



Tyne and Wear Integrated Transport Authority

Meeting to be held at Newcastle Civic Centre
on Thursday 26 November 2009 at 10.00 am
(Labour Group meeting at 9:00am) (Opposition Group meeting at 9:30am)

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1.	Apologies for absence	
2.	Declarations of Interest of Council Members, Co-opted Members or Officers to be discussed at the meeting	
	<p>(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).</p> <p>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</p>	
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| 16. | Exclusion of Press and Public | |

Budget Briefing 2010/11

Members are advised that there will be a budget briefing at the end of the meeting by the Deputy Clerk & Treasurer and the Director of Finance & Resources (Nexus)

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

Tyne and Wear Integrated Transport Authority

24 September 2009
(10.00 - 11.30 am)

Present:

Councillor: D Wood (In the Chair)

Councillors: Keating, Stone, Blackburn, Green, Hodson, Lott, Maughan, McElroy,
Scott, Symonds, P Wood

IN ATTENDANCE

B Rowland, S Ovens, R Gill, S Vincent, M France, P Staines, J Anderson, J Curran,
F Hussain, P Woods

Also In Attendance

C Tyrell (Audit Commission)

Representing Nexus

B Garner, T Hughes, J Fenwick, H Lewis

68. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Austin, McMillan, Taylor and Hanson.

69. **CHAIRMAN'S INTRODUCTORY COMMENTS**

The Chair welcomed members to this meeting which was being held in the Mansion House. He expressed some concern that accommodation was not available in the Civic Centre.

70. **MINUTES OF THE TYNE & WEAR INTEGRATED TRANSPORT AUTHORITY OF 23RD JULY 2009**

The minutes of the meeting held on 23 July 2009 were confirmed as a correct record and signed by the Chair, subject to the addition of J Anderson to the list of officers present.

Matters Arising:-

- (a) **Sunderland Station**
(Minute No. 50(a) refers)

The major development works at the station had now commenced and an official launch had been held. A number of photographs were circulated for members' information.

Members welcomed the commencement of works to the station. A member wished to place on record his thanks to B Garner for getting this scheme to the construction phase.

(b) Metro Reinvigoration Update
(Minute No. 50(b) refers)

The programme was progressing on target and there was no slippage.

(c) ITA/Nexus Support For The Local Economy
(Minute No. 50(d) refers)

The work was ongoing on the recruitment of the 18 work placements who were to work on the metro system. It was hoped that they would commence work in November.

(d) ITA/Nexus Award Nominations
(Minute No. 50(e) refers)

The ITA/Nexus had received awards for improvement to bus services. The Chair indicated these would be available for members to view at the next meeting to be held in the Civic Centre.

(e) Nottingham Declaration/Nexus Environmental Strategy
(Minute No. 52 refers)

The Nottingham Declaration had been signed at the members annual tour on 11 September.

(f) Smart Ticketing
(Minute No. 50(a) refers)

A number of meetings had been held at regional level and the project was being taken forward and he hoped to be able to report to the next meeting of the Authority.

Government approval for the Ticketing and Gating scheme had been received during the summer.

(g) Proposals For New Advisory Groups
(Minute No. 53 refers)

The Working Groups would meet on the following dates:

LTP Working Group – 8 October at 10.00 am
Equality and Diversity – 15 October at 10.00 am
Bus Strategy Working Group – 22 October at 10.00 am
Agendas would go out in due course.

(h) Sustainable Travel City

(Minute No, 59 refers)

The Sustainable Travel Cities bid for Tyne and Wear had been shortlisted and a decision was awaited.

(i) Business Intelligence

(Minute No. 63 refers)

B Garner reported that data had been collected over the summer months about performance and patronage and as a result approval had been given to doubling the frequency of services from Park Lane and South Hilton. Patronage levels had risen by up to 44% on this section of track.

(j) ITA Annual Visit

(Minute No. 64 refers)

The Chairman thanked all those who had assisted with the visit. Members had welcomed the opportunity to visit the site of the New Tyne Crossing and walk through the pedestrian tunnel. He expressed an interest in members seeing the next stage of the New Tyne Crossing process.. He asked that members be kept updated.

71. APPOINTMENT OF CLERK TO THE AUTHORITY

Submitted: Report of the Legal Advisor and Monitoring Officer (copies attached to Official Minutes).

S Ovens introduced the report which recommended the appointment of Mr B Rowland as Clerk to the Authority.

A member welcomed the appointment and went on to stress the importance of the contribution to be made by the Clerk and the importance of his attendance at meetings.

B Rowland explained for members' information that he took his role as Clerk to the Authority very seriously and intended to be proactive both inside and outside meetings, working with members across the region.

RESOLVED – That Mr B Rowland be appointed as Clerk to the Authority and also as one of the ITA's representatives on the Nexus Board.

72. OFFICE OF FAIR TRADING MARKET STUDY OF LOCAL BUS SERVICES

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

T Hughes introduced the report which advised members of the outcome of a market study by the Office of Trading into local bus services.

A member welcomed the report and the proposals to refer concerns to the Competition Commission. He felt that this would benefit bus users in the area. A Member outlined potential issues surrounding Quality Partnership and Quality Contracts between local authorities and bus operators, which could possibly develop in the same direction.

RESOLVED – That the report be received and noted.

73. **RAIL UPDATE**

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

B Garner introduced the report which updated members on recent developments on rail.

Questions/Comments

- A member welcomed the report and proposals. He saw it as essential that Tyne and Wear was not overlooked in the final proposals for High Speed Rail.
- It was essential to lobby towards the establishment of high speed rail network and the economic implications for the area could not be overstated.
- A member supported the advice of the Director General and urged the Chair of the Authority to pursue the case for Tyne and Wear as vigorously as possible.
- A member went on to express concern about the southern access at Newcastle Central Station and queried whether there was any further budget available to progress the work here. He also queried whether there was any work planned around Manors Station.
- In endorsing the approach recommended in the report, a member referred particularly to the Northern Route Utilisation Strategy and queried whether this provided any opportunity to lobby for the re-opening of the Leamside line.
- B Garner explained that lobbying in respect of high speed rail could be undertaken through a variety of channels. Although the Secretary of State for Transport indicated that it was unlikely that the North East would be included in the first phase of investment. Nevertheless it was important to push ahead to lobby for anything which could be obtained in terms of improvements for the east coast mainline.
- The Director General had held a meeting with C Green to discuss the situation at Sunderland and Newcastle Central Station in the context of the Secretary of State's review of station management. The discussion had focussed on how Network Rail could be provided with incentives to take a more proactive interest in Sunderland Station and more local ownership of Newcastle Station could be achieved.
- Members asked that representations be made on the basis of the comments made at the meeting.

RESOLVED – That

- (i) the report be received and noted;
- (ii) direct representations be made to HS2 on the benefits of high speed rail to Tyne and Wear and the region in the context of wider economic aspirations.

74. 2009/10 CAPITAL PROGRAMME - FIRST QUARTERLY REVIEW

Submitted: Report of the Director of Finance and Resources (Nexus) (copies attached to Official Minutes).

J Fenwick introduced the report which advised members of the performance of the 2009/10 capital programme to the end of the first quarter (30 June 2009). B Garner stressed particularly in reference to the Metro Reinvigoration Project that slippage in the current programme had afforded an opportunity to commit to development works that would enable the step change required in delivery of the much enhanced programme from April 2010.

RESOLVED – That

- (i) the revised position regarding the 2009/10 programme, as per Appendix A to the report be noted;
- (ii) the scheme changes as detailed in Appendix B, be approved;
- (iii) the intention to include development costs in relation to future years schemes to be carried out within the 2009/10 capital programme be noted with approval considered as part of the quarter 2 review anticipated in November, once more detailed proposals had been further developed.

75. DEVELOPMENT OF TAXICARD AND COMPANION CARD

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

B Garner introduced the report which advised members of changes being proposed in relation to the Taxicard scheme and progress to extend eligibility criteria in relation to the Companion Card, both of which were proposals to encourage further use.

Questions/Comments

- Members welcomed changes to the Taxicard Scheme however concern was expressed that there was only a 40% take-up in North Tyneside. Some residents had expressed concern that the process was too complicated and too expensive. There was also a feeling that the Companion Card Scheme needed reviewing.
- A member sought reassurance that other taxi firms were not giving customers better deals even taking into account the subsidiary,

- B Garner explained that the changes proposed had been designed to make the scheme easier to use. He also confirmed that there was no dual fares structure operating other than that which existed locally between taxis and private hire vehicles.

RESOLVED – That

- (i) in relation to Taxicard, the proposal set out in the report be endorsed;
- (ii) in relation to Companion Card, the Chair be requested to make additional representation to those operators who had so far expressed an unwillingness to participate in an extended scheme.

76. **WYCLIFFE AVENUE RESIDENTS' PETITION**

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

T Hughes introduced the report which responded to a petition presented to the July meeting of the ITA by Newcastle City Council from the residents of Wycliffe Avenue and the surrounding area of the Montague Estate in Kenton Ward. The matter had been looked at together with Stagecoach which operated the service and a conclusion had been reached that to modify a route would present an acceptable safety risk and would isolate other parts of the community. A member commented that he had actually travelled the route and felt that the decision reached by Stagecoach was correct.

RESOLVED – That the report be received and noted.

77. **LOCAL DEMOCRACY, ECONOMIC DEVELOPMENT AND CONSTRUCTION BILL & STRENGTHENING LOCAL DEMOCRACY CONSULTATION: AN UPDATE**

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

R Gill introduced the report which updated members of the progress of the Local Democracy Economic Development and Construction Bill and the consultation around strengthening local democracy.

A member referred to paragraph 5.2 of the report which covered sections relating to sub-regional working and pointed out that whilst 5 consultation points had been listed, the questionnaire listed 7 points and queried why questions 18-23 were not considered. He went on to express some concern as Newcastle City Council was undertaking its consultation by means of committees, whereas here the authority was being asked to delegate the process to Nexus and ITA officers.

Each of the 5 local authorities was producing its own response. S Ovens pointed out that the deadline for responses was 2 October. It was suggested that the questions could be sent to individual councillors. However, it was pointed out that this would not be a collective ITA response. S Ovens suggested that whilst any individual councillor could respond in his own name, a response from the authority would need some

mechanism for drafting, it for example delegation to the Chair and one or two members.

B Rowland suggested that officers contact all Tyne and Wear local authorities to ascertain their responses and extract information relevant to transport to pass on to the ITA members. The PTEG response would be circulated to all members.

RESOLVED – That the report be received and noted.

78. **POSSIBLE COOPTION OF INDEPENDENT MEMBERS ONTO THE SCRUTINY ADVISORY COMMITTEE**

Submitted: Report of the Scrutiny Manager (copies attached to Official Minutes).

P Staines introduced the report which considered the suggestion that the effectiveness of the Scrutiny Advisory Committee would be enhanced by the appointment of Independent Members.

Councillor P Wood declared a personal interest as a member of the Railway Development Strategy Group.

Members agreed with the concern expressed in respect of the title of the Committee and felt that the word “advisory” was unnecessary. A member felt that the Scrutiny Committee had a limited role and involving independent members on a permanent basis could mean it getting too involved in detail. He was not sure that the rules of political balance would apply. He also pointed out that it was difficult for members of the Standards and Audit Committee to attend this type of meeting but this did not prevent them from making relevant observations. Members agreed on the importance of more publicity for the work of the Scrutiny Advisory Committee.

The Chair pointed out that Scrutiny Committees could invite interested and independent members to any its meetings whenever it wished, he acknowledged the need for more publicity, although acknowledged that the papers were published on the website. He went on to recommend the appointment of substitutes which may be helpful when members could not attend meetings. However he could not see the benefit of appointing permanent independent members.

Members agreed that the appointment of substitute members would be advisable and that the title should be “Scrutiny Committee” rather than “Scrutiny Advisory Committee”. In response to a query, P Staines outlined in detail the attendance sheet included in the addendum to the report.

RESOLVED – That

- (i) the proposal to appoint independent members be rejected
- (ii) the local authorities be requested to appoint substitute members in the event of their representative not being able to attend
- (iii) the Committee be known in future simply as the ITA Scrutiny Committee.

79. REVENUE BUDGET MONITOR

Submitted: Joint report of the Deputy Clerk and Treasurer (copies attached to Official Minutes).

P Woods introduced the report which provided members with a revenue budget monitor report for the period April to August 2009. He explained for information that the line referring to PTA contribution to the city region would be deleted from the next version.

RESOLVED – That the financial position as at 31 August 2009 as set out in this report and the attached Appendices 1 and 2 be noted.

80. REGIONAL TRANSPORT PRIORITIES

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

S Vincent introduced the report which advised on recent developments in the Regional Funding Allocation programme, along with the emerging process for the identification and assessment of future regional transport priorities, through delivering a sustainable transport system (DaSTS).

Questions/Comments

- A member welcomed the report and commented on the importance of the A19 junction schemes which were very important to the North East as a region. It was felt that the ITA should be making positive representations to the Highways Agency.
- A member endorsed this approach, stressing that although the junction was in North Tyneside, it was clearly of regional importance and improvements would also lead to improvements in the CO2 strategy. Improvements would lessen the impact of two lanes of traffic queuing continuously. He referred to a presentation made to the Tyne Tunnel Working on 18 September, which indicated what the new tunnel would look like and he felt it would be an advantage to pass on this presentation to transport ministers to emphasise the region's concerns.
- P Woods explained that officers had met with Highways Agency representatives and stressed how seriously the issues of the timing of the programme and the importance of bringing forward improvement works to the junction given the opening of the New Tyne Crossing in 2012.
- B Rowland confirmed that every effort would be made to ensure that pressure was applied to bring forward this development work. He went on to refer to DaSTS and the context for the national strategy and expressed concern at recent information released from government which indicated that Newcastle Airport was not seen as strategically important as part of the national infrastructure. It was important to try

to review this and to achieve an understanding of the role of the ITA in the new regime.

RESOLVED – That

- (i) representations be made to the relevant bodies in relation to the regional importance of the New Tyne Crossing as discussed;
- (ii) the contents of the report and comments made members be noted.

81. STRATEGIC RISK UPDATE

Submitted: Report of the Clerk to the Authority (copies attached to Official Minutes).

F Hussain introduced the report which provided the six monthly update on strategic risks set out in the ITA Strategic Risk Register.

A member queried how the Authority would cope if senior staff contracted swine flu. B Rowland explained that resources between Nexus and ITA officers would be reviewed to ensure that work was moved forward appropriately. He did not anticipate this being a big problem. P Woods explained that nominated deputy officers would be in place. He understood that Nexus did have emergency plans in place to deal with such a situation.

RESOLVED – That the information be received and noted.

82. AUDIT COMMISSION - ANNUAL GOVERNANCE REPORT 2008/09

Submitted: Report of the Deputy Clerk and Treasurer to the ITA (copies attached to Official Minutes).

C Tyrell (Audit Commission) introduced the report which presented the final version of the audit work for 2008/09. She went on to explain that she planned to issue an unqualified opinion on the Authority's amended 2008/09 Financial Statements. She drew attention to recommendations in respect of quality control and review and the return of Declaration of Interest forms by members which was an essential part of good governance.

RESOLVED – That the contents of the Audit Commission's Annual Governance Report for 2008/09 be noted.

83. ANNUAL GOVERNANCE STATEMENT 2008/09

Submitted: Report of the ITA Officer Co-ordination Group (copies attached to Official Minutes).

F Hussain introduced the report drawing attention to the updated version which had been circulated.

F Hussain referred to comments made by the Standards and Audit Committee at its meeting on 18 September 2009 which included revised wording for publicly agreed statements (??) This would be taken on board.

RESOLVED – That the Annual Governance Statement be approved for inclusion in the Final Accounts for 2008/09 subject to the amendments detailed in the report.

84. **ANNUAL REPORT AND ACCOUNTS 2008/09**

Submitted: Report of the Deputy Clerk to the Treasurer (copies attached to Official Minutes).

P Woods introduced the report which presented the accounts following the completion of the audit by the Audit Commission. He drew attention to an amendment to the second recommendation, which should read “the amended ITA and Group Accounts”. The Final Accounts took on board comments from the Standards and Audit Committee. The letter of representation, it was agreed, would be signed after the meeting. The Standards and Audit Committee had identified a small adjustment (page 142) which summarised the position of the Tyne Tunnel against budget. The comments from the Standards and Audit Committee referred to the position of the Tyne Tunnel and a reference to employees and a pensions figure which should in the actual column read 38 and not 41 and the second figure should read 589 and not 586. These minor changes had now been taken on board.

A member expressed concern that in the Chairman’s Forward no reference had been made to the environment. This was an issue which was of increasing importance to all local authorities and he felt that the ITA should fully take this on board. Some reference could have been included to the recently signed Nottingham Declaration on energy used in running the Metro. The Chairman took this point.

RESOLVED – That

- (i) the letter of representation be approved;
- (ii) the amended ITA Group Accounts for 2008/089 be approved; and
- (iii) The Chair be authorised to sign the amended Annual Report and Accounts.

85. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That the Press and Public be excluded from the meeting during consideration of the Confidential Minutes of the previous meeting

86. **CONFIDENTIAL MINUTES OF THE MEETING HELD ON 23RD JULY 2009**

The confidential minutes of the meeting held on 23 July 2009 were confirmed as a correct record and signed by the Chair.

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Tyne and Wear Integrated Transport Authority

26 November 2009

TITLE: REVENUE BUDGET MONITORING REPORT (APRIL 2009 –October 2009)

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 October 2009.
- 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 and the original estimate presented to the Passenger Transport Authority at its meeting of the 22 January 2009. 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 31 October 2009 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 October 2009 with the budget for 2009/10. Appendices 1 and 2 summarise the recorded spending position as at 31 October 2009
- 3.2 For the ITA, expenditure at £41.575 m is 58 % of the annual budget for the year, with no unexpected costs incurred to date. There is some variation in the %

spending on individual budget items, but this is broadly in line with expectation 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 seven months of 2009/10.
- Actual traffic is approximately 2% lower than for the first seven 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 will be revised to reflect insurance costs and other costs not included in the original budget.

Treasury Management Update – Borrowing and Lending

Borrowing

- 3.4 1. The ITA's approved Authorised borrowing limit for the 2009/10 year is £278million and its Operational borrowing limit is £273 million. The level of external borrowing as at 31 October 2009 is £163.56million. 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 4.21%.

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.

Lending

3.5 The ITA has been lending in line with the limits agreed for individual institutions agreed by the ITA. Our lending at 31 October 2009 was £54.60m. This was lent to 5 UK Banks and Building societies (with deposits ranging from £2m to £12m). 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 4.03 % so far this year. Interest rates on new investments are falling. The amount of money that the ITA is lending out has reduced in 2009/10 as a result of debt repayment in order to manage the risk of the credit crunch and will reduce significantly once contract payments start to be made to the New Tyne Crossing concessionaire in 2010.

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 October 2009

7 **Contact Officer (s)**

7.1 Marilyn France 0191 211 6670

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

Spend to 31st October 2009 (2009/10)					
ITA	Spend to 31.10.09	Budget	Spend against Budget	Expected Spend (%)	Notes
	£				
<u>Revenue Expenditure</u>					
Travel Costs	1,608	4,000	40%	58%	
Supplies & Services	48,844	105,410	46%	58%	
Support Services	23,884	444,050	5%	0%	Primarily year-end expenditure
PTA Website Charges	20,329	34,850	58%	58%	
Pension Costs	274,766	510,000	54%	58%	
Grant to Nexus	39,430,440	67,595,040	58%	58%	
ITGA Subscription	40,036	41,030	98%	100%	Paid at commencement of year
Financing Charges	1,734,705	2,973,780	58%	58%	Based on estimate
	<u>41,574,611</u>	<u>71,708,160</u>	58%	58%	
<u>Income</u>					
Levy Income	(41,210,176)	(70,646,000)	58%	58%	
Interest on Balances	0	(114,100)	0%	0%	Primarily year-end expenditure
	<u>(41,210,176)</u>	<u>(70,760,100)</u>		58%	
Contribution from Reserves	364,436	948,060	58%		

For further information or detail, please contact Marilyn France on 0191 211 6670

Appendix 2: Tunnels Revenue Budget Monitor for the Period April 2009 to October 2009

Spend to 31st October 2009 (2009/10)				
Tyne Tunnels	<u>Spend to 31.10.09</u> £	<u>Original Budget for Year</u> £	<u>Spend as a % of Original Budget</u> %	<u>Notes</u>
TT2 Contract				
Toll Income	(7,510,965)	(13,691,000)		
Payments to TT2	1,471,140.75	2,999,000		
Total	(6,039,824)	(10,692,000)	56%	See paragraph 3.3
Other				
Employee Costs	18,300	30,130	61%	Expenditure on target
Repairs & Maintenance	15,188			Monies relate to Pedestrian & cycle tunnel major maintenance
Other Expenses	24,154	17,600		Budget to be revised to reflect insurance costs
Community Fund	0	10,000	0%	No expenditure In current Year
Commission Costs	339,734	586,060	58%	Expenditure lower than Budgeted.
New Tyne Crossing support services	0	170,810	0%	Year-end expenditure
Financing Charges	1,183,607	2,029,040	58%	Based on estimate
Miscellaneous Income	(12,923)	(4,100)	315%	
Interest on Balances	0	(899,900)	0%	Year-end expenditure
Total	1,568,059	1,939,640	81%	
Net Surplus on Existing Tunnels	(4,471,765)	(8,752,360)	51%	



Tyne and Wear Integrated Transport Authority

Date: 26 November 2009

TITLE: Annual Audit & Inspection letter 2008/9

REPORT OF Treasurer and Deputy Clerk to the ITA

Not confidential

All districts

1. **Summary / Purpose of Report**

- 1.1 The purpose of this report is to consider the Annual Audit and Inspection letter for 2008/9. The letter is generally positive, giving an unqualified audit opinion and contains a small number of relatively minor recommendations.

2. **Recommendations**

- 2.1 The Committee is asked to approve this report and raise any comments.

3. **Introduction / Background**

- 3.1 The Annual Audit and Inspection letter provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the findings and conclusions from the audit of the Authority and from any inspections undertaken during the year.

The District Auditor gave an unqualified opinion on the Authority's amended financial statements on 25 September 2009. He concluded that the Authority has improved and has appropriate arrangements in place to secure value for money. The Authority has taken agreed an action plan to address the quality assurance arrangements for the financial statements and that members complete their annual declarations of interest on a timely basis to support the disclosures in the financial statements.

5. **Next Steps**

5.1 This report will be considered by Standards & Audit Committee at their meeting of the 8th January .

6. **Further comments by the:**

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

7 **Background Papers**

7.1 Annual Audit Letter

8 **Contact Officer (s)**

8.1 Marilyn France -0191 211 6670

Annual Audit Letter

Tyne and Wear Integrated Transport Authority

Audit 2008/09

November 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 I issued an unqualified opinion on the Authority's amended 2008/9 financial statements.

Financial Statements

- 2 The financial statements presented for audit were free from material error but did contain some minor errors and inconsistencies.

Value for money

- 3 The Authority has improved and has appropriate arrangements in place to secure value for money.

Audit fees

- 4 We agreed additional fees to allow me to review the proposed accounting treatment for the New Tyne Crossing. This was not included in the plan agreed in April 2008.

Table 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£39,000	£35,000	£4,000
Value for money	£10,000	£10,000	0
Total audit fees	£49,000	£45,000	£4,000
Non-audit work	-	-	-
Total	£49,000	£45,000	£4,000

Actions

- 5 Recommendations are shown within the body of this report and have been agreed with the audited body.

Independence

- 6 I can confirm the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

Significant issues arising from the audit

- 7 The draft statements (both single-entity and group) contained some errors, inconsistencies and disclosures which were not fully compliant with the SORP. Most of these were minor and all those identified were amended.
- 8 The draft statements contained a prior period adjustment of £573,000 relating to prepaid toll permits. The failure to accrue for this prepayment was highlighted in my report to you last year, as an unadjusted error. As the value is not material, the adjustment should have been accounted for in 2008/09 rather than as a prior period adjustment.

Recommendation
R1 Review quality assurance arrangements to reduce the number of minor errors and inconsistencies in the financial statements.

Material weaknesses in internal control

- 9 I did not identify any significant weaknesses in your internal control arrangements.
-

Accounting Practice and financial reporting

- 10 I considered the qualitative aspects of your financial reporting.
- 11 Members are required to complete an annual declaration of interests. The latest declarations were made in June or July 2008 and were not updated for the 2008/09 statements.

Recommendation
R2 The Authority should ensure that members complete their annual declarations of interest on a timely basis to support the disclosures in the financial statements.

Value for money conclusion

I assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

VFM Conclusion

- 12 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 13 The economic downturn and banking crisis is having a significant impact on public finances and the bodies that manage them. This impacts on the audit and I have reflected on the wider environment, specific issues and risks and the Authority's response.
- 14 The Authority did not have any investments in Icelandic banks but has nevertheless reviewed its treasury management policies and level of both loans and investments to ensure arrangements remain robust.
- 15 There are continuing challenges to the Authority in delivering services during the financial downturn, which has led to a decline in use of the Tyne Tunnel during 2008/09. Although figures indicate that this has been reversed in the first half of 2009/10 it is not clear whether this trend will be sustained.
- 16 Delivery of the New Tyne Crossing is key to ensuring public transport services meet the needs of and are affordable to users. Robust financial plans are in place to support the required capital programmes.
- 17 Developing the new and extended role of the Integrated Transport Authority will also be important in addressing users' needs. To facilitate this, the Authority has commissioned a detailed review to support its new role, although it has not yet made any significant changes.
- 18 I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 19 The Authority has sound arrangements in place which are tailored to the range of its activities. This is an improvement since last year, as the Authority has taken action to improve internal control arrangements to ensure:
 - Internal Audit carries out sufficient work each year to provide adequate assurance to the Authority and to support the annual governance statement; and
 - the core function of an audit committee (monitoring of internal audit) is carried out by a member group throughout the year.
- 20 Details of my assessment are included in Appendix 1.

Closing remarks

- 21** I have discussed and agreed this letter with the Deputy Clerk and Treasurer and with the ITA Accountant. I will present this letter to the Authority on 26 November 2009 and will provide copies to all Authority members.
- 22** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

Table 2

Report	Date issued
Audit Plan	March 2008
Opinion Audit Plan	May 2009
Annual Governance Report	September 2009

- 23** The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority's staff for their support and co-operation during the audit.

Steve Nicklin
District Auditor
November 2009

Appendix 1 – Value for money conclusion

The following tables summarises the key findings and conclusions for each of the three use of resources themes.

Managing finances

<p>KLOE 1.1 (financial planning) VFM criterion met</p>	<p>Key findings and conclusions</p> <p>The Authority has appropriate arrangements in place. There is little public consultation, but there is consultation on the levy with constituent authorities. There is no formal reserves policy, but there is clear evidence that members approved the earmarked reserve for Metro reinvigoration and increased reserve for the Tyne Tunnel.</p>	<p>Yes</p>
<p>KLOE 1.2 (understanding costs and achieving efficiencies) VFM criterion met</p>	<p>Key findings and conclusions</p> <p>The Authority understands its costs and carries out investment appraisals for major projects.</p>	<p>Yes</p>
<p>KLOE 1.3 (financial reporting) VFM criterion met</p>	<p>Key findings and conclusions</p> <p>The Authority produces its financial statements in accordance with deadlines and produces a detailed annual report. There is scope to improve the quality of the draft statements, although there were no errors affecting reported performance.</p>	<p>Yes</p>

Appendix 1 – Value for money conclusion

Governing the business

<p>KLOE 2.4 (risk management and internal control) VFM criterion met</p>	<p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Authority strengthened its risk management and arrangements for producing its annual governance statement in 2008/09. Annual declarations of interest were not updated on a timely basis.</p>	

Managing resources

<p>KLOE 3.2 (strategic asset management) Score VFM criterion met</p>	<p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Authority has a limited number of assets so that whilst it does not have a formal asset management strategy, it does manage its assets to meet its strategic priorities.</p>	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Annual Audit Letter 2008/09 Recommendations					
5	Review quality assurance arrangements to reduce the number of minor errors and inconsistencies in the financial statements.	2	Deputy Clerk and Treasurer	Yes	Quality assurance arrangements had been improved this year. As part of the restructure of the City Treasurers the data quality arrangements will be reviewed and enhanced. Improved linkages between the working papers and the statements.	March 2010
5	The Authority should ensure that members complete their annual declarations of interest on a timely basis.	2	Deputy Clerk and Treasurer	Yes	The work is in hand and will be completed in the next month.	24 September 2009

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Tyne and Wear Integrated Transport Authority

26 November 2009

New Tyne Crossing - Update

Report of NTC Project Director

For Information

1. Synopsis

- 1.1 This report provides an overview of progress made on the construction since the last update report to the Authority on 23rd July 2009.

2. Recommendations

- 2.1 The Authority is recommended to note progress made.

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 July 2009

Progress photographs will be available at the meeting.

4.1 Programme

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

4.2 North Approach Works

Works to the diaphragm walls, crossover (where the new tunnel will pass over the existing tunnel) and transition structure (where the immersed tubes will connect with

the approach tunnel) are complete, slightly ahead of programme. Work on the construction of the bottom slabs and roof slabs is nearing completion and some back-filling to original ground level is in place. Overall the works in this section are currently ahead of programme.

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

Production of the immersed tube sections for floatation, transport to site and immersion is now complete. Work is now progressing on preparing the dock for flooding to start on the 7th December 2009. The floatation of the 4 units will take place in January/February 2010 – the actual times and dates will depend on tide conditions.

4.4 Dredging

Discussions were satisfactorily concluded with the Environment Agency and the appropriate consents obtained. The cutter/suction dredger – the Vesalius – arrived in the Tyne on 3 November 2009 and dredging started on the 9 November 2009. The pipelines were successfully installed across land to transport the dredged material to Tyne Dock which will be in-filled with approx 400,000 cu m of material from the New Tyne Crossing works. Dredging is expected to take 6 weeks. In addition to the cutter/suction dredger there is now on site a smaller grab bucket dredger that is required to work near marine structures and the banks of the Tyne

4.5 South Approach Works

Work on the transition structure is nearing completion. The diaphragm walls and the excavations for the cut and cover sections of the tunnel are complete. The main props to the excavations are all in place and the installation of the tunnel base slabs are at an advanced stage of construction. The excavation of the first section of sprayed concrete lining tunnel has commenced. This 24 hour a day operation is progressing safely and is well monitored with no complaints from adjacent land-owners/occupiers to date.

The new Howard Street Bridge structure is nearing completion. These works are slightly behind programme but are not on the critical path.

The works are on time as measured against the October 2009 programme revision.

4.6 South Junction Works

Construction of the new slip road over bridge is advanced and nearing completion of the main structural works. The superstructure for the new Howard Street bridge is complete. Widening works to the A185 between the A19/Tyne Tunnel roundabout and the Howard St/Priory Road roundabout is on-going. The construction work is on programme. Construction of the permanent retaining wall structure at Epinay Walk is complete. Overall construction work for the junction is on programme.

5. Master-planning

- 5.1** The public engagement process took place over the period August - September 2009. Plans were exhibited at a series of consultation events and produced over 300 comments. These are being used to prepare the final master-plan drawings to be

submitted to the relevant Planning Committees for approval. It is currently expected that the plans will be submitted late November 2009.

6. Land

- 6.1 Arrangements relating to Handback of land will commence once the landscape masterplanning exercise has concluded and the details of the finishes/landscaping/street furniture etc are known.

7. Communication

- 7.1 The communication strategy is being applied successfully – majority of 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 later this month. 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 will be enhanced with the details from the master-planning exercise once concluded.
- 7.3 The construction activity and progress continues to stimulate considerable demand for visits from a wide variety of organisations. TWITA/BYTP (UK)/TT2 share the load on this issue to accommodate requests as much as possible.

8. Further Comments by the

- 8.1 Clerk - none
- 8.2 Treasurer - none
- 8.3 Legal Adviser - none

9. 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

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Tyne and Wear Integrated Transport Authority

DATE: 26 November 2009

SECTION 31 GRANT : METRO TICKETING AND GATING SCHEME

REPORT OF DIRECTOR OF FINANCE AND RESOURCES, NEXUS

Not confidential

District Implications

1. **Summary / Purpose of Report**

1.2 Following extensive negotiations with the Department for Transport full approval to the Metro Ticketing and Gating Scheme was received on 27 August 2009.

1.1 This report seeks ITA approval to accept the Section 31 grant for the Metro Ticketing and Gating Scheme for the financial year 2009/10.

2. **Recommendations**

2.1 The ITA is recommended to authorise the Director of Finance and Resources, Nexus, to accept the full grant up to the value of £13,351,141.

3. **Introduction / Background**

3.1 The estimated total outturn cost of the scheme, inclusive of inflation, contingency and preparatory costs already incurred is £14,856,906. The Department will provide a maximum of £13,351,141 which includes £13,085,781 towards the construction cost of the scheme and £265,360 reimbursement for preparatory costs.

3.2 Funding for the construction cost will be paid as capital grant as follows:-

2009/10	£1,488,876
2010/11	£8,946,695
2011/12	£2,650,210

3.3 The formal offer of grant for 2009/10 under Section 31 of the Local Government Act 2003 was received from the Department for Transport on 19 October 2009.

4. **Information**

4.1 This grant relates to the supply and installation of an Automatic Fare Collection system. The Metro Ticketing and Gating Scheme is larger than that which was originally presented to DfT for major scheme funding. There is an opportunity to extend the remit of the project so that it provides a platform for a regional smart ticketing programme. Additional capital resources have been sought in order to achieve this.

4.2 The extended scope of work now includes internet retailing, ITSO compliance, replacement of 31 Ticket Office Machine's in Travelshops, Regional Smartcards, Station Ticket Validators and infrastructure works, i.e. cabling upgrades at stations and across the network. These will be funded from a combination of NESTI funding, Metropolitan Rail Grant and Nexus own internal resources.

5. **Next Steps**

5.1 Progress on the scheme will be reported to future meetings of the ITA through the quarterly capital monitoring report.

6. **Further comments by the:**

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

7 **Background Papers**

7.1 Carol Bainbridge, Head of Capital & Project Finance, Nexus (Tel: 0191 203 3244)

8 **Contact Officer (s)**

8.1 John Fenwick, Director of Finance & Resources, Nexus (Tel: 0191 203 3248)



Tyne and Wear Integrated Transport Authority

Date: 26 November 2009

DEVELOPING A STRATEGY FOR SMART AND INTEGRATED TICKETING: DEPARTMENT FOR TRANSPORT CONSULTATION

REPORT OF Director General, Nexus

Reasons for confidentiality: Not confidential

District Implications: None

1. Summary / Purpose of Report

- 1.1 To inform ITA members of the Department for Transport (DfT) consultation on its draft strategy for smart and integrated ticketing, and the themes of the responses to that consultation exercise submitted by the NESTI Partnership, and the Passenger Transport Executive Group (*pteg*).

2. Recommendations

2.1 The ITA is recommended to:

- Note the themes of the draft consultation and the responses thereto, and the close linkages between the themes of the consultation and the development of smart ticketing infrastructure across Tyne and Wear.

3. Summary of Key issues

- 3.1
- The DfT's report signals a clear intention to move towards a nationwide smart ticketing system.
 - NESTI and *pteg* have both responded welcoming the DfT's proposed approach, but suggesting that the government's strategy should cover

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integrated fares as well as technological innovations.

4. Information

- 4.1 The DfT issued a draft consultation paper on developing a strategy for smart and integrated ticketing during August 2009. The purpose of the consultation is to set out key issues and stimulate debate around the main theme of achieving fully integrated transport ticketing through universal use of smart ticketing, leading to an improved travelling experience for the passenger. The consultation demonstrates that the DfT is very attracted to the concept of a multi-modal, cash-free payment mechanism.
- 4.2 In the opening remarks, the Transport Minister states that: ‘Local integration is a key to our vision, with city-wide, possibly regional, multi-modal Smart Ticketing schemes supporting integrated transport networks’. A central theme therefore is the development of a network of local city and regional solutions, nationally compatible under the umbrella of the government-sponsored ITSO specification for smart ticketing. This will allow public transport smartcards issued in one part of the UK to be used anywhere where ITSO standards are in place.
- 4.3 The consultation paper describes possible technological advances in smart technology, starting with smartcards and in the longer term moving towards contactless bank cards, and Near Field Communications which would enable the mobile phone to hold payment accounts for travel, and display proof of payment. Therefore the government’s strategy will concentrate upon supporting the ITSO specification to ensure it keeps pace with technology, and incentivising bus operators (using reforms to the Bus Service Operator’s Grant – BSOG), and mandating rail franchises to make their ticketing products ‘smart’.
- 4.4 The document also states that local authorities and PTEs will be supported in developing schemes, but does not foresee that central government funding will be used in future to implement schemes in many cases. It also suggests that the BSOG reforms will incentivise bus operators to install smart technology in future without further public sector contributions, but it must be emphasised that there are no concrete proposals in place from DfT at present to explain how or when reforms to BSOG will take place.
- 4.5 It is worthy of note that the structure of the NESTI programme, discussed under separate cover on this agenda, very closely matches the recommendations made by this consultation document. It envisages that PTEs and local authorities will develop local infrastructure including smart back offices, and that transport operators will both install smart technology and develop smart ticketing products.
- 4.6 Both the officers representing local authorities in the North East Smart Ticketing Initiative (NESTI), and *pteg* have responded to the consultation exercise. Both responses welcome the progressive nature of the consultation and describe the progress which is being made at a regional and PTE-wide level.

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4.6 Summary comments from each response include:

NESTI

- Welcome the clear direction set by the DfT in the strategy as regards the development of Smart Ticketing infrastructure. Indeed, the NESTI programme is a collaborative effort between Local Authorities and transport operators whose goal is to achieve just that.
- However believe that a clear steer is needed from central government to effectively set the industry on the path of integrating fares as well as ticketing technologies, and making prices more attractive as well as harnessing modern technology to sell them more effectively.

pteg

- A single, simple, unified fares structure should be considered for introduction within the UK's major city regions.
- The complexities of introducing integrated smart ticketing into a deregulated environment.
- The public sector's involvement in promoting integrated outcomes and investing in technology is critical, and BSOG should be devolved to PTEs to provide a funding stream for smart ticketing
- Closer integration is required between smart ticketing on the national rail network and other public transport modes.

4.7 Upon receipt of comments from interested parties, the DfT will consider responses received which will help to inform a final Smart and Integrated Ticketing Strategy, due to be published around the end of the year.

5 **Further comments by the:**

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

6. **Background Papers**

6.1 Consultation Paper – Developing a Strategy for Smart and Integrated Ticketing. DfT August 2009.

7. **Contact Officer (s)**

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7.1 Gordon Harrison, Nexus 0191 203 3662



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 26th November 2009**

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 seek formal approval for the involvement of the ITA in the programme.

2. Recommendations

2.1 Members are recommended to agree:

- a) The ITA's participation in the NESTI programme, and that the ITA will act as 'Lead Authority' within the NESTI Partnership. In doing so the ITA will have responsibility for entering into partnerships and contractual arrangements with third parties on behalf of the Partners, and managing scheme funding. This is subject to an appropriate legal framework being developed to allow it to do so.
- b) That the Chair of the Tyne and Wear ITA will provide periodic progress updates to the Leaders and Elected Mayors, and be accountable to them for overall delivery of NESTI.
- c) That a senior ITA officer will represent the Tyne and Wear authorities and the ITA on the NESTI Partnership Board.
- d) That £1.683 million of capital funding, allocated to Nexus's Public Transport Block from the Regional Funding Allocation, be used alongside funding from other partners to develop the NESTI project.

2.2 Members are recommended to confirm the decision of North East Leaders and Elected Mayors that Nexus will take the role of programme manager on behalf of the NESTI Partnership.

2.3 Members are requested to note the attached **Appendix A** as an explanation of smart ticketing, the NESTI scheme, and the proposals put forward to regional Leaders and Elected Mayors at their meeting on 7th October 2009.

3. **Introduction**

3.1 At its meeting in May 2009, the ITA received a paper entitled 'Programme Smart – Smart Ticketing for the North East'. Since that date, a new funding opportunity has seen the inception of a programme known as the North East Smart Ticketing Initiative (NESTI) which will replace 'Programme Smart'.

3.2 NESTI's objective is: to design and build a fully accessible ITSO standard multi-modal Smart Ticketing scheme that provides significant benefits for public transport customers in the North East, maximising usage of existing resource and achieving the best possible value for money.

3.3 The principal intended output of the programme is a Smart Ticketing infrastructure that will enable transport operators to launch Smart Ticketing products or integrate their own schemes with a wider regional environment. This infrastructure is made up of ITSO devices (ticket machines on bus and Metro stations, validators at Metro stations, on-bus ticket machines, and access to a common ITSO HOPS either directly or through multi HOPS communications), and legal and commercial agreements that will allow regional smart products to be sold and used.

3.4 NESTI is also intended to facilitate the development of Local Authority smartcard products, in the longer term potentially sharing the same platform.

3.5 At their meeting on 7th October 2009, North East Leaders and Elected Mayors agreed to use £10 million of funding collectively to deliver the NESTI programme. It is now recommended that the ITA considers its own involvement in the NESTI programme.

4. **Information**

4.1 £10 million of capital funding in total has been allocated from the North East Regional Funding Allocation (RFA) to the region's IT Blocks. A one-off additional payment was made to each LTP Local Authority and Nexus across the region in their October 2009 LTP Integrated Transport Block (see Appendix A for a breakdown by District).

4.2 In order to achieve this, Leaders and Elected Mayors agreed to the establishment of a formal Partnership Board made up of senior officers representing the Local Authorities involved, and Nexus. In order for the Partnership Board to function efficiently it is recommended that Tyne and Wear authorities be jointly represented by an ITA officer (and Tees Valley authorities

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be jointly represented by an officer from the Tees Valley Joint Strategy Unit).

- 4.3 It was further agreed that a process be developed by regional Treasurers for this capital funding to be managed as a single funding pot by the Programme Board, and that the ITA could act as 'Lead Authority' within the Partnership, with responsibility for entering into partnerships and contractual arrangements with third parties on behalf of the Partnership, and managing scheme funding.
- 4.4 It is recommended that the Chair of the Tyne and Wear ITA provides periodic progress updates to the Leaders and Elected Mayors, and be accountable to them for overall delivery of NESTI. Nexus will deliver quarterly reports to the ITA in order to facilitate this process.
- 4.5 Under direction from the ITA, Nexus has used its own resources to develop the programme as far as producing a business case and programme 'blueprint'. Consequently Leaders and Elected Mayors accepted a recommendation that Nexus take the role of programme manager for NESTI, accountable to the (officer) Partnership Board. The ITA is requested to confirm this decision, after which an appropriate partnership and grant funding arrangement will be put in place between Nexus and the Partnership Board, taking account of Nexus's multiple roles as Programme Manager, owner of Tyne and Wear Metro, and supplier (of Smart Ticketing services to the Partnership Board).
- 4.6 The £10 million of funding made available to the NESTI programme will form the bulk of funding needed to implement a smart ticketing platform for the North East. It will be used alongside the £14.8 million already confirmed for the Metro Ticketing and Gating Scheme (referred to under separate cover at this Meeting). Other confirmed funding is £220,000 allocated to smart ticketing in the 2009/10 Tyne and Wear LTP Public Transport Block, and a further £780,000 to be allocated in 2010/11 as confirmed by the ITA in May. Darlington Borough Council have confirmed an additional contribution of €270,000 made available through their participation in a European project, and extra funding is anticipated from the Tees Valley authorities as part of the Tees Valley Bus Network Major Scheme.
- 4.7 The participation of bus operators in the programme will be secured by means of a formal agreement providing grant funding for the part purchase of smart enabled ticket machines in return for participation in the scheme. The provision of grant funding to operators will lever in significant capital funding from the operators' own budget allocations.
- 4.8 The NESTI Partnership Board will actively seek opportunities to bid for additional funding as the programme progresses.
- 4.9 The funding secured to date is sufficient to cover all expected costs of the NESTI programme, including procurement of the necessary equipment, and programme management costs. It also covers a 15% contingency.
- 4.10 It should be noted that delivery of much of the physical infrastructure is intended to be through grant-funding arrangements to bus operators and Nexus;

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consequently the financial risk for cost over-runs falls in full to those bodies. The NESTI Partnership will bear some risk of cost over-runs for project management and scheme development, however it is acknowledged by all parties that the available funding is finite, and contracts will be limited accordingly.

- 4.11 Prior to the development of NESTI as a formal Partnership, an informal working arrangement was in place between Local Authorities and transport operators, meeting as a Programme Board. This arrangement will continue in order to promote the joint development of the NESTI brand, customer proposition, and new smart products to take advantage of the smart infrastructure. Although decisions over the use of NESTI public funding can only be taken by the NESTI Partnership Board, it is recognised that all parties will be making significant capital investment in smart ticketing equipment and so have a strong interest in developing a proposition that delivers maximum benefit to customers.
- 4.12 The attached **Appendix A** gives a more detailed explanation of smart ticketing, the NESTI scheme, and the proposals put forward to regional Leaders and Elected Mayors at their meeting on 7th October 2009.

5. **Next Steps**

- 5.1 Development of a legal framework to support the NESTI Partnership, authorising the ITA to act in the capacity of Lead Authority and Nexus to act as programme manager. Task to be complete by April 2010.
- 5.2 Finalisation of the NESTI Business Case and Programme Blueprint, to be reported to the next meeting of the ITA.
- 5.3 Development of contractual grant-funding arrangements to bus operators and Nexus to allow them to procure smart ticketing equipment. Installation of on-bus smart ticketing equipment expected to be complete by the end of September 2011.
- 5.4 NESTI back office expected to be delivered by the end of September 2011.
- 5.5 Metro Ticketing and Gating scheme expected to deliver full smart ticketing capability by the end of March 2012.

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor:** The ITA and the various north east local authorities can legally enter these proposed partnership arrangements under their well-being powers, provided they are satisfied the proposals will promote or improve the economic, social or environmental well-being of their

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respective areas (section 99 Local Transport Act 2008, section 2 Local Government Act 2000). As the report makes clear, appropriate legal agreements between the participating authorities will need to be drawn up and agreed to formalise the partnership governance arrangements and the on-going rights and responsibilities of the members of the Partnership. The role of the ITA, as lead and contracting authority, will be key in these arrangements and legal documentation must be carefully developed to properly protect its financial and legal position, as well as that of its partner authorities. The ITA Legal Advisor will take the lead on this.

- Director General (if any).

7 Background Papers

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Appendix A

North East Smart Ticketing Initiative (NESTI)

1. Executive Summary

1.1 £10m of capital funding has been allocated from the North East Regional Funding Allocation pot to the Region's IT Blocks. This provides a significant opportunity for Local Authorities to deliver a Smart Ticketing Scheme for the North East.

1.2 An existing informal partnership to develop regional Smart Ticketing exists between local authorities and transport operators, 'NESTI'.

1.3 This briefing note is intended to provide Regional stakeholders with some background on ITSO Smart Ticketing, NESTI, and to suggest options for next steps.

2. What is 'ITSO Smart Ticketing'?

2.1 What is a transport smartcard?

- A transport smartcard is a credit-card sized plastic card, containing an embedded microchip that stores information about the user's travel entitlements.
- The traveller typically buys travel products in advance, which are then added to the microchip on the smartcard. When the traveller boards a public transport vehicle, or enters a station, instead of purchasing or displaying a ticket, they must present their smartcard to a machine (reader) that checks their entitlement to travel.
- Most public transport smartcards are 'contactless' meaning that no physical connection is needed between the smartcard and the reader – instead the traveller can place the smartcard within the vicinity of the reader. As technology evolves, smartcards themselves may be replaced by other electronic devices that can store information and be read by a reader; notably mobile phones and USB devices.

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- Some Smart Ticketing schemes allow travellers to add 'stored value' to their transport smartcard. This allows them to pay electronically for travel each time they swipe their card rather than having to pre-purchase travel products.
- Smartcards are already used widely by many businesses and councils to make it easier for customers to access services, and to build a closer relationship with the customer that helps the design of future services and rewards loyalty. It is possible for multiple applications to be stored on a single smartcard, and some products such as 'stored value' can be made available for non-transport uses.

2.2 What is ITSO?

- ITSO is the name for both a common Smart Ticketing specification, and the body that oversees the specification's development.
- When transport smartcards first started to be developed there was a concern that if each transport operator bought a propriety system that the customer would be inconvenienced. They would be required to carry a number of cards in order to make their regular journeys on public transport. There was also concern from transport operators, that having bought into a propriety system they would have very little control over future costs and the ability to support joint and multi modal ticketing in the future.
- In order to reduce this risk, a number of transport organisations agreed to jointly develop the ITSO specification to allow any transport smartcard to potentially be used on any operator's equipment. This became known as 'the Martini principle'. Suppliers of ITSO equipment must be accredited; devices are then considered to have "in principal" interoperable capabilities with full interoperability achieved through system configuration as opposed to software changes. Devices which are accredited can then use the ITSO logo on their devices as a sign of the interoperable nature of the equipment.
- A good analogy for ITSO is texting by mobile phone; any mobile phone user can send a text to any other, regardless of the manufacturer or model of their phone, or the network they subscribe to. This is because the service providers and phone companies have agreed a common messaging format.
- In order to send and receive ITSO messages, transport operators need to have access to a collection point for them. This is known as a Host Operating System

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(HOPS). A HOPS is a complex specialist piece of IT equipment, and so in some cases transport operators and local authorities may choose not to own and maintain their own HOPS; instead there are a number of companies who lease space on a HOPS that they provide as a managed service. A local example in operation is Sunderland City Council's use of a HOPS provided by thetrainline.com, for a youth leisure product. Larger organisations, particularly those with a national presence may be able to justify purchasing their own HOPS.

- ITSO has a security system with its own unique keys that are stored on a chip known as an ITSO Secure Access Module (SAM) which is placed in all ITSO devices so that they can encrypt and decipher all messages. This is the same principle as the SIM chip in mobile phones, which encrypts telephone conversations so that no one else can listen in.
- ITSO does not cover the following: the definition of back office systems for accounting and reconciliation; the setting of prices or fare conditions; and rules over what fare products can be loaded onto what cards. The determination of ticket prices and rules of use are commercial decisions taken by transport operators entirely outside the ITSO environment.

3. What are the benefits of NESTI to the North East?

3.1 Strategic context

- '[A] critical dimension to improving interchange is the extension of Smart Ticketing across transport networks. By extending the use of Smart Ticketing technology, we can transform people's perception and experience of public transport' (Rt Hon Lord Andrew Adonis, Secretary of State for Transport, 24 June 2009).
- Smart Ticketing is a long-standing goal of North East Authorities, both to make public transport easier to use, and to link up transport and wider public services making them more accessible to customers.
- Under the English National Concessionary Travel Scheme, approximately 350,000 ITSO smartcards have already been issued to older and disabled people across the North East. However in the absence of a standard ITSO

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smart card infrastructure across the region, the cards are currently used only as flash-passes within the North East.

- The Tyne and Wear MAA supports the concept of a City Region-wide transport smartcard which it anticipates will increase the likelihood of successful delivery of a truly integrated and attractive product capable of being developed for wider uses, such as buying services from local councils.
- The Tees Valley MAA supports the concept of an integrated public transport network across the City Region, Connecting the Tees Valley, which is easy and affordable to use.
- The Association of North East Councils, in its Green Manifesto, supports Smart Ticketing as a means of 'increasing access, usage and encouraging behavioural and cultural change' towards public transport, and of achieving the goal of a region-wide concessionary fare scheme for young people.

3.2 Why a North East scheme?

- Cross-boundary travel makes sub-area or city region schemes of limited value to both travellers and transport operators.
- The relatively small size of the North East's population would reduce benefits of scale if separate schemes were developed for each sub-region. There is an opportunity to share resources amongst ANEC members which will deliver significant savings compared to four separate sub-regional schemes.
- ITSO Smart Ticketing schemes are under development in all areas adjoining the North East; a North East scheme will fill a strategic gap by supporting the introduction of the base technology to the region. With appropriate development and commercial and contractual agreement between the different parties, this may enable residents to have continuous ticketing arrangements both within the North East and outside it.

3.3 How will the scheme benefit customers?

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- When fully implemented NESTI would see all buses and Tyne and Wear Metro stations in the region equipped with smartcard devices, and smartcard issuing machines installed in appropriate sales points throughout the region. A retailing website would be available to those customers wishing to service their smartcard using the internet, and customer telephone support would be provided. Customers would be able to load their regular travel products onto smartcards, and a 'pay as you go' system (known as an e-purse) would be accepted by transport operators across the region as an alternative to cash payment.
- The installation of Smart-capable ticketing equipment will begin in the region in 2010 on buses, and in 2011 on the Tyne and Wear Metro system. Subject to commercial agreement being reached with bus operators it is expected that all bus services run by participating operators, and all Tyne and Wear Metro services in the region would be able to accept smartcards issued by NESTI by the end of Financial Year 2013/14.
- In the longer term Smartcards issued by NESTI would be available for Local Authority wider use (e.g. accessing library books or paying for school meals) as well as for travel on public transport, subject to applicable Local Authority schemes being technically compatible with NESTI following national standards and appropriate agreements being put in place. Once the NESTI platform has been developed for public transport, priority will be given to convergence with existing smart Local Authority schemes.
- NESTI would be designed to work alongside Smart Ticketing schemes from national rail companies as they develop Smart Ticketing in their own right, and any other third party organisations (e.g. football clubs, universities, car clubs, retailers) subject to appropriate commercial agreements being put in place. The programme team will work with national rail companies operating to, from and within the North East to secure early wins where possible.
- Over 350,000 transport smartcards are already in circulation in the North East, issued by Local Authorities and Nexus under the English National Concessionary Travel Scheme for older and disabled people. These cards are currently used as flash-passes, but under NESTI they would be used as smartcards and could have other applications loaded onto them for wider use.

3.4 How will the scheme benefit North East Local Authorities?

- Smart Ticketing for public transport across whole of each Local Authority area and the whole of the North East can be achieved as a single programme and installation can commence in 2010.

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- There are currently 8 Concessionary Travel Authorities in the region (Nexus, Northumberland, Durham, Hartlepool, Stockton, Middlesbrough, Redcar & Cleveland, and Darlington). Each of them is responsible for the issuance and management of smartcards to those entitled to free travel. NESTI could potentially create a single administration centre for the issuance and management of Concessionary Travel cards in the North East, simplifying application processes and customer support. Local Authorities could retain their own branding on the Concessionary Travel smartcards issued to their residents if required.
- A consolidated approach to management of smartcard scheme administration, and Concessionary Travel scheme administration, would potentially produce efficiencies of scale (note: this does not affect the negotiated settlement of Concessionary Travel payments between Concessionary Travel Authorities and Operators which remain the statutory responsibility of each Concessionary Travel Authority).
- In the longer term Local Authority smartcard products could share one common platform, with costs of electronic distribution and fulfilment kept to a minimum, and in most cases there would be no additional cost of issuing new smartcards.
- Where Local Authorities have Concessionary Travel schemes beyond the statutory English National Concessionary Travel Scheme for older and disabled people, for example young peoples' discount cards, administration of these could be managed through the same process.
- Improved management information would be available, allowing more accurate measurement of Concessionary Travel patterns, and potential reduction in survey costs

4. What is 'NESTI'?

4.1 Overview

NESTI is a collaborative project between Nexus, Tees Valley JSU, Durham CC, Northumberland CC, and key transport operators. Its aim is to develop Smart Ticketing across the North East.

4.2 Objectives and intended outcomes

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- NESTI's objective is: to design and build a fully accessible ITSO standard multi-modal Smart Ticketing scheme that provides significant benefits for public transport customers in the North East, maximising usage of existing resource and achieving the best possible value for money.
- The principal intended output of the programme is a Smart Ticketing infrastructure that will enable transport operators to launch Smart Ticketing products or integrate their own schemes with a wider regional environment. This infrastructure is made up of ITSO devices (ticket machines on bus and Metro stations, validators at Metro stations, on-bus ticket machines, and access to a common ITSO HOPS either directly or through multi HOPS communications), and legal and commercial agreements that will allow regional smart products to be sold and used.
- If the programme fails to deliver a regional infrastructure scheme, it is possible that some transport operators will develop Smart Ticketing for their own commercial purposes; however in most cases it is expected that the use of a smartcard will be limited to the services of the transport operator that issued it, losing opportunities for integration. Under this scenario, Smart Ticketing would also take significantly longer to reach the North East.
- Nexus is the programme sponsor, and is providing programme management and funding for development of the business case.

4.3 Membership and status of members

- The NESTI Programme Board is currently made up of: Nexus, Northumberland County Council, Durham County Council, Tees Valley JSU, Go North East Ltd, Stagecoach Group Plc, Arriva Ltd, Northern Rail Ltd, and Network Ticketing Ltd. The known status of each member as regards Smart Ticketing is as follows:
- **Nexus:** Currently in procurement for the £14.8m Metro Ticketing & Gating Scheme, funded through the DfT Major Scheme process. Nexus has determined to make the scheme 'smart from day one', and is committed to making it available to become the hub of a regional Smart Ticketing scheme under NESTI should regional funding become available.

In order to assist local bus operators with the procurement of ITSO Smart Ticketing equipment, Nexus has been given approval from the Tyne and Wear Integrated Transport Authority (ITA) for the allocation of £780k from the Tyne

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and Wear Integrated Transport Block in 2010/11, as well as an existing allocation of £220k in 2009/10.

- **Durham CC:** We fully support the Smart Ticketing initiative being taken forward on a regional basis.

County Durham is a large mainly rural County. The area is served by two main bus operators and a number of smaller independent companies. Residents have repeatedly told us they would like to see a ticket product developed that would be accepted by all bus operators and Smart Ticketing would provide a platform that would be a first step to remove the financial disadvantages faced by passengers travelling with more than one operator.

Many of the main bus routes operating in the County provide links into neighbouring Authority areas. These links are vital for passengers travelling across these boundaries to employment and other services. Durham County Council view that a key part of Smart Ticketing is to ensure a region wide platform that enables compatible back office systems and provides a seamless ticketing regime offering the whole range of operator branded and other ticketing products.

Smart Ticketing will also compliment another Durham County Council scheme which is funded through the RFA for 2009/10. Transit 15 will provide a £5m investment in bus priority infrastructure and has the key aims of improving reliability and journey times to drive passenger growth. The Smart Ticketing initiative will significantly help with these aims by provided faster boarding times through the provision of easier off bus ticket products and payments systems. Whilst this can be done with the current systems, Smart Ticketing will provide much more scope for the sale of off bus products through mediums not currently available using current technology

To assist in the development of Smart Ticketing, Durham County Council are working with Nexus and Go North East in a pilot scheme, with some key aims of investigating off bus ticketing at Durham Bus Station and ensuring the Concessionary Travel ticket systems work on cross boundary services.

- **Northumberland CC:** Northumberland County Council supports the overall Smart Ticketing initiative. Due to the likely timescale for roll out of electronic ticketing machines on buses in Northumberland it is expected that LTP funding to support this element of the infrastructure would be required in 2010/11 and LTP programmes are being drawn up to take account of this. Given the recent decisions of the Interim Regional Transport Board further discussions are being

held between officers and Members regarding the overall funding and progression of the scheme.

- **Tees Valley JSU:** The Tees Valley Authorities included within the Bus Network Improvements major scheme funding bid a provision to commence development work on a Smart Ticketing system across the City Region. This bid has recently been granted Programme Entry status by DfT, and the Authorities and the JSU are now working together towards obtaining supplier prices for all elements of the scheme by the end of 2009. Darlington BC, through a European Interreg project, is working with Arriva North East to pilot Smart Ticketing on a number of routes in Darlington in 2010.

In both cases LTP funding will be required to move Smart Ticketing from development to full implementation stage, consideration will be given to this in both LTP2 and LTP3 unless additional capital funding can be identified through the regional Smart Ticketing programme. Tees Valley JSU has therefore been working closely with North East partners in 'NESTI' to identify efficiencies of scale by working on a regional level, and to extend the benefits that Tees Valley customers will receive from the scheme.

- **Go North East Ltd:** Developing a Smart Ticketing pilot for implementation in the current financial year. Should the company's success criteria by met by the pilot, roll-out of Smart Ticketing across the Go North East operating area is expected over the following years, subject to development of a business case for capital expenditure to the satisfaction of Go Ahead group. Committed to working with partners to develop the ITSO interface needed to make regional Smart Ticketing successful beyond the company's own services.
- **Stagecoach Group Plc:** A number of pilot schemes have been launched across the Groups bus and rail divisions to assess the technology, operational process and financial business case. Subject to the outcome of the pilots, external funding and capital expenditure approval the Group intends to roll-out smart ticketing infrastructure across its North East operating area starting in calendar year 2010. Deployment of smart ticketing products will be considered as part of a wider UK programme of work after delivery of the infrastructure. Stagecoach is committed to working with partners to develop the ITSO specification to make smart ticketing in the region successful beyond the company's own services, subject to agreement of the technical solution, business rules and commercial terms.
- **Arriva Ltd:** Developing plans to roll-out Smart Ticketing across its North East operating area over the next few years, subject to development of a business case for capital expenditure to the satisfaction of Arriva group. Committed to

working with partners to develop the ITSO interface needed to make regional Smart Ticketing successful beyond the company's own services.

- **Northern Rail Ltd:** Does not currently have a franchise commitment to develop ITSO Smart Ticketing (unlike some other rail franchisees), however Northern have indicated a desire to work with NESTI in order to offer improved ticketing options for customers, and greater integration with other operators.
- **Network Ticketing Ltd:** NTL is a company made up of transport operators that administers the multi operator public transport ticketing scheme for Tyne and Wear. The NTL Board is currently reviewing options for its future development, including Smart Ticketing.

4.4 Timescale

- Nexus has achieved "Full Approval" status from DfT, and is in the process of entering into a formal contract with the supplier. Once this has been achieved, Nexus expects to have the Metro system fully equipped, including the configuration of the ITSO HOPS, by the end of financial year 2012/13.
- The main bus operators in the region expect to commence roll-out of Smart Ticketing equipment across their fleets at the beginning of financial year 2010/11. One or more pilot schemes may be in place in advance of that date.
- Therefore, under this programme it will be possible by 2013 to use a single smartcard to make a public transport journey using any combination of participating operators across the North East, subject to agreement of business rules and commercial terms with the operators.

4.5 Progress to date

- MVA Consultants have been appointed to develop a full scheme business case by the end of September 09. All Programme Board members, along with a range of other stakeholders, are being invited to participate in business case development to best identify the benefits and costs of a regional Smart Ticketing scheme.

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- Detailed focus group work was carried out in Tyne and Wear in 2008 into customer attitudes to Smart Ticketing. The output of this work will be used to develop the business case.
- Work has commenced among Programme Board members to develop an outward-facing brand and image for NESTI, and the Smart Ticketing platform it aims to create.
- Commercial discussions have been initiated with bus operators over terms of participation and conditions attached to grant funding contribution, with the aim of developing a draft formal 'participation agreement'.
- Negotiations for new ticketing equipment for the Tyne & Wear Metro system are underway and Nexus have been given approval from government to enter into a contractual arrangement with the preferred supplier.

5. Proposal: NESTI Programme Management and governance

5.1 NESTI Partnership Board

- It is proposed that a formal Partnership Board be established (to replace the current informal partnership working arrangements), made up of senior officers representing Local Authorities as follows:
 - Tyne and Wear Authorities: representation from the Tyne and Wear Integrated Transport Authority (ITA) and Nexus;
 - Tees Valley Authorities: representation from the Tees Valley Joint Strategy Unit;
 - Durham County Council;
 - Northumberland County Council;
- Note that transport operators would not be represented on the Partnership Board. All decisions relating to scheme design, partnerships and contractual arrangements with third parties, and use of funding would be through formal approval by the Partnership Board. During scheme development and implementation phases it is proposed that Nexus chairs the Partnership Board, with rotating chair responsibility thereafter if required.

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Transport Authority Name	% split of total	Amount (£)	
Darlington Borough Council	4.41%	441.406	<ul style="list-style-type: none"> Notwithstanding the above, transport operators will continue to engage with the programme through a Stakeholder Board, in which proactive and cooperative approaches
Durham County Council	14.97%	1,496.931	
Gateshead Council	7.69%	769.252	
Hartlepool Borough Council	3.04%	303.850	
Middlesbrough Borough Council	5.09%	508.650	
Newcastle City Council	9.24%	924.386	
Tyne and Wear Metro (NEXUS)	16.83%	1,683.315	
North Tyneside Council	5.94%	594.308	
Northumberland County Council	9.04%	904.018	
Redcar & Cleveland Borough Council	3.99%	398.996	
South Tyneside Council	4.72%	472.098	
Stockton-on-Tees Borough Council	5.74%	574.498	
Sunderland City Council	9.28%	928.292	

hes to programme development will be discussed and put to the Partnership Board as appropriate.

- Once the programme is complete and the scheme delivered, the Partnership Board would consider the future requirement for its continued existence, either in its current form or as a successor body. Some form of oversight of continued scheme operations may be needed

5.2 Programme funding

- £10m of capital funding in total has been allocated from the North East Regional Funding Allocation (RFA) pot, and will be added to each Transport Authority's Integrated Transport Block in October 2009.
- The allocation of the £10m of capital funding transferred from the RFA, as advised by Government Office for the North East, is as follows:

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- It is proposed that a process be developed by regional Treasurers for this capital funding to be managed as a single funding pot by the Programme Board, in order to deliver NESTI.
- Additionally, £1 million has been confirmed from Tyne and Wear Authorities' Integrated Transport Blocks over the two years 2009/10 and 2010/11. Other sources of capital funding are under discussion with Local Authority partners.
- It is intended to use the capital funding contribution from Local Authorities as a basis to lever in additional funding as opportunities arise, for example from participation in further European projects.
- Nexus is in the process of procuring a new ticketing system for the Tyne and Wear Metro system for which £14.8 million of funding has been secured (of which £13.4 million is major scheme funding confirmed by government). This will cover the procurement of smart ticket vending machines at all Metro stations, automatic ticket gates at 13 Metro stations, a website capable of retailing Smart Ticketing products, and smart ticket office machines.
- Subject to additional capital being made available through NESTI to extend the coverage of the new ticketing system, the above equipment could be used to form the basis for Smart Ticketing across the North East, taking in all modes of transport.

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- The headline capital costs needed to deliver NESTI are as follows:
 - Bus equipment 2,163,000
 - Bus, ticket project management 6,980
 - Ticket offices / sales system 747,534
 - Back Office 1,714,670
 - Tyne and Wear Metro 2,544,939
 - Project Management 1,133,129
 - Integration 566,564
 - Contingency 1,445,425
 - Total 10,372,241

- Any requirement for additional capital funding resources beyond those already stated will be brought to the North East Leaders for their consideration. Note however that the capital costs outlined above contain a 15% contingency layer.

- Any capital funding remaining, including unspent contingency funding, after the programme has been delivered will be returned to the North East Local Authorities using the same proportion as their total contribution to the scheme's capital funding.

5.3 'Lead Authority' and programme management

- It is proposed that the Tyne and Wear ITA acts as 'Lead Authority' within the Partnership Board, with responsibility for entering into partnerships and contractual arrangements with third parties on behalf of the Partnership Board, and managing scheme funding.

- The Chair of the Tyne and Wear ITA would provide periodic progress updates to North East Leaders and be accountable to them for overall delivery of NESTI.

- Under direction from the Tyne and Wear ITA, Nexus has used its own resources to develop the programme as far as producing a business case. Consequently Nexus has a programme manager in place, and established links with transport operators, suppliers and other scheme partners. It is

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therefore proposed that Nexus continues to act as Programme Manager, with the Director of Strategy as senior officer accountable for programme delivery to the Partnership Board.

- It is therefore proposed that an appropriate partnership and grant funding arrangement be put in place between Nexus and the Partnership Board, taking account of Nexus's multiple roles as Programme Manager, owner of Tyne and Wear Metro, and supplier (of Smart Ticketing services to the Partnership Board).
- Participation of bus operators will be secured by means of a formal agreement providing grant funding for the part purchase of smart enabled ticket machines in return for participation in the scheme. The provision of grant funding to operators will lever in significant capital funding from the operators' own budget allocations.

5.4 Ongoing financial commitments

- If this proposal be accepted, Nexus will develop a fully costed proposal for management of NESTI and the administration of Concessionary Travel, and present it to the participating Local Authorities. As NESTI will present commercial opportunities, revenue costs will be kept to a minimum. In addition, economies of scale are expected to achieve an overall efficiency saving compared to each Concessionary Travel Authority continuing to administer its own cards.
- No Local Authority shall be obligated to accept Nexus's proposal for management of either NESTI, or Concessionary Travel administration on their behalf.

6. High-level risks

Risk	Consequence	Like- lihood (H/M/L)	Impact (H/M/L)	Mitigation
One or more local authority decides to use its allocation of the £10m funding for purposes other than Smart	Scheme coverage not region-wide; possible capital funding gap; operators may have difficulty with fleet configuration;	M	H	Obtain buy-in for scheme at Leader, Chief Executive, and Treasurer level

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Ticketing	efficiencies of scale may be lost			
One or more major bus operator decides to not participate in the regional scheme	Scheme coverage not region-wide; some integration and customer benefits lost	M	M (impact will vary by operator and sub-area)	Obtain early formal commitment to scheme from operators; include financial, operational and commercial incentives to participate; ensure scheme conditions are not so onerous as to be commercially unacceptable
Scheme capital costs exceed available funding	Full scheme unaffordable, only partial benefits realised	L	H	Separate scheme into interdependent but separate areas to take risk to a more localized level; ensure realistic programming of costs from the outset; take account of lessons learnt elsewhere
Scheme revenue costs higher than anticipated	Long-term future of scheme uncertain	H	M	Ensure realistic programming of costs from the outset; ensure Local Authority Partners fully aware of short, medium and long-term revenue budget implications
ITSO technology proves too complex or does not deliver intended benefits	Integration and customer benefits lost; fall-back to bespoke supplier solution incurs significant extra costs and new risks	M	H	Secure ITSO specialist advice within programme; ensure operators accept shared technical risk; wherever possible ensure suppliers accept full technical risk; take account of lessons learnt elsewhere;
Programme governance is either inadequate for audit and accountability, or is overly beaurocratic	Either a Local Authority Partner leaves scheme because internal control processes not satisfied; or a major operator leaves scheme because scheme unable to deliver to reasonable	M	M	Obtain sign-off for light-touch but highly accountable governance structure from Chief Execs and Leaders

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	timescales			
Scheme does not meet stakeholder expectations in short, medium, or long term	Funding withdrawn; partners withdraw from scheme; unfavourable publicity	L	H	Ensure that communications from scheme adequately explain not only its benefits, but also a realistic timeframe and a statement of what is excluded from scope

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Tyne and Wear Integrated Transport Authority

TITLE: **Date: 26th November 2009**
REVISION TO FARES 2010

REPORT OF **THE DIRECTOR GENERAL OF NEXUS**

Not confidential
District Implications

1. Purpose of Report

1.1 To seek approval to fare proposals for 2010 on Metro and the Ferry which would result in a fares freeze for the vast majority of users.

2. Recommendations

2.1 The ITA is recommended to approve:

- (i) the fare proposals in relation to Metro outlined in this Report; and
- (ii) a fares freeze on the Ferry.

3. Background

3.1 An annual review of fare levels on Metro is required in order to ensure that the fares offered to passenger support ITA objectives and offset the costs incurred in operating this service. In establishing the fares to be charged a balance needs to be struck between the conditions applied to Metro Rail Grant, Metro's cost base, the affordability of Metro fares and fares charged by other operators.

3.2 With regard to Metro Rail Grant the conditions applied assume an annual average fares increase of RPI + 1%. However RPI for September 2009 (the relevant month for comparison purposes) was marginally below -1% and therefore there is no basis for a general fares increase.

3.3 In the main the proposed fares to be implemented on 3 January 2010 represent a freeze, although a small number of fares are proposed to be increased in order to move towards a more structured pricing strategy. The fares where small increases are planned are the MetroCentre return tickets, DaySaver range of tickets and the weekly MetroSaver. All other fares, ie single and return, child fares, transfers, 4-weekly and annual MetroSavers and students fares will be frozen. Ferry fares will also be frozen.

3.4 Effectively freezing fare levels will contribute to the ITA's objectives in providing affordable public transport and will give Nexus a major opportunity to market the value for money that Metro fares offer.

4. **Information**

4.1 The objectives of this year's fare proposals are:-

- (i) to comply with Metro Rail Grant Conditions;
- (ii) to rationalise the relationship between discounted fares whilst minimising the impact on passengers;
- (iii) to remain competitive when compared to other modes; and
- (iv) to encourage travel by children and students.

4.2 In order to meet the overall budget requirements and priorities and to keep subsidy levels acceptable, changes to Metro fares are considered on an annual basis. Central to this consideration for 2010 is the current rate of the RPI and the impact of the recession. These factors make a general fares increase at this time inappropriate, although the impact of such a decision will need to be borne in mind when the ITA agrees its budget for 2010/11 in January.

4.3 The proposals set out below will achieve an average increase on ticket prices of nominally 0.003% and is expected to generate additional yield of circa £75k in 2010/11.

4.4 **Ticket Machine Products**

4.4.1 The prices of the majority of tickets purchased via the ticket machines are to be frozen, although the price of the MetroCentre return ticket and DaySaver product range are to be increased slightly in order to re-establish the relative pricing of these tickets compared with the return ticket price range. The price of transfairs, single and return tickets would be frozen in accordance with Metro Rail Grant conditions and there are no changes proposed to any children fares. Current and proposed prices for ticket machine products can be found in Appendix A.

4.5 **MetroSaver Products**

- 4.5.1 The price of weekly MetroSaver products are to increase by between 2.94% and 5.88%, whilst the price of 4-weekly, annual MetroSavers and Corporate MetroSavers remain frozen. Despite this increase, weekly MetroSavers will still offer a 20-25% discount on five daily return tickets, whilst the 4-weekly ticket continues to offer a significant discount on four individual weekly MetroSavers. Current and proposed prices for Metro Saver products can be found in Appendix B.

4.6 **Metro Student Card Products**

- 4.6.1 The four weekly all zone and all of the annual Metro Student Card prices have been frozen. The price of the 4 weekly inner Newcastle/Sunderland Student Card will be reduced from January 2010 to ensure it is priced lower than the equivalent Metro Saver product. The prices of all 16 to 18 Metro Cards have been frozen. Current and proposed prices for Metro Student Card and 16 to 18 Card products can be found in Appendix C.

4.7 **Corporate Metro Saver Product**

- 4.7.1 Corporate Metro Saver prices have also been frozen and are shown in Appendix D.

4.8 **Gold Card**

- 4.8.1 The pricing of Gold Cards is being reviewed separately and any recommendations will be presented to members of the ITA in January.

4.9 **Miscellaneous Ticket Products**

- 4.9.1 Ticket prices for the Great North Run Weekend ticket are to be held at £2.00 for children and increase by 2.86% from £7.00 to £7.20 for adults.

The University of Sunderland Metro Card price will rise from £75 to £80. This still represents excellent value for money for students and staff living in the surrounding area to the University of Sunderland, allowing them unlimited travel between Brockley Whins and South Hylton with the card being valid for a full year.

The British Rail Add on fares will be frozen.

4.10 **Ferry Tickets**

- 4.10.1 Ferry fares will be frozen in January 2010.

5. **Next Steps**

- 5.1 A further report will be submitted in January 2010 in which the ITA will consider the 2010/11 budget. The budget proposal will take account of this effective fares freeze on both Metro and Ferry.
- 5.2 A marketing campaign advising customers of the benefits of fare freezes and providing comprehensive information on all fares from January 2010 will be developed.
- 5.3 It should be noted that the January 2010 fare proposals are the first step of a transitional phase and further analysis is required to ensure all tickets have the appropriate pricing levels and discounts. The ticketing and gating project will also inform Metro product rationalisation over the next 12 – 18 months. In addition, further analysis will be conducted to review student product offerings to research further options for discounted multi modal tickets.

6. **Further comments by the:**

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

7. **Background Papers**

- 7.1 Nic Cheetham, Business Account & Revenue Manager, Nexus (Tel: 0191 2033479).

8. **Contact Officer (s)**

- 8.1 John Fenwick, Director of Finance & Resources, Nexus (Tel: 0191 2033248).

APPENDIX A

TIMs FARES JANUARY	<u>2009</u>	<u>2010</u>	£ Inc on 2009 <u>Fare</u>	% Inc on 2009
<u>ADULT</u>				
1 Z Single	1.40	1.40	0.00	0.00%
2 Z Single	2.20	2.20	0.00	0.00%
3 Z Single	2.90	2.90	0.00	0.00%
1 Z Off-Pk Rtn	1.90	1.90	0.00	0.00%
2 Z Off-Pk Rtn	2.90	2.90	0.00	0.00%
3 Z Off-Pk Rtn	3.80	3.80	0.00	0.00%
1 Z Peak Rtn	2.30	2.30	0.00	0.00%
2 Z Peak Rtn	3.50	3.50	0.00	0.00%
3 Z Peak Rtn	4.60	4.60	0.00	0.00%
Day Saver Off-Peak	3.90	4.00	0.10	2.6%
Day Saver Evening	2.30	2.40	0.10	4.3%
Day Saver Peak	4.80	4.90	0.10	2.1%
Day Saver Wednesday	2.70	2.80	0.10	3.7%
M'Centre Return	4.60	4.80	0.20	4.3%
M'Centre Single	3.60	3.60	0.00	0.00%
<u>CHILD</u>				
Full Fare Single	0.60	0.60	0.00	0.0%
Full Fare Transfare	0.70	0.70	0.00	0.0%
Day Saver	1.10	1.10	0.00	0.0%
School Single	0.50	0.50	0.00	0.0%
CAT	0.00	1.00	0.00	0.0%
Transfare Scheme				
1 Zone	2.10	2.10	0.00	0.0%
2 Zone	2.90	2.90	0.00	0.0%
3 Zone	3.60	3.60	0.00	0.0%
BR (Add-On Fares)				
Inner Zone -Single	1.10	1.10	0.00	0.0%
-Return	2.20	2.20	0.00	0.0%
Other Zones -Single	2.10	2.10	0.00	0.0%
-Return	4.20	4.20	0.00	0.0%

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.

APPENDIX B

METROSAVER FARES JANUARY	<u>2009</u>	<u>2010</u>	£ Inc on 2009 <u>Fare</u>	% Inc on 2009 <u>Fare</u>
WEEKLY				
Zone A	8.50	9.00	0.50	5.88%
Zone A & B	12.50	13.00	0.50	4.00%
Zone All	17.00	17.50	0.50	2.94%
Zone B & C	12.50	13.00	0.50	4.00%
Zone C	8.50	9.00	0.50	5.88%
Zone B	8.50	9.00	0.50	5.88%
4 WEEKLY				
Zone A	30.50	30.50	0.00	0.00%
Zone A & B	44.00	44.00	0.00	0.00%
Zone All	58.00	58.00	0.00	0.00%
Zone B & C	44.00	44.00	0.00	0.00%
Zone C	30.50	30.50	0.00	0.00%
Zone B	30.50	30.50	0.00	0.00%
ANNUAL				
Zone All	450.00	450.00	0.00	0.00%

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APPENDIX C

METRO STUDENT CARD FARES SEPTEMBER	<u>2009</u>	<u>2010</u>	£ Inc on <u>2009</u>	% Inc on <u>2009</u>
ANNUAL				
All Zone	386.00	386.00	0.00	0.00%
Inner N	275.50	275.50	0.00	0.00%
Inner S	275.50	275.50	0.00	0.00%
4 WEEKLY				
All Zone	46.20	46.20	0.00	0.00%
Inner N	31.00	30.00	-1.00	-3.23%
Inner S	31.00	30.00	-1.00	-3.23%

16-18 METRO STUDENT CARD FARES	<u>2009</u>	<u>2010</u>	£ Inc on <u>2009</u>	% Inc on <u>2009</u>
4 WEEKLY				
All Zone	32.50	32.50	0.00	0.00%
1 WEEK				
All Zone	9.00	9.00	0.00	0.00%

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.

APPENDIX D

CORPORATE METROSAVER FARES JANUARY	<u>2009</u>	<u>2010</u>	£ Inc on <u>2009</u>	% Inc on <u>2010</u>
ANNUAL				
Full Cost	450.00	450.00	0.00	0.00%
Discount 10 – 19 tickets	440.00	440.00	0.00	0.00%
Discount 20 – 39 tickets	430.00	430.00	0.00	0.00%
Discount 40+ tickets	420.00	420.00	0.00	0.00%

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

SEC-EO98.4

TITLE: **Date: 26/11/2009**

CHRISTMAS AND NEW YEAR SERVICES 2009

REPORT OF **DIRECTOR GENERAL OF NEXUS**

1. Summary / Purpose of Report

1.1 To advise on the proposed Metro, Ferry, Secured Bus and Northern Rail operations for the Christmas and New Year period.

2. Recommendations

2.1 Members are requested to note Christmas and New Year Transport.

3. Introduction / Background

3.1 As in previous years, discussion has taken place with traders, promoters of major events and public transport operators to determine major transport requirements in Tyne and Wear over the holiday period and the commercial intentions of bus operators.

3.2 No public transport services will operate on Christmas Day and New Years Day and at other times timetables will reflect the different patterns of travel prevailing at this season.

4. Information

4.1 On Christmas Eve, the bus network will generally operate a normal weekday service, however, Stagecoach North East have elected to operate a Saturday service. All services will run down after 1800 hrs. All commercial operators will run a Saturday service on New Years Eve, again with services running down after 1800 hrs. Some commercial bus operation will be provided on Boxing Day by Go North East and Nexus will secure buses to operate a reduced network on

other key routes between approximately 0900 and 1900 hrs. On Sunday 27th December and Saturday 2nd January, a normal service will operate. Generally, a Saturday service will operate between Monday 28th December and Wednesday 30th December.

- 4.2 On Christmas and New Years Eve's Metro will operate a normal service until 1800hrs with an hourly service thereafter. On Boxing Day, Metro will operate a 15 minute service from approximately 1000 until 1900 hrs. A normal service will operate between Sunday 27th December and Wednesday 30th December.
- 4.3 On Christmas and New Years Eve's, the ferry will operate a normal service with the last journeys being 1915 from South Shields and 1930 from North Shields. There will be no ferry service on Christmas Day and New Years Day. A Sunday service will operate on Boxing Day.
- 4.4 On the Newcastle to Sunderland rail line, Northern Rail will operate normally on Christmas and New Years Eve's with services running down after 2000 hrs and finished by 2200 hrs. There will be no local services on Christmas Day, Boxing Day or New Years Day. On Sunday 27th December, a normal Sunday service will operate. A normal weekday service will operate on Monday 28th, Tuesday 29th and Wednesday 30th December.
- 4.5 Travelshops will close early on Christmas Eve (Monument, Central, Haymarket, Gateshead, Sunderland, North Shields & South Shields at 1400 and Four Lane Ends and Heworth at 1300). The shops will re-open (normal hours) on Tuesday 29th December. The shops will again close early on New Years Eve (same as Christmas Eve) and will re-open on normal hours o Monday 4th January.

5. **Next Steps**

5.1 Nil

6. **Further comments by the:**

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

7 **Background Papers**

7.1 A summary of services to be operated is attached.

8 **Contact Officer (s)**

8.1 David Spoons, Assistant Operations Manager (Tel: 0191 2033256)

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.

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	Bus Services	Metro	Ferry	Northern Rail N/castle-S/land	Travelsshops
Thursday 24 December Christmas Eve	Generally, bus services will operate a normal weekday service, however, Stagecoach have elected to operate a Saturday service. All buses will finish between 1800hrs and 2000hrs	Normal service until 1800hrs , an hourly service will operate thereafter.	Normal service with last journeys being 1915 x South Shields and 1930 x North Shields	Services start running down at 2000 and finish by 2200	Monument, Central, Haymarket, Gateshead, Sunderland, North Shields & South Shields will close at 1400. Four Lane Ends & Heworth will close at 1300.
Friday 25 December Christmas Day	No Service	No Service	No Service	No Service	Closed
Saturday 26 December Boxing Day	Reduced network between about 0900-1900 secured by Nexus with some commercial operation by Go North East	15 minute service from approximately 1000 until 1900	Sunday service	No Service	Closed
Sunday 27 December	Normal Sunday service	Normal Sunday service	Normal Sunday service	Normal Sunday service	Closed
Monday 28 December Bank Holiday	Generally Saturday timetables will operate	Normal weekday service	Normal weekday service	Normal weekday service	Closed
Tuesday & Wednesday 29 & 30 December	Generally Saturday timetables will operate	Normal weekday service	Normal weekday service	Normal weekday service	Normal Opening hours
Thursday 31 December New Year's Eve	Generally Saturday timetables will operate with buses finishing between 1800hrs and 2000hrs.	Normal service until 1800hrs , an hourly service will operate thereafter.	Normal service with last journeys being 1915 x South Shields and 1930 x North Shields	Services start running down at 2000 and finish by 2200	Monument, Central, Haymarket, Gateshead, Sunderland, North Shields & South Shields will close at 1400. Four Lane Ends & Heworth will close at 1300.
Friday 1 January New Year's Day	No Service	No Service	No service	No Service	Closed

Saturday 2 January	Normal Service	Normal service	Normal service	Normal service	Closed – resumes normal opening hours on Monday 4 th January
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Xmas/2009-xmas&ny



Tyne and Wear Integrated Transport Authority

Date: 26 November 2009

NATIONAL RAIL PENALTY FARES RULES CONSULTATION

**REPORT
OF**

Director General, Nexus

Reasons for confidentiality: Not confidential

District Implications: None

1. **Summary / Purpose of Report**

- 1.1 To provide information on the Department for Transport's (DfT) proposed changes to the National Rail Penalty Fares Scheme.

2. **Recommendations**

- 2.1 The ITA is recommended to;

- Note the contents of the report, and the response submitted by Nexus to the DfT's request for the views of train operating companies and the Passenger Transport Executive Group.

3. **Summary of Key issues**

- 3.1 The report covers the following issues:

- A proposed change in the level of penalty fares from the current level of £20 to £50, with reduced penalty of £25 if payment is received within 21 days.
- Proposed changes to Penalty Fares Rules and Policies.

4. **Information**

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.

- 4.1 The DfT is proposing to update the National Rail Penalty Fares Rules, and is seeking views on proposals for a change to the amount charged for a penalty fare on National Rail. The current rules date from 2002, and were published in accordance with the 1993 Penalty Fares Act and the 1994 Penalty Fares Regulations.
- 4.2 Nexus is currently the only train operator in the region to operate a penalty fares scheme, which is widely employed by train companies in the London area. The current penalty for failure to possess a valid ticket for the journey being made by Tyne and Wear Metro services is £20. The DfT proposal is to update the penalty fare to £50, or twice the full single fare from the station where the passenger boarded to the next station at which the train stops, whichever is the greater, reduced to £25 if paid in full within 21 days. This would bring national penalty fares in line with the Transport for London (TfL) penalty fares scheme; the increasing London Overground rail network, specified by TfL, makes the need for congruence across penalty fare schemes in the Greater London area more pressing. Any change to the charge will require a formal change to a Statutory Instrument being laid before Parliament. Train operators can continue to recover unpaid penalty fares as a civil debt.
- 4.3 An increase in the penalty fare would also reflect fares inflation which has taken place since 2005, when the level of penalty fare was increased from £10 to £20, and provide a greater incentive to pay the correct fare for the journey made. The proposed £50 penalty fare for outright refusal to pay would reflect the seriousness of the offence, whilst the reduction in the level of penalty for prompt payment reflects existing practice in respect of highways parking infringements, and offers a more lenient financial outcome towards those who may have made an inadvertent error.
- 4.4 With fraud levels on the Metro system running at around 4%, any measures aimed at reducing the resulting financial shortfall are welcomed. Whilst the forthcoming ticketing and gating project is expected to substantially reduce fraud levels, a more rigorous penalty fare scheme would also have a beneficial effect. With the forthcoming Metro concession likely to be in place by the time any changes to the penalty fares regime are enacted, there may be some impact upon any revenue forecasting assumptions made by the prospective concessionaire. It is not possible to estimate what these might be, i.e. whether the resulting decrease in fraud levels would outweigh the potential levels of default of payment of increased penalty fares. However, both bidders will be aware of the DfT's consultation, and should be able to make any financial assumptions accordingly.
- 4.5 The consultation period closes on 27th January 2010, after which DfT intend to publish a fully revised set of 2009 Penalty Fares Rules, along with a clear statement of DfT policy on penalty fares. Should the final version of DfT policy contain the increase to penalty fares, Nexus would then consider taking steps to implement the changes into its own fares regime, including consultation with the

ITA as appropriate.

5 **Further comments by the:**

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

6. **Background Papers**

- 6.1 2009 Penalty Fares Rules, Policy and Charge Change Consultation Letter
2009 1st Draft DfT Penalty Fares Rules & Policy

7. **Contact Officer (s)**

- 7.1 Gordon Harrison, Nexus 0191 203 3662

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Tyne and Wear Integrated Transport Authority

DATE: 26 November 2009

TITLE: DfT Consultation on the Special Grant Allocation for Concessionary Travel for 2010/11

REPORT OF: THE DIRECTOR OF FINANCE AND RESOURCES, NEXUS

Reasons for confidentiality (if confidential)

District Implications: All

1. Summary / Purpose of Report

- 1.1 DfT have issued a consultation document re Local Authority Special Grant funding in 2010/11 for the National Bus Concession in England with a response due by 30 December 2009.

2. Recommendations

- 2.1 The ITA is recommended to approve the response to the consultation questions as outlined in section 4 of this report.

3. Background

- 3.1 The introduction of free off-peak concessionary bus travel throughout England from 1 April 2008 placed an increased cost burden on Travel Concessionary Authorities responsible for administering the concession (in this regard, the responsibility falls to Nexus as a PTE rather than the ITA).
- 3.2 Government has made available special grant funding of £212 million in 2008/09, £217 million in 2009/10 and £223 million in 2010/11 to cover these additional costs. The purpose of the special grant was solely to cover the additional cost of the new concession. Funding for the pre-existing elements of the concession continues to be provided through Formula Grant.
- 3.3 The Department for Transport consulted on the initial distribution of the special grant funding in 2007 and Special Grant Report no. 129, which specified the amounts to be paid to authorities for the three years from 2008/09 to 2010/11

based on the most popular option, was approved by Parliament in March 2008. The funding is allocated to local authorities under powers at Section 88B of the Local Government Finance Act 1988.

- 3.4 A review of the costs incurred by authorities during the first full year of the new concession, i.e. 2008/09 has shown that there may be some issues with regard to the distribution of the grant, with some authorities potentially receiving insufficient funding to cover their additional costs whilst others may have received significantly more grant than actually required. The consultation is therefore seeking views on whether to allocate the special grant funding for 2010/11 using a revised distribution, which seeks to better match the distribution of costs actually being incurred by authorities.
- 3.5 A revised distribution for 2010/11 is proposed within this paper. This new distribution has been developed by taking into account the change in spending on concessionary travel by each authority following the introduction of the national concession. Views are invited on whether the revised distribution is preferable to the original distribution and on whether there is any evidence which suggests that the revised distribution does not accurately reflect the additional costs being incurred by individual authorities as a result of the change in the statutory minimum concession.
- 3.6 The paper also sets out a proposal to require authorities to provide the Department for Transport with data relating to their concessionary travel schemes. The proposed data requirements include quarterly returns on year-to-date actual and full-year forecast spending on the statutory minimum concessionary travel scheme and annual returns providing details of the reimbursement arrangements entered into with bus operators. Views are invited on whether there are any reasons why this information could not be provided.
- 3.7 It should be noted that this consultation is limited in scope. It does not cover the issues of eligibility for concessionary travel, the scope, or historic funding of the statutory concession through Formula Grant, reimbursement, appeals, mutual recognition of passes throughout the United Kingdom or how concessionary travel is administered.

4. Information

- 4.1 The following is a summary of the consultation questions posed in the document.

Question 1: Is the proposed revised distribution of special grant funding for 2010/11 preferable to the original distribution?

Nexus has consistently maintained that it would not wish to see any changes to the allocation of Special Grant in 2010/11 and the ITA noted this approach at its July 2009 meeting when the submissions by PTEG and Nexus in response to the DfT's consultation on the administration of the Concessionary Travel Scheme were discussed. Furthermore, Nexus believes that the major issue is the distribution of *total* funding for concessionary travel and not the additional

cost of providing free travel on local buses throughout England.

To the extent that the exemplification of the revised distribution makes no PTE any worse off than they would have been (indeed, Nexus will benefit from additional grant amounting to £20,000 of its previously notified funding) the proposal is welcomed. However, Nexus is concerned that this is only provisional and it introduces great uncertainty into the budget setting process for it and the ITA, given the relative size of the concessionary travel budget. Clearly, neither Nexus nor the ITA would wish to see any reduction in grant payable during the next financial year.

Question 2: Are there any factors which mean the revised distribution does not accurately reflect the additional costs of the improved concession being incurred by individual authorities?

It is unclear from the consultation whether the full cost of taking over expenditure previously incurred on cross boundary journeys by other Authorities and also whether increased travel both from existing and new pass holders is taken into account in revisions to the distribution but they should be.

In addition, the principle of using past expenditure as a proxy for determining need moving forward will do little to incentivise authorities from critically reviewing reimbursement arrangements, particularly where they may be considered generous.

Question 3: Are there any reasons why quarterly returns on year-to-date actual and full-year forecast spending on the statutory minimum concessionary travel scheme could not be provided?

Nexus is willing to provide regular returns to the DfT on concessionary spend. However, it is concerned that the unique position of Nexus in relation to the Tyne and Wear Metro providing services which would otherwise be operated by buses needs to be taken into account in interpreting results and drawing conclusions on funding requirements.

Question 4: Are there any reasons why quarterly returns providing details of the reimbursement arrangements entered into with bus operators could not be provided?

In collating this information, the DfT need to make it absolutely clear what is meant by average fares, reimbursement factors and additional costs. There are also difficulties in establishing accurate fare levels and this needs to be recognised as well, in order to ensure consistency in comparisons between authorities.

In addition, there are issues in relation to confidential settlements with operators on reimbursement; however, in general terms Nexus is willing to provide information on numbers of passengers and estimates of commercial fares and overall reimbursement factors.

5. Next Steps

- 5.1 The consultation period ends on 30 December 2009. Nexus will provide a response in line with the recommendations outlined in this report and also seek to contribute to a common response via *pteg*.
- 5.2 The budget setting process will assume the status quo in regard to Nexus Special Grant although the risks of a reduction in funding in 2010/11 will be highlighted in the budget report to the ITA in January 2010.

6. Further comments by the:

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

7 Background Papers

- 7.1 Local Authority special grant funding in 2010/11 for the national bus concession in England – Consultation Paper, DfT, November 2009
- 7.2 ITA report, July 2009 – Update on the 2009 Concessionary Travel Scheme

8 Contact Officer (s)

- 8.1 John Fenwick, Director of Finance and Resources, Nexus Tel: 0191 203 3248



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 26 November 2009**

NEXUS PERFORMANCE – RECENT SURVEY RESULTS AND AWARDS

REPORT OF **DIRECTOR GENERAL OF NEXUS**

Not confidential

District Implications - All

1. Summary / Purpose of Report

1.1 To advise members of research by Passengers Focus and a recent award to Nexus by the Chartered Institute of Public Relations for customer care.

2. Recommendations

2.1 That the report is noted.

3. Introduction / Background

3.1 In 2008, the Department for Transport announced that Passenger Focus would become responsible for representing the interests of bus and coach passengers in England outside of London. Passenger Focus expects to assume these new responsibilities in April 2010. In preparation for this role Passenger Focus have taken over publication of the Bus Mystery Traveller Survey that was previously managed by the DfT. Each quarter 1200 journeys are assessed by trained researchers to assess aspects of the journey objectively and consistently. The work is carried out across nine urban areas: the six ITA/PTE areas, plus Bristol, Nottingham and Leicester. The journeys chosen give good coverage of both urban and outer area journeys and include as many operators and services as possible.

4. Information

4.1 An executive summary of the Passenger Focus report is attached. Key results for Tyne and Wear/Nexus are generally very good:

- Overall satisfaction with bus trip 82% (top performance)
- Cleanliness of bus stop/shelter 83% (top)
- Bus stops with shelters 95% (top)
- Timetable available and legible at stops without shelters 93% (top)
- Timetable available and legible at stops with shelters 95% (third)
- Satisfaction – timetable available and legible 82% (top)
- Satisfaction with bus stop 84% (top)
- Satisfaction with shelter 82% (top)
- Punctuality 91% (top)

4.2 Nexus has also been recognised for its service to customers attending three music concerts held during the summer at the Stadium of Light in Sunderland, winning the ‘Best Consumer Relations’ category at the Chartered Institute for Public Relations North East Pride Awards.

4.3 The award recognised efforts to promote and inform customers about extra Metro trains and park-and-ride bus services provided by Nexus as a key part of the events’ travel plans, used by more than 150,000 people during the events. This was done using a combination of traditional and digital media channels. Judges praised Nexus’ use of new communications technology to make sure customers were kept fully informed.

4.4 Nexus will now go forward to a national awards competition.

5. **Next Steps**

5.1 These gratifying results are the outcome of continuous investment and attention to detail. Nexus will continue to drive performance upwards wherever possible, both for aspects of customer service that are directly under its control and for those where partnership working is the delivery tool.

6. **Further comments by the:**

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

- **Director General** (if any).

7 Background Papers

7.1 Bus Mystery Traveller Research – Passenger Focus October 2009

8 Contact Officer (s)

8.1 Ken Kemp, Interim Services and Integration Director, Nexus, tel 203 3657.

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Tyne and Wear Integrated Transport Authority

TITLE: **Date: 26 November 2009**

PETITION RELATING TO WITHDRAWAL OF SERVICE 4/5 IN NEWCASTLE

REPORT OF **DIRECTOR GENERAL OF NEXUS**

Not confidential

District Implications: Newcastle

1. Summary / Purpose of Report

1.1 To advise on a petition received in relation to services 4 and 5 which formerly were operated by Stagecoach on a commercial basis and were withdrawn in August 2008.

2. Recommendations

2.1 That the report be noted.

3. Introduction / Background

3.1 A petition has been submitted by Newcastle City Councillor Higgins expressing concern at the withdrawal of Stagecoach commercial service 4/5, which operated between the inner west of Newcastle and the MetroCentre until 31 August 2008.

4. Information

4.1 The petition refers to the loss of access to retail facilities and job opportunities at the MetroCentre. At the time of withdrawal, Nexus considered whether there would be a case for securing all or part of the service, but the existence of frequent services between the inner west and the city centre and frequent services between the city centre and the MetroCentre provide an acceptable alternative when considering the use of scarce public resources.

5. Next Steps

5.1 However, the development of the Accessible Bus Network by Nexus provides a further opportunity to review the needs of residents of the inner west, and to identify how best to meet those needs. Nexus will carry out such a review and will consult with local members and the public on any proposals that result in the first part of next year.

6. **Further comments by the:**

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

7 **Background Papers**

7.1 Petition presented by Newcastle City Councillor Higgins.

8 **Contact Officer (s)**

8.1 Ken Kemp, Interim Services and Integration Director, Nexus, 0191 203 3657