

North East Combined Authority, Transport North East Committee

Thursday 11th October, 2018 at 2.00 pm

Meeting to be held: Committee Room, Civic Centre, Newcastle upon Tyne

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AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

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

Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the Previous Meeting held on 19 April 2018** **1 - 8**

4. **Transport for the North Update Inc. presentation by Barry White, TfN Chief Executive**

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

5. **North East Transport Plan** **9 - 14**

6. **The Future of Metro and Local Rail** **15 - 40**

7. **Office for low Emissions Ultra-Low Emission Taxi Infrastructure Scheme** **41 - 46**

8. **Appointment of Vice-Chair from the Tyne and Wear Constituent Local Authorities** **47 - 50**

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| 9. | Capital Programme Monitoring Report | 51 - 62 |
| 10. | Revenue Budget Monitoring Report | 63 - 74 |
| 11. | Date and Time of Next Meeting | |
| | 20 November 2018 (to be confirmed) | |

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To All Members

North East Combined Authority, Transport North East Committee

19 April 2018

(2.01 - 2.41 pm)

Meeting held Sunderland City Council, Burdon Rd, Sunderland SR2 7DN

Present:

Councillor: N Forbes(Chair)

Councillors: J McCarty, J Harrison, M Green, S Green, J McElroy, G Hobson,
A West, M Mordey, M Speding, C Marshall and J Allen

46 APOLOGIES FOR ABSENCE

Apologies were received from Councillors K Shaw (Durham), G Sanderson (Northumberland) and J Riddle (Northumberland).

The Committee were advised that Councillor N Forbes had been delayed, and it was agreed that Councillor C Marshall would Chair the meeting in his absence.

47 DECLARATIONS OF INTEREST

None

48 MINUTES OF THE PREVIOUS MEETING HELD ON 8 FEBRUARY 2018

The minutes of the meeting held on 8 February 2018 were agreed as a correct record and signed by the Chair.

49 TRANSFORMING CITIES FUND

Submitted: Report of Managing Director Transport Operations (previously circulated and copy attached to Official Minutes).

Helen Mathews (Head of Transport Policy) presented the report which informed the Committee of the Transforming Cities Fund guidance and of the north east's intention to bid for funding. Members were advised that the first stage of the bid would be the submission of an expression of interest by the deadline of 8 June 2018, following which up to ten city-region areas would be shortlisted.

In discussion the following points were noted:

- That the Fund was a fantastic opportunity, and that it would be sensible to have a number of schemes prepared ready to feed into the second stage of the bid – or to keep as a pipeline of schemes ready for any future funding opportunities.
- That half of the total funding available had already been awarded to Mayoral Combined Authorities, and that it was the remaining half would be divided between the ten shortlisted city-regions.
- That the guidance explicitly stated that regardless of any changes made to governance structures in the north east, the seven authorities would be expected to bid jointly and so the proposal would be submitted by either the NECA or by the Transport Joint Committee, depending on which was in existence at the time of the bid.
- That there should be alignment between the package of schemes developed for this bid and those being developed to tackle other specific issues, such as air quality.

RESOLVED – That the Committee noted the contents of the report.

50 **IMPROVING AIR QUALITY IN THE NECA REGION**

Submitted: Report of Managing Director Transport Operations (previously circulated and copy attached to Official Minutes).

Helen Mathews presented the report, which provided an update on the air quality challenges facing authorities in the region, the targets set by government and the action being taken to address them.

In discussion the following points were noted:

- That a traffic management study was being conducted at Leam Lane, and officers were hopeful that this would result in it being removed from the list of Air Quality Management Areas.
- That whilst air quality was an important issue, with approximately 50,000 deaths a year nationally being attributed to air pollution, it was often difficult to face up to the realities of addressing it and that more work was needed to cascade messages about the importance of the issue down through members.

RESOLVED – That the Committee noted the contents of the report.

51 **SMARTER TRAVEL, SMARTER CITIES' (SUSTAINABLE URBAN DEVELOPMENT FUND EXPRESSION OF INTEREST)**

Submitted: Report of Managing Director Transport Operations (previously circulated and copy attached to Official Minutes).

Councillor Forbes joined the meeting, apologised for his late arrival and took over as Chair, thanking Councillor Marshall for chairing the meeting up to that point.

Helen Mathews presented the report, which provided an update on the Sustainable Urban Development (SUD) Fund Expression of Interest (“Smarter Travel, Smarter Cities”) that was submitted to government on 31 January 2018, and outlined the proposed governance arrangements for the programme. Members were advised that a formal letter inviting a bid was expected soon.

In discussion the following points were noted:

- That having a programme manager was a necessity due to the level of paperwork that would be involved and the additional capacity this would require. Revenue funding would be provided to support the role as part of the bid. The role would not be full-time and it was likely that an existing member of the team would be appointed.
- That Durham County Council was not included in the bid as it was part of a transition region, but that they would share information with the NECA about the work they were doing.

RESOLVED - That:

- i. The Committee noted the contents of the report.
- ii. The Committee approved the proposed governance arrangements.

52 **TRANSPORT FOR THE NORTH UPDATE**

Submitted: Report of Thematic Lead for Transport and Digital Connectivity (previously circulated and copy attached to Official Minutes).

Councillor Forbes (Thematic Lead for Transport and Digital Connectivity) and Helen Mathews presented the report, which updated members on progress being made in four areas of Transport for the North (TfN) activity: Governance, the Strategic Transport Plan, the Strategic Development Corridors and Northern Powerhouse Rail.

In discussion the following points were noted:

- That consultation on the Transport Plan had closed and that the results would be brought to a future meeting of the Committee, with further local consultation then to take place in the autumn.
- That it was felt to be important to keep this update report as a standing item on the agenda due to the increasing importance of TfN in terms of bidding for investment in the region.

RESOLVED – That the Committee noted the contents of the report.

53 **DFT MAJOR ROAD NETWORK CONSULTATION**

Submitted: Report of Managing Director Transport Operations (previously circulated and copy attached to Official Minutes).

Helen Mathews presented the report which updated members on the Major Road Network (MRN) consultation response to the Department for Transport (DfT).

In discussion the following points were noted:

- That there were differences between the MRN being proposed by the DfT and the one proposed by TfN, and that of the two the TfN proposal would be the NECA's preferred option.
- That it was disappointing that the DfT methodology dealt only with existing issues, rather than addressing forecasts for growth.

RESOLVED – That the Committee noted the contents of the report.

54 **RAIL STRATEGY UPDATE**

Submitted: Report of Managing Director Transport Operations (previously circulated and copy attached to Official Minutes).

The Chair presented the report which informed members of some of the wider rail industry issues worthy of note, including the VTEC East Coast Mainline Franchise situation, the May 2018 timetable changes for Northern and TransPennine, new services proposed by Grand Central and the final TNEC response to the East Coast Route Study.

In discussion the following points were noted:

- That there was no current indication that the promised improvements to the East Coast Mainline would be delivered following the decision to end the franchise with Virgin Trains, and that this was problematic for the region as it was the main route not only for local connectivity but also for connectivity to the south.
- That it was not yet known when a new franchise for the East Coast Mainline would be awarded, but that assurances should continue to be sought about delivery of improvements regardless of this.

RESOLVED – That the Committee noted the contents of the report.

55 **METRO NEW FLEET PROCUREMENT UPDATE**

Submitted: Report of Lead Chief Executive for Transport (previously circulated and copy attached to Official Minutes).

Helen Mathews introduced the report which provided members with an update on the Metro Future programme, including progress with the Department for Transport funding approval process.

In discussion the following points were noted:

- That Nexus were in the first stage of engagement with the market with regards to procurement of the new fleet of Metro trains, and that the aim was still for the first of the new trains to be delivered by the end of 2021.
- That the timescales for delivery set out in the report were felt to be realistic. Once the supplier had been confirmed officers could work with them to look review the timescales, but it was unlikely that they could be improved.
- That it was not possible to order 'off the peg' trains in order to speed up procurement as there were a number of specific features within the Metro network, such as the size of the tunnels and the gauge and weight of the trains. These factors required there to be some tailored elements to the trains, and it had been part of the earlier discussions with DfT that there would be a need for some bespoke design.
- That it was right to keep pushing for earlier delivery of the new trains if possible, as the existing fleet had a high failure rate and were likely to become increasingly difficult to maintain.
- That the contract to be awarded would be for both design and maintenance of the new trains.
- That the submission of a Full Business Case to DfT was required before funding could be released and that the purpose of this was to provide DfT with assurance that costs had not escalated and that a robust procurement process had been followed. If costs had significantly increased the Business Case could be questioned, but officers did not anticipate there being any problems.

RESOLVED – That the Committee noted the contents of the report.

56 **DISCHARGE OF TRANSPORT FUNCTIONS BY NORTHUMBERLAND COUNTY COUNCIL**

Submitted: Report of Interim Executive Director: Place, Northumberland County Council (previously circulated and copy attached to Official Minutes).

Stuart McNaughton (Principal Transport Policy Officer, Northumberland County Council) presented the report, which provided members with an update on the discharge of delegated functions at Northumberland County Council for the financial year 2017/18.

In discussion the following points were noted:

- That consideration should be given to reviewing bus partnerships and franchising collectively across the whole of the NECA area, in light of reducing budgets within all constituent authorities and in order to ensure the provision of services. During the Quality Contract Scheme process a number of commitments had been made by bus operators, and they should be asked to deliver on those commitments.
- That the Committee should be giving greater impetus to the roll-out of smart ticketing in order to drive that area of work forward.

RESOLVED – That the Committee noted the contents of the report.

57 **DISCHARGE OF TRANSPORT FUNCTIONS BY DURHAM COUNTY COUNCIL**

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

Adrian White (Head of Transport and Contract Services, Durham County Council) presented the report which provided members with an update on the discharge of delegated functions at Durham County Council for the financial year 2017/18.

Thanks were expressed to the Committee for their work on young people's fares, which had resulted in a region-wide standardisation of the age groups covered by reduced fares on commercial bus services. All operators now considered young people under 16 as child fares. Reduced price tickets for people under 19 were also more generally available.

RESOLVED – That the Committee noted the contents of the report.

58 **CAPITAL PROGRAMME MONITORING UPDATE**

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

Paul Woods (Chief Finance Officer) presented the report which provided the Committee with a monitoring update on delivery of the 2017/18 Transport capital programme.

RESOLVED – That the Committee noted the contents of the report.

59 **REVENUE PROGRAMME MONITORING UPDATE**

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

Paul Woods presented the report which provided the Committee with an update on the 2017/18 revenue budget at the end of the third quarter of 2017/18.

In discussion the following points were noted:

- That it had been agreed to reduce the planned grant to Nexus for 201/18 by £3.333m with the saving earmarked as part of the match funding required for Metro fleet replacement. There would be a similar adjustment made in the next financial year.
- That the charging of £1.360m of renewals activity to the capital programme, as identified in paragraph 2.5.7 of the report, was due to a review of accounting arrangements and classification expenditure, and that officers would be happy to provide further information around this if requested.

RESOLVED – That the Committee noted the contents of the report.

60 **DATE AND TIME OF NEXT MEETING**

Provisional date (subject to confirmation at the Annual Meeting): 12 July 2018 at 2.00pm at North Tyneside

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Transport North East Committee

Date: 11 October 2018

Subject: North East Transport Plan

Report of: Managing Director (Transport Operations)

Executive Summary

This report discusses the future of the North East Transport Plan, in light of the upcoming governance changes for transport.

There is currently no Transport Plan in place for the North East as a region. The only existing Plans are the Local Transport Plan 3 (LTP3) documents for Durham, Northumberland and Tyne and Wear published in 2011. These do not reflect the current or future governance structures of the region or its transport policies. A Transport Plan for this region is therefore required.

The current draft Transport Plan was based on NECA being the Local Transport Authority. The formation of the North of Tyne Combined Authority will amend the regional governance for transport matters. It is understood that the Transport Joint Committee is intended to be responsible for preparing a single Transport Plan for the area of the two Combined Authorities, but that it will not be a Local Transport Authority. A revised Plan will therefore be needed to reflect the new transport governance arrangements, focussing on the shared priorities of the two Combined Authorities as agreed through the Transport Joint Committee. In the meantime, the existing Durham, Northumberland and Tyne and Wear LTP3 documents will remain in place.

The objective of this report and the ongoing discussion about the Transport Plan is to help ensure the new Transport Joint Committee might be provided with a draft Transport Plan at an early stage following its creation.

A future workshop to consider transport priorities, potentially with Leaders, may be appropriate in due course

Recommendations

The Transport North East Committee is invited to note the status of the current draft North East Transport Plan and to discuss the steps that may be required to develop the document when new governance arrangements are in place.

Transport North East Committee

1. Background Information

- 1.1 There is currently no Transport Plan in place for the North East as a region. The only existing Plans are the Local Transport Plan 3 (LTP3) documents for Durham, Northumberland and Tyne and Wear. These were published in 2011 and, although technically still in force, do not reflect the current or future governance structures of the region or its transport policies. There is therefore a requirement to produce a Transport Plan for this region.
- 1.2 The current draft of the Transport Plan was developed from the viewpoint of NECA being the Local Transport Authority covering the LA7 footprint, taking the 'Transport Manifesto' published in 2016 (following public consultation across the LA7 therefore it was essentially a LA7-wide vision statement) as its starting point. NECA will still exist after the North of Tyne Mayoral Combined Authority is established, but will cover the four local authorities south of the Tyne rather than the seven local authorities it covers now. It is understood that the Transport Joint Committee will be responsible for preparing a single Transport Plan for the area of the two Combined Authorities, but it will not be a Local Transport Authority.
- 1.3 The current draft Plan is therefore likely to need some revision to reflect the new arrangements for transport governance in the area. It will also need to be focused on delivering shared priorities of the two Combined Authorities as agreed through the Transport Joint Committee.
- 1.4 A future workshop to consider transport priorities, potentially with Leaders, may be appropriate in due course.
- 1.5 Despite the significant changes that will be required to reflect the new transport governance landscape in the area and to agree shared priorities, it should also be noted that an enormous amount of time and effort has been put into developing the Plan to its current draft stage. Much of the evidence and detailed information is likely to remain valid and may help inform future policy.
- 1.6 In the meantime, the existing Durham, Northumberland and Tyne and Wear LTP3 documents will remain in place.

2. Proposals

- 2.1 It is proposed that a future workshop be convened to discuss the layout and priorities of the future North East Transport Plan, so that a draft could be presented to the Transport Joint Committee in due course.

3. Reasons for the proposals

- 3.1 The absence of an existing published Transport Plan for the North East together with the establishment of a North of Tyne Combined Authority offer both the need and the opportunity to consider a revised draft North East Transport Plan with a

Transport North East Committee

potentially different structure as well as goals and priorities. A workshop, as proposed, could allow the process of producing a revised Plan to begin. There is no proposal to amend the geographical coverage of the Plan which will remain at the seven local authority level, in line with the Joint Transport Committee remit.

4. Alternative options available

- 4.1 Alternative options available include awaiting until the Transport Joint Committee is in place before making progress with a North East Transport Plan. However, this option is not recommended as it would result in further delay to the publication of the Plan so that any funding bids submitted in the meantime would not be able to demonstrate “strategic fit” with an established Plan showing aims and priorities.

5. Next steps and timetable for implementation

- 5.1 A workshop to consider the Transport Plan may be set up.

6. Potential impact on objectives

- 6.1 The North East Transport Plan, i.e. the Local Transport Plan, is a requirement for the Combined Authorities as well as being key to their policies and priorities including those identified in the Strategic Economic Plan.

7. Financial and other resources implications

- 7.1 Although the cost of producing the North East Transport Plan will need to reflect the substantial consultation exercise and extensive assessment and other work that is required for the production of a significant statutory document of this type, it is the intention to contain the cost of the production within the funds available.

There are existing staff within the Regional Transport Team working on the Transport Plan. The substantial consultation exercise may require additional Human Resources.

There are no additional ICT implications.

Further information about the resources needed to produce the plan and the source of funding will need to be identified in the report to the new Joint Transport Committee.

8. Legal implications

- 8.1 The Local Transport Act 2008 requires Local Transport Authorities to prepare a Local Transport Plan. A Transport Plan is also required to develop policies for the promotion and encouragement of safe, integrated, efficient and economic transport to, from and within the area of the Authority/ies producing it, who must carry out its/their functions to implement these policies. The Transport Plan will be subject to a period of statutory consultation and will be adopted in accordance with the Constitution of each Combined Authority.

Transport North East Committee

9. Key risks

- 9.1 Failure to proceed with the Transport Plan would firstly be contrary to statutory duties and secondly could undermine the credibility of this region, compared to other regions, when dealing with central government, including with any funding applications.

10. Equality and Diversity

- 10.1 Many of the measures likely to be advocated by the Transport Plan would, if implemented, be likely to assist in the promotion of greater equality and diversity in the region's transport system. The Statutory Assessments which are required to be undertaken for the Transport Plan will include an Equality Impact Assessment

11. Crime and Disorder

- 11.1 There are no crime and disorder implications.

12. Consultation / Engagement

- 12.1 There will be a full, inclusive public consultation on the Transport Plan.

13. Other impact of the proposals

- 13.1 Many of the measures potentially advocated by the Transport Plan would, if implemented, be likely to assist in the achievement of economic growth and a more sustainable transport system for the region.

14. Appendices

- 14.1 None

15. Background papers

- 15.1 None

16. Contact Officers

Tobyn Hughes
Managing Director (Transport Operations)
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tobyn.hughes@nexus.org.uk

Transport North East Committee

17. Sign off

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

18. Glossary

Not applicable.

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Transport North East Committee

Date: 11 October 2018

Subject: The Future of Metro and Local Rail

Report of: Managing Director (Transport Operations)

Executive Summary

The purpose of this report is to apprise members of a recent study which quantified the economic benefit of the Metro and Local Rail system.

It has identified that the system already contributes up to £437m to the regional economy each year and, should it be expanded, every additional passenger journey will add a further £8.50 of economic benefit. As just five of the proposed expansions have the potential to connect to a further 80,000 jobs and nearly 10,000 new homes, this represents a sizeable prize for the area to pursue as part of its ambitious economic aspirations.

The report also provides an update on the next steps of the Metro Futures Expansions programme.

Recommendations

The Transport North East Committee is recommended to review and endorse the contents of the study and next steps of the Metro Futures Expansions programme.

Transport North East Committee

1. Background Information

- 1.1 As Metro moves forward with a new fleet of trains, Nexus is now looking at the next stage for the future of the system. As set out in the Metro and Local Rail Strategy (2016), a network of under-used or disused 'dormant' rail routes thread through our region as a legacy of our industrial past. It is Nexus' aspiration to develop a much wider transport network, re-invigorating and integrating dormant routes ('sleeping giants') with the existing Metro and local rail system to create a single network for the whole region at a lower cost than new-build railways.
- 1.2 To inform the concept and demonstrate the importance of the Metro and Local Rail to the area, Nexus has commissioned a study to quantify the economic contribution of the system to the regional economy today, and the potential contribution of an expanded system tomorrow. The study has identified the Metro and Local Rail system to be a critical enabler to economic success and demonstrates why system expansion, which will be so vital to the area, requires support.
- 1.3 Today's economy relies on Metro and Local Rail to help businesses to connect, commuters to travel to and from work, students to learn in schools, colleges and universities, and residents and visitors to access services and explore attractions across the region. For the first time, this benefit has been quantified.
- 1.4 Metro and Local Rail contributes up to £224m of GVA directly to the regional economy per annum, an impact comparable to that of Newcastle International Airport. It means that for every pound of public money spent on the system, it returns £6 to the economy each year. The wider measure of GDP and welfare impacts, which captures the benefits of more efficient travel, better business connectivity, and social and environmental improvements, increases the annual contribution to £437m.
- 1.5 The study found the economy has the potential to grow further, and even more rapidly than before, particularly in its specialist sectors of advanced manufacturing and engineering, health, energy and the digital economy. However, this growth will not happen on its own; instead, it will rely on investment in a range of enablers including improving transport connectivity and labour market access. Improving transport connectivity through the expansion of Metro and Rail can play a central role in delivering future economic growth as, when integrated within the conurbation's spatial strategy and future land-use planning, it can:
- Increase inward investment by improving access to labour, suppliers, and consumers;
 - Help more people get to work and access services each day;
 - Make the key economic centres easier to reach and reduce congestion;
 - Bring existing businesses closer together, boosting productivity;

Transport North East Committee

- Support regeneration and redevelopment around stations and in the city centres; and
- Encourage more people to live and work in the area, improving quality of life.

- 1.6 Considering only large scale employment and housing sites, Nexus has identified that just five of the potential expansion opportunities can :
- connect a further 70,000 jobs to the Metro and Local Rail system;
 - directly support the growth of 11,000 new jobs ; and
 - directly connect 9500 new homes.
- Metro and Local Rail connections to employment and housing attract new passengers, improve connectivity and labour market access, and grow the economy.
- 1.7 The study confirms that each additional passenger journey which can be attracted to the network in the future will provide a consistent and significant level of economic impact, valued at a minimum of £8.50 per passenger journey. This represents a sizeable prize for the area to pursue as part of its ambitious economic aspirations.
- 1.8 A summary of this important study, which confirms the value of expanding the Metro and Local Rail network to the area, is attached at Appendix A. It reinforces the importance of developing our understanding of potential expansion opportunities.
- 1.9 This knowledge is all the more critical if the region is to secure significant resources and make best use of the opportunities presented by the Transforming Cities Fund. The fund aims to transform intra-city connectivity and drive productivity by improving public and sustainable transport in some of England's largest city regions.
- 1.10 The DfT has now confirmed that this region has been shortlisted to progress to the co-development phase of the bidding process. During this stage, the DfT will work collaboratively with us and the nine other city regions that have also been shortlisted to develop packages of proposals, seeking where appropriate, additional private and local investment to maximise the impact of this funding. However, participating in co-development does not guarantee funding. Any decisions and awards will be subject to the ability of the business case to deliver a step change in local transport and connectivity. Metro and rail expansions have the potential to provide that step change.

2. Proposals

- 2.1 A summary of the study is attached at Appendix A and next steps outlined in Section 5 for review and endorsement.

3. Reasons for the Proposals

Transport North East Committee

- 3.1 The support and endorsement of members for the development of expansions will be vital to allow Nexus to develop the understanding of the various opportunities and progress schemes to delivery.

4. Alternative Options Available

- 4.1 Alternative options are not relevant to this report.

5. Next Steps and Timetable

- 5.1 Nexus will develop and progress a programme of works in this and the next financial year which will significantly enhance our understanding of the possible expansion opportunities contained in the Metro and Local Rail strategy.
- 5.2 The first step in the expansion process is to remove the three remaining sections of single track on the Metro network which are the major restriction in introducing a more expansive, frequent, reliable Metro service. A scheme to 'twin track' those sections and deliver a network wide increase in Metro daytime frequency to every 10 minutes is now developed to Outline Business Case standard. Nexus is exploring a number of funding options, including Transforming Cities, to deliver this scheme which will then facilitate future expansion of the Metro network.
- 5.3 Looking to the future, the viability of potential expansions must be established. This process will begin by identifying those schemes which have greatest potential of achieving local and regional objectives when considered against the spatial plans of the Local Authorities. The next step will assess the technical and demand feasibility of those schemes, providing a first indicator as to whether they can be developed into viable business cases and the risks, costs and timescales associated with delivery.
- 5.4 In parallel, Nexus is currently engaging with the market to establish the appetite of businesses such as public sector bodies, rail infrastructure operators, construction firms, developers and other interested parties to be involved in potential metro and rail extensions. This is allowing Nexus to learn about the characteristics, risk apportionment and returns of schemes that will attract them. If a scheme is not attractive to these markets, it may not happen therefore this is a vital stage of information gathering. The engagement findings will feed into the development of the feasibility studies referenced in paragraph 5.3.

6. Potential Impact on Objectives

Transport North East Committee

- 6.1 As outlined in the study, Metro and Local Rail expansions have a significant impact on the achievement of the objectives of the Strategic Economic Plan, emerging Transport Plan and the Local Plans of the Local Authorities.
- 6.2 Metro and Rail influences the economy and contributes to employment targets and enhancing Gross Value Added (GVA) through three core channels:
- Providing labour market access and mobility ;
 - Supporting businesses, inward investment and economic growth ; and
 - Improving long term productivity growth.
- 6.3 However, it influences and assists in the achievement of much wider objectives including :
- Supporting economic inclusion across socio-economic groups via improved accessibility;
 - Supporting land utilisation and regeneration in and around stations; and
 - Enhancing quality of life attributes including the prevention of increased road traffic and reducing negative externalities such as emissions, road traffic accidents and general road traffic congestion.

7. Financial and Other Resources Implications

- 7.1 This report has no financial or resource implications.

8. Legal Implications

- 8.1 This report has no legal implications.

9. Key Risks

- 9.1 The main risk at this time is not developing our understanding of expansion opportunities. The study has reinforced the importance of the Metro and Local Rail network as an enabler to future economic growth in the NELEP area. Failure to expand and develop the system will harm economic growth whilst increasing the prevalence of the negative externalities referenced in paragraph 6.3.

10. Equality and Diversity

- 10.1 This report has no direct Equality and Diversity implications.

11. Crime and Disorder

- 11.1 This report has no crime and disorder implications.

Transport North East Committee

12. Consultation/Engagement

- 12.1 The study was guided by a multi-organisational working group including representatives from the Regional Team, the LEP's economic team, Heads of Transport Group and Nexus officers.

12. Other Impact of the Proposals

- 12.1 This report, and its proposals, do not have any further direct impacts.

13. Appendices

- 13.1 Economic Value of Metro and Local Rail to the North East, September 2018, Mott MacDonald.

14. Background Papers

- 14.1 Nexus Metro and Local Rail Strategy, 2016. A summary can be found here : <https://www.nexus.org.uk/sites/default/files/Metro%20Futures%20brochure.pdf>

15. Contact Officers

- 15.1 Tobyn Hughes, Managing Director (Transport Operations), Tobyn.hughes@nexus.org.uk, 0191 203 3246

16. Sign off

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

17. Glossary

GVA	Gross Value Added
GDP	Gross Domestic Product
DfT	Department for Transport
LEP	Local Economic Plan
NELEP	North East Local Economic Plan

Transport North East Committee

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Economic Value of Metro and Local Rail to the North East

Summary Paper

September 2018



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Nexus

Economic Value of Metro and Local Rail to the North East

Summary Paper

September 2018

Issue and Revision Record

Revision	Date	Originator	Checker	Approver	Description
A	16.07.18	M. Ferrari	J. Crockett	J. Crockett	DRAFT for Nexus
B	25.07.18	M. Ferrari	J. Crockett	J. Crockett	FINAL for Nexus
C	18.08.18	M. Ferrari	J. Crockett	J. Crockett	FINAL for Nexus
D	12.09.18	M. Ferrari	J. Crockett	J. Crockett	FINAL for Nexus
E	24.09.18	M. Ferrari	J. Crockett	J. Crockett	FINAL for Nexus

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Information class: Standard

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Moving to more and better jobs	7

Glossary

- Business Register and Employment Survey (BRES)
- Generalised Cost (GC)
- Gross Domestic Product (GDP)
- Gross Value Added (GVA)
- Independent Economic Review (IER)
- Newcastle International Airport (NIA)
- North East Combined Authority (NECA)
- North East Strategic Economic Plan (NE SEP)
- Office of National Statistics (ONS)
- Organisation for Economic Co-operation and Development (OECD)
- Transport Analysis Guidance (TAG)
- Transport for the North (TfN)
- Wider Economic Impacts (WEIs)

Economic value of Metro & Local Rail to the North East¹

The North East's economy is strong, diverse and it is growing. This, in part, is due to its Metro and Local Rail network.

This report confirms that metro and local rail plays a critical role as an economic enabler²:

- Metro and Local Rail contribute **up to £257 m of Gross Value Added (GVA)** to the North East economy each year.
- In a wider measure of GDP and welfare benefits, the overall **contribution increases to up to £437m per annum.**

This value captures the benefits accruing to individuals, businesses, and wider society from more efficient travel, greater productivity through better business connectivity, and selected social and environmental impacts, which can also be more readily monetised. It recognises the part metro and local rail has to play in helping businesses to connect, commuters to travel to and from work, students to learn in schools, colleges and universities, and residents and visitors to access services and explore attractions across the region

The economy holds the potential to grow further, and even more rapidly than before, over coming years, however, this growth will not happen on its own. It will rely on the better transport connectivity an improved and expanded network will bring to improve access to labour markets and new education and skills access.

Improved connectivity can allow people to access more and better jobs, stimulate increased inward investment, bring businesses closer together, and can help promote social inclusion if targeted in deprived areas.

The current network already delivers an economic value per passenger of £8.50 per passenger³; and **an expanded network will deliver at least £8.50 per additional passenger journey**. With geographic expansion of the network, the benefits will be distributed across a wider cross-section of the North East's residential and business populations.

The expansion of Metro and Local Rail across the North East, integrated within the conurbation's spatial strategy and future land-use planning, could:

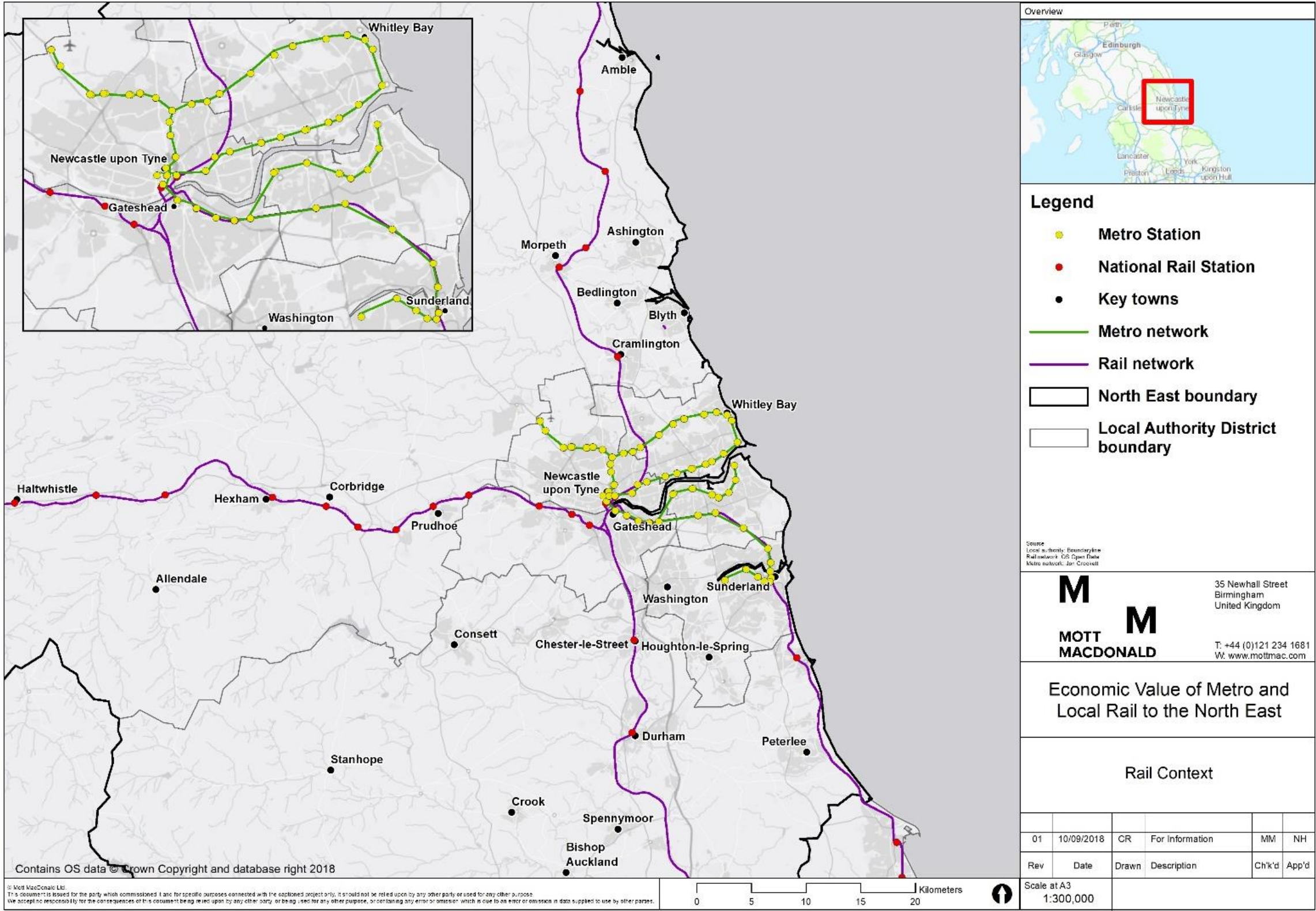
- Increase inward investment by improving access to labour, suppliers, and consumers.
- Help more people get to work and access services each day.
- Make the key economic centres easier to reach and reduce congestion.
- Bring existing businesses closer together, boosting productivity.
- Support regeneration and redevelopment around stations and in the city centre.
- Encourage more people to live and work in the North East, improving quality of life.

¹ North East refers to the geography covered by the North East Local Enterprise Partnership, comprising the following local authority areas: Newcastle upon Tyne, Gateshead, Sunderland, North Tyneside, South Tyneside, Northumberland and County Durham. For the purposes of this assessment we consider 'Local Rail' services connecting two or more communities within the North East and limit ourselves to the demand carried wholly within the North East. The one exception is the Bishop Auckland line which orientates towards Darlington, outside of the North East, but serves a number of communities in County Durham.

² Note these figures relate to the calculations under dynamic land uses not static fixed land uses. All results are displayed in Figure 6.

³ Under fixed land uses and not comparable to the totals under dynamic land uses.

Figure 1: Metro and Local Rail Network in the North East



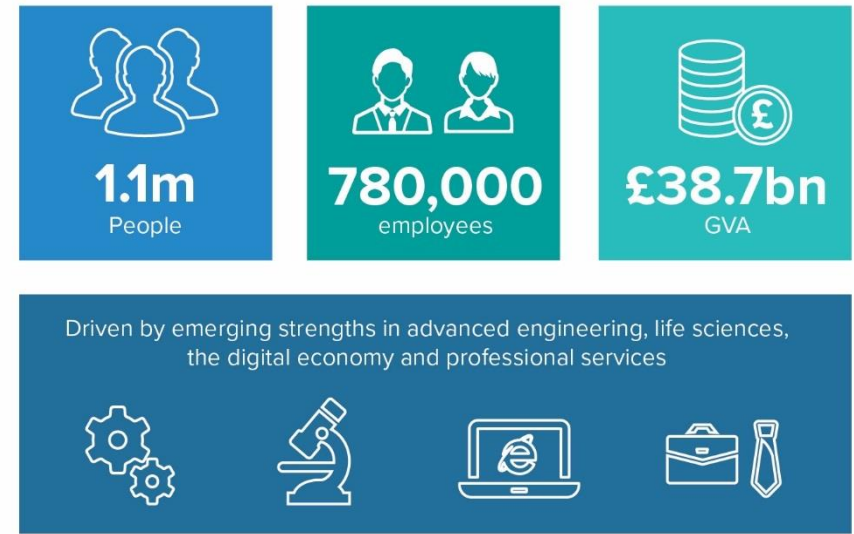
Source: Mott MacDonald

Supporting today’s economy

The economy today

The North East economy, with an annual output of £38.7bn⁴, is built on a number of competitive strengths including representation in nationally growing sectors such as advanced engineering, life sciences and the digital economy, its high quality of life, and attractiveness as a place to learn. These strengths will ensure the North East can achieve its aim in the North East Strategic Economic Plan (NE SEP) to deliver ‘more and better jobs’ and fulfil its role in the wider pan-regional vision for an economically transformed North.

Figure 2: North East economy today, 2016



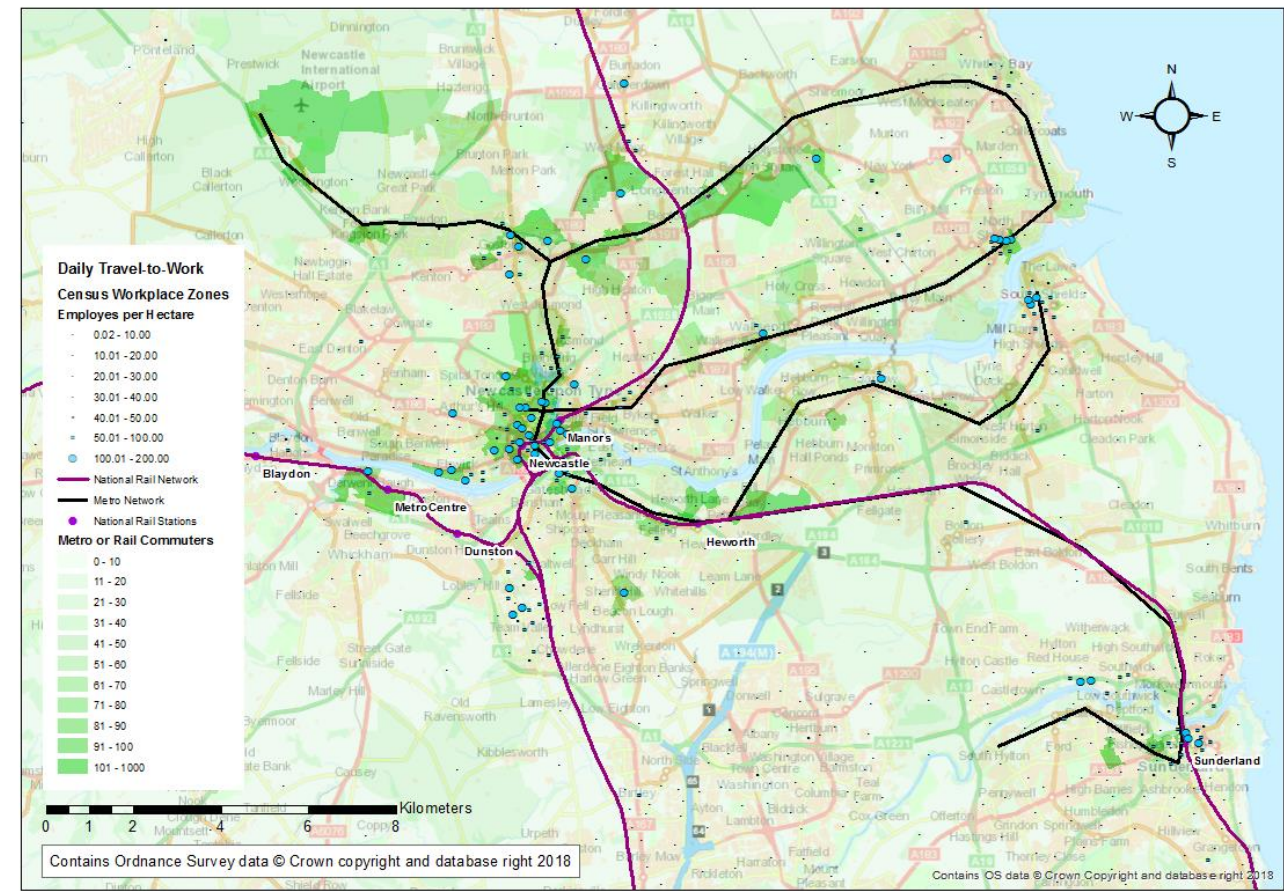
Source: Population Estimates, Business Register and Employment Survey (BRES), and Regional Accounts, all Office of National Statistics (ONS) and 2016 figures.

Metro and Local Rail⁵ today

The Tyne and Wear Metro, operating since the 1980s, is one of the most extensive local rail systems outside of London and carries around 40 million passenger journeys per annum⁶. The North East is also served by 31 National Rail stations, with a network catering for 2.8 million trips per annum undertaken wholly within the North East. Collectively, Metro and Local Rail support 34,800 daily commuting trips within the North East. They play a clear role in supporting access to city centre jobs in Newcastle and Sunderland, in Metro’s case particularly from Jesmond and Gosforth, North Tyneside and south of the river from Gateshead, Pelaw, Heworth, Hebburn and South Jarrow, and in Local Rail’s case better serving long distance commuters in Northumberland and County Durham.

Typically, higher volumes of Metro and Local Rail usage are closely correlated with areas of high employment density, as shown in Figure 3. The highest density areas for workers are Newcastle City Centre, Gateshead Centre, South Shields, Sunderland, Cobalt/Silverlink Business Parks, Gosforth, MetroCentre, Quorum Business Park (Longbenton), Queen Elizabeth Hospital (Gateshead), Chester-le-Street, and Durham. There some locations which stand out as exceptions to this trend however, including Queen Elizabeth Hospital (Gateshead) and Cobalt/Silverlink Business Parks.

Figure 3: Metro and Local Rail usage relative to employment density (jobs per hectare)



Source: 2011 Census, Office for National Statistics, Census Workplace Zone analysis

How does transport impact on the economy?

Connectivity between people and jobs, businesses and workers, and businesses to suppliers and customers is at the heart of economic performance. Transport allows people to access a wider range of more productive, higher value, jobs, and training opportunities, brings businesses closer together, and can help promote social inclusion if targeted in deprived areas. Coordinating transport investment and land use planning can collectively lead to densification of economic activity and a virtuous upward circle in economic performance and opportunity as businesses are located closer together in both space and time.

⁴ Measure by Gross Value Added, Regional Accounts, Office of National Statistics (ONS), 2016

⁵ For the purposes of this study all rail services catering for travel demand internal to the North East area plus the portion of the Tees Valley Line between Bishop Auckland and Darlington are considered.

⁶ DfT Light Rail and Tram Statistics (Tables LRT0101 and LRT0103)

At a national level, decisions surrounding transport investment are guided by the Department for Transport (DfT) Transport Appraisal Guidance⁷ (TAG), which follows the principles of HM Treasury (HMT) Green Book guidance and uses welfare analysis to determine value for money. The **value for money** assessment is based on **national welfare impacts**. This means that displacement is very important within the appraisal process as changes in employment and GVA at a local level may not represent benefits at a national level. This assessment of the economic value of Metro and Local Rail primarily focuses on the benefits to the North East economy but also ensures DfT TAG compliancy by also considering the national welfare benefits.

How does Metro and Local Rail support the North East economy?

Metro and Local Rail impacts on the economy in many, inter-related ways. Fundamentally, Metro and Local Rail ensures excellent access to the labour market but simultaneously ensures a better-functioning (more efficient) economy, enhancing the North East’s inward investment appeal and leading to further growth. Together, such impacts form a virtuous circle supporting continued economic expansion.

In summary (as shown in Figure 4), by delivering core transport benefits (‘user benefits’ such as reductions in travel times and costs) Metro and Local Rail influences the economy and contributes to jobs and GVA (output) through three core channels:

- **Providing labour market access and mobility** - Metro and Local Rail plays a major role in supporting access to certain economic nodes, thereby ensuring a supply of labour. This has enabled densification of economic activities grounded on excellent access to labour.
- **Supporting businesses, inward investment and economic growth** - Metro and Local Rail has clearly supported the growth of the North East economy by providing supply side capacity to support growth, particularly the urban centres and other key economic nodes. It enables rapid and important access to urban centres which is critical for business to business connectivity and for accessing labour.
- **Improving long term productivity growth** - The North East urban conurbations have increased in density, and will continue to do so in the future, both in terms of jobs and businesses. Metro and Local Rail enables this continued densification by bringing economic activity (people and firms) closer together. Public transport prevents ‘sprawl’ (and by default encourages densification) and associated congestion from land use patterns which support/encourage access by private car. This will change the overall effective density of the area resulting in productivity gains, termed ‘agglomeration’. There are practical limits to the extent to which bus, by nature of quality, its lack of fixed infrastructure, and by virtue of sharing the same infrastructure as car, can deliver the densities required to support the envisaged productivity gains. Metro and Local Rail, by nature of their high capacity on segregated alignments, often in tunnels in the densest, busiest, locations, therefore play a vital role in providing the transport capacity which supports agglomeration.

Outside of these core channels Metro and Local Rail also:

- **Supports economic inclusion across socio-economic groups** - Despite the North East economy’s strengths, there are fundamental challenges within the labour market relating to high levels of economic inactivity, worklessness, and/or income-linked deprivation. Undoubtedly Metro and Local Rail services play a very important role in providing good levels of accessibility from these areas to jobs, education and training, health and social facilities and retail.

- **Supports land utilisation in and around stations** - Metro and Local Rail clearly supports planned development in and around stations as well as supporting the regeneration and renaissance of town centres.
- **Enhances the North East’s quality of life attributes** - Metro and Local Rail helps prevent migration out of the North East by providing efficient access to urban centres and encouraging people to live and work in the North East. Metro and Local Rail stations also contribute to town centre regeneration by acting as a gateway and providing access to services. Use of Metro and Local Rail also prevents increased road traffic, reducing negative externalities such as emissions, road traffic accidents, general road traffic congestion, and severance.

This study quantified the current and future contribution of Metro and Local Rail to the North East economy against several key identified benefits (as shown in Figure 4). The approach followed conventional transport modelling practices to quantify the changes in travel times and costs under different scenarios. These changes are used to directly estimate the monetised benefits of Metro and Local Rail provision. Economic appraisal adheres to TAG and is fully considerate of existing best practice regarding the important assessment of Wider Economic Impacts (WEIs) and the recognition that these fall under ‘evolving’ and ‘emerging’ impacts.

Quantifying the benefits that Metro and Local Rail currently bring to the economy entailed consideration of a (hypothetical) counterfactual scenario which provides a best estimate of both the transport network(s) and land use/the economy in their absence. Clearly, there is considerable uncertainty over how the North East would look without its Metro and Local Rail provision and to account for this two scenarios were prepared:

- A fixed land use scenario, with some degree of adaptation to other modes, particularly bus and car.
- A dynamic land use scenario, which additionally assumed changes in employment density at key nodes across the North East.

Finally, the benefits framework also provides a range of quantitative measures, either to the North East and the UK or both, which are worth defining for context:

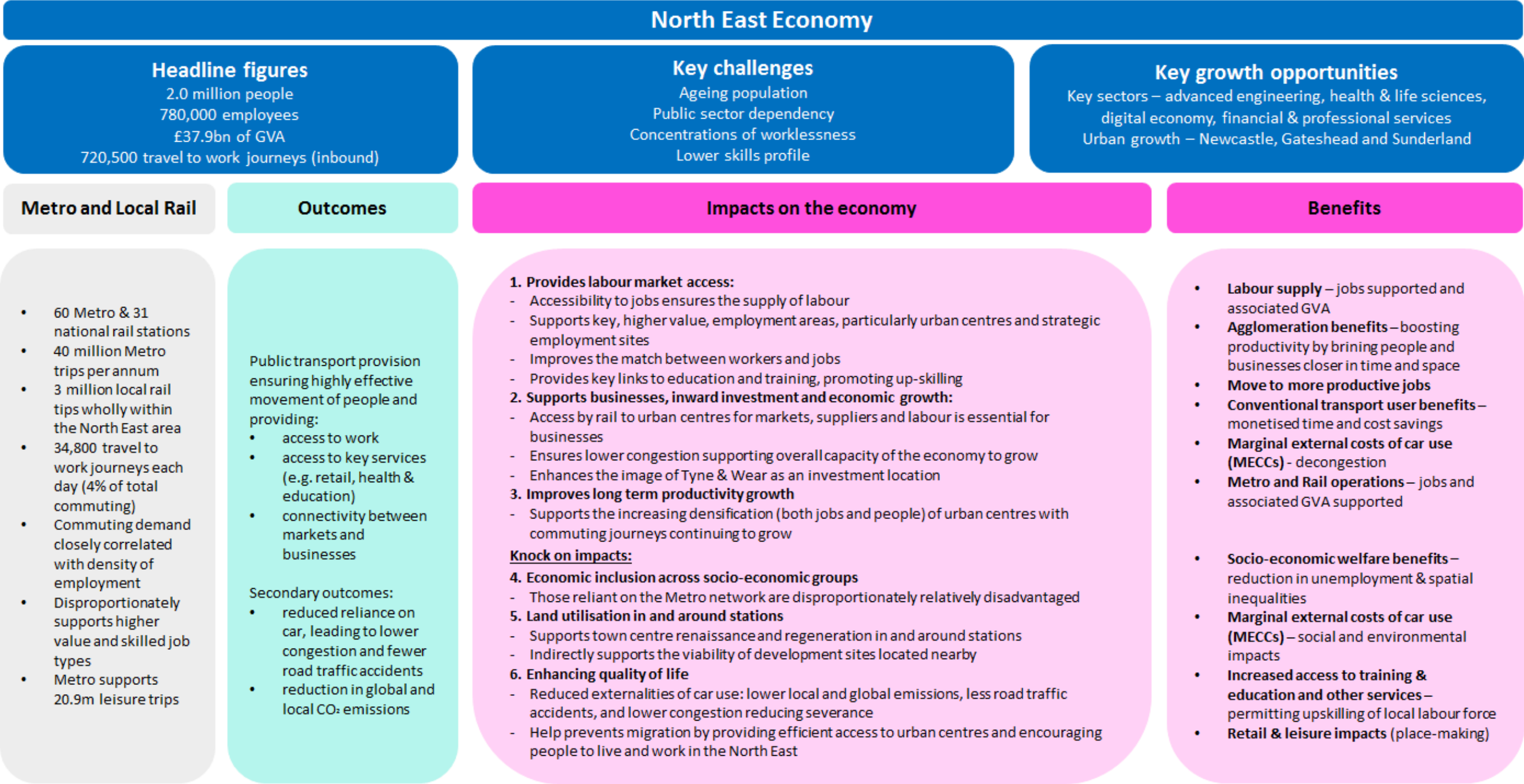
- GVA benefits which refer to the sub-national contribution to national output and are therefore reported for the North East only.
- Gross Domestic Product (GDP) benefits which refers to the economic impact at a UK level. GDP, includes amongst other corrections, indirect taxation which means that it is higher than the comparable GVA figures for relevant impacts. North East GDP impacts differ to UK level impacts due to consideration of displacement and the level of activity in the North East that would have occurred elsewhere in the UK in the absence of Metro and Local Rail.
- Welfare benefits which are separate to any GDP effect and taken as a proxy for how time and cost savings to individuals during personal travel transmit into economic benefits. These are calculated for both the North East and the UK.

Consideration of the future contribution of Metro and Local Rail is based on comparable demand modelling of three potential expansion plans. This follows an elasticity-based approach, with zone-to-zone public transport demand sensitive to changes in the Generalised Cost (GC) of travel⁸.

⁷ <https://www.gov.uk/guidance/transport-analysis-guidance-webtag>

⁸ All three accompanying technical reports explain fully the methodology used in assessing the current and future contribution of Metro and Local Rail.

Figure 4: How Metro and Local Rail impacts on the economy



Source: Mott MacDonald

What would the North East look like without Metro and Local Rail?

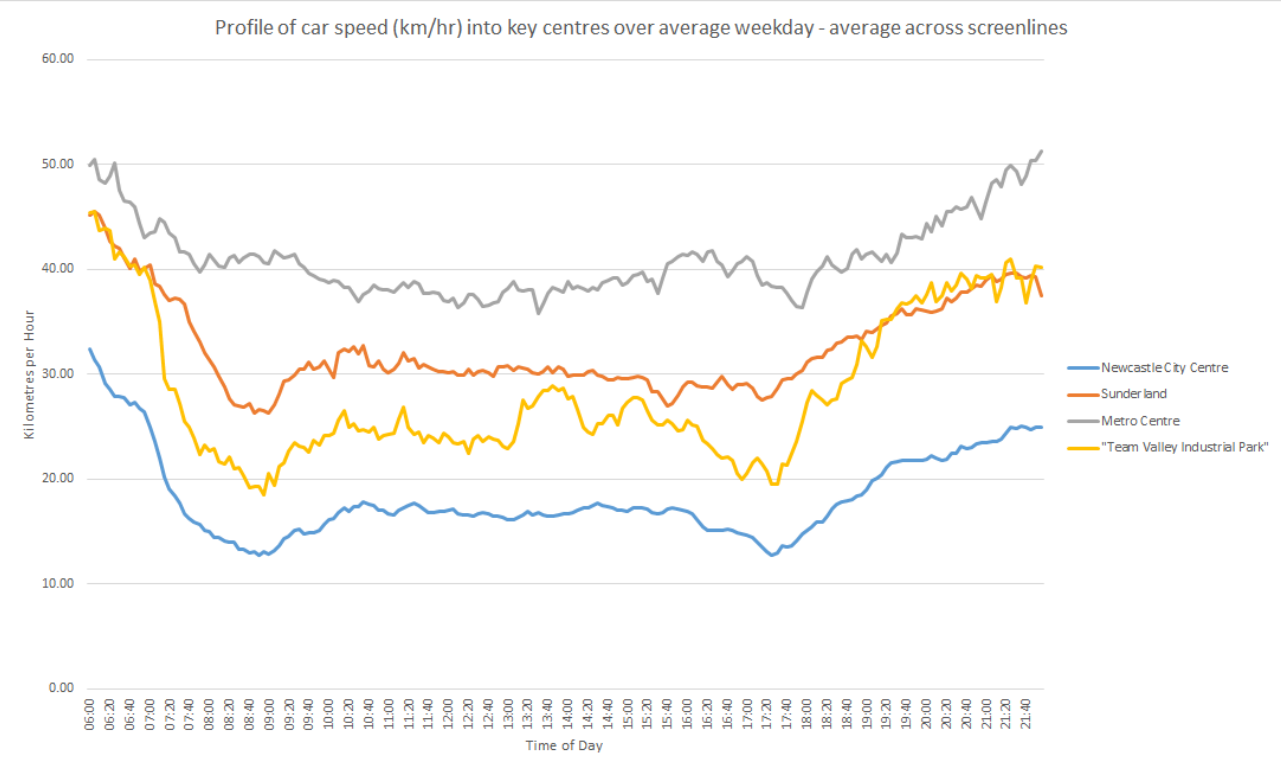
Whilst there is no certainty over how the North East’s economy would look or operate without Metro and Local Rail, the evidence clearly indicates that the likelihood would be for a significant mode shift from Metro and Local Rail to car (depending on where residents live) and an increase in bus operations and demand. Furthermore, Metro and Local Rail is very likely to have influenced those high density levels within the key economic nodes so important to current and future growth.

At key economic nodes (Newcastle city centre, Sunderland city centre, Metrocentre, and Team Valley), as shown in Figure 5, there are significant falls in traffic speeds during the working day and peak hours, implying that highway demand is exceeding supply at a number of key locations. This raises doubts that the road network could be extended to cope with additional demand should Metro and Local Rail not be available. Whilst we would expect bus provision to increase, the likelihood is, that without significant reallocation of road space, services would be subject to further increases in congestion and journey times.

By default, these increases in journey times serve to both:

- Diminish the attractiveness of these key nodes as places to locate and/or do business, and
- Restrict access to employment for residents.

Figure 5: 2015 Traffic Speed Analysis - Newcastle city centre, Sunderland city centre, Metrocentre, and Team Valley



Source: Mott MacDonald analysis of Newcastle City Council held data.

Metro and Local Rail – significant economic contribution in the present

Metro and Local Rail provides significant benefits to the North East. Under the base (and arguably conservative) scenario modelled in this study, Metro and Local Rail contributes approximately £165.6m of GVA to the North East economy per annum⁹.

The equivalent GDP and welfare impact for the North East, inclusive of impacts on individuals and society, amounts to £367.6m in 2015. This accounts to a marginal value per passenger journey of £8.50¹⁰. This value captures:

- The increased efficiency of travel for individuals and businesses, including non-users who benefit from decongestion.
- Productivity gains, i.e. direct GVA and GDP uplifts, for businesses from better connectivity.
- Benefit to wider society, such as reductions in the social and environmental externalities of car use.

Monetisation of increased efficiency (e.g. time savings) for commuting and travel for other purposes, such as leisure, is not strictly the same as direct GVA or GDP benefits. They are though a reliable proxy for the overall effectiveness of public expenditure on the welfare of society as a whole. As examples, time savings can be used to work more, undertake training, or undertake a leisure activity which, in turn, could improve their health or productivity.

Under dynamic land uses, where we consider how Metro and Local Rail have helped to support clustering of economic activity at key nodes, the impact is higher again as such densification of land uses could not be sustained and activity is dispersed to less productive locations.

Figure 6: Metro and Local Rail – 2015 economic contribution

	NECA economy, 2015	UK economy, 2015
Fixed land uses	£165.6m in GVA £367.6m in GDP & Welfare	£256.5m in GDP & Welfare
Dynamic land uses	£224.1m in GVA £437.3m in GDP & Welfare	£268.7m in GDP & Welfare

Source: Mott MacDonald

Net UK benefits (compliant with a TAG economic case) differ from the North East regional impact as they consider the effects of displacement between different areas, i.e. some of the economic activity which has occurred in the North East due to Metro and Local Rail would have occurred elsewhere in the UK in their absence. These are also substantial and amount to £256.5m of net economic benefits per annum to the UK economy (under the core scenario, fixed land uses).

The question then turns as to how further investment in the Metro and Local Rail network can contribute to increased prosperity and quality of life in the North East.

⁹ Relates to 2015 and in 2010 values and prices, discounted to 2010.
¹⁰ Other studies have attempted similar valuations of existing provision. Both the quantified impacts and methodologies inevitably differ to some extent, which makes direct comparisons difficult. The most relevant recent study is for the Urban Transport Group (UTG) ‘The Economic Value of Rail in Northern England’ (2014), available at: [http://www.urbantransportgroup.org/system/files/general-](http://www.urbantransportgroup.org/system/files/general-docs/The%20Economic%20Value%20of%20rail%20in%20the%20North%20of%20Englandv_FINAL_0.pdf)

[docs/The%20Economic%20Value%20of%20rail%20in%20the%20North%20of%20Englandv_FINAL_0.pdf](http://www.urbantransportgroup.org/system/files/general-docs/The%20Economic%20Value%20of%20rail%20in%20the%20North%20of%20Englandv_FINAL_0.pdf). It is worth noting that valuations in this report will include the Local Rail network in the North East, but not the Metro, and cover the Northern and TransPennine franchises only. This study estimated a net benefit which is comparable to this study of £1.6 billion per annum or approximately 20,000 jobs supported, from 115 million passenger journeys per annum. The estimated impact has therefore been estimated at £13.90 per passenger journey (2012 values and prices)

Moving to more and better jobs

Investing for the future

Regional economic strategy, aligned with the Transport for the North (TfN) vision for a transformed economy across the whole of the North, focuses on developing three important, higher value sectors - advanced engineering, health and the digital economy- alongside enabling sectors such as financial and professional services. Achieving sustainable economic growth will, however, also rely on simultaneously tackling supply side policy areas to improve connectivity, the skills base, support innovation, tackle worklessness and barriers to employment, improve town centres and ensure suitable supply of property and land. Improving transport connectivity through Metro and Local Rail, coupled with its better integration with land-use planning, is one of the primary mechanisms which can support economic growth and particularly the labour market.



There are already numerous examples of this happening. A new Metro station opened at Northumberland Park in 2005 which is now a recognised suburb of North Tyneside. Here, the Metro supported housing development, and the area now shows high Metro dependency and levels of commuting to established employment centres (particularly Newcastle City Centre). This clearly demonstrates the benefits of explicitly combining Metro and Local Rail with land use planning to enable sustainable economic and environmental development of the region.

Metro and Local Rail – delivering economic aspirations

The Metro and Local Rail Strategy¹¹ sets out how Metro and Local Rail will deliver a comprehensive network to improve the local economy, environment, and society by better integrating rail-based services. The expansion, improvement, and integration of Metro and Local Rail services is identified as fundamental to the economic growth plans of the North East and forms a key element of the ongoing devolution plans and agreements.

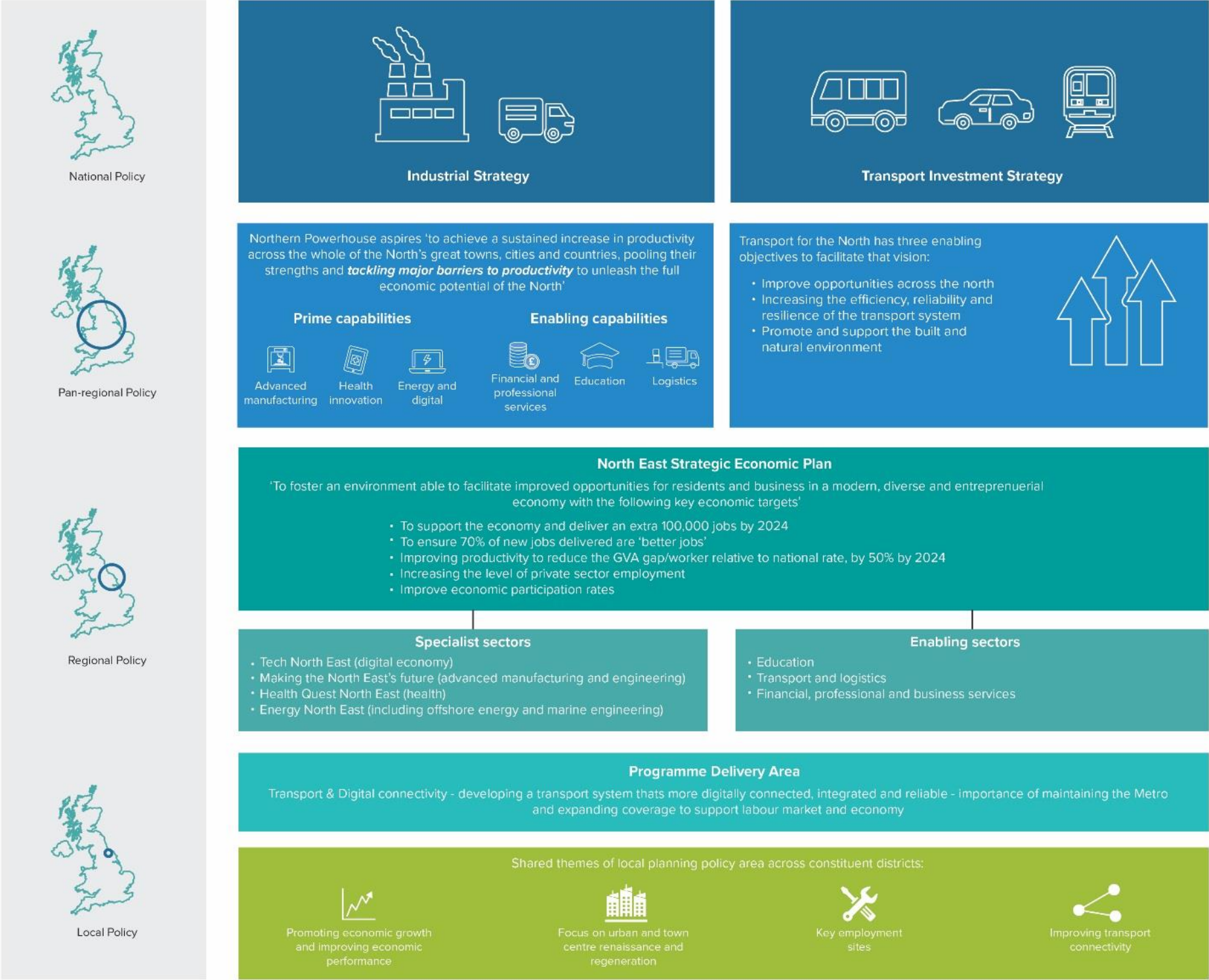
Figure 7: Metro Futures – Indicative Future Network



Source: Metro and Local Rail Strategy, NORTH EAST and Nexus, July 2016

¹¹ Metro and Local Rail Strategy, NECA and Nexus, July 2016; available at: https://www.nexus.org.uk/sites/default/files/Metro%20and%20Light%20Rail%20Strategy%20Draft_0.pdf [Accessed: 02/02/18].

Figure 8: Economic development policy – summary

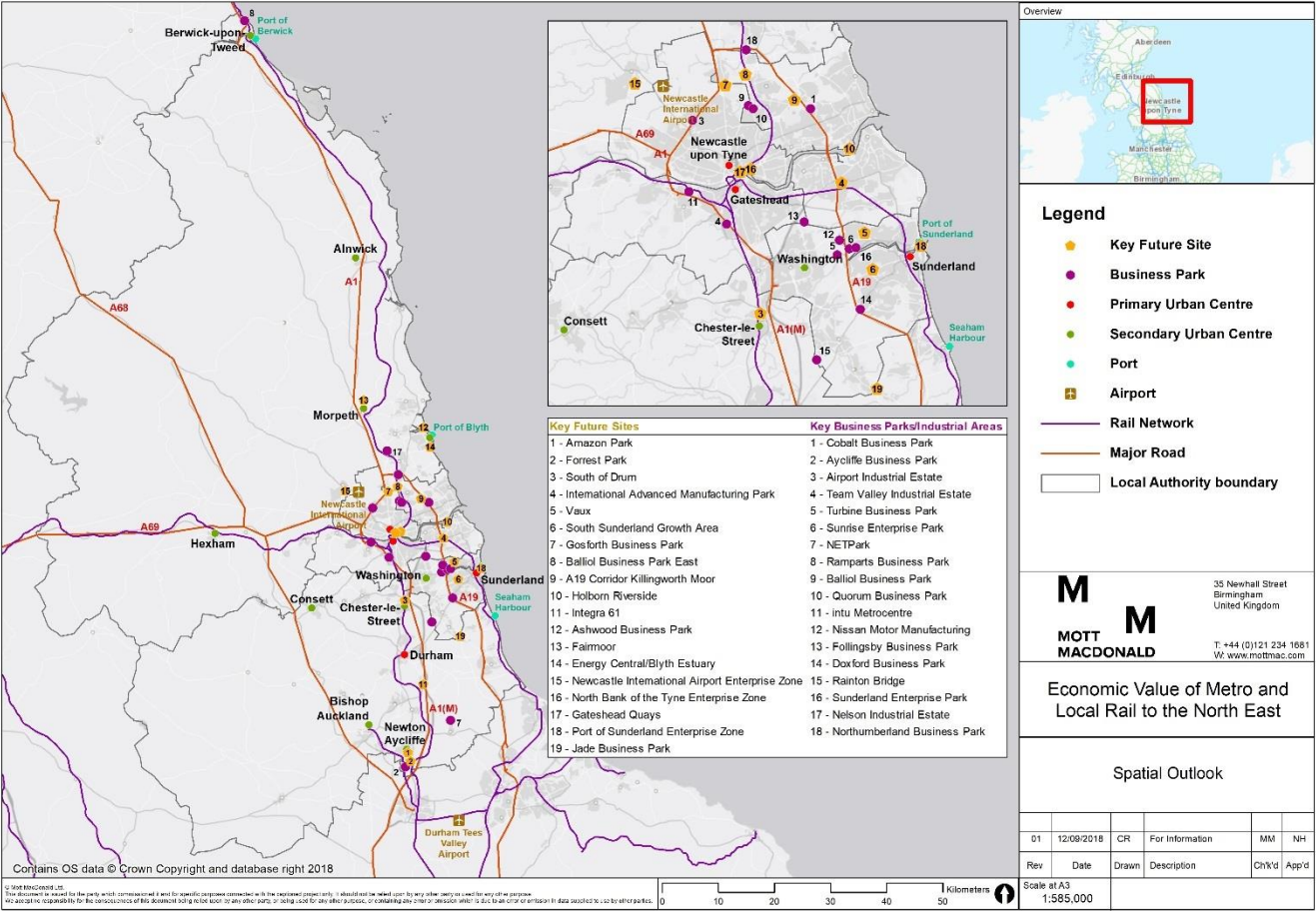


Source: Various including: The Northern Powerhouse Independent Economic Review, SQW and Cambridge Econometrics, June 2016; Northern Powerhouse Strategy, Northern Powerhouse HM Government, November 2016; Building our Industrial Strategy, Green Paper, HM Treasury, January 2017; Strategic Transport Plan, Draft for consultation, Transport for the North (TfN), January 2018; The North East Strategic Economic Plan, North East Local Enterprise Partnership, 2017

The SEP places significant emphasis on developing and intensifying city centre development, which will enable deeper clustering of key sectors and skills, with the associated productivity gains that this brings. Importantly, Metro and Local Rail can deliver the capacity and connectivity to serve the growth within these urban centres by enabling rapid access - critical for business to business connectivity and for accessing labour. Previous analysis indicates that such clustering and densification, which should assist with both inward investment and productivity gains, may not be viable without the provision of additional rapid transit capacity which avoids high dependency on the car and/or the sprawl (de-densification) such a reliance can stimulate.

The proposed network extensions are also aligned to support other key growth opportunities within the North East including Newcastle International Airport (NIA), Metrogreen, Northumberland Park, Cobalt Business Park, the International Advanced Manufacturing Park (IAMP), and Team Valley business park.

Figure 9: Key existing and future employment sites.



Source: Mott MacDonald

Metro and Local Rail – supporting regeneration of communities

Transport investment can also help support other desired social and environmental outcomes. This study has considered the impact of Metro and Local Rail on reducing inequalities, and the recent findings of the Organisation for Economic Co-operation and Development (OECD) report¹² indicate how the integration of land use and transport planning can have a key role in reducing inequality:

“Governments need to promote urban planning policies that support human and social capital infrastructure which guarantees equal access to public services, quality education, and employment opportunities”.

“Desegregating and connecting all groups with effective transport networks needs to be at the core of urban planning”.

“An integrated public investment strategy can help improve people’s access to affordable, equitable, and sustainable infrastructure, and expand opportunities for social mobility in cities.... More effective governance to integrate policies combining key sectors such as land regulation, housing and transport can help fight income segregation in cities”.

Source: A broken social elevator? How to promote social mobility, Organisation for Economic Co-operation and Development, June 2018¹³.

The analysis for the current network shows that Metro and Local Rail have played a critical role in sustaining employment in areas which have been subject to decline in traditional industries such as heavy manufacturing, helping to ameliorate adverse outcomes such as deprivation, inequality, and structural unemployment.

Potential impact of expanding the Metro and Local Rail system

Identifying land for residential and employment related development is at the heart of future growth and the economic impacts of improved connectivity. The type of growth envisaged in policy will necessitate clustering at key nodes and increases in capacity and accessibility by non-car modes to prove sustainable.

Land use, and travel behaviour, would take time to adapt for any extensions, and the economic impact would, for a number of proposed extensions, take time to occur – this lag can, of course, be mitigated to an extent by integrating land use and transport planning. In this regard the SEP, Local Plans, and the Metro and Local Rail Strategy provide a coherent vision as to how connectivity improvements can unlock growth in the North East.

A number of potential extensions were assessed as part of this study, and the conclusion was consistent. As a predictor of the net additional GDP and welfare benefit to the North East, each additional passenger journey attracted to the network provides a consistent level of economic impact, and the value is the same as that provided on the current network. This impact of £8.50 per passenger journey, represents a sizeable prize for the North East to pursue as part of its ambitious economic aspirations. For instance, as way of illustration and once accounting for various modelling assumptions¹⁴, a scheme with a present value cost of £100m, would, to generate a BCR of 2.0, need to generate 1.5 million passenger journeys per annum. This in 2030 alone would generate £7m of GDP and welfare for the North East economy¹⁵.

¹² Available at: https://read.oecd-ilibrary.org/social-issues-migration-health/broken-elevator-how-to-promote-social-mobility_9789264301085-en#page1

¹³ Available at: https://read.oecd-ilibrary.org/social-issues-migration-health/broken-elevator-how-to-promote-social-mobility_9789264301085-en#page1

¹⁴ Based on a scheme opening year of 2030, discounted to 2010 and in 2010 values and prices. The average North East GDP and welfare impact per passenger journey of £8.50 has also been discounted from 2030 to 2010 values rather than 2015 to 2010.

¹⁵ With discounting, the £7 million would diminish after the assumed opening year of 2030.

Summary – key findings

- Metro and Local Rail supports the North East economy by ensuring excellent access to the labour market. This supports a better-functioning (more efficient) economy, enhancing the North East’s inward investment appeal and leading to further growth. Facilitating this growth will require the expansion of rapid transit access to key economic nodes. Together, improved connectivity and expansion of these nodes off the potential for a virtuous circle supporting continued economic expansion of the North East.
- In 2017 Metro and Local Rail contributed approximately £165.6m of GVA to the North East economy per annum (under the core scenario, fixed land uses). The equivalent GDP and welfare impact for the North East, inclusive of impacts on individuals and society, amounted to £367.6m in 2015. This GDP and welfare benefit is equivalent to a marginal impact of £8.50 per passenger. This value captures the benefits accruing to individuals, businesses, and wider society from more efficient travel, greater productivity through better business connectivity, and selected social and environmental impacts which can also be more readily monetised.
- Net UK benefits (compliant with a DfT TAG economic case) are also substantial, and amount to £256.5m of net economic benefits per annum to the UK economy (under the core scenario, fixed land uses). The UK benefits account for displacement of economic activity between areas due to transport provision.
- Metro and Local Rail can deliver the capacity and connectivity which will be required to serve the growth envisaged at the North East’s key economic nodes. This is achieved through rapid access to labour, suppliers, and consumers - critical for business to business connectivity and for accessing labour. Metro and Local Rail have a particularly important role in supporting urban clustering and densification, which assists with both inward investment and productivity gains. These potential economic gains are unlikely to be viable without the provision of additional rapid transit capacity which avoids high dependency on the car and/or the sprawl (de-densification) such a reliance can stimulate.
- This report demonstrates that, based on a number of potential network expansion plans, extending Metro and Local Rail is likely to deliver the same economic value per passenger, at £8.50, as the current network. This represents a sizeable prize for the North East to pursue as part of its ambitious economic aspirations.



Transport North East Committee

Date: 11 October 2018

Subject: Office for Low Emission's Ultra-Low Emission Taxi Infrastructure Scheme

Report of: Managing Director (Transport Operations)

Executive Summary

This report discusses the funding opportunity which has arisen through the Office for Low Emission (OLEV) Taxi scheme which is a £6million funding scheme to support the taxi trade's transition to ultra-low emission taxis. It is intended that the North East will submit a bid by the closing date of 30th November 2018.

Recommendations

The Transport North East Committee is asked to note the content of this report.

Transport North East Committee

1. Background Information

- 1.1 The Ultra-Low Emission Taxi Infrastructure scheme funding opportunity was issued by OLEV in July 2018 and sets out a £6million scheme aimed at providing funding for Ultra Low Emission Vehicle (ULEV) infrastructure dedicated to ULEV taxis and private hire vehicles. Although this is a purely capital fund aimed at providing funding for infrastructure, OLEV are looking for bids which include local measures which are either in place or planned to drive the transition to ULEV taxis this can include regulatory measures and local incentives.
- 1.2 OLEV offered several authorities the opportunity for the Energy Savings Trust (EST) to work with them in order to provide support with data analysis and stakeholder engagement aswell a reviewing the final application. To receive this, interested authorities had to submit an expression of interest. The Regional Transport Team (RTT) on behalf of the North East submitted an EOI and on 14th September we were informed that the North East had been successful in receiving full support to submit a funding bid.
- 1.3 The scheme aims to:
 - increase the uptake of ultra-low emission Hackney carriages and private hire taxis;
 - improve air quality in urban areas;
 - encourage investment and support jobs in the UK automotive industry
 - influence the uptake of ULEVs
- 1.4 While there are no caps on the amount of funding each authority can bid for, if the total infrastructure funding sought exceeds £1million, then the bid must demonstrate how it can be scaled down if needed without having a detrimental effect on its overall objectives.

2. Proposals

- 2.1 It is proposed that a North East funding application will be submitted to OLEV to deliver ULEV taxi infrastructure around the region. This bid will be coordinated by the RTT with officer input from each of the local authorities.

3. Reasons for the proposals

- 3.1 The proposal to deliver ULEV infrastructure and provide solutions for the transition of the taxi industry to ULEVs will assist with Government's target of all new diesel and petrol cars and vans to be banned from sale in the UK from 2040.

Transport North East Committee

- 3.2 It will equally support wider air quality objectives including in areas suffering from poor air quality with the region.

4. Alternative options available

- 4.1 The North East could decide not to bid for funding. However, this option is not recommended as the fund provides the opportunity to install ULEV infrastructure for the taxi industry to assist with the increase of ULEV taxis which will deliver significant benefits both locally and nationally.

5. Next steps and timetable for implementation

- 5.1 Work will now commence on developing the funding application in conjunction with each local authority and the Energy Savings Trust. The submission deadline is 30th November 2018 with an announcement on successful bids expected January 2019.

6. Potential impact on objectives

- 6.1 The delivery of new EV infrastructure within the North East will assist in delivering its key objective to move to a low carbon economy and to reduce transport-based carbon emissions.

7. Financial and other resources implications

- 7.1 As the funding bid is developed, key finance officers will be involved to agree to the financial package and spending profile.
- There are no additional ICT implications.

8. Legal implications

- 8.1 As the funding bid is developed, NECA Monitoring Officer, supported by Legal Officers and specialists from local authorities will liaise to ensure the proposals contained within the bid are legal and compliant.

9. Key risks

- 9.1 If ULEV infrastructure is not implemented through this funding opportunity, then there is a risk then each local authority would need to deliver this infrastructure through their internal resources to meet the increasing number of taxi vehicles becoming ULEVs.

10. Equality and Diversity

- 10.1 There are no equality and diversity implications from this report

11. Crime and Disorder

Transport North East Committee

11.1 There are no crime and disorder implications.

12. Consultation / Engagement

12.1 Work on this funding bid had involved engagement with all local authority officers plus Heads of Transport. All statutory officers are aware of this funding opportunity and will be consulted upon throughout the application process.

13. Other impact of the proposals

13.1 None

14. Appendices

14.1 None

15. Background papers

15.1 None

16. Contact Officers

Tobyn Hughes
Managing Director (Transport Operations)
0191 203 3246
tobyn.hughes@nexus.org.uk

17. Sign off

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

18. Glossary

EST- Energy Savings Trust
OLEV- Office for Low Emission Vehicles
ULEV- Ultra Low Emission Vehicles

Transport North East Committee

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Transport North East Committee

Date: 11 October 2018

Subject: Appointment of Vice-Chair From the Tyne and Wear Constituent Local Authorities

Report of: Monitoring Officer

Executive Summary

The purpose of this report is to invite the Transport North East Committee to appoint its Vice-Chair from the Tyne and Wear constituent local authorities for the municipal year 2018/19. This Vice-Chair will also undertake the role of Chair of the Transport North East (Tyne and Wear) Sub-Committee (TWSC). The Committee is also invited to appoint the Vice-Chair of TWSC or, alternatively, delegate the appointment of the Vice-Chair to TWSC.

Members will be aware that there is a proposed Order to amend the boundaries of NECA and to create new arrangements for the discharge of transport powers. The arrangements set out in this paper will need to be revisited if and when the Order is made.

Recommendations

The Transport North East Committee is recommended:

- i. To appoint its Vice-Chair from the Tyne and Wear constituent local authorities for the municipal year 2018/19, who will also undertake the role of Chair of the Transport North East (Tyne and Wear) Sub-Committee for the same municipal year; and
- ii. To appoint Vice-Chair for the Transport North East (Tyne and Wear) Sub-Committee for the municipal year 2018/19 or, alternatively, delegate the appointment of the Vice-Chair to the Sub-Committee.

Transport North East Committee

1. Background Information

- 1.1 Under the Constitution of the North East Combined Authority (the Authority), the Leadership Board is the decision-making body of the Authority subject to any delegated authority that it has given to other decision making bodies or chief officers.
- 1.2 At the Annual Meeting on 19 June 2018, the Leadership Board confirmed the membership of the Transport North East Committee (TNEC), in accordance with the nominations received from the constituent local authorities.
- 1.3 The Leadership Board also endorsed the approach that the Vice-Chair of TNEC representing Tyne and Wear will undertake the role of Chair of the Transport North East (Tyne and Wear) Sub-Committee (TWSC).
- 1.4 At the same meeting, the Leadership Board delegated the responsibility for the appointment of the TNEC Vice-Chair from the Tyne and Wear constituent authorities for the municipal year 2018/19 to TNEC.
- 1.5 The Leadership Board also delegated the responsibility to TNEC to appoint the Vice-Chair of TWSC.

2. Proposals

- 2.1 TNEC is recommended to appoint its Vice-Chair from the Tyne and Wear constituent local authorities for the municipal year 2018/19, who will be the Chair of TWSC for the same municipal year.
- 2.2 TNEC is also recommended to appoint Vice-Chair for TWSC for the municipal year 2018/19 or, alternatively, delegate the appointment of the Vice-Chair to TWSC.

3. Reasons for the Proposals

- 3.1 The proposals would support effective governance.

4. Alternative Options Available

- 4.1 With regard to the appointment of Vice-Chair of TWSC, TNEC is recommended to either make the appointment or delegate the appointment to TWSC.

5. Next Steps and Timetable for Implementation

- 5.1 The appointments, once made, will enable the Vice-Chairs to undertake their

Transport North East Committee

roles and the Vice-Chair from the constituent local authorities from Tyne and Wear to undertake the role of Chair of TWSC.

6. Potential Impact on Objectives

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

7. Financial and Other Resources Implications

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

8. Legal Implications

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

9. Key Risks

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

10. Equality and Diversity

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

11 Crime and Disorder

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

12. Consultation/Engagement

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

13. Appendices

- 13.1 There are no appendices.

14. Background Papers

- 14.1 The Constitution of the North East Combined Authority; and Minutes of the Annual Meeting of the North East Combined Authority, 19 June 2018.

Transport North East Committee

15. Contact Officers

15.1 Peter Judge, Monitoring Officer
E-mail: peter.judge@northeastca.gov.uk Tel: 0191 3387455

16. Sign off

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

Transport North East Committee

Date: 11 October 2018

Subject: Capital Programme Monitoring Report

Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to provide the Transport North East Committee with an update on the 2018/19 Transport Capital programme at the second quarter of the year. This is a requirement of the NECA constitution and is a function delegated to TNEC.

Recommendations

The Transport North East Committee is recommended to note the content of this report.

Transport North East Committee

1. Background Information

- 1.1 In January 2018, NECA's capital programme for 2018/19 was agreed by the Leadership Board, totalling £176.219m including overprogramming, of which £80.125m related to Transport projects. The programme was reviewed in light of the 2017/18 outturn and developments during the current financial year, and an update of this is set out in this report.

2. Proposals

2.1 Transport Capital Programme – 2018/19 Update

In January 2018, a base capital programme was approved by the Leadership Board which included £80.125m Transport projects, as set out in the table below. Elements of the programme have been revised following the outturn position, and the latest approved programme now totals £77.934m. Expenditure at this stage in the year totals £19.631m, which is in line with expectations. This includes quarter 1 LGF claims, but quarter 2 claims were not yet due at the time of writing this report. The projected outturn is estimated to be £71.002m, representing 91% of the latest approved budget. Details of progress to date is set out in the relevant sections below.

	Original Approved	Latest Approved	Spend to Aug 2018	Projected Outturn
	£m	£m	£m	£m
LGF Transport Schemes	26.915	25.976	5.432	24.614
Metro ARP	37.982	36.730	8.313	31.256
Nexus non- Metro Capital	0.319	0.319	0.038	0.323
Tyne Tunnels	3.600	3.600	1.162	3.500
Other Transport Grants	11.309	11.309	4.686	11.309
Total	80.125	77.934	19.631	71.002

Transport North East Committee

2.2 Local Growth Fund (LGF) Transport Schemes

2.2.1 2018/19 represents the fourth year of the LGF programme, a significant part of which relates to the thematic area of Transport. The forecast for this financial year is £24.614m against an original approved Transport LGF programme of £26.915m. Payments to date total £5.432m, with significant payments made on schemes including the South Shields Transport Interchange and the Arches and Swans schemes. Claims and Quarterly Monitoring Reports for quarter 2 (most Transport projects submit claims on a quarterly basis) are not yet due at the time of the preparation of this report and will be received in mid-October.

	2018/19 Original Budget	2018/19 Forecast	Spend to Aug 2018
	£m	£m	£m
Northern Access Corridor – Phase 2 & 3 (Stage 2)	1.026	1.015	0.034
Local Sustainable Transport Fund Programme	-	0.717	-
Newcastle Central Station Gateway – Stage 1	-	0.659	0.084
Newcastle Central Station Gateway – Stage 2	2.730	1.000	-
A1056-A189 Weetslade roundabout improvements and A1-A19 link	-	0.128	0.006
Scotswood Bridgehead (Stage 1)	-	(0.045)	-
South Shields Transport Interchange (Stage 2)	5.192	6.000	3.145
A1058 Coast Road	-	0.582	0.274
Horden Rail Station	0.659	0.846	0.140
Traffic movements along A185/A194/A19 (The Arches) - Stage 2	5.051	4.816	0.804

Transport North East Committee

South Shields Metro Training and Maintenance Skills Centre	6.000	4.502	0.184
Blyth Cowpen Road	-	0.010	-
A19 North Bank Tyne (Swans) - Stage 2	2.157	3.420	0.761
Jade Business Park (inc A19/A189 Seaham Murton interchange)	4.100	0.964	-
Total	26.915	24.614	5.432

2.3 Metro Asset Renewal Plan (ARP)

2.3.1 The Leadership Board approved the Metro Asset Renewal Plan (ARP) capital programme for 2018/19 in January 2018 totalling £37.892m. This is the ninth year of the eleven year ARP programme.

2.3.2 The requirement from DfT is that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2018/19 were set at £21.041m and £31.264m respectively). The 2018/19 capital budget therefore included an initial level of over-programming approaching 50%. The reasons for this approach to over-programming are that it allows Nexus the ability to actively manage the schedule and delivery of projects to drive efficiencies without a risk of falling below minimum expenditure levels.

2.3.3 At the end of the fifth of 13 periods (ending 18 August 2018), the Metro capital budget has been revised to £36.730m. This now includes the Nexus Learning Centre (£5.7m) which was reported separately to the Leadership Board as part of the Local Growth Fund schemes and therefore not included in the £37.982m Metro Asset Renewal programme approved in January 2018.

2.3.4 The reduction in the budget for this year is due to the re-profiling of individual projects, some of which were brought into the current year when the 2017/18 year was closed down, some of which have been moved into future years and some of which will be accelerated, i.e. delivered earlier than previously planned. The £1.3m movement between the £37.982m original budget for 2018/19 and the £36.730m latest budget for 2018/19 is therefore summarised as shown overleaf.

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	£m
Re-phasing from 2017/18, increasing 2018/19 budget	6.1
Accelerated projects (from 2018/19 to 2017/18), reducing 2018/19 budget	(0.4)
Re-phasing from 2018/19 to future years, reducing 2018/19 budget (principally track works deferred until 2019/20)	(15.3)
Accelerated projects (from 2019/20 to 2018/19), increasing 2018/19 budget	1.1
Inclusion of Nexus Learning Centre	5.7
Other changes	1.5
Total	(1.3)

- 2.3.5 Expenditure as at the end of Period 5 is £8.313m. This represents 40% of the £21.041m minimum expenditure level required by DfT for this financial year.
- 2.3.6 The latest forecast to the year end is now £31.256m; lower than budgeted largely because of reduced expenditure forecasts in the phasing of works relating to the Nexus Learning Centre and Overhead Line Projects.
- 2.3.7 An evaluation of remaining risks in the programme together with several options to undertake managed reprofiling of expenditure will ensure that the final outturn falls within the DfT's prescribed funding tolerance which, as previously indicated, is required to be at least £21.041m.
- 2.3.8 At this stage any variation in expenditure against the revised budget that is not forecast to be incurred in the current year will be carried forward into the 2019/20 programme.
- 2.3.9 To the end of the fifth, four-week period of 2018/19, the following key projects have been progressed:
- Following successful commissioning of the Rail Traffic Management System (RTMS) on the 4th and 5th August, a number of post implementation issues have been resolved.
 - The replacement Radio system is now fully operational with only the removal of old equipment still outstanding.
 - The programme of halt station refurbishment continues at Monkseaton, West Monkseaton, Cullercoats, Shiremoor, Palmersville, Benton and Longbenton. External painting is nearing completion, civils work and tactile surfacing and other weather dependent activities are continuing prior to the winter period.

Transport North East Committee

- Rail Vehicle Accessibility Regulations – DfT's Legal team are drafting an exemption order which is likely to mean a reduction in the need for these works pending the introduction of the new fleet of Metrocars. The timescales for formal approval are still awaited.
- South Shields Interchange – structural steelwork is complete – roofing and cladding will be installed during Autumn 2018. Planning of Rail works is advanced for the 5 week closure of the old station commencing on 1st October in order to construct a revised track configuration for the new station.
- Piling is nearing completion for the Nexus Learning Centre in South Shields with structural steelwork to commence in the Autumn.
- Detailed designs for the renewal of Burnside and Beach Road bridges in North Tyneside are nearing completion. The bridges will be pre-fabricated offsite and installed over the first two weekends in March 2019.
- Tanners Bank bridge outline (form A) design is scheduled to complete in November. This will ensure the project is aligned with North Tyneside Council's proposed external funding in 2019/20.
- Permanent Way renewal works between Northumberland Park and South Gosforth and Chillingham Road to St James is complete with the exception of work to correct a number of minor defects.
- The procurement process is underway for track renewals between Gateshead and Felling. The work is scheduled to complete in April-May 2019.
- The Overhead Line Equipment renewal programme continues with 7.5km of contact and catenary wire being replaced to date. Work is planned between Walkergate and Wallsend on 24th September and 8th, 14th and 15th October.

2.3.10 Over the next three four-week periods of 2018/19, the Metro ARP cost loaded programme shows the following expenditure profile.

	Year to Date	Period 6 Forecast	Period 7 Forecast	Period 8 Forecast
	£m	£m	£m	£m
In period spend		1.32	2.59	2.43
Cumulative Spend	8.31	9.63	12.22	14.65

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2.3.11 Forecast expenditure for 2018/19 is financed as follows:

	Latest Approved Funding 2018/19	Projected Funding 2018/19
	£m	£m
ARP		
Metro Rail Grant	23.537	23.245
Local contribution 10%		
- Local Transport Plan (LTP)	2.640	2.640
- Reserves	(0.025)	(0.057)
Over-programming	4.880	-
Total ARP	31.032	25.828
Other Schemes		
LGF	5.698	5.698
Total – other Schemes	5.698	5.698
Total	36.730	31.526

2.4 Nexus Non-Metro Capital Programme

The latest revised budget for 2018/19 is £0.319m, with forecast expenditure at £0.323m, as set out below:

	Latest budget 2018/19	Projected Outturn 2018/19	Period 5 Spend 2018/19
	£m	£m	£m
Nexus Non-Metro Programme			
Regent Centre Car Park	0.032	0.035	0.035
Ferry Works	0.287	0.288	0.003
Total Nexus Non Metro	0.319	0.323	0.038

The following table sets out how the Nexus Non-Metro capital programme for 2018/19 will be financed:

Transport North East Committee

	Latest Approved Funding 2018/19	Projected Funding 2018/19
	£m	£m
Grant		
Local Transport Plan (LTP)	0.077	0.077
Nexus Contribution		
Reserves	0.242	0.246
Total	0.319	0.323

2.5 Tyne Tunnels Capital Programme

2.5.1 The Tyne Tunnels capital programme relates to the refurbishment of the Tyne Pedestrian and Cycle Tunnels (TPCT). The works are continuing with civil, mechanical and electrical engineering contractors working on site. Good progress is being made throughout the tunnels, and the installation of the inclined glass elevator is ongoing. As the installation of the mechanical and electrical systems nears completion the commissioning phase is commencing.

Officers have reviewed the works programme to completion of the refurbishment works and the reopening of the tunnels to the public. As reported at the last Tyne and Wear Sub Committee, the completion of the works is now anticipated to be at the end of 2018. A lessons-learned exercise on this project will be carried out during the rest of the year and reported to the Tyne and Wear Sub Committee.

The approved budget for 2018/19 was £3.600m. The forecast outturn is anticipated to be around £3.500m, to be funded from the Tyne Tunnels reserves.

3. Reasons for the Proposals

3.1 The information contained within this report is provided to the Committee to enable it to fulfil its function of monitoring the NECA's transport capital programme, as delegated by the Leadership Board.

4. Alternative Options Available

4.1 This report is provided for information, and the Committee are recommended to note its contents.

Transport North East Committee

5. Next Steps and Timetable for Implementation

- 5.1 The transport capital programme will be monitored for the remainder of the financial year and reported to the Committee at regular intervals, and the outturn position reported following the year end.

6. Potential Impact on Objectives

- 6.1 This report is for information, concerning the transport capital programme of the Authority which supports the meeting of its objectives.

7. Financial and Other Resources Implications

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

8. Legal Implications

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

9. Key Risks

- 9.1 Financial risks associated with the Authority's activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the Combined Authority. Detailed operational risk registers are maintained by the delivery bodies responsible for the individual projects and programmes set out in this report.

10. Equality and Diversity

- 10.1 There are no Equality and Diversity implications arising from this report.

11. Crime and Disorder

- 11.1 There are no Crime and Disorder implications arising from this report.

12. Consultation/Engagement

- 12.1 The Authority's capital programme for 2018/19 comprises previously approved schemes which were subject to consultation as part of the approval process.

Transport North East Committee

13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from this report, which is for information.

14. Appendices

- 14.1 Appendix A – Metro Asset Renewal Plan

15. Background Papers

- 15.1 Capital Programme 2018/19 – Report to North East Leadership Board 16 January 2018

<https://northeastca.gov.uk/wp-content/uploads/2018/03/Leadership-Board-16-January-2018-Agenda-Pack.pdf>

16. Contact Officers

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Eleanor Goodman, Principal Accountant, NECA,
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17. Sign off

- 17.1
- Head of Paid Service: ✓
 - Monitoring Officer: ✓
 - Chief Finance Officer: ✓

Transport North East Committee

Appendix A – Metro Asset Renewal Plan

Asset Category	Budgets					Forecasts			
	Original Approved Budget (DfT submission) 2018/19	Amended Programme 2018/19	Approved Programme 2019/20	Approved Programme 2020/2021	Total Budget 2018/19-2020/21	Period 5 Forecast 2018/19	Period 5 Forecast 2019/20	Period 5 Forecast 2020/21	Total Forecast 2018/19-2020/21
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Civils	2,072	2,520	1,167	500	4,187	2,147	1,479	500	4,126
Communications	3,137	3,747	221	15	3,983	3,949	541	25	4,516
Level Crossings	0	3	0	0	3	0	0	0	0
Mechanical & Electrical	260	354	80	80	514	154	269	80	503
Metro Cars	3,410	3,525	3,410	3,410	10,345	3,146	3,410	3,410	9,966
Miscellaneous	1,915	2,937	341	390	3,668	970	2,598	390	3,957
Project Management Costs	0	0	1,700	1,700	3,400	0	1,700	1,700	3,400
Overhead Line	2,796	4,271	3,541	3,457	11,269	3,714	3,063	3,020	9,796
Permanent Way	14,462	4,054	11,728	10,375	26,157	3,270	9,295	10,624	23,188
Plant	0	8	0	0	8	8	0	0	8
Power	0	121	69	100	291	56	0	0	56
Signalling	4,328	3,904	2,702	1,247	7,853	3,340	2,799	1,358	7,497
Stations	5,601	5,588	4,364	140	10,093	5,074	3,111	177	8,362
Total Programme ARP	37,981	30,895	29,461	21,414	81,770	25,828	28,264	21,284	75,376
Other Projects	0	5,698	0	0	5,698	5,698	0	0	5,698
TOTAL	37,981	36,730	29,324	21,414	87,468	31,526	28,264	21,284	81,073

Note 1

Other Projects include Nexus Learning Centre.

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Transport North East Committee

Date: 11 October 2018

Subject: Revenue Budget Monitoring Report

Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to provide the Transport North East Committee with an update on the 2018/19 revenue expenditure and budget to the end of August 2018. This is a requirement as set out in the NECA Constitution and is a function delegated to TNEC.

As the Transport levies and revenue grants are fixed for the year there is minimal change in the NECA revenue budget itself. In overall terms, net expenditure reported against the NECA element of the Tyne and Wear Transport budget is now forecast at a break-even position.

In terms of the three transport delivery bodies that NECA funds by transport grants, Durham County Council is forecasting a budget underspend of £0.285m, Northumberland County Council is forecasting a break-even position and Nexus is now forecasting a surplus of £1.016m as compared with the original budgeted deficit of £1.934m. Explanations for significant variances are set out in the body of the report. These surpluses against the revenue grant funding from NECA will be retained by the respective delivery body at the year end and will be taken into account in funding decisions for future years.

Recommendations

The Transport North East Committee is recommended to note the position at the end of August and the forecast for the 2018/19 financial year.

Transport North East Committee

1. Background Information

- 1.1 At its meeting held on the 16 January 2018, the Leadership Board approved a Transport net revenue budget for 2018/19 of £83.6m to be funded by the levies.

2. Proposals

2.1 Transport Revenue Budget 2018/19 Update

- 2.1.1 At the end of August 2018, total expenditure for transport delivery by the three delivery agencies is detailed in the respective sections below. The position against the budget does not affect the transport levy or revenue grants for the year which are fixed as part of the budget setting process, and surpluses or deficits are retained or funded by the respective transport bodies at the year end.

	2018/19 Original Budget	2018/19 Forecast	Spend to date Aug 2018
	£000	£000	£000
Total Transport Levies	(83,648)	(83,648)	(34,853)
Grant to Durham	15,692	15,692	6,538
Grant to Northumberland	6,146	6,146	2,561
Grant to Nexus	59,700	59,700	24,875
Retained Transport Levy Budget	2,110	2,108	879
Contribution (to)/from NECA reserves	-	(2)	-

2.2 NECA Retained Transport Levy Budget 2018/19 Update

- 2.2.1 This budget relates primarily to activity inherited from the former Tyne and Wear Integrated Transport Authority (TWITA), as well as some costs such as external audit and the cost of servicing Transport Committees which relate to the whole NECA area. The majority of the budget relates to financing charges on historic supported borrowing debt. Additionally, there is budget provision for support services, independent members' allowances and a repayment to the Tyne Tunnels for use of its reserves in 2013/14 to pay off the former TWITA pension deficit.

Transport North East Committee

2.2.2

	2018/19 Original Budget	2018/19 Forecast	Spend to date Aug 2018
	£000	£000	£000
Support Services/Staffing	220	220	80
Administration and Governance	42	40	15
Financing Charges	1,798	1,795	748
Transport Joint Committee	50	50	-
Total Expenditure	2,110	2,108	843
Contribution from Levies*	(2,110)	(2,110)	(879)

*includes a contribution of £5k per authority from Durham and Northumberland to cover audit and other central transport costs.

2.2.3 The Tyne and Wear (former ITA) Transport Revenue reserves are estimated to be £0.510m at the year-end as a result of a breakeven forecast for the year.

2.3 Durham County Council Transport Levy Budget 2018/19 Update

2.3.1 The quarter 2 2018/19 forecast is for a budget underspend of £285,000. Any underspend at the year end will be retained by Durham County Council. The forecast position against budget is set out in the table below.

2.3.2

	Original Budget	Spend to Date (23 Sept 2018)	Forecast to Year end	Variance (Budget vs Forecast)
	£000	£000	£000	£000
Concessionary Fares	11,940	4,691	11,940	0
Subsidised Services	2,850	946	2,553	(297)
Bus Stations	144	397	152	8
Bus Shelters	19	33	27	8
Passenger Transport Information	89	114	85	(4)
Staffing	650	325	650	0
Share of NECA Transport Costs	5	0	5	0
Net Expenditure	15,697	6,506	15,412	(285)

Transport North East Committee

2.3.3 The main reasons for the projected underspend are as follows:

1. Subsidised Services - £297k under budget – this relates mainly to medium term financial plan savings made early following changes to the procurement of bus services.
2. Bus Stations - £8k over budget – this results from increased Repairs and Maintenance and vandalism.
3. Bus Shelters – £8k over budget – this results from increased repairs and maintenance.

2.4 Northumberland County Council Transport Levy Budget 2018/19 Update

2.4.1 The latest forecast indicates that the year-end position will be break-even for both Concessionary Fares and Subsidised Bus Services.

2.4.2 The main areas of expenditure operated by Northumberland are:

- i) Concessionary Fares – Although claims from operators are received monthly all adjustments are being reimbursed with an accurate overall rate. It is currently forecast that Concessionary Fares will break-even.
- ii) Subsidised Bus Services – The Council supports a range of socially necessary bus services, mainly in the rural North and West areas of the County but also some in the more urban South East. It is forecast that the Council will break-even at the end of the financial year. No new routes are currently being proposed to be added to the network.

2.4.3

	Original Budget	Spend to August 18	Forecast to year end	Variance (Budget vs Outturn) £000
	£000	£000	£000	£000
Concessionary Fares	4,722	1,253	4,720	(2)
Subsidised Bus Services	1,230	(28)	1,230	0
Bus Services	23	2	23	0
PT Information	25	27	27	2
Staffing	145	60	145	0
Net Expenditure	6,145	1,314	6,145	0

Transport North East Committee

2.5 Nexus Budget 2018/19 Update

2.5.1 Base Budget

When approving Nexus' 2018/19 revenue budget, the Leadership Board approved use of £1.934m of reserves in order that Nexus could set a balanced budget. This allowed Nexus to maintain frontline services despite a £1.190m reduction in the grant it receives from the NECA. This is possible because of a combination of permanent savings that were achieved in the previous financial year and further efficiencies within 2018/19.

2.5.2 Position as at period 5

Following closure of the 2017/18 accounts and the first five periods of 2018/19, there are several permanent reductions in the base position that have been identified. The variations are set out below:-

	£m	£m
Base budget 2018/19		1.934
Forecast Variations Period 2		
Permanent Variations		
Concessionary Travel	(0.831)	
Metro Fare Income	(0.800)	
High Voltage (HV) Power	(0.500)	
Secured Services	(0.309)	
Investment income	(0.080)	
Commission income	0.060	
Inflationary adjustments	0.058	
Departure Charges	0.025	
Scholars Income	(0.200)	
Employees	(0.300)	
Other	(0.257)	(3.134)
Nexus Revised Base Budget 2018/19		(1.200)

Transport North East Committee

2.5.3 Concessionary Travel

A permanent saving of £0.830m will be delivered during this financial year due to lower than expected passenger numbers.

2.5.4 Fare revenue

A preliminary forecast for 2018/19 indicates that farebox revenue will be £0.8m up on the £45.3m budget.

2.5.5 HV Power

Based on last year's consumption and application of revised electricity rates as per our contract with NEPO, it is considered prudent to permanently reduce the HV power budget by £0.5m.

2.5.6 Secured Services

Since the approval of the 2018/19 revenue budget there have been a number of secured service contract renewals which have resulted in savings of £0.309m.

2.5.7 Other Income (Investments, Commission Income, Departure Charges)

The budgets in respect of the above income streams have been reduced by £0.063m reflecting a positive outcome having modified our investment strategy, tempered by falling demand in relation to third part commissions and bus station departure charges.

2.5.8 Scholars' Services

During 2015/16 Nexus reduced the scholars' pass income budget following indications from Local Education Authorities that they would reduce their expenditure in this area. However, this reduction has not materialised and income is again expected to exceed the budget by £0.2m. It is therefore considered prudent to permanently increase the base budget accordingly.

2.5.9 Employees

Savings against the Group salary bill, equating to £0.3m in 2018/19, are expected to accrue from employee turnover.

2.5.10 Other Savings

It is assumed that following the transition of Metro Services back into the organisation the risk contingency can be reduced from 2019/20 by around £0.257m on a permanent basis.

Transport North East Committee

2.5.11 Forecast Update

The latest forecast at the end of Period 5 shows a surplus of £1.016m.

Additional maintenance and repair works totalling £0.242m are necessary on the Ferry landings which is unbudgeted, however this is partially offset by minor savings of £0.058m across the organisation.

2018/19 Forecast	£m	£m
Revised Base Budget Surplus		(1.200)
Ferry landings	0.242	
Minor savings across organisation	(0.058)	
2018/19 Outturn Forecast		(1.016)

2.5.12 The table below provides the Committee with a summary of Nexus' budget position as at the end of period 5. The table shows Nexus' main service areas after support services and other indirect costs have been allocated.

	Approved Budget £m	Period 5 Position £m	Variation £m
English National Concessionary Travel Scheme (ENCTS)	35.357	34.977	(0.380)
Discretionary Concessionary Travel	4.284	3.695	(0.589)
Metro (including NEMOL)	2.816	0.390	(2.426)
Ferry	0.918	1.256	0.338
Local Rail	0.100	0.109	0.009
Bus Services	11.718	11.306	(0.412)
Bus Infrastructure	2.004	2.022	0.018
Public Transport Information	1.104	1.596	0.492
Total Requirement	58.301	55.351	(2.950)
NECA Grant (Levy)	(56.367)	(56.367)	0.000
Deficit/(Surplus)	1.934	(1.016)	(2.950)

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2.6 Tyne Tunnels Revenue Budget 2018/19 Budget

2.6.1 The Tyne Tunnels are accounted for as a ring-fenced account within the NECA budget, meaning that all costs relating to the tunnels are wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy or government funding.

2.6.2

	2018/19 Original Budget	2018/19 Forecast	Spend to date Aug 2018
	£000	£000	£000
Tolls Income	(25,970)	(26,600)	(11,409)
Contract payments to TT2	19,480	20,140	8,642
Employees	33	-	-
Pensions	54	50	21
Support Services	80	95	5
Supplies & Services	35	35	12
Community Fund	10	10	-
Financing Charges	6,579	6,594	2,748
Interest/Other Income	(50)	(50)	(20)
Repayment from TWITA for temporary use of reserves	(240)	(240)	(100)
(Surplus)/Deficit on Tyne Tunnels revenue account met from reserves	11	34	(101)

2.6.3 The forecast outturn position is for a small deficit of £34k which will be met from Tyne Tunnels reserves.

The forecast for tolls income is slightly higher than the original budget, taking into effect the increase in the toll on Class 3 vehicles which came into effect in March 2018. This is offset by an increase in the contract payments to TT2 whose “shadow toll” increased in line with inflation. Traffic levels continue to be lower than previously experienced, which has been the case since commencement of the Silverlink works in August 2016.

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The original budget for 2018/19 included provision for employee costs relating to the contract monitoring officer role. During 2018/19 this post has been vacant, with support provided instead by officers from Newcastle City Council and the support services forecast has been updated accordingly.

2.7 2019/20 Budget Preparation

Work is ongoing in relation to the preparation of budgets for 2019/20, which will be reported to the relevant committees during November, for consultation with approval in January 2019.

2.7.1 Durham

Durham Council is currently developing its 2019/20 budget proposals, but some draft figures are set out below. At the current time, net budgets are proposed to be largely in line with the current year.

	Original Budget 2018/19	2019/20 Initial Proposed Budget
	£000	£000
Concessionary Fares	11,940	12,059
Subsidised Services	2,850	2,558
Bus Stations	144	163
Bus Shelters	19	19
Passenger Transport Information	89	90
Staffing	650	663
Share of NECA Transport Costs	5	5
Net Expenditure	15,697	15,557

2.7.2 Northumberland

The Council is currently drafting and assessing its 2019/20 budget proposals so figures remain draft at this stage. The final medium term financial plan and budget proposals will be subject to consultation and therefore the budget may be subject to further amendments. At the current time, budgets are proposed to be largely in line with the current year with no significant changes.

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	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Concessionary Fares	4,703	(13)	4,690
Subsidised Bus Services	1,777	(546)	1,230
Bus Services	23	-	23
PT Information	25	-	25
Staffing	145	-	145
Total Grant	6,673	(559)	6,114
Share of NECA Transport Costs	5	-	5
Transport Levy	6,678	(559)	6,119

2.7.3 Tyne and Wear

Detailed options for the Tyne and Wear levy and Nexus grant for 2019/20 and future years are currently under discussion by the Treasurers/Directors of Finance group. Proposals will be discussed with members of the Tyne and Wear Sub Committee at a policy seminar which will be held during October, and reported back to this committee in November. This will include options for a freeze or a possible reduction in the Levy in 2019/20, while avoiding service reductions during 2019/20.

Metro fare and Tyne Tunnels tolls proposals will also be discussed with the Tyne and Wear Sub Committee in the first instance and agreed levels to keep pace with inflation will be factored into the budgets for Nexus and the Tyne Tunnels respectively.

3. Reasons for the Proposals

- 3.1 The information contained within this report is provided to the Committee to enable it to fulfil its function of monitoring NECA's transport budget, as delegated by the Leadership Board.

4. Alternative Options Available

- 4.1 The report is presented for information, and the Committee is recommended to note its contents.

5. Next Steps and Timetable for Implementation

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

6. Potential Impact on Objectives

- 6.1 This report is for information, concerning the transport revenue budget of the Authority which supports the meeting of its objectives.

7. Financial and Other Resources Implications

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

8. Legal Implications

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

9. Key Risks

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

10. Equality and Diversity

- 10.1 There are no Equality and Diversity implications arising from this report.

11. Crime and Disorder

- 11.1 There are no Crime and Disorder implications arising from this report.

12. Consultation/Engagement

- 12.1 The Authority's revenue budget for 2018/19 comprises previously approved budgets which were subject to consultation as part of the approval process.

13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from this report, which is for information.

14. Appendices

- 14.1 n/a

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15. Background Papers

- 15.1 2018/19 Revenue Budget – Leadership Board report 16 January 2018
<https://northeastca.gov.uk/wp-content/uploads/2018/03/Leadership-Board-16-January-2018-Agenda-Pack.pdf>

16. Contact Officers

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17. Sign off

- 17.1
- Head of Paid Service: ✓
 - Monitoring Officer: ✓
 - Chief Finance Officer: ✓