national concessionary travel card and the outcome of the previously reported consultation document on grant funding.

2. **Recommendations**

- 2.1 The Integrated Transport Authority is asked to note the following:-

- (a) The government are introducing changes to the statutory concessionary travel scheme affecting the age at which senior citizens will become eligible for a national concessionary travel pass. These changes will be effective from 1 April 2010.
- (b) The government, following consultation, will redistribute Concessionary Travel specific grant to Travel Concession Authorities (TCAs) in 2010/11. Nexus will receive an additional £17,000 as a result.

3. **Introduction/Background**

National Concessionary Travel Scheme - Eligibility Criteria

- 3.1 In the Pre-Budget Report the government announced that from April 2010 the age of eligibility for concessionary travel would change in line with changes being made to the state pension age. A Statutory Instrument has been placed before parliament to enact this change using powers confirmed in the Travel

Concession (Eligibility) Act 2002.

- 3.2 From 6 April 2010 the age at which men and women become eligible to receive a national concessionary travel card will be linked to the age at which women become eligible for a state pension, which is rising on a sliding scale from 60 to 65 between 2010 and 2020.
- 3.3 The government have developed advice for TCAs with regard to communicating this change and have placed information on the internet (<http://pensions.direct.gov.uk/en/state-pension-age-calculator/home.asp>) to enable people to calculate their individual age of eligibility. In practical terms, this means that a person reaching the age of 60 in 2010 will have to wait between one month and nine months before becoming eligible for a national concessionary travel card.
- 3.4 Appendix 1 shows the revised dates at which persons approaching the age of 60 will receive a national concessionary travel card. This is placed on the Nexus website. Application forms for passes will show this calendar for the following financial year and relevant dates for the following 12 months will be shown in subsequent reprints.
- 3.5 A general note explaining the change is shown in Appendix 2 which is also on the website.

Concessionary Travel – Specific Grant for 2010/11

- 3.6 Nexus reported to the November 2009 meeting of the Integrated Transport Authority the public consultation that the Department for Transport (DfT) had launched regarding the distribution of the 2010/11 special grant funding to TCAs which was introduced to meet the extra costs of the improved statutory minimum bus concession which commenced on 1 April 2008.
- 3.7 The primary aim of this consultation was to seek views on whether to allocate the special grant funding for 2010/11 using a revised distribution which sought to better match actual costs imposed on local authorities by the change in the statutory minimum concession. The Nexus response to the consultation, in accordance with ITA approval was provided to the DfT by the deadline date of 30 December 2009.
- 3.8 After considering responses, the government have indeed decided to proceed with a revised grant distribution for 2010/11, the outcome of which is that Nexus will receive an additional £17,000 (as opposed to an additional £20,000 as set out in the consultation paper). A key tenet of the ITA/Nexus response was that no PTE should be any worse off as a result of redistributing grant funding and this is the case.
- 3.9 As part of this consultation, the DfT also sought opinions regarding the proposals to mandate TCAs to report additional data on a more frequent basis. This basically seeks to identify sums separately spent on statutory concessions (free off peak bus travel) and non-statutory (other modes, all day concessions, companions, children etc.). The majority of respondents supported this proposal and the Department are proposing to work with local authority stakeholders to develop more detailed proposals on how to best to take forward the proposed

data provision requirements.

- 3.10 However, as pointed out in the ITA/Nexus response, PTEs generally are concerned that this exercise could be used in a future grant re-distribution exercise which would disadvantage Nexus, an issue which Nexus and PTEG will continue to lobby.

4. **Next Steps**

- 5.1 The Authority will continue to be kept abreast of developments in relation to concessionary travel.

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7 **Background Papers**

- 7.1 Department for Transport Concessionary Bus Travel – Bulletin 21, January 2010.

8 **Contact Officer (s)**

- 8.1 Bill Harbottle, Concessionary Travel Manager, Nexus (Tel: 0191 203 3277)

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DATES OF ELIGIBILITY FOR CONCESSIONARY BUS PASSES

Period within which date of birth falls	Day become eligible for concessionary bus pass
Before and including 5th April 1950	Date of 60th Birthday
6th April 1950 to 5th May 1950	6th May 2010
6th May 1950 to 5th June 1950	6th July 2010
6th June 1950 to 5th July 1950	6th September 2010
6th July 1950 to 5th August 1950	6th November 2010
6th August 1950 to 5th September 1950	6th January 2011
6th September 1950 to 5th October 1950	6th March 2011
6th October 1950 to 5th November 1950	6th May 2011
6th November 1950 to 5th December 1950	6th July 2011
6th December 1950 to 5th January 1951	6th September 2011
6th January 1951 to 5th February 1951	6th November 2011
6th February 1951 to 5th March 1951	6th January 2012
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6th March 2019
6th May 2019
6th July 2019
6th September 2019
6th November 2019
6th January 2020
6th March 2020
6th April 2020

APPENDIX 2**FUTURE CHANGES TO THE AGE YOU CAN GET A FREE BUS PASS**

The Government has announced changes that will start in April 2010 to the age at which people can receive a free bus pass through the National Concessionary Travel Scheme.

Because Nexus is part of the scheme and is funded by Government to provide concessionary passes, it is bound to follow these changes.

From 6 April 2010 people will no longer be eligible to receive a free bus pass when they reach their 60th birthday.

Instead both men and women will become eligible in line with the rise in the age at which women become eligible for a state pension. This is rising on a sliding scale, from 60 to 65, between 2010 and 2020.

What you need to do:

If you already have a CT pass: This will not affect you in any way.

If you turn 60 before 6 April 2010: You will be eligible for a pass from your 60th birthday. You can apply to Nexus in the normal way.

If you turn 60 after 6 April 2010: You will become eligible for a pass sometime after your 60th birthday. We will publish full details of when on this site in the New Year, and advise you about any changes to our application process.

If you receive a pass as a result of a disability: This will not affect you in any way.

Please watch out for further information about these changes on this website and at Nexus Travelshops in the New Year.



Tyne and Wear Integrated Transport Authority

DATE: **Date: 25 March 2010**

TITLE: **Metro Reinvigoration Phase II**

REPORT OF **DIRECTOR GENERAL OF NEXUS**

Reasons for confidentiality (if confidential)

District Implications

1. Summary / Purpose of Report

1.1 Is to advise members of the final outcome of the funding offer from the Department for Transport for Metro Reinvigoration Phase II, progress made with Deutch Bahn Regio Tyne and Wear Limited (DBTW) in mobilising ready for commencement of operations on 1 April 2010, progression of the Asset Renewal Plan 2010/11-2012/13 and prospects for the future of the Metro.

2. Recommendations

2.1 That members note this report.

3. Introduction / Background

Final Offer Letter

3.1 The final offer letter from Department for Transport does not differ in any material way from the draft letter previously considered at the ITA and accordingly the Nexus Director of Finance and Resource has formally accepted the offer of grant.

3.2 At the meeting of the ITA on 2 February 2010, approval was granted to the Nexus Director of Finance and Resource to formally accept the offer of grant from the Department for Transport for Metro Reinvigoration Phase II. At that time Nexus had only received a draft offer letter and the final offer grant received from Department for Transport is available from Nexus if required by members.

Asset Renewal Plan

- 3.3 Nexus now has the funding available to commence delivery of the 11 year Phase II Asset Renewal Plan. The Asset Renewal Plan has been broken down into a number of work packages which are currently being procured under EU regulations with the intention of establishing a series of framework contracts covering overhead line system design and supply, overhead line detailed design and installation, communications, signalling, stations, permanent way, lifts, escalators and earthworks, civils and structures.
- 3.4 There has been a significant amount of interest from contractors and suppliers in the call for tenders. Whilst there is a mix of local and national firms who are competing to bid for this work, Nexus is trying to maximise local employment opportunities which will yield obvious benefits to the region and its residents. The final make-up of the contracts and suppliers will be communicated to the ITA over the course of the coming months as the framework contracts are established.
- 3.5 As report to the ITA, the 2010/11-2012/13 Capital Programme is currently being re-profited so as to fit with the funding approval agreed with DfT. This is work in progress and approval of the re-profited programme will be sought from the ITA.

Progression with DBTW

- 3.6 Following the approval by the ITA the Concession Agreement between Nexus and DBTW was entered into on 3 February 2010.
- 3.7 Accordingly, mobilisation towards commencement of operations by DBTW has proceeded unabated and it is expected that all activities will be completed by 31 March 2010.
- 3.8 This will include confirmation that DBTW will meet a number of conditions precedent which they are required to give effect to the Concession contract.
- 3.9 Members will be pleased to learn that DBTW have so far performed as they would have been expected to and that as a result, Nexus, is confident that DBTW will commence to deliver operations of Metro services, management of stations and maintenance and refurbishment of the train fleet from 1 April 2010 as planned.

Future Prospects of the Metro

- 3.10 As members will be aware, the main thrust of Metro Reinvigoration Phase II is to eliminate the back log of maintenance that has built up over the years as a result of under funding and to stabilise the condition of the network so that it is fit for purpose and can be maintained at an activity level that is predictable and can be planned efficiently. The major investment in replacing the trains and consequential infrastructure renewals e.g. re-signalling to provide greater capacity and/or lengthening of platforms will form the major plank of Metro

Reinvigoration Phase III.

- 3.11 Nevertheless, Government approval for Metro Reinvigoration Phase II and the associated funding of £350 million ensures the long term future of the existing Metro system. There is now, therefore, the opportunity to start the process of developing further proposals to enhance and develop the Metro system to better meet the expectations of our strategic partners and Tyne and Wear residents. Potential developments include removal of the final sections of single track operation of the systems, new stations to serve new catchments and developments, enhanced Park and Ride provision and network extensions. Nexus plans to initiate pre-feasibility work on these options by revisiting previous analysis undertaken for
- a) the Sunderland Direct Project
 - b) the comprehensive evaluation of key transport corridors known as 'Project Orpheus', and
 - c) re-opening the Leamside Line.

An update on the possibilities for development will be brought to the Metro Sub Committee later in the year.

4. **Next Steps**

- 4.1 The ITA has approved the establishment of a Metro Sub Committee. It is intended that at the first meeting which is being scheduled for April 2010 that the style and scope of reporting arrangements will be agreed.

5 **Contact Officer(s)**

- 5.1 Bernard Garner, Director General and Ken Mackay, Director of Rail & Infrastructure.

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Tyne and Wear Integrated Transport Authority

TITLE: **Date: 25th March 2010**

Update on the North East Smart Ticketing Initiative (NESTI)

REPORT **The Clerk to the Authority and the Director General, Nexus**
OF

Not Confidential

All of Tyne and Wear

1. Summary / Purpose of Report

1.1 To update Members with progress on the North East Smart Ticketing Initiative (NESTI) and to advise on a grant funding award from DfT.

2. Recommendations

2.1 Members are recommended to:

- a) Note the progress made on preparation of the NESTI programme;
- b) Note the award of £1.1 million of grant funding from DfT in 2009/10 to promote the development of Smart and Integrated Ticketing in Tyne and Wear.
- c) Authorise the Clerk to sign the Collaboration Agreement referred to in 3.2 below on behalf of the ITA, after consultation with its Chair, Legal Advisor and Treasurer, in the event that its detailed terms can be finalised and agreed by all partner authorities in advance of the May meeting of the ITA

3. NESTI Update

3.1 At its meeting in November 2009 the ITA agreed to take the role of Lead Authority in developing and implementing smart ticketing in the North East, using Nexus in its role as the body responsible for delivering ITA policy for public transport.

3.2 Since that decision the following progress has been made:

- Nexus has entered into a contract with Scheidt & Backmann for the supply and installation of smart ticketing equipment for the Tyne and Wear Metro. This includes station and Travelshop ticket machines, gates, validators and a retailing website;
- Nexus will shortly commence procurement of a smart back-office (HOPS) capable of processing smart transactions for the North East Region under the NESTI scheme;
- Discussions with the main local bus operators have developed positively, and are expected to be completed shortly;
- The Legal Advisor to the ITA has sought expert advice into detailed governance arrangements for the scheme which will be reflected in a formal Collaboration Agreement which will be sent to the North East Local Authorities shortly for approval and sign-up;
- Discussions over scheme funding have been held with the Local Authorities, and the DfT have awarded an additional £1.1 million in the current financial year (2009/10) to assist with the development of the scheme.

3.3 A detailed report will be brought to the ITA's May meeting providing further information.

3.4 In the event that the detailed terms of the Collaboration Agreement can be finalised and agreed with all partner authorities in advance of the May meeting of the ITA, in order to ensure a quick outcome Members are requested to authorise the Clerk to sign it on behalf of the ITA, after consultation with its Chair, Legal Advisor and Treasurer. The full agreement would then form part of the report to the May meeting.

4. **DfT Smart and Integrated Ticketing Funding Award**

4.1 In December 2009 the Department for Transport launched its new 'Smart and Integrated Ticketing Strategy'. Concurrent with the launch of the Strategy the Government announced that it would provide up to £20 million of targeted funding for nine areas (including Tyne and Wear) in order to bring smart ticketing to the greatest number of people as quickly as possible.

4.2 The DfT wrote to Nexus offering indicative total funding available of:

£k	2009-10	2010-11
Capital	550	550
Revenue	550	550
Total	1,100	1,100

4.3 The letter stated that, 'This funding is intended to help you meet the start up costs or initial running costs of a smart ticketing scheme. We would expect that you, the service providers in your region and other partners would all contribute

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to the extra funding required to make the scheme fully operational.' The principle of partner contributions is fundamental to the development of the NESTI project.

4.4 In order to claim the funding, Nexus was required to provide DfT with a detailed spending plan for the 2009-10 funding and an outline spending plan for the 2010-11 funding. A finalised spending plan for 2010-11 will need to be sent in at a later date.

4.5 It has subsequently been confirmed that Nexus has been awarded £1,111,111 to be spent on eligible activities in 2009/10 as outlined in its spending plan. The grant will be paid under Section 31 of the LGA 2003 to the ITA.

5. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

6 **Background Papers**

6.1 DfT Smart and Integrated Ticketing Strategy, available at www.dft.gov.uk/pgr/regional/smart-integrated-ticketing/

7 **Contact Officer (s)**

7.1 Tobyng Hughes, Director of Strategy, Nexus (Tel 0191 2033247)

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Tyne and Wear Integrated Transport Authority

DATE: 25th March 2010

TITLE: Urban Challenge Fund

REPORT OF: The Clerk to the Authority and the Director General, Nexus

Not confidential

District Implications: All of Tyne and Wear

1. Purpose of Report

1.1 The report sets out the main proposals in the Department for Transport's 'Supporting Cities: A discussion paper on plans for an urban challenge fund'.

2. Recommendations

2.1 Members are asked to note the content of the report and receive a proposed response to the discussion paper at the May meeting of the ITA.

3. Background

3.1 ITA Members received a report at its last meeting regarding the Government's report on the Future of Urban Transport which set out the impacts of transport on the urban economy, health and environment. The report estimated the annual costs of these impacts in terms of:

- Congestion (£12bn)
- Road accidents (£9.3bn)
- Poor air quality (£5bn - £10bn)
- Physical inactivity (£11bn)
- Greenhouse gas emissions (£1bn - £4bn)
- Noise (£3bn)

3.2 The Future of Urban Transport report provided evidence that implementation to address the challenges can be improved. The challenge posed is to find ways of delivering the triple win outcomes of economic, health and environmental improvements.

3.3 On 2 March 2010, the Minister of State for Transport announced plans for a new Urban Challenge Fund designed to support local authorities in delivering economic growth and improving the health and environment for local communities in urban areas. On 3rd March 2010 DfT published a discussion document to encourage debate on the issues around meeting the future transport needs of cities and urban areas through the use of the proposed new Fund.

4. **Summary of Discussion Document**

4.1 The Government suggests that a new Urban Challenge Fund will provide urban areas and their authorities with an additional incentive to deliver the triple win outcomes. To be eligible for the fund urban areas and their authorities would need to offer:

- a strong vision;
- clear strategies with ambitious targets for a wider range of outcomes than just congestion
- strong local leadership; and
- tight governance

4.2 The Government sets out its aims for this fund so that it delivers clear benefits in terms of:

- Enhanced mobility through wider choices for journeys
- Reduced congestion and increased journey time reliability
- Better health through improved safety and more cycling and walking
- Better streets and public spaces transforming quality of life
- Improved safety, and
- Reduced level of carbon emission from transport

4.4 The benefits should be consistent with ambitions set out in emerging LTP strategies but the Fund will allow faster progress for high quality proposals. A delivery strategy should include a package and combination of mutually supporting measures such as:

- Sustainable travel measures – such as the promotion of walking and

cycling, travel plans and travel awareness campaigns

- Encourage modal shift – such as improvements to local bus markets, smartcard ticketing, better information and personalised travel planning
- Traffic management – such as improving information about journey times and routes, reallocating road space from cars to more sustainable modes, and Urban Traffic Management Control
- Demand management measures – such as using parking policies, park and ride and low emission zones

It will also be important to demonstrate how transport measures and land use policies are fully integrated and aligned.

4.5 The Government expects those urban areas and authorities seeking to access this fund to put in place stronger decision making and delivery arrangements across boundaries. Proposals from cities or urban areas will be judged against a set of criteria which could include:

- How challenging proposed outcomes and targets are
- Mutually supporting measures to deliver value for money outcomes
- Realistic delivery plan
- Prospects from leveraging in funding from other sources e.g. PCT
- Credible governance arrangements for efficient decision making
- How far proposals are integrated with wider policies

These criteria will be used to first sift proposals, identify promising packages and then work them up into full business cases and detailed delivery plans.

5. Implications for Tyne and Wear

5.1 Members will be aware that Tyne and Wear authorities submitted a bid to the DfT for Sustainable Travel City (STC) funding and were subsequently shortlisted. The STC programme has now been axed and has been incorporated into the Urban Challenge Fund. Similarly, proposals put forward for the Kickstart programme have yet to be considered.

5.2 The Discussion paper explicitly references that proposals for the Urban Challenge Fund will have to be consistent with emerging strategy from the development of the next Local Transport Plan. It is not clear at this stage how much funding will be available through this mechanism. This will become clear after the next Spending Review when a top-slice from the DfT's overall funding allocation will be used to provide the necessary financial resource.

5.3 A clear vision and effective governance arrangements are highlighted in the discussion paper as key criteria for funding eligibility. The ITA has already made progress with its governance arrangements as set out in the Tyne and Wear City

Region Transport Governance Review, and a new vision for transport in Tyne and Wear is currently being developed as part of the ITA Policy Statement review and LTP3 development process.

6. Further comments by the:

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7. Background Papers

8.1 Urban Transport: Available at:
(www.cabinetoffice.gov.uk/strategy/work_areas/urban-transport.aspx)

The Future of Urban Transport. Available at:
www.dft.gov.uk/pgr/regional/policy/urbantransport/

9. Contact Officer (s)

9.1 Roger Gill, ITA Policy Manager, 0191 211 4805

Tobyn Hughes, Director of Strategy, Nexus 0191 203 3246



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 25th March 2010**

REPORT TITLE: Support for the local economy: progress update

JOINT THE CLERK TO THE AUTHORITY & THE DIRECTOR GENERAL, NEXUS
REPORT OF

District Implications: ALL

1. **Summary**

- 1.1 This report updates progress against the plan to allow the ITA and Nexus to play their part in supporting the economy of Tyne and Wear during the economic downturn. The key areas of activity addressed were: Promoting opportunities to local businesses; and to create employment and re-skilling opportunities.

2. **Recommendations**

- 2.1 Members of the ITA are recommended to note this report and endorse the activities being progressed by Nexus.

3 **Introduction**

- 3.1 Members will recall that in Spring 2009, given the weak economic climate in the UK, local government bodies began to increase their involvement in pursuing initiatives to help stimulate and support the local economy up and down the country. Various public sector organisations in the North East responded with commitments to bring forward capital spend, review business rents, and increase training and employment opportunities. As significant contributors to the local economy, and in Nexus' case a large employer, the ITA and Nexus saw that they had a role to play.
- 3.2 The ITA has as one of its overarching objectives "Assisting in stimulating economic regeneration" and Nexus organises its functions and activities to support the achievement of this key objective. The ITA also has a power of wellbeing that can be used to support economic as well as social and environmental initiatives where it believes that these will be of benefit to the area and are not otherwise proscribed by legislation.
- 3.3 Promoting opportunities to local business:
 - To help local businesses benefit from the £350m of government funding awarded for the Metro: All Change modernisation programme, Nexus arranged an open event to explain

the opportunities there might be for local companies within this programme.

- The fact-finding event was held on 9th July 2009 at Newcastle's International Centre for Life. More than 200 delegates from engineering, construction and rail firms attended. The venue had to be changed twice as more and more firms asked to attend with interest coming from all over the UK, the Republic of Ireland and Germany.
- Nexus will continue to make bidding for tenders simpler for smaller businesses. In order to promote tendering opportunities in a manner that is accessible to smaller businesses, Nexus now advertises sub-OJEU (below c. £300k) contracts on business-to-business portals, including 'MyTenders' and the ONE NorthEast portal, where appropriate. It is also Nexus' intention to further support all businesses, including small businesses, through the Nexus website. Nexus will shortly begin to place a series of "Working with Nexus" documents on the website, as well as templates for various procurement documents. This is intended to allow businesses to familiarise themselves with the documents, as they can initially be a daunting prospect for small businesses in particular.

3.4 Create Employment:

- To support the ongoing maintenance of the Metro track, Nexus Rail has created 18 temporary (six month) jobs starting in February 2010. This initiative has been made possible through the agency of North Tyneside Council and the Future Jobs Fund. Recruitment is being focused on unemployment hotspots, particularly targeting the 18 to 24 years old age group.

3.5 Create re-skilling opportunities:

- Starting in October 2009 Nexus created six new six-month work placements within the organisation, under an ongoing Skills Development Trainee programme. For the first time these places were offered to individuals who have recently been made redundant, providing an opportunity to learn new skills and to access longer-term job opportunities in Nexus and Metro. The next intake of Skills Development Trainees will commence in April 2010.
- In September 2009 Nexus recruited four recently qualified Graduates as part of an ongoing commitment to developing tomorrow's managers and specialists in the transport industry and forming strong links with the further education sector. A further recruitment of four Graduate trainees is planned for September 2010.
- Nexus is working with local government partners and the education sector, in particular Go Skills, to develop a long term initiative that will help promote Transport and Engineering career pathways as a real and sustainable choice in the region.

4. Information

Other Initiatives

- 4.1 The ITA/Nexus made provision to increase capital programme spend significantly over the next two years on projects which will have a sizeable impact to the economy of the region. In 2008/09 Nexus capital programme was £18.6 million and the current estimated projection is for a year-end spend of around £30 million in 2009/10. Subject to decision by the ITA this will potentially increase to a maximum of £72.9 million in 2010/11 and £61.1 million in 2011/12 (subject to review of the phasing of the capital

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programme following the recent Government funding announcement). A large portion of this money will be spent on infrastructure works as part of the Metro Reinvigoration Programme, and a number of significant projects will also be undertaken to improve bus infrastructure.

- 4.2 Nexus has previously confirmed that it will bring forward an additional £1.5m from reserves to provide local support for the £15m Major Scheme Grant for the Ticketing & Gating Scheme that will form the core of a North East Regional smart ticketing scheme and thereby contribute to regional productivity gains.
- 4.3 Working jointly with LTP partners Nexus investigated bringing forward elements of bus-based major scheme but advice from DfT was that it preferred to see the major schemes submitted in phases rather than delivered individually.
- 4.4 The ITA took the decision to freeze the cost of Metro and Ferry tickets for 2010, helping to keep down the cost of travel for local people.
- 4.6 Nexus is continuing its work with partners in local councils and Job Centre Plus to support the WorkWise programme. This helps local people actively seeking work and getting back into employment by providing them with free or discounted travel to interviews and for three months when starting a job. Nexus Social Inclusion section provides a budget allocation of £100,000 a year to support this important initiative which is administered locally in each of the five districts.
- 4.7 Invest in green technology: Over the next year we will research the possible available options for onsite electricity generation in offices, stations and interchanges, and buying electric vehicles. Wherever a viable business case exists we will seek to source external capital funding to install green technology.
- 4.8 “The right fare” - Nexus promotes www.nexus.org.uk as part of a campaign aimed at ensuring that people have access to the most up to date information on public transport ticket choices, so that they can get the best possible value for their money. Of just over 6 million page views on the site in 2009, just over 20% were to pages giving information about ticketing matters. We also provide a Metro fares guide (available in TravelShops and online) and a Student ticket leaflet (distributed to students and available in Travelshops).

5. Next Steps

- 5.1 A further update will be presented to the ITA in 6 months time.

6. Further comments by the:

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

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7 Background Papers

7.1 None

8 Contact Officer (s)

8.1 Tobyn Hughes, Director of Strategy, Nexus; tel. 0191 203 3247

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