



Transport North East (Tyne and Wear) Sub-Committee

Thursday, 3rd November 2016 at 3.00 pm or following the conclusion of the Transport North East Committee

Meeting to be held in a Committee Room, County Hall, Durham, DH1 5UQ

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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 | 1 - 4 |
| 4. Monitoring Nexus' Performance: 1 April to 17 September 2016 | 5 - 14 |
| 5. Revision to Metro and Ferry Fares 2017 | 15 - 30 |
| 6. Nexus Budget Preparation 2017/18 to 2019/20 | 31 - 40 |
| 7. Nexus Annual Expenditure and Activity Analysis Report 2015/16 | 41 - 78 |
| 8. Update on Nexus' Corporate Risks 2016/17 | 79 - 108 |
| 9. Date and Time of Next Meeting | |

Thursday, 26 January 2017 at 2pm at Newcastle Civic Centre.

10. **Exclusion of Press and Public**

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

- | | | |
|-----|---|------------------|
| 11. | Confidential Minutes of the Previous Meeting | 109 - 110 |
| 12. | Tyne Tunnels - Update | 111 - 118 |
| 13. | Metro Transition Project Update | 119 - 126 |

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

To All Members

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

15 September 2016

Meeting held: Committee Room, Civic Centre, Burdon Road, Sunderland, SR2 7SN

Present:

Councillor: J Harrison (Chair)

Councillors: G Bell, M Brain, M Mordey and A West

93 APOLOGIES FOR ABSENCE

Councillors G Hobson and J McCarty.

94 DECLARATIONS OF INTEREST

None.

95 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 15 July 2016 were approved as a correct record and signed by the Chair.

96 GREAT NORTH RUN UPDATE

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

Members considered the report which provided information on Metro services provided during the 2016 Great North Run.

In discussion, Members congratulated officers on the delivery of effective services, the associated planning, including contingency planning, and communication with passengers.

Following Members' discussion, with the Chair's permission, the Sub-Committee was addressed by a representative of the "Sort out the Metro" campaign group.

RESOLVED – That the report be noted.

97 MONITORING NEXUS' PERFORMANCE: 1 APRIL TO 23 JULY 2016

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

Members considered the report which provided an update on Nexus' performance against its Corporate Business Plan targets and objectives for 2016/17 for the period from 1 April to 23 July 2016.

RESOLVED – That:

- i. The report be noted; and
- ii. Recommendations arising from the review of a recent power outage that had resulted in a stationary train between Central Station and Monument be shared with the Sub-Committee and also with emergency services as appropriate.

98 UPDATE ON NEXUS' CORPORATE RISKS 2016-17

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

Members considered the report which provided an update on Nexus' Corporate Risk Register.

It was also noted that the Risk Register would need to be updated following the recent decision of the Leadership Board not to proceed with the consultation on the Governance Review and Scheme pursuant to section 112 of the Local Democracy, Economic Development and Construction Act 2009. Members then queried the potential impact of this decision on transport. The Managing Director (Transport Operations) confirmed that investment in the Metro fleet was not intrinsically linked to the proposed devolution deal and was also subject to separate discussions with the government. In relation to investment in other areas of transport, the Chief Finance Officer confirmed that the devolution deal was only one of the routes to obtain investment and other options would be sought.

RESOLVED – That:

- i. The report be noted; and
- ii. Further information be provided to the Sub-Committee on the impact of the 6 September 2016 decision of the Leadership Board not to proceed with the consultation on the Governance Review and Scheme pursuant to section 112 of the Local Democracy, Economic Development and Construction Act 2009 and the outcome of the referendum on the UK's membership of the European Union on transport.

99 DRAFT BUDGET 2017-18 PROCESS AND TIMETABLE

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

Members considered the report which set out the timetable for the preparation, consultation and approval of the North East Combined Authority's 2017/18 budget

and indicative medium term financial strategy for consideration and approval by the Leadership Board on 17 January 2017.

In response to the Chair's question, the Chief Finance Officer confirmed that consideration would be given to identifying whether a three-year medium term financial strategy could be developed.

RESOLVED – That:

- i. the report be noted;
- ii. a further update be provided to the November meeting where the Sub-Committee would be asked to agree the draft budget proposal for 2017/18 to be reported to the Leadership Board and be the subject of wider consultation, also noting that a further meeting might be necessary to be held in December to agree the final proposal to be included in the January Budget report to the Leadership Board.

100 NEXUS SERVICE REVIEW CONSULTATION OUTCOME

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

Members considered the report which provided information on the findings from the Nexus Service Review consultation which had taken place recently.

In discussion, it was noted that the ferry service had been grouped with bus services due to similarity of its transportation function. Consideration would be given to identifying whether these figures could be disaggregated.

Amongst other comments made at the meeting, Members expressed concern that Major Projects had been ranked low.

Members also discussed the value of the report, the role of elected members in the Service Review process, the importance of understanding and meeting key priorities and the importance of seeking the view of the Overview and Scrutiny Committee. It was intended that a further discussion on the subject would be facilitated at the forthcoming Member Seminar.

RESOLVED – That:

- i. The feedback from the consultation be noted;
- ii. A further update be received at the November 2016 meeting; and
- iii. Approval be given to the publication of the Consultation Feedback report on the Nexus website.

101 DATE AND TIME OF NEXT MEETING

3 November 2016, following the conclusion of the Transport North East Committee.

102 EXCLUSION OF PRESS AND PUBLIC

RESOLVED – That by virtue of paragraphs 3, 4 and 5 of Part 1 of Schedule 12A of The Local Government Act 1972 press and public be excluded from the remainder of the meeting during the consideration of agenda items 11, 12 and 13 (Confidential Minutes of the Previous Meeting, Metro Transition Project Update and Tyne Tunnels Update) because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Date: 3 November 2016

Subject: Monitoring Nexus' Performance:
1 April to 17 September 2016

Report of: Lead Chief Executive for Transport
Managing Director (Transport Operations)

EXECUTIVE SUMMARY

This report provides an update on Nexus' performance against its Corporate Business Plan (CBP) targets and objectives for 2016/17 for the period from 1 April to 17 September 2016, the year to 23 July 2016 having been previously reported to the Sub-Committee.

RECOMMENDATIONS

It is recommended that the Sub-Committee receives and considers the report and the attached appendix giving details of Nexus' corporate performance in delivering services and projects for 2016/17.

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1 Background Information

- 1.1 This report provides a review of Nexus' performance against its Corporate Business Plan (CBP) targets and objectives for 2016/17.
- 1.2 Nexus' CBP for 2016/17 has three main themes and fifteen workstreams which are identified in Appendix 1 (attached).

Of the 15 work streams:-

- Fourteen workstreams are rated 'Green' in status, three from four in Theme 1 'Improve public transport today'; all eight in Theme 2 'Prepare for the future', and all three in Theme 3 'Be an effective delivery agent for the NECA'.
 - There is one workstream under 'Improve public transport today' categorised as 'Amber' relating to 'Reverse unsatisfactory Metro performance'. The Metro concessionaire DBTW is being required to implement specified remedial plans particularly in the area of customer communications as well as being subjected to special monitoring measures including the application of contractually permitted interventions as a means of helping stimulate further improvement.
- 1.3 In regard to unsatisfactory Metro performance, it is worth noting that the Metro punctuality figures, now 0.8% percentage points below the agreed target of 87.2%, have continued to improve. However, as the Sub-Committee has been previously advised, the most recent customer satisfaction survey results (for May 2016) were below target.
 - 1.4 A decline in patronage, largely from leisure trips and trips taken using third-party sales has been identified, with marketing and promotional measures being implemented to counter this.
 - 1.5 The Sub-Committee is referred to Appendix 1 for a fuller review of Nexus' performance over the period from 1 April to 17 September 2016 with particular reference being drawn from the eight weeks from 24 July to 17 September, the earlier period having already been the subject of report to the Sub-Committee at its meetings in July and September.

2 Proposals

- 2.1 The Committee is invited to consider and comment upon the performance of Nexus during the relevant period.

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3 Next Steps

- 3.1 The next performance update will be presented at the January meeting of the Committee.

4 Potential Impact on Objectives

- 4.1 Performance monitoring and review can help ensure the achievement of desired objectives.

5 Finance and Other Resources

- 5.1 There are no direct financial or resource considerations arising from this report.

6 Legal

- 6.1 There are no direct legal considerations arising from this report.

7 Other Considerations

7.1 Consultation/Community Engagement

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

7.2 Human Rights

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

7.3 Equalities and Diversity

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

7.4 Risk Management

There are no specific risk management considerations arising from this report as there are no issues requiring escalation at this time. Applying performance management can help mitigate and avoid the occurrence of risks.

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

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8 Background Documents

- 8.1 Nexus' Corporate Business Plan 2016/17.

9 Links to the Local Transport Plans

- 9.1 This report has links to the delivery of policies and objectives set out in the Local Transport Plan for Tyne and Wear.

10 Appendices

- 10.1 Nexus' summary performance report on the delivery of services and projects against its business plan.

11 Contact Officers

- 11.1 Tobyn Hughes
Managing Director (Transport Operations)
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12 Sign off

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

Theme 1: Improve Public Transport Services Today		
Workstream:	RAG Status	Key Considerations:
Reverse unsatisfactory Metro performance (RAG status: Amber)	A	<p>As at 17 September the Metro punctuality figure was 86.3%, an improvement of 0.8 percentage points compared to the 85.5% reported for 23 July, but still 0.9 percentage points below the agreed target of 87.2%. Over the 27 days excluding the day of the Great North Run, Charter Punctuality was 87.2%, meeting the target.</p>
		<p>Fleet availability over the eight weeks to 17 September meant that 60% of peak services (47 out of 78) did not meet the service delivery requirement compared to 84% over the previous eight weeks.</p>
		<p>In the year to 17 September the (provisional) cumulative total figure for Metro passenger boardings, at 17.191m, was 5% below the target of 18.096m, and 5.2% below the 18.144m over the same period in 2015/16. The forecast to the end of the year is 37.9m, which is 6% below the 2015/16 level.</p>
		<p>The most recent Metro Customer Satisfaction tracking survey score was 7.45 (May 2016), below the contract target of 8.3: performance penalties are being applied.</p>
Improve local rail services (RAG status: Green)	G	<p>Through Rail North agreement is being sought from Northern and Trans Pennine Express on the level of performance and patronage data to be produced on a monthly basis. In addition a local North East Rail Management Unit (NERMU) agreement is also being sought. This data will enable NERMU members to develop a detailed understanding of current and trend performance.</p>
		<p>NERMU officers have worked with Northern on their investment plans to upgrade stations in the area which have been submitted to Rail North for approval. The funding is split across four themes:</p> <ul style="list-style-type: none"> Physical Comfort; (e.g. seats and waiting areas)

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		<ul style="list-style-type: none"> • Customer information; (e.g. CIS) • Customer Safety ; (e.g. CCTV and help points) • Retail Choice (e.g. new digital ticket vending machines)
Innovate through technology (RAG status: Green)	G	All three major Bus operators now accept the POP PAYG card as a form of payment for daily products.
		Commercial and legal negotiations are underway with Go North East and Arriva to accept cash top up of PAYG on-bus on all their services.
		Nexus remains actively involved with respect to Transport for the North's (TfN) smart initiatives and is developing the specification of the back office functions, in conjunction with TfGM, on behalf of TfN with a technical specification being developed by end-December.
		Nexus is a partner in a NELEP led bid to integrate the existing "Wi-Fi & Ducting" project into a wider plan to improve the digital connectivity of the North East; this is an integral part of the Strategic Economic Plan.
		The "hotlisting" of ENCTS cards (blocking those cards that have been reported lost or stolen) will commence in P7 for Tyne and Wear and Durham. The process was introduced in P6 in Northumberland and Tees Valley, using the NESTI infrastructure.
Deliver the Asset Renewal Plan (RAG status: Green)	G	The Metro Asset Renewal Plan (ARP) forecast for 2016/17 at 17th September was £42.455m. This will be closely managed to ensure that spend for the year is within the maximum/minimum spend targets set by the DfT.
		Overall the programme remains relatively stable although some projects have needed to be re-scheduled and, if applicable, cost pressures have either been contained within project contingencies or funded from savings elsewhere in the programme. Expressions of interest in funding for station development works have been submitted to the Single Local Growth Fund to supplement Metro ARP funding.

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Theme 2: Prepare for the Future		
Workstream:	RAG Status	Key Considerations:
Secure Metro's financial future (RAG status: Green)	G	Outline Business Cases and related documentation seeking to secure a long-term funding agreement for Metro have been submitted to DfT.
		Meetings with civil servants have been held in preparation for completing the required assurance procedure which includes Nexus' participation in a DfT led Office of Government Commerce (OGC) gateway review process by the end of the calendar year.
Design a new Metro fleet (RAG status: Green)	G	Transport Focus is undertaking market research with customers on the new design. Nexus is working with Newcastle University's 'Open Lab'. Wider consultation about key passenger facilities on the new fleet is also being carried out.
		Informal engagement with manufacturers of rolling stock and train operators is progressing and intelligence gathered from this informal market sounding will help shape any future proposals.
Restructuring of Metro operations (RAG status: Green)	G	With regard to the transition from DBTW operation to Nexus, effective from 1 April 2017, progress on the agreed workstreams is being periodically reported to Nexus' Corporate Management Team and its Transition Assurance Committee which draws on external members with appropriate expertise. This Sub-Committee is also periodically updated.
Influence Network Rail's planning process (RAG status: Green)	G	A small working group of officers from across the North is assisting the Rail North Investment Manager to develop a bid for ring fenced funding for Network Rail's Control Period 6 (2019 to 2024).
		Nexus is working directly with Network Rail, through the East Coast Main Line Network Working Group, to influence the draft Initial Industry Advice (IIA) statement to take account of Northern Powerhouse Rail (NPR) options for the East Coast mainline and move towards the railway being HS2 / NPR ready. The IIA sub group met on the 7th September and agreed a working remit.

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		Transport for the North (TfN) is preparing an Integrated Rail Report (IRR) as part of the Regional Transport Strategy. The IRR is to set out the longer term regional rail infrastructure priorities and programmes taking as its base the existing Rail North Long Term Rail Strategy and develop this alongside NPR priorities.
Develop a new local rail strategy (RAG status: Green)	G	Nexus is scoping the development of a strategic business case for Metro and Local Rail extensions and enhancements. This will involve discussions with officers from across the whole of the NECA area to develop a long-list of options which align with the strategy, local plans, and housing & employment sites.
Plan next step for buses (RAG status: Green)	G	The options scoping study requested by the Leadership Board at its meeting on 24 March 2016 is being progressed with detailed feedback from the NECA partners being incorporated. An update on progress of the Bus Services Bill will be presented to TNEC at its meeting on 3 November, along with an update on progress and implications in the NECA area.
		Options that relate to partnerships require the involvement of commercial bus operators in the NECA area. The large operators across the NECA area have recently been invited to commence dialogue on partnership options.
		A plan and programme to deliver the next phase of work is being developed with Northumberland and Durham. Research into bus passenger priorities in the NECA area commenced during September.
Review of Nexus' services (RAG status: Green)	G	The initial public consultation exercise ended and the outcomes have been reported to TWSC. Budget scenarios are now being developed with a view to developing service delivery options and proposals for further consideration.
Develop business cases to improve transport assets (RAG status: Green)	G	Work continues on developing the business cases for improvement schemes, as well as for Rolling Stock and Essential Renewals.
		A pipeline of schemes is under development for future funding opportunities.

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Theme 3: Be an Effective Delivery Agent for the NECA		
Workstream:	RAG Status	Key Considerations:
Develop training and succession planning (RAG status: Green)	G	Succession planning information, including identification of training needs, has been gathered. Analysis of the requirements will be completed by end-November. Arrangements for the planning and delivery of training will then be reviewed.
Focus on health, safety and the environment (RAG status: Green)	G	A programme of 'Influencing for Safety' sessions, to be delivered throughout Nexus Rail, is now underway. These sessions focus on the positive impact that supervisors and junior managers can and do have on day-to-day health and safety performance:
		Strong emphasis continues to be placed on the need to improve the reporting of low-level hazards (as part of the corporate "Close Call" initiative); this has been supported by a poster publicity campaign.
		A RIDDOR reportable accident in P5, the third this year, means that Nexus Rail's Accident Frequency Rate (AFR) remains high, with an adverse trend over the last 13 periods. A direct follow-up to RIDDOR accidents, to take every opportunity to learn from these and prevent recurrence, is being applied.
Exercise due diligence in managing capital and revenue resources (RAG status: Green)	G	Prototypes of a simple, regular H&S briefing newsletter have been designed, and will be introduced by the end of the year with the title "Home Safe".
		As at 17 September a surplus of £0.205m is forecast against the 2016/17 budget deficit of £0.293m. This demonstrates a positive variation of £0.498m against the current year budget.
		The finance department is working closely with budget managers to identify further savings as part of the on-going Review of Nexus Services.
		Over 90% of this year's capital programme relates to the Metro ARP which is subject to separate independent scrutiny by DfT. As described earlier, expenditure targets are currently forecast to be met.

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DATE: 3rd November 2016

SUBJECT: Revision to Metro and Ferry Fares 2017

REPORT OF: Managing Director (Transport Operations)

Executive Summary

The purpose of this report is to seek approval from the North East Combined Authority Tyne and Wear Sub-Committee for proposed changes to Metro and Ferry fares for 2017.

Recommendations

It is recommended that the Sub-Committee agrees to the proposed Metro and Ferry fares as set out in section 2 of this report, for a weighted average increase in Metro fares of 1.4% which represents an increase of 0.5% below RPI (1.9% as at July 2016) together with a weighted average increase in Ferry fares of 1.9% i.e. in line with RPI, both to be effective from 2nd January 2017.

The Sub-Committee is also asked to note the proposed work to consider changes to 16-18 fares and ticketing offers on Metro and agree to receive a report on this subject at a later date.

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1 Pricing Strategy (Metro)

- 1.1 The Tyne and Wear Metro operates using a range of ticket types and in recent years has innovated to bring better value products for passengers including Pay as You Go (PAYG) and additional zonal options amongst others. There are several policy objectives which drive the Metro pricing proposal for 2017, these are:
- Grow patronage
 - Grow revenue
 - Increase fares in line with RPI (or as close as possible to RPI)
 - Continue towards a more transparent pricing model
 - Increase the PAYG discount
- 1.2 Whilst any increase in fares is undesirable, the need to increase fare revenue in order to help offset increases in Metro's cost base is vitally important.
- 1.3 Nexus also has an objective to encourage use of the Metro and to grow patronage. Therefore the fare changes being proposed are designed to strike a balance between these two conflicting objectives.
- 1.4 In 2015 the Sub-Committee agreed the first step in the process to a more structured pricing model for Metro, where the ratios between various ticket types are set in relation to one another. This is intended to make the Metro product range more transparent and easier to understand. The fare ratios are set out in appendix A.
- 1.5 In addition, since launching PAYG in 2015 Nexus has sought to make this product attractive for those customers currently purchasing Single and DaySaver products, in line with the strategy of moving customers away from paper tickets to smart and making it easier for passengers to access the best value ticket for them. To achieve this, a differential between the price of PAYG and the equivalent paper product was established when PAYG was first introduced. This proposal continues with this objective.

2. 2017 Pricing Proposal (Metro)

- 2.1 Metro Patronage has seen a decline during the start of 2016/17; without further intervention, the forecast to the end of the year is 37.9m, which is 6% below the 2015/16 level. Various marketing initiatives, including Nexus' support of the SnowDogs Trail are part of a package of measures to help address the reduction in patronage, especially leisure trips where the declines are most prevalent.
- 2.2 Linked to this, whilst total Metro farebox is currently outperforming the 2015/16 level, it is below the budget that was established for this financial year. The current forecast is £43.5m which is 1.1% down against budget. It should be noted however, that Metro commercial fares have outperformed against budget and it is third party products, most notably Nexus' share of revenue generated

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from sales of Network One (NTL) products that is causing most concern. NTL revenues are down 13.5% against budget.

- 2.3 This proposal recommends an increase in Metro fares of a weighted average of 1.4%, applicable from 2nd January 2017. This compares to the Retail Price Index of 1.9% in July 2016, which (as is the case in regard to national rail fares) is the inflationary index traditionally referenced. This reflects a weighted basket increase across all Metro products of an average of RPI minus 0.5%.
- 2.4 This proposal attempts to strike an appropriate balance between the policy objectives set out in paragraph 1.1 of this report as the following table highlights:-

Metro Fares Proposal RPI - 0.5%	
<i>Revenue Impact</i>	+ £1.4m
<i>Patronage Impact</i>	Neutral
1. Impact on Patronage	↔
2. Impact on Farebox	✓
3. Basket in line with RPI	✓
4. Increase PAYG differential	✓
5. Structured/Transparent pricing	✓

- 2.5 The proposals contained in this report relate to Metro commercial tickets only. Any changes to concessionary tickets, including the child all-day ticket (CAT) and the Metro Gold Card, will be considered as part of Nexus' wider budget proposal. Prices for NTL tickets are also a separate matter that is determined by the Board of Network Ticketing Ltd.
- 2.6 Metro fares are based on a 3-zone structure (A, B and C) with fares increasing the more zones a customer travels through. The commercial product range encompasses tickets aimed at the following groups of passengers:-
- Adult tickets including Pay As You Go;
 - Discounted tickets for students;
 - Discounted tickets for 16-18 year olds;
 - Child (under 16) tickets;
 - Discounted adult season tickets for members of the 'corporate' scheme whose employers purchase season tickets in bulk; and
 - Other miscellaneous tickets, for example tickets that enable the transportation of a whole class of school children.

Fares for students, 16-18 year olds, and children under 16

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- 2.7 The discount offered to students (30% discount compared to the 4 weekly and weekly adult fare), and 16-18 year olds (60% discount compared to the 4 weekly and weekly adult fare) are proposed to remain in place.
- 2.8 Fares for children under 16 will remain at £0.80 single and £1.20 for an all-day ticket. This compares to concessionary child fares of £0.60 single and £1.10 for an all-day ticket, available to holders of the 'Under 16 Pop Card' and valid on all modes of transport. The Metro-only ticket is retained simply to allow children who do not hold an 'Under 16 Pop Card' to travel at a discounted rate on the Metro. These fares are to remain frozen, for the fourth consecutive year.

Single and day tickets

- 2.9 Approximately 70% of Metro ticket revenue (excluding third party sales) is generated from sales of single and day tickets. Although the new fleet of ticket vending machines is more sophisticated than its predecessors, there are still limitations when sales are made by 'cash' meaning that the prices of these tickets can only be changed in multiples of 10p. Given the size of this market segment and the relatively low starting position, any changes in these prices have a disproportionate impact on the weighted basket calculation.
- 2.10 In order to achieve the objective of growing revenue whilst keeping the weighted basket of overall fare increases to a minimum, as well as moving towards the system of fixed 'multipliers', it is recommended that all single tickets will be frozen for 2017, whereas day tickets will increase by between 10p and 20p depending on the number of zones. However customers currently purchasing these products can save by switching to PAYG and this proposal is to further incentivise its uptake by increasing the discount on a single ticket from 10p to 20p, whilst the 'daily price cap' is proposed to be set at 30p less than the equivalent day ticket for the zones travelled through, a further reduction of 10p.
- 2.11 Take up of Pop PAYG in 2016/17 has seen 2.2% of adult short term passengers switching from single and day tickets. The fares proposition for January 2017 assumes this take up will grow by a further 3.5%.

Season products – weekly, four weekly and annual

- 2.12 Under this proposal the weekly fares will be frozen at current prices and there will be a £10 reduction in the annual 1 zone product. Zonal annual products were introduced 12 months ago; previously only a 3 zone product was available and the reduction in the price of the One zone annual helps improve the pricing differentials for this ticket.
- 2.13 Four weekly products are proposed to increase in price in line with RPI and the annual 2 and 3 zone products will increase by 5.6% and 8.7% respectively. These changes are necessary to continue the move towards fairer differentials between products but still offer excellent value for money. Around 1,600 Metro customers require and purchase an annual 3 zone product directly from Nexus. Over the last 12 months, since the introduction of the 1 and 2 zone products sales of annual tickets have increased by 5%.

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- 2.14 Equivalent all zone products offered by those bus operators who have a comparable product are priced at £594 and £580, the NTL all zone product is currently £1,017. With significant reductions in the price of the annual Metro 3 zone product over the last decade, the proposal to increase the price of the annual Metro 3 zone product to £625 means that in 2017, unlimited travel on Metro will cost £12 per week (based on 52 weeks)

3. Other options

- 3.1 As part of the development of the recommended proposal two other propositions were modelled. An RPI + 1.2% scenario, giving a weighted basket increase of 3.1% and a fares freeze.
- 3.2 The RPI + 1.2% scenario is not being recommended because it does not meet the policy objectives set out in paragraph 1.1. Although this option is estimated to generate an additional £400k in revenue over the recommended fares option, there would be a detrimental impact on patronage. The following table highlights this:-

Metro Fares Proposal RPI + 1.2%	
Revenue Impact	+ £1.8m
Patronage Impact	-0.250m
1. Impact on Patronage	x
2. Impact on Farebox	✓
3. Basket in line with RPI	x
4. Increase PAYG differential	✓
5. Structured/Transparent pricing	↔

- 3.3 As a proposition, freezing the fares at 2016 levels is also not being recommended. Whilst freezing fares against a backdrop of RPI inflation of 1.9% would likely generate some demand, it is estimated that there would be only a moderate increase in farebox revenue and patronage would increase albeit negligibly. However, a proposition to freeze fares would not help meet other the policy objectives set out in paragraph 1.1 and given Nexus' overall budgetary concerns is not being recommended. The following table highlights this:-

Metro Fares Proposal freeze	
Revenue Impact	+ £0.3m
Patronage Impact	Neutral
1. Impact on Patronage	✓

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2. Impact on Farebox	✓
3. Basket in line with RPI	x
4. Increase PAYG differential	x
5. Structured/Transparent pricing	x

4. 2017 Pricing proposal (Ferry)

- 4.1 Ferry patronage for the year to date is indicative of an 8% decline versus target to period 5.
- 4.2 As with Metro, proposals for Ferry pricing aim to achieve structured pricing and this review achieves close to full alignment to the target structure as outlined in Appendix A. Overall, the fares proposed represent a weighted basket change of 1.9%.
- 4.3 The proposals outlined are also designed to keep Ferry pricing in line with Metro, including the PAYG differential.
- 4.4 To that end the proposal is for the price of a single ticket to be frozen at £1.50, with the single PAYG price being revised to £1.30, a 20p discount. The Ferry DaySaver price is proposed to be £2.80 or £2.50 if purchased using PAYG as the payment method, this is also 20p cheaper than the current price. The PAYG pricing proposal is assumed to generate take up of PAYG on Ferry of 2.5%.
- 4.5 Also in line with Metro, fares for children under 16 with a valid Pop Card are proposed to be frozen.
- 4.6 The adult weekly and 4-weekly FerrySaver season tickets are proposed to reduce, the weekly price by 20p to £10.30 and the 4-weekly by 80p to £36.00.

5 Other products

- 5.1 The following Metro tickets will all increase in line with RPI:
- Class Pass
 - Business Pass
 - Conference Pass
 - Metro Rail Add on fares
- 5.2 It should be noted that the Metro Rail add on – A+B+C product is valid for travel on the Ferry in addition to Metro.

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- 5.3 The price of the Corporate Metro saver is proposed to increase by an average of 7.5% but as Appendix C illustrates, these products still offer a discount on the equivalent ticket if purchased outside of the corporate scheme.

6. 16 to 18 Year Olds

- 6.1 Whilst this fares proposal ensures that the minimum 60% discount remains for young people aged 16 to 18, the only products that are available to this age group are a weekly and 4-weekly ticket.
- 6.2 Whilst this proposal is to freeze the price of both products at £7.50 and £28.00 respectively, and it is felt these ticket types offer excellent value, it has been recognised that should 16 to 18 year olds need to travel on Metro in an adhoc fashion, they have to pay a significantly higher price because there is no equivalent discount available if they need to purchase single or day saver products.
- 6.3 Members of the Sub-committee have previously suggested that this should be reviewed and although not part of this fares proposal due to be implemented with effect from 2nd January 2017, work will be undertaken in order to consider what changes could potentially be made and a report will be brought to a meeting of the Sub-Committee later in the year.

7 Next Steps

- 7.1 Should the Sub-Committee approve the proposed fare changes set out in this report, the new fare levels will come into force on 2nd January 2017.
- 7.2 A further report will be submitted in January 2017 in which the Combined Authority will consider the 2017/18 budget. The budget proposal will, subject to approval, take account of the Metro and Ferry fare changes contained in this report.

8 Potential Impact on Objectives

- 8.1 The proposals in this report are intended to ensure the continued operation of the Metro within the subsidy levels available, whilst also reversing recently seen declines in Metro patronage.

9 Finance and Other Resources

- 9.1 Metro revenue is currently forecast to fall short of the budget target. The Period 5 forecast is currently £43.5m.
- 9.2 An estimated additional £1.4m, relating to sales of Metro's own product range is expected to be generated in 2017/18, subject to approval of the proposals outlined in this report. This represents increased revenue from fare changes, in addition to anticipated changes in the underlying trend of Metro usage and the

potential for an increase in demand associated with the Pop Pay As You Go product.

10 Legal

10.1 There are no direct legal considerations arising from this report.

11 Other Considerations

11.1 Consultation/Community Engagement

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

11.2 Human Rights

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

11.3 Equalities and Diversity

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

11.4 Risk Management

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

11.5 Crime and Disorder

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

11.6 Environment and Sustainability

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

12 Background Documents

12.1 There are no specific background documents for consideration linked to this report.

13 Links to the Local Transport Plans

13.1 This report has no direct links.

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14 Appendices

- 14.1 Appendix A – Structured Pricing targets.
- 14.2 Appendix B – Proposed single and day ticket prices
- 14.3 Appendix C – Proposed season ticket prices
- 14.4 Appendix D – Proposed miscellaneous Metro prices
- 14.5 Appendix E – Proposed Ferry prices

15 Contact Officers

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16 Sign off

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

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Appendix A

Price Matrix Structural Target					
Product	2015 Ratio	2016 Ratio	Proposed 2017 Ratio	Target Ratio	Relates to
DaySaver 1 Zone	1.5	1.6	1.7	1.8	Single 1 Zone
DaySaver 2 Zones	1.4	1.5	1.5	1.8	Single 2 Zones
DaySaver All Zones	1.4	1.5	1.5	1.8	Single All Zones
MetroSaver 1 Week 1 Zone	3.8	3.8	3.6	3.5	DaySaver 1 Zone
MetroSaver 1 Week 2 Zones	4.1	4.0	3.9	3.5	DaySaver 2 Zones
MetroSaver 1 Week All Zones	4.5	4.4	4.2	3.5	DaySaver All Zones
MetroSaver 4 Week 1 Zone	3.7	3.4	3.5	3.5	MetroSaver 1 Week 1 Zone
MetroSaver 4 Week 2 Zones	3.5	3.4	3.5	3.5	MetroSaver 1 Week 2 Zones
MetroSaver 4 Week All Zones	3.4	3.3	3.4	3.5	MetroSaver 1 Week All Zones
MetroSaver Annual 1 Zone	11.8	11.5	11.1	11	MetroSaver 4 Week 1 Zone
MetroSaver Annual 2 Zones	9.1	10.1	10.5	11	MetroSaver 4 Week 2 Zones
MetroSaver Annual All Zones	7.3	8.2	8.8	11	MetroSaver 4 Week All Zones
16-18 MetroSaver 1 Week All Zones	0.4	0.4	0.4	0.4	MetroSaver 1 Week All Zones
16-18 MetroSaver 4 Week All Zones	0.4	0.4	0.4	0.4	MetroSaver 4 Week All Zones
Student MetroSaver 4 Week Inner Zone	0.7	0.7	0.7	0.7	MetroSaver 4 Week 1 Zone
Student MetroSaver 4 Week All Zones	0.7	0.7	0.7	0.7	MetroSaver 4 Week All Zones
Student MetroSaver Annual Inner Zone	0.6	0.7	0.7	0.7	MetroSaver Annual 1 Zone
Student MetroSaver Annual All Zones	0.7	0.6	0.6	0.7	MetroSaver Annual All Zones

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Appendix B

Single / Day tickets - Price changes proposed effective 2 January 2017					
Product	2016 Price	2017 Price	Change £	Change %	Sales (000s)
Single 1 Zone (A, B, C)	£1.70	£1.70	£0.00	0.0%	1,324
Single 2 Zone (A+B, B+C)	£2.60	£2.60	£0.00	0.0%	1,098
Single All Zones (A+B+C)	£3.30	£3.30	£0.00	0.0%	826
Single 1 Zone PAYG	£1.60	£1.50	-£0.10	-6.3%	N/A
Single 2 Zone PAYG	£2.50	£2.40	-£0.10	-4.0%	N/A
Single All Zones PAYG	£3.20	£3.10	-£0.10	-3.1%	N/A
DaySaver 1 Zone (A, B, C)	£2.80	£2.90	£0.10	3.6%	1,264
DaySaver 2 Zone (A+B, B+C)	£3.90	£4.00	£0.10	2.6%	1,659
DaySaver All Zones (A+B+C)	£4.80	£5.00	£0.20	4.2%	1,168
DaySaver 1 Zone PAYG	£2.60	£2.60	£0.00	0.0%	N/A
DaySaver 2 Zone PAYG	£3.70	£3.70	£0.00	0.0%	N/A
DaySaver All Zones PAYG	£4.60	£4.70	£0.10	2.2%	N/A
Add Zone 1 Day 1 Zone (A, B, C)	£2.80	£2.90	£0.10	3.6%	~
Add Zone 1 Day 2 Zone (A+B, B+C)	£3.90	£4.00	£0.10	2.6%	~
Transfare 1 Zone (T1)	£2.70	£2.70	£0.00	0.0%	11
Transfare 2 Zone (T2)	£3.60	£3.60	£0.00	0.0%	30
Transfare 3 Zone (T3)	£4.30	£4.30	£0.00	0.0%	17
Child Commercial Single (A+B+C)	£0.80	£0.80	£0.00	0.0%	336
Child DaySaver (A+B+C)	£1.20	£1.20	£0.00	0.0%	676
Child Transfare (T3)	£0.90	£0.90	£0.00	0.0%	26

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Appendix C

MetroSaver / Corporate MetroSaver - Price changes proposed effective 2 January 2017					
Product	2016 Price	2017 Price	Change £	Change %	Sales (000s)
MetroSaver 1 Week 1 Zone (A, B, C)	£10.50	£10.50	£0.00	0.0%	96
MetroSaver 1 Week 2 Zone (A+B, B+C)	£15.50	£15.50	£0.00	0.0%	132
MetroSaver 1 Week All Zones (A+B+C)	£21.00	£21.00	£0.00	0.0%	56
MetroSaver 4 Week 1 Zone (A, B, C)	£36.00	£36.60	£0.60	1.7%	7
MetroSaver 4 Week 2 Zone (A+B, B+C)	£53.00	£53.80	£0.80	1.5%	14
MetroSaver 4 Week All Zones (A+B+C)	£70.00	£71.20	£1.20	1.7%	8
MetroSaver Annual 1 Zone (A,B,C)	£415.00	£405.00	-£10.00	-2.4%	~
MetroSaver Annual 2 Zone (A+B, B+C)	£535.00	£565.00	£30.00	5.6%	~
MetroSaver Annual All Zones (A+B+C)	£575.00	£625.00	£50.00	8.7%	2
Corporate MetroSaver (1 - 19 tickets)	£498.00	£535.00	£37.00	7.4%	0.7
Corporate MetroSaver (20-39 tickets)	£493.00	£530.00	£37.00	7.5%	0.5
Corporate MetroSaver (40+ tickets)	£488.00	£525.00	£37.00	7.6%	5

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16-18 MetroSaver / Student MetroSaver - Price changes proposed effective 2 January 2017					
Product	2016 Price	2017 Price	Change £	Change %	Sales (000s)
16 - 18 MetroSaver 1 Week All Zones (A+B+C)	£7.50	£7.50	£0.00	0.0%	18
16 - 18 MetroSaver 4 Week All Zones (A+B+C)	£28.00	£28.00	£0.00	0.0%	14
Student MetroSaver 4 Week Inner Newcastle	£25.20	£25.20	£0.00	0.0%	18
Student MetroSaver 4 Week Inner Sunderland	£25.20	£25.20	£0.00	0.0%	
Student MetroSaver 4 Week All Zones (A+B+C)	£49.00	£49.00	£0.00	0.0%	6
Student MetroSaver Annual Inner Newcastle	£280.00	£280.00	£0.00	0.0%	0.3
Student MetroSaver Annual Inner Sunderland	£280.00	£280.00	£0.00	0.0%	
Student MetroSaver Annual All Zones (A+B+C)	£360.50	£360.50	£0.00	0.0%	2

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Appendix D

Miscellaneous Metro Tickets - Price changes proposed effective 2 January 2017					
Product	2016 Price	2017 Price	Change £	Change %	Sales (000s)
Business Pass	£165.00	£168.00	£3.00	1.8%	~
Conference Pass	£2.50	£2.60	£0.10	4.0%	~
Class Pass - 1 Pass 1 Day	£30.50	£31.00	£0.50	1.6%	~
Class Pass - 2 Passes 1 Day	£48.40	£49.00	£0.60	1.2%	~
Class Pass - 1 Pass 1 Term	£92.60	£94.00	£1.40	1.5%	~
Class Pass - 2 Passes 1 Term	£152.60	£155.00	£2.40	1.6%	~
Class Pass - 1 Pass Annual	£238.50	£242.00	£3.50	1.5%	~
Class Pass - 2 Passes Annual	£423.00	£429.00	£6.00	1.4%	~
Single Inner Zone Rail Add On	£1.50	£1.50	£0.00	0.0%	~
Return Inner Zone Rail Add On	£2.10	£2.20	£0.10	4.8%	~
7 Day Inner Zone Rail Add On	£8.70	£8.80	£0.10	1.1%	~
Single Outer Zone Rail Add On	£2.50	£2.50	£0.00	0.0%	~
Return Outer Zone Rail Add On	£4.00	£4.00	£0.00	0.0%	~
7 Day Outer Zone Rail Add On	£16.00	£16.20	£0.20	1.3%	~

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Appendix E

Ferry Tickets - Price changes proposed effective 2 January 2017					
Product	2016 Price	2017 Price	Change £	Change %	Sales (000s)
Ferry Single	£1.50	£1.50	£0.00	0.0%	32
NEW Ferry Single (Payment Method PAYG)	N/A	£1.30	N/A	N/A	N/A
Ferry DaySaver	£2.70	£2.80	£0.10	3.7%	58
NEW Ferry DaySaver (Payment Method PAYG)	N/A	£2.50	N/A	N/A	N/A
FerrySaver 1 Week	£10.50	£10.30	-£0.20	-1.9%	1
FerrySaver 4 week	£36.80	£36.00	-£0.80	-2.2%	~
Ferry Carnet (10 single trips)	£12.00	£12.00	£0.00	0.0%	0.3
1 Zone Transfare	£2.70	£2.70	£0.00	0.0%	1
2 Zone Transfare	£3.60	£3.60	£0.00	0.0%	0.3
3 Zone Transfare	£4.30	£4.30	£0.00	0.0%	~
Child Commercial Single	£0.60	£0.60	£0.00	0.0%	1
Child Transfare	£0.90	£0.90	£0.00	0.0%	0.2

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Glossary

Pay As You Go (PAYG)	New product allowing customers to add value to a smartcard with fares deducted as they travel. The system calculates the best fare for the day.
Price Multipliers	These are a new method for calculating fares which are recommended by Nexus. They represent a fixed level by which fares increase based on the duration of the ticket. Appendix A refers.

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Transport North East (Tyne and Wear) Sub-Committee

Date: 3rd November 2016

Subject: Nexus Budget Preparation 2017/18 to 2019/20

Report of: Managing Director (Transport Operations), Nexus

EXECUTIVE SUMMARY

The Sub-Committee received two reports at its September 2016 meeting.

The first report set out the timetable for the preparation, consultation and approval of the North East Combined Authority's 2017/18 budget and indicative medium term financial strategy for consideration and approval by the Leadership Board on 17 January 2017. In this regard, the Sub-Committee agreed to receive a further update at its November meeting where it would be asked to agree the draft budget proposal for 2017/18 to be reported to the Leadership Board.

The second report updated the Sub-Committee on the findings from the Nexus Service Review consultation which took place between the 6th of June and the 1st of August 2016. In this regard, the Sub-Committee agreed to receive a further update at its November meeting, alongside the budget update, having specifically requested that consideration be given to the compilation of a three year financial forecast in order to aid service planning and to assess the impact on future levels of service provision.

RECOMMENDATIONS

It is recommended that the Sub-Committee:

- a) Advises the Leadership Board of its preference that the Tyne and Wear levy be agreed on a multi-year basis, between 2017/18 and 2019/20 and that the levy be based upon the change in core spending power relating to the average of the five Tyne and Wear districts throughout this period; and
- b) Agrees to the budget and service planning approach for Nexus as set out in this report, which will need to be reflected within the North East Combined Authority's 2017/18 budget and indicative medium term financial strategy.

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1 Introduction

1.1 The consultation with service users and key stakeholders carried out during the summer was on the presumption that service reductions would be required in 2017/18. Since that time, a review of Nexus' base budget has seen the deficit budget reduced from £3.659m to £0.076m in the current year. A summary of the reasons for this is detailed below:-

- Secured Bus Services (£1.800m): Savings are predominantly due to the rationalisation and reconfiguration of contracts, reductions in contract prices due to low inflation and a fall in operating costs (e.g. fuel) as well as the commercialisation of some previously secured contracts.
- ENCTS (£0.552m): Due to ENCTS Bus Patronage being lower than the targets Nexus established during 2015/16, £0.552m will be deducted from ENCTS reimbursement payments due in the current year.
- Nexus' Staffing Establishment (£0.583m): A review of Nexus' staffing establishment has led to a saving of £0.583m being identified.
- High Voltage Power (£0.500m): A recent fall in the wholesale price of electricity, combined with lower than anticipated pass through costs, due to further delays in the governments Electricity Market Reform (EMR) programme has resulted in a saving of approximately £0.500m.
- Information, Communication and Technology (£0.148m): A review of Nexus' Technology Refresh budget and licensing and support contract has identified savings amounting to £0.148m.

1.2 Although Nexus' expenditure commitments 'at standstill' are such that it will be unable to set a balanced budget without continuing to place reliance on reserves, an approach that Nexus is looking to eradicate by 2019/20 because of the need to ensure that Nexus' reserves are instead directed towards match funding for major projects, it should be possible to set a budget for 2017/18 that will have a relatively low impact on service provision, but which will require headcount reductions.

1.3 This is based on a 'central case' planning assumption that recognises some big uncertainties e.g. concessionary fares expenditure, Metro fare revenue and the transition of Metro operations from an outsourced arrangement back in-house. The precise financial implications of all of these 'big ticket' items will remain unresolved until much later this year and/or during the course of next financial year.

1.4 Looking further ahead, the Tyne and Wear Sub-Committee have recently asked that consideration is given to the establishment of a three year budget in order to aid service planning. This is in contrast to the one year levy settlements that have been a feature of the recent past. To do this, it will be necessary to seek agreement from the

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Leadership Board for a Tyne and Wear transport levy settlement that covers the period 2017/18 to 2019/20.

- 1.5 The production of a Medium Term financial Forecast (MTFF) together with a three year budget will highlight that service reductions in 2018/19 are inevitable. Setting a budget in 2017/18 that has a relatively low impact on service provision will provide the time for the Tyne and Wear Sub-Committee to give due consideration to service priorities and where service reductions which will have a higher impact will need to be implemented in later years.

2 Background Information

- 2.1 When the Leadership Board agreed the transport levies at its January 2016 meeting, reference was made to the need to conduct a review of Nexus' services in 2016, to identify options for reductions in service budgets for consultation during 2016 and implementation from 2017 onwards.
- 2.2 At its February 2016 meeting, the Tyne and Wear Sub-Committee agreed that a review of Nexus services, taking into account views expressed by the public and key stakeholders be undertaken prior to the budget setting process for 2017/18 commencing, with the intention that Nexus could achieve a balanced budget without having to place reliance on its financial reserves, by no later than 2019/20.
- 2.3 During the eight week period ending 1 August 2016, Nexus consulted widely with the public and key stakeholders and reported the outcome of that consultation exercise to the Tyne and Wear Sub-Committee at its September 2016 meeting. Broadly speaking, the consultation showed a preference for the following services, in priority order:-
 - i. Bus services, Group travel and Ferry Services
 - ii. Public Transport Information
 - iii. Local Voluntary Concessions
 - iv. Bus Waiting Facilities
 - v. Major Projects (although members of the Sub-Committee did express a strong view that Nexus' ability to part fund Major projects and/or pay for their development was vitally important).
- 2.4 At that same meeting, the Sub-Committee also received a report in relation to Nexus' performance against its Corporate Business Plan in which various permanent adjustments to Nexus' base budget were set out with the effect that Nexus' previously agreed deficit for 2016/17 had reduced from £3.659m to an almost break even position with the revised deficit now standing at £0.076m (paragraph 1.1 refers).

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3 NECA Grant Payable to Nexus

- 3.1 Despite this positive adjustment to Nexus' base deficit and given that a number of significant budgetary pressures lie ahead which are likely to impact on Nexus' financial viability, the Sub-Committee asked that consideration be given to the establishment of a three year budget in order to aid service planning. This is in contrast to the one year levy settlements that have been a feature of the recent past.
- 3.2 To do this, it will be necessary to seek agreement from the Leadership Board for a Tyne and Wear transport levy settlement that covers the period 2017/18 to 2019/20. In this regard, Tyne and Wear districts are aware of their future grant funding settlements from central government and an assessment of the likely future level of the transport levy for Tyne and Wear has been made in order to determine future levels of grant to be paid to Nexus by the NECA.
- 3.3 This has been done with reference to the average 'Change in Core Spending Power' for Tyne and Wear districts through to 2019/20, with the Core Spending Power figures adjusted to take account of the 2.0% assumed annual precept increase for Adult Social Care and the national Better Care Fund allocation of £1.5bn. Excluding these two items would see the underlying spending power for Tyne and Wear districts reduce by a further 6% between 2016/17 and 2019/20.
- 3.4 Based on this approach, and should the Leadership Board be in agreement, the table below identifies that the level of NECA grant support that Nexus could reasonably expect to receive would reduce by a further £3.430m by 2019/20, from the amount agreed by the Leadership Board for 2016/17 (which in itself represented a reduction of £2.000m on the 2015/16 level:-

NECA Grant payable to Nexus	16-17 £m	17-18 £m	18-19 £m	19-20 £m
Based on adjusted change in 'Core Spending Power' for the average Tyne and Wear district	62.500	60.890	59.660	59.070

4 Looking Ahead – 2017/18

- 4.1 In addition to the base budget review that has identified £3.583m of permanent savings, Nexus has also considered its spending plans for 2017/18, assuming the budget was being set at 'stand-still' i.e. if it were to maintain service outcomes.
- 4.2 At this stage, the estimates are based upon a pessimistic, optimistic and central case set of scenarios. This is necessary at this time because of the uncertainty surrounding large areas of the Nexus budget. For example:-

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- In regards the English National Concessionary Travel Scheme (ENCTS), the likely level of expenditure required to meet Nexus' reimbursement obligations in 2017/18 is dependent on a revised settlement with bus operators being reached effective from 1 April 2017 when the current two year settlements expire. At this point in time, estimated expenditure therefore needs to take into account forecasts of ridership through to the end of 2017/18 together with an assessment of the likely fares that bus operators will be charging at that time;
- The transition from the current outsourced arrangements that Nexus has with DB Regio Tyne and Wear Limited to that of in-house provision from 1 April 2017 provide for an element of uncertainty in regards likely levels of expenditure next year, including whether a specific contingency needs to be established in order to meet any unforeseen one-off items; and
- Whilst Metro fare revenue collected to the end of period 5 in 2016/17 is slightly ahead of that which was generated in 2015/16, it is slightly behind the budgeted target for the year (this is due to sales by third parties, most notably Network Ticketing Limited). In addition, the Metro fares review scheduled to come into effect in January 2017 has not yet been agreed by the Tyne and Wear Sub-Committee who will agree an approach at their November 2016 meeting.

- 4.3 The following table therefore summarises the anticipated pressures on next year's budget, showing a pessimistic, optimistic and central case set of scenarios:-

	Pessimistic £'000	Central £'000	Optimistic £'000
Expenditure Pressures	3,387	2,247	897
Metro Farebox/Grant	(75)	(875)	(1,475)
Deficit / (Surplus)	3,812	1,372	(578)
NECA Grant Reduction	1,610	1,610	1,610
Revised Deficit / (Surplus)	5,422	2,982	1,032

- 4.4 These estimates therefore illustrate that a £1.610m reduction in the NECA grant will result in a shortfall of between £1.032m and £5.422m in Nexus' budget.

5. Nexus Reserves Position

- 5.1 At its February 2016 meeting, the Tyne and Wear Sub-Committee established the strategic objective that Nexus should be able to balance its revenue budget without placing reliance on its revenue reserves by 2019/20.
- 5.2 As at 31 March 2016, Nexus' revenue reserves amounted to £14.206m, with £9.206m earmarked for use in balancing the budget, should it be necessary. This is in addition to its capital reserves, earmarked for investment in capital projects, which amounted to £28.2m as at 31 March 2016.

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- 5.3 It is therefore apparent that Nexus has options to cushion the impact of any grant reductions from the NECA during 2017/18 and 2018/19 although it should also be noted that as paragraph 4.2 outlines, it might be necessary to utilise some of Nexus' revenue reserves in order to meet any unforeseen one-off items of expenditure arising from the Metro transition programme. However, the extent to which Nexus can reduce its reliance on its revenue reserves as a means of balancing its budget means that these reserves can instead be directed towards match funding for major projects.

6 Looking Further Ahead – 2018/19 and 2019/20

- 6.1 Nexus is currently developing a medium term financial forecast (MTFF) in order to identify likely expenditure commitments through to the end of the decade.
- 6.2 This MTFF will use the same parameters as those in determining the pessimistic, optimistic and central case scenarios for the 2017/18 budget estimate i.e. if income and expenditure is planned on a standstill basis and if the NECA grant was to reduce according to the assumptions set out in paragraph 3.4 above, the likely gap in resource will represent the level of service reductions required, notwithstanding Nexus' ability to utilise some of its revenue reserves in order to help cushion any impact.
- 6.3 In the context of the 2019/20 estimate, one very important consideration will be the level of revenue support that Nexus receives from the Department for Transport (DfT) in the form of Metro Rail Grant (MRG). Currently, this equates to £25.0m per annum and provides for around 85% of the net subsidy required to operate the Tyne and Wear Metro (after taking into account the financing of depreciation costs and fare box income) with around 15% of the net subsidy (primarily to fund the Gold Card) met from the grant Nexus receives from the NECA. MRG has been provided by the DfT since 2010 and is subject to a multi-year funding agreement that expires in March 2019. The level of MRG that Nexus can expect from DfT in 2019/20 and beyond is not yet known and subject to the outcome of discussions with central government in relation to the outline business case recently approved by the Leadership Board for investment in a new fleet of Metrocars.
- 6.4 The work that is necessary in order to present a reasonably robust MTFF has begun and will be firmed up in the coming months but it is important to recognise that there are considerable uncertainties concerning a forecast that needs to estimate likely costs and revenues up to 42 months from now.

7 Setting Next Year's Budget (2017/18)

- 7.1 Given that next year's budget deficit, using the Central case, is forecast at £2.982m, it is recommended that £1.610m of Nexus reserves i.e. an amount equivalent to the proposed reduction in the NECA grant in 2017/18, be used to help offset any required cuts in services.

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7.2 This will require the delivery of savings of £1.372m in order to both balance the 2017/18 budget but also prepare for further NECA grant reductions in the following two years.

7.3 At this point in time, it is envisaged that the delivery of £1.360m of savings can be achieved in the following way:-

	£000
Employees	800
General Contingency	210
Major Projects	<u>350</u>
	<u>1,360</u>

7.4 Headcount reductions will save an estimated £0.800m. The saving can be found from a combination of cutting vacant posts and some voluntary redundancies, funding for which would need to be found from Nexus' revenue reserves.

7.5 In addition, it is proposed that a further review of Nexus' management structure, following the transition of Metro operations from an outsourced arrangement back in-house, be undertaken part way through 2017/18, in order to make additional savings in the employee budget.

7.6 Whilst both of these savings can be implemented with a relatively low impact on services, it is important to understand that Nexus' ability to reduce headcount any further without such a measure having a much higher impact on services is limited both in terms of the need for minimum levels of staffing and the fact that 70% of Nexus employees (including support services staff) are engaged either directly or indirectly on Metro, which at this stage haven't featured in the service review consultation, because of the way in which it is funded and also because the Metro Transition programme provides some uncertainty in the short term.

7.7 In addition, it will also be possible to reduce the General contingency budget by £0.210m (and retain a less prudent sum of £0.250m in the base). Consistent with feedback from the consultation exercise, the Major Projects budget could also be reduced, by £0.350m thereby retaining £2.000m in the base for this purpose, primarily to help fund the future development of Metro, in particular the fleet replacement project.

7.8 Using the central case planning scenario, the proposals set out in paragraphs 7.1 to 7.7 would at this stage allow Nexus to balance its 2017/18 budget with a relatively low impact on services.

7.9 In the context of establishing a MTF, it is felt that this approach offers the most prudent and pragmatic way forward at this time. Should any of the uncertainties surrounding Nexus' budget proposal for 2017/18 manifest themselves to the extent that a larger underlying deficit than the £2.982m (reducing to £1.372m given the

actions outlined in paragraphs 7.1 to 7.7 of this report) currently estimated in the central case planning scenario arises, there is an option to utilise additional reserves, over and above the planned £1.610m. Alternatively, should any of the uncertainties surrounding Nexus' budget proposal for 2017/18 not manifest themselves to the extent that a smaller underlying deficit than the £2.982m (again, reducing to £1.372m given the actions outlined in this report) currently estimated in the central case planning scenario arises, this would stand Nexus in good stead across the medium term.

8 Balancing the Budget by 2019/20

- 8.1 However, given both the likely reduction in the NECA grant through to 2019/20 and Nexus' future likely expenditure commitments at 'standstill', it will be necessary for Nexus to embark on a further round of consultation next calendar year (2017) when the MTFF provides a firmer set of estimates and the Tyne and Wear Sub-Committee have had more time to give due consideration to the identification of service priorities and where service reductions that will have a bigger impact on services will need to be implemented in later years.
- 8.2 Therefore, it is clear that in the context of the NECA grant base continuing to reduce, further expenditure reductions are inevitable and the impact on services will be much more visible and have a higher impact than that which will be necessary in 2017/18.
- 8.3 Using the central case planning assumption, at 'standstill' Nexus' expenditure requirement will continue to grow at circa £2.5m per annum and the NECA grant will reduce by £1.2m in 2018/19 and a further £0.6m in 2019/20.
- 8.4 The savings target in 2018/19 needs to be up to £4.0m, with a further £3.0m to be achieved in 2019/20.

9 Next Steps

- 9.1 The Leadership Board will be asked to consider the Sub-Committee's preference that the Tyne and Wear levy be agreed on a multi-year basis, between 2017/18 and 2019/20 and that the levy be based upon the change in core spending power relating to the average of the five Tyne and Wear districts throughout this period. Further, the budget and service planning approach for Nexus as set out in this report will need to be reflected within the North East Combined Authority's 2017/18 budget and indicative medium term financial strategy.
- 9.2 A further round of consultation will be necessary during 2017 in order to prepare for the delivery of savings that will have a much bigger impact on service delivery in 2018/19 and 2019/20 than what is being proposed for 2017/18.

North East Combined Authority

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10 Potential Impact on Objectives

- 10.1 Nexus' future spending plans are very likely to result in a significant reduction in the achievement of the objectives within the Tyne and Wear Local Transport Plan and associated policies and strategies.

11 Finance and Other Resources

- 11.1 Financial implications are considered throughout this report.

12 Legal

- 12.1 There are no legal issues that arise directly as a consequence of this report.

13 Other Considerations

13.1 Consultation/Community Engagement

The proposed budget will be subject to a period of consultation including the Overview and Scrutiny Committee, Governance Committee, and the North East Chamber of Commerce.

13.2 Human Rights

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

13.3 Equalities and Diversity

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

13.4 Risk Management

The budget proposals will include an assessment of risk facing the NECA budget, which will be used to inform the level of reserves which is determined to be prudent. This report is for information on the budget process and has no specific risk management implications.

13.5 Crime and Disorder

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

North East Combined Authority

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13.6 Environment and Sustainability

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

14 Background Documents

14.1 None.

15 Links to the Local Transport Plans

15.1 There are no specific links to the local transport plans arising as a result of this report.

16 Appendices

16.1 None.

17 Contact Officers

17.1 John Fenwick, Nexus Director of Finance and Resources;

Email: john.fenwick@nexus.org.uk;

Tel: 0191 203 3248.

18 Sign off

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

19 Glossary

ENCTS – the English National Concessionary Travel Scheme

DfT – Department for Transport

MRG – Metro Rail Grant

MTFF – Medium Term Financial Forecast

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

DATE: 3rd November 2016

SUBJECT: Nexus Annual Expenditure and Activity Analysis Report
2015/16

REPORT OF: Managing Director (Transport Operations)

EXECUTIVE SUMMARY

The purpose of this report is to provide members with financial and statistical information relating to Nexus' services as part of its annual reporting processes

RECOMMENDATIONS

It is recommended that the Sub-Committee note the attached report, 'Nexus Annual Expenditure and Activity Analysis Report 2015/16'.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1 Background Information

- 1.1 This report provides members with an analysis of Nexus expenditure and activity at district level during 2015/16. It builds on previous reports since 2009/10.
- 1.2 The basis of the report has in the past been used to discuss Nexus' expenditure with District Treasurers.
- 1.3 As with other Passenger Transport Executives and Travel Concession Authorities, Nexus reports on its financial performance annually. Its statement of accounts is subject to external audit and for 2015/16, the 'true and fair view' and 'use of resources' audit opinions were unqualified.
- 1.4 When the levy for 2010/11 was discussed with district Leaders in December 2009, the Leadership Group requested more information on the services being provided by Nexus at a local authority level. In particular, there was some concern from Leaders that there was no transparency on how services funded from the Nexus budget, in particular the elements that they directly support via the levy and the grant passed to Nexus by the former TWITA (now the NECA), impacted on individual authorities. In response, a proposal for capturing and reporting appropriate information was discussed with and agreed by District Treasurers when they met in April 2010. The initial report was produced covering expenditure and activity analysis for 2009/10 and has been followed up in subsequent years.
- 1.5 This updated report, the 'Nexus Annual Report 2015/16' has been prepared using similar principles to those adopted for the previous four reports, although where possible, advances in smart technology have enabled more robust reporting in some areas e.g. use of post code analysis for ENCTS concessionary journeys.

2 Finance and other resources

- 2.1 It is recognised that the levy (and the grant passed to Nexus by the NECA) is generated locally based on the population of constituent districts and therefore transparency and accountability requires the Combined Authority and Nexus to be able to demonstrate value for money in the use of resources to each of the constituent authorities in the area.
- 2.2 This is not an exact science given that existing processes work at the sub-regional level and expenditure profiles are, for example, additionally influenced by:-
 - the economies of scale if services are provided at a Tyne and Wear level including the extent to which Nexus can use the levy in order to lever additional funds;

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- the high proportion of cross boundary services between the constituent authorities and neighbouring unitaries;
 - the different characteristics within the constituent authorities in respect to public transport demand and supply;
 - the nature and extent of bus operators commercial networks; and
 - population densities, socio-economic geography and land use planning decisions.
- 2.3 Nonetheless broad conclusions can be drawn, although it is important to recognise that information provided at a district level will need careful examination and could warrant certain caveats in order that inaccurate interpretations or incorrect comparisons are not made.
- 2.4 Nexus' Director of Finance and Resources has worked with district colleagues in order to develop an agreed methodology that estimates the amount of 'benefit derived' by each district from services provided by Nexus, relative to their resource input.
- 2.5 In May 2012, District Treasurers were advised that whilst adopting a strict formulaic approach to determining the amount of 'benefit derived' relative to the Levy was possible, and that this could result in a perception that some districts 'gained' relative to their input whilst others 'lost' it was also extremely important to recognise:-
- The cross boundary nature of passenger flows means that consideration of the journey being undertaken, the reason for it and the origin of the person making it should be taken into account e.g. it is probable that both Sunderland and South Tyneside will have derived benefit from a Sunderland resident boarding a bus in South Tyneside.
 - The value of services provided by Nexus over and above those which are funded from the Levy, in particular the Tyne and Wear Metro system, which penetrates all five districts.
 - Regarding this latter point, Nexus' gross expenditure requirement in 2015/16 was some £172.63m. Of this, £61.0m was funded from commercial revenues, whilst £111.9m was funded from various grants, including the release of capital grants deferred which offsets depreciation charged on those fixed assets which were in the past financed by government grant. Given that the grant passed to Nexus by the NECA accounted for £64.5m of grant income, almost 65% of Nexus' gross expenditure requirement was therefore funded from outside of the grant passed to Nexus by the NECA.

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- 2.6 This led to unanimous support in favour of the retention of the population based share of local resource inputs via the levy although Treasurers and senior transport officers have expressed a desire to see this reporting continue, building on trends that are now establishing themselves having regard to four years' of analysis as well as progress made in more robust methods of capturing this information e.g. by analysing the Nexus Host Operating Processing System (HOPS) for concessionary travel journeys.

3 Next Steps

- 3.1 Members might wish to have a more detailed explanation at a future policy seminar.

4 Potential Impact on Objectives

- 4.1 The report analyses how services are delivered to support the objectives.

5 Finance and Other Resources

- 5.1 The report sets out how Nexus' resources are expended.

6 Legal

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

7 Other Considerations

7.1 Consultation/Community Engagement

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

7.2 Human Rights

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

7.3 Equalities and Diversity

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

North East Combined Authority

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7.4 Risk Management

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

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

8 Background Documents

8.1 None

9 Links to Plans in the Policy Framework

9.1 This report outlines how services which support the objectives in the plans and policy framework are delivered.

10 Appendices

10.1 Nexus Annual Expenditure and Activity Analysis Report 2015/16

11 Contact Officers

11.1 John Fenwick, Director of Finance and Resources, Nexus
Email: john.fenwick@nexus.org.uk,
Tel: 0191 203 3248

12 Sign off

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

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Annual Report 2015/16



Glossary

Financial Terms

Capital Grants Deferred	An unusable reserve which is created when Grant funding is used to acquire fixed assets. Capital Grants Deferred are released to the Income and Expenditure Statement to match the depreciation costs associated with the assets they were used to finance.
Grant	Grants made by the Government towards either capital or revenue expenditure to support the cost of the provision of services. These grants may be specifically towards the cost of particular schemes or to support general revenue expenditure.
Levy	A grant paid to Nexus by the Local Authorities in Tyne and Wear to help finance its general expenditure. Also referred to as 'NECA grant'.
Nexus' net revenue expenditure	The amount of operating expenditure that Nexus incurs in the provision of public transport services after taking account of central government grants, external income from commercial activities and the release of capital grants deferred.
Non-grant Income	External Income, 'income from commercial activities and other non-public sources'

Other Terms

(TW)ITA	(Tyne & Wear) Integrated Transport Authority (the ITA): the predecessor body to the NECA
NECA	North East Combined Authority: the Local Transport Authority covering the seven areas comprising Northumberland, Durham, Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland
Local Transport Plan (LTP)	The Local Transport Authority's statutory plan setting out its policies and objectives for transport provision in its area. NB Currently there are 3 LTPs in the NECA area for Northumberland, Durham and Tyne & Wear. Work is underway to prepare the Transport Plan for the North East, the first LTP to cover the whole

	of the NECA area.
Bus Strategy	The subsidiary document to the Tyne and Wear LTP related to the LTA's strategy for the delivery of bus services in its area, including for example relating to the provision of secured bus services.
Secured Bus Service	A local bus service operated by a commercial operator but funded by Nexus following a competitive tendering process. Also known as a tendered service, a subsidised service or a socially necessary bus service.
Resource board	A form of secured service whereby the contractual obligation is based on a number of hours rather than a fixed route.
Commercial Service	A local bus service operated by a bus company which is usually commercially viable, and is therefore run without financial subsidy from Nexus
ENCTS	The English National Concessionary Bus Travel Scheme is a national scheme by the Department for Transport (under Concessionary Bus Travel Act 2007) which is run in conjunction with Local Transport Authorities and Passenger Transport Executives across England whereby residents who have attained the state pension age, as well as eligible disabled people, are provided with free off-peak bus travel on weekdays and all day at weekends and Bank Holidays. The ENCTS is a statutory obligation that is placed on Nexus to reimburse commercial bus operators who themselves are statutorily obliged to carry ENCTS pass holders
POP Card	A smartcard that allows the holder to pay for public transport using a plastic card that can be read by machines on stations and vehicles.
Under 16 Pop Card	Children who live in Tyne and Wear and are aged 5 to 15 on 31 August before the start of the academic year are entitled to an Under 16 Pop card. This lets them travel in Tyne and Wear at concessionary child fares.
Gold Card	A product that can be bought by those eligible for ENCTS travel and loaded onto the ENCTS smartcard used for bus travel which

	allows travel on Metro, Shields Ferry and Northern Rail services between Newcastle and Sunderland without further payment.
TVM	Ticket Vending Machine. These are the machines introduced during our recent Ticketing and Gating project from which Metro customers buy Metro Tickets
VLV	“versus last year”, shows how a figure for this year compares with one from the previous year
Pax	Abbreviated form of “Patronage”
Moving annual patronage	Used within this report to show patronage the total patronage over the last year at that point in time. When plotted over time, it produces a flatter line, which reduces abrupt pattern changes caused by short-term fluctuations.
Take-up rate	The proportion of people eligible to apply for a particular concession or service who actually make use of it.

Introduction

Nexus is the Tyne and Wear Passenger Transport Executive (PTE) established under the Transport Act 1968 (as amended) and administers funds in order to implement local public transport policies in Tyne and Wear on behalf of the North East Combined Authority (NECA). On 14th April 2014 the NECA was created by Order of the Secretary of State under sections 84, 91 and 93 of the Local Transport Act 2008(a) and sections 103 to 105 and 114 to 116 of the Local Democracy, Economic Development and Construction Act 2009(b). At the same time, the NECA's predecessor body, the Tyne and Wear Integrated Transport Authority (the ITA) was abolished, and its functions, properties, rights and liabilities were transferred to the NECA.

Our mission statement is 'Supporting the economy and the environment through better public transport services'.

Working within the policy remit set for us by the NECA, and in accordance with the Tyne and Wear Local Transport Plan developed by the ITA and its local partners, Nexus plans, promotes and provides public transport to improve the economic prosperity of Tyne and Wear, and the daily lives of its people. There are few people living in Tyne and Wear whose daily lives are not touched in some way by public transport, and therefore the activities of Nexus, through getting people to work, children to school, students to colleges, allowing access to shops, medical facilities or leisure attractions.

At a time of increasing pressure on public sector funding, the next year will be a period of business change and innovation for Nexus as we strive to continue to deliver improvements in public transport, seek to secure the future of Metro, enhance the provision of local rail services and establish a new way of delivering local bus services, with value for money in our use of available resources at the heart of all of this.

Our Corporate Business Plan for 2016/17 provides direction during this critical period of change. The Plan has three key themes, derived from the objectives set for us by the North East Combined Authority. Three themes to drive everything that we do:

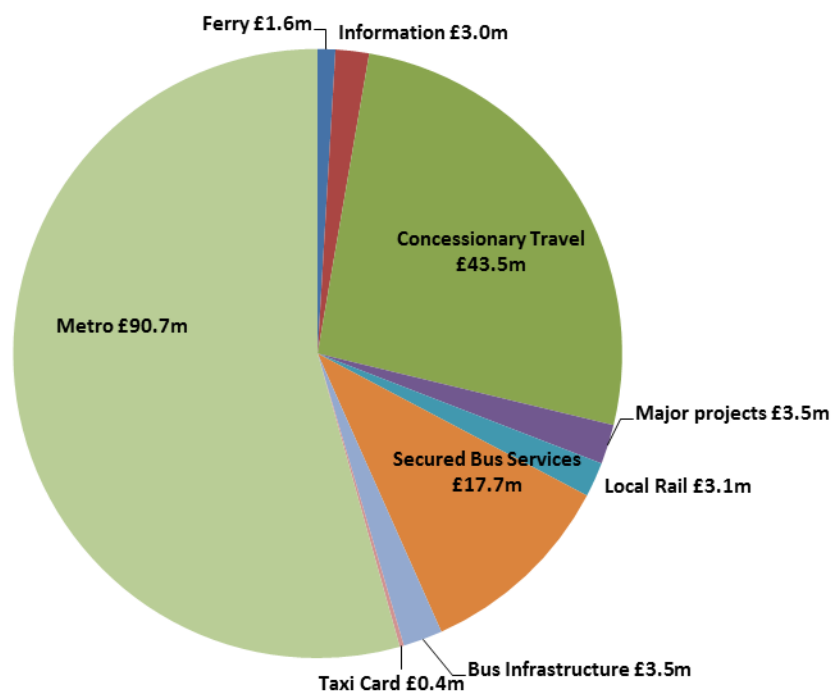
- Improve public transport today
- Prepare for the future, and
- Be an effective delivery agent for the NECA.

Nexus Gross Revenue Expenditure 2015/16

Nexus' gross revenue expenditure during 2015/16 amounted to £167.0m.

The chart below shows where Nexus spends its revenue budget, clearly illustrating that in gross expenditure terms, the largest service is Metro, followed by Concessionary Travel and then Secured Bus Services with the residue of funding spent on a variety of different services for example provision of travel information, bus interchanges, and the cross Tyne ferry.

Nexus Gross Revenue Expenditure 2015/16 (£167.0m)



Nexus Gross Income 2015/16

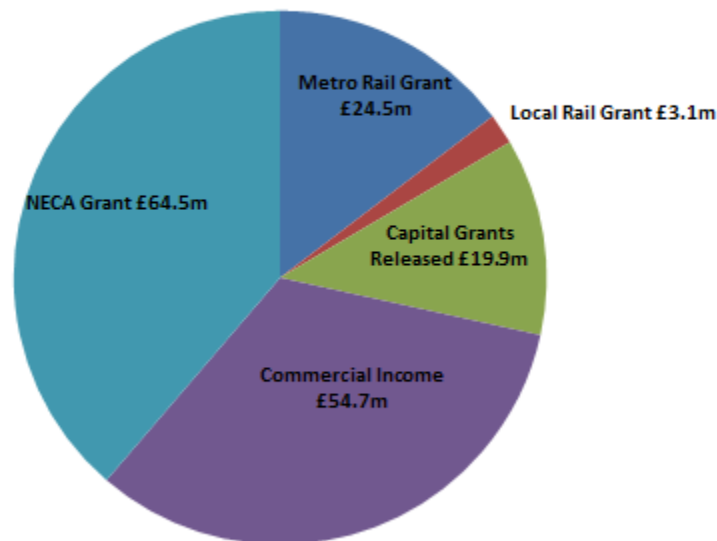
Nexus' gross income in 2015/16 amounted to £166.6m, comprising:-

- Grant funding from the North East Combined Authority
- Direct grant from central Government mainly to support operation of the Metro (the Metro Rail Grant) and local rail services (Rail Administration Grant);

- Commercial revenue generated from customers who use our services (the majority of which is generated from Metro fare revenue); and
- Capital Grants Released. An unusable reserve is established when a fixed asset that is funded by Government grant is created. The reserve is released from the balance sheet in order to match depreciation charges posted to the revenue account that reflect the use of the asset in the provision of services.

The chart below shows how this income was generated:-

Nexus Gross Income 2015/16 (£166.6m)

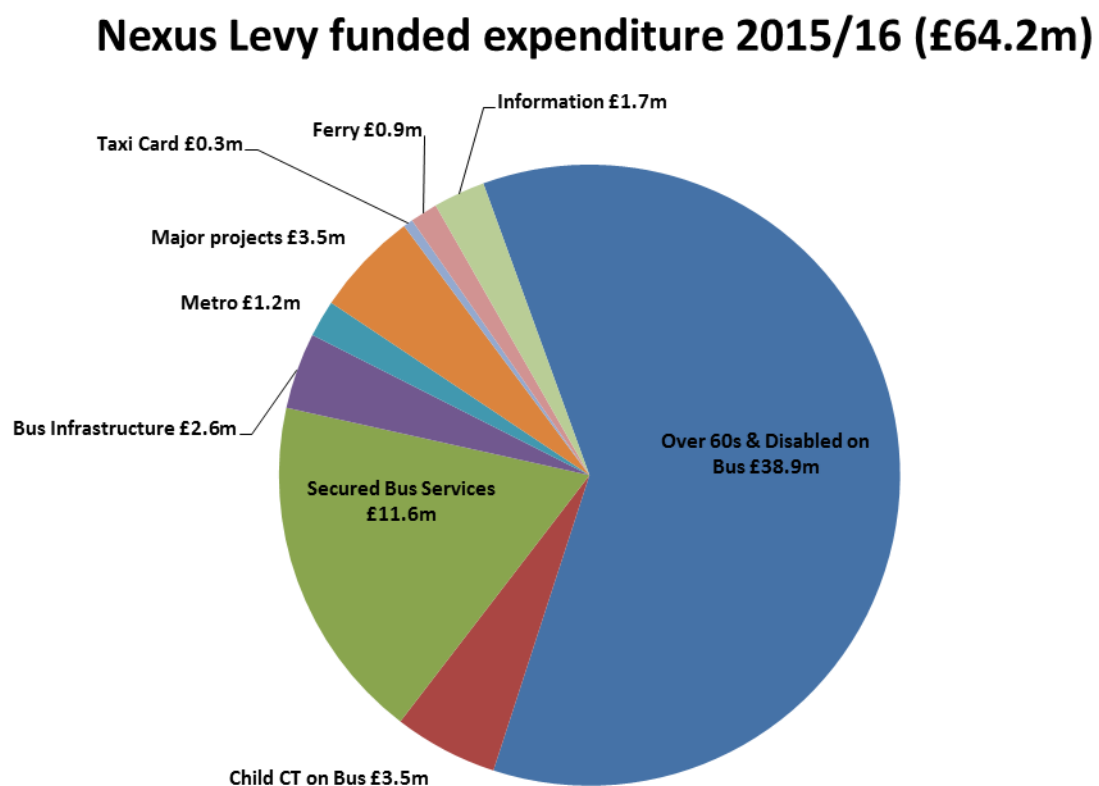


The Tyne and Wear Transport Levy 2015/16

In January 2015, the NECA agreed a budget and then issued a transport levy to the constituent councils within Tyne and Wear so as to meet a proportion of its liabilities/expenses for 2015/16. The apportionment of the levy is calculated by reference to the total resident population of each Council. This is done in accordance with Section 7(5) of the Transport Levying Bodies Regulations 1992. In the case of Tyne and Wear, the NECA set a levy for the financial year 2015/16 of £67.2m, of which £64.5m was as a grant paid to Nexus in order to execute the policy decisions of the NECA.

Much of the grant from the NECA is used by Nexus to fund the reimbursement of concessionary fares, the majority of which is a mandatory statutory requirement (the ENCTS). The remainder of the grant from the NECA is spent on contracting and administering Secured Bus Services, the local contribution to Metro (primarily used to support the Gold Card concessionary fares scheme), the cross Tyne ferry and other things such as the provision of public transport information and bus infrastructure.

The chart below shows where Nexus spends the funds it receives through the revenue grant it receives from the NECA:-



Activity Analysis

This section provides a breakdown and analysis of activity across the following areas of public transport service provision in Tyne and Wear:-

Services

1. All bus services
2. Secured bus services
3. Concessionary Travel on Bus (ENCTS)
4. Under 16 (U16) Concessionary Travel on Bus
5. Metro patronage
6. Gold Card Concessionary Travel on Metro
7. Under 16 (U16) Concessionary Travel on Metro
8. Bus Infrastructure
9. Public transport information
10. Ferry services
11. Local rail Services
12. TaxiCard Services

1) All bus services

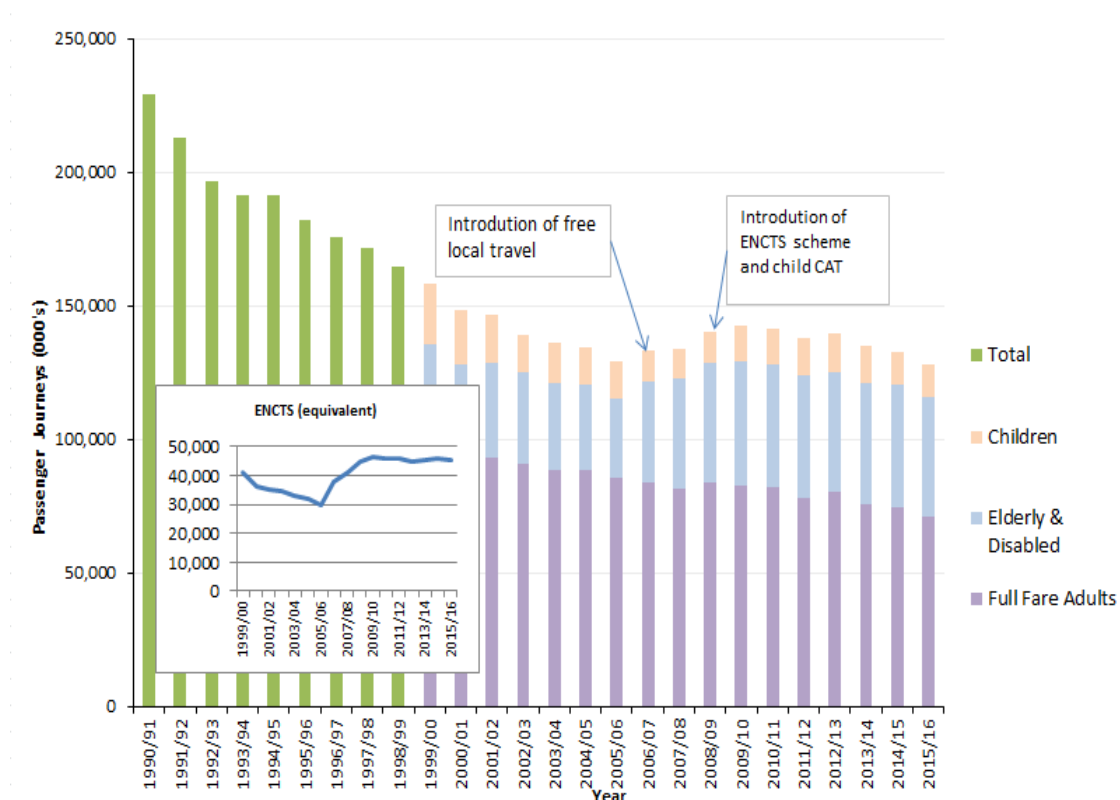
a. Overview of bus passenger boardings

During 2015/16, 128.4 million passenger boardings were made on bus services in Tyne and Wear, which represents a decrease of -3.3% on the previous year¹.

The table below provides a more detailed breakdown of the bus market across Tyne and Wear in recent years.

Passenger Type (Boardings 000s)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Change Vol	Change %
Adult	82.245	78.169	80.103	75.721	74.392	70.875	-3.517	-4.73%
ENCTS	45.992	45.899	45.038	45.574	45.940	45.179	-0.761	-1.66%
Child	13.383	14.026	14.436	13.681	12.388	12.339	-0.049	-0.39%
Total	141.620	138.094	139.577	134.977	132.720	128.393	-4.327	-3.26%

As shown below, 2015/16 performance is largely in line with the long term trend of decline in the adult market, although the child market performed better than recent years.

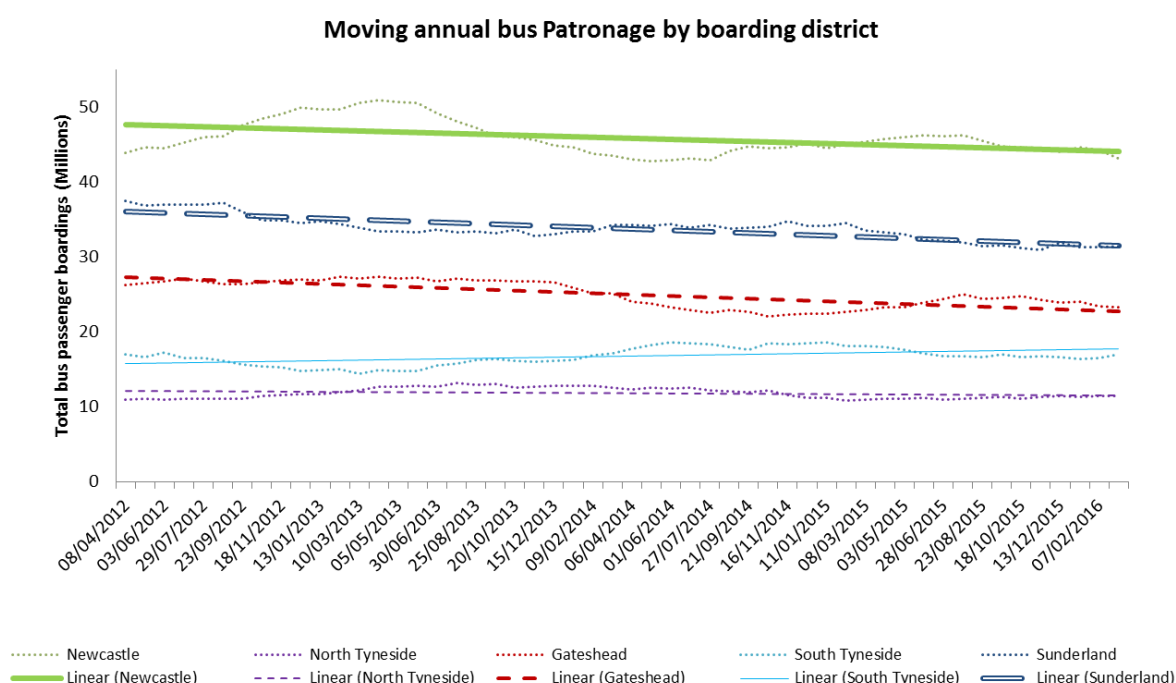


b. All Bus passenger boardings by Council Area

¹ For ENCTS journeys, Nexus uses estimates derived from its Continuous Monitoring Surveys (CMS). Now that smart data is available to complement this information, it is apparent that the survey data is producing ENCTS patronage that is in excess of smart boardings. Reimbursement is made by Nexus to bus operators in relation to the number of smart boardings.

The chart below plots the moving annual bus patronage (explained in the glossary), showing the long term trend of total bus patronage boardings by Council Area. Although there is some variation year on year, the long term trend of decline is evident across Districts.

As with previous years, in this data set the patronage boarding location is defined by the origin of a journey. That is, a journey from Newcastle, irrespective of journey destination or passenger home district, is classified as a Newcastle journey. Whilst Nexus' patronage data is based upon a robust methodology with statistically robust samples, some fluctuation will occur in the trends observed. Therefore, the following graph shows the four-year linear trend as well as the moving annual patronage.

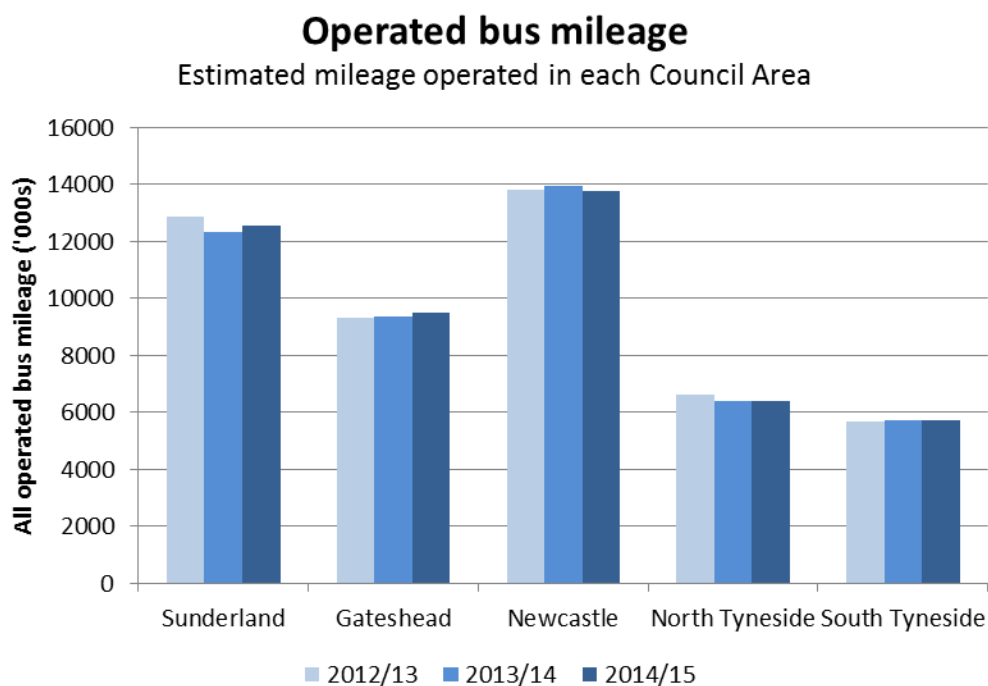


Nexus has analysed the Council Area that passengers live in, compared to the location they boarded and it is evident that a sizeable number of 'cross boundary' journeys are undertaken. This is shown in the table below and includes trips made by residents from outside of Tyne and Wear, highlighting the fact that the levels of cross-boundary travel varies greatly by Council Area.

		Board in					
		GH	NC	NT	SL	ST	Outside T&W
Live in	GH	79.6%	4.7%	2.4%	2.0%	1.7%	3.7%
	NC	6.5%	78.4%	15.3%	0.6%	0.3%	10.3%
	NT	1.7%	6.4%	73.8%	0.2%	0.6%	13.5%
	SL	5.6%	0.8%	0.8%	85.9%	3.4%	5.7%
	ST	3.9%	1.1%	3.0%	4.0%	93.5%	0.7%
	Outside T&W	2.7%	8.6%	4.7%	7.3%	0.5%	66.0%
	Check	100%	100%	100%	100%	100%	100%

c. Operated bus mileage

The DfT publish figures for vehicle miles operated at a local authority level. The figures in the chart below are derived from this publication and include data up to 2014/15 as DfT state 2015/16 figures are due to be released in the later in the year.



2) Secured bus services

a. Tyne & Wear overview

During 2015/16, the number of journeys made on secured bus services fell by an estimated 0.763m, a -9.4% decrease compared to the previous year across Tyne and Wear as a whole. Total mileage operated on a secured services basis also decreased, by -5.8%.

Passenger type Boardings (000's)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Change Vol.	Change %
Adult	4,033	4,328	3,951	3,946	3,798	3,487	-310	-8.2%
ENCTS	2,878	3,062	2,383	2,462	2,180	1,903	-276	-12.7%
Child	2,066	2,222	2,160	2,361	2,127	1,951	-176	-8.3%
Total	8,977	9,612	8,494	8,769	8,104	7,341	-763	-9.4%
Total mileage (miles 000's)	n/a	n/a	n/a	n/a	5,880	5,537	-343	-5.8%

Key changes in secured services patronage and mileage across Tyne and Wear in 2015/16 were as follows;

- Almost 80% of the reduction in operated mileage and passenger boardings was due to the commercialisation of routes. A large proportion of this resulted from the commercialisation of Quaylink services operating in Gateshead and Newcastle. Passenger journeys on secured Quaylink services fell by over 0.450m (-49% compared to previous year) and mileage by 0.140m (-33%).
- Passenger boardings fell by -2.5% compared to the previous year on secured services where the routes operated remained largely consistent with the previous year. This is a slightly lower rate of reduction than that seen on commercial services.

b. District level overview

The estimated number of passenger boardings and mileage operated for secured services provided in each Council area is shown below.

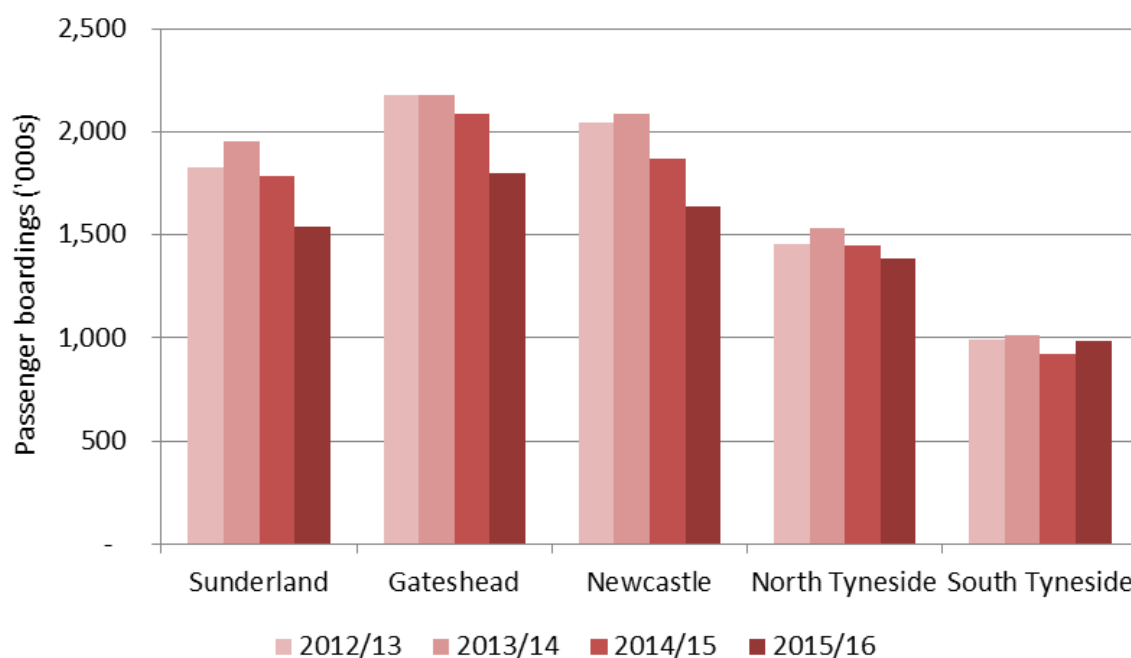
The majority of declines in secured services patronage and mileage in Newcastle and Gateshead can be accounted for by changes to the commercialisation of Quaylink operations.

The majority of the decline in operated secured services mileage in Sunderland was due to the commercialisation of the 79/79A routes operating in the area and a reduction in patronage on the service 73.

There were no significant changes to operated mileage or patronage on secured services in North Tyneside or South Tyneside.

Secured Services patronage

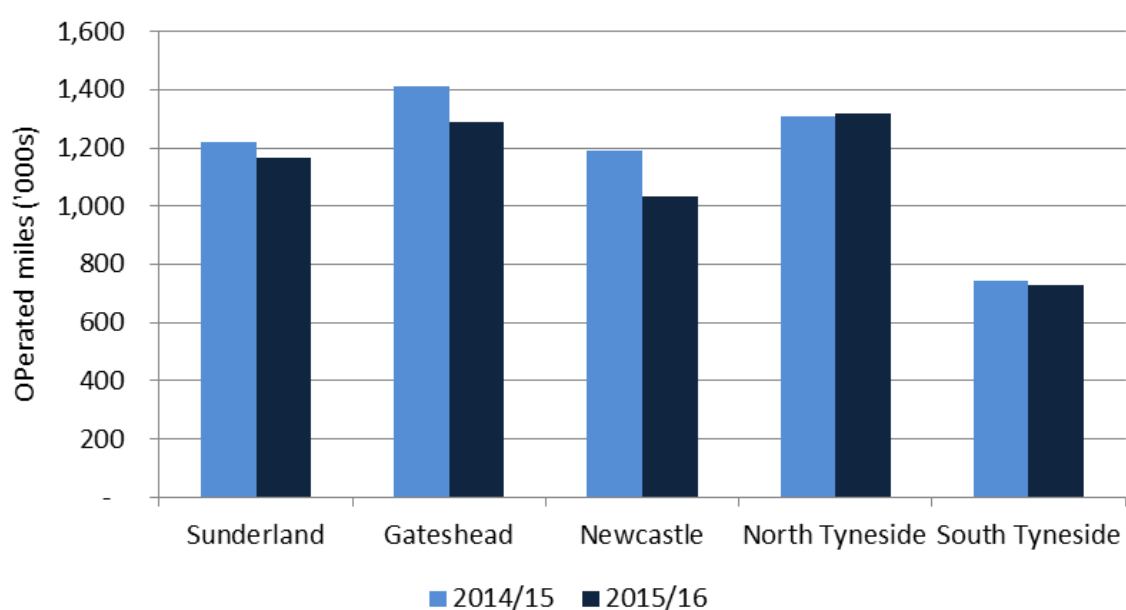
Estimated boardings by Council Area



Secured Services operated mileage

(Including all operated mileage)

Estimated mileage operated in each Council Area



3) Concessionary Travel on Bus (ENCTS)

a. Background

English National Concessionary Travel Scheme (ENCTS) pass holders have had their journeys on bus recorded using smart-enabled technology since October 2011. These journeys are stored in a database which can be interrogated and analysed alongside the more traditional Continuous Monitoring Survey data. Notwithstanding the comment made in relation to estimates of passenger numbers (refer to Section 1 of this report – All bus services) the estimates of ENCTS patronage below are still based upon survey data in order to maintain consistency with estimates for other passenger groups. However, the smartcard data is better able to estimate the proportion of trips made by residents from each area with reference to the post code of the pass holder.

b. Proportion of ENCTS journeys made by residents from each district

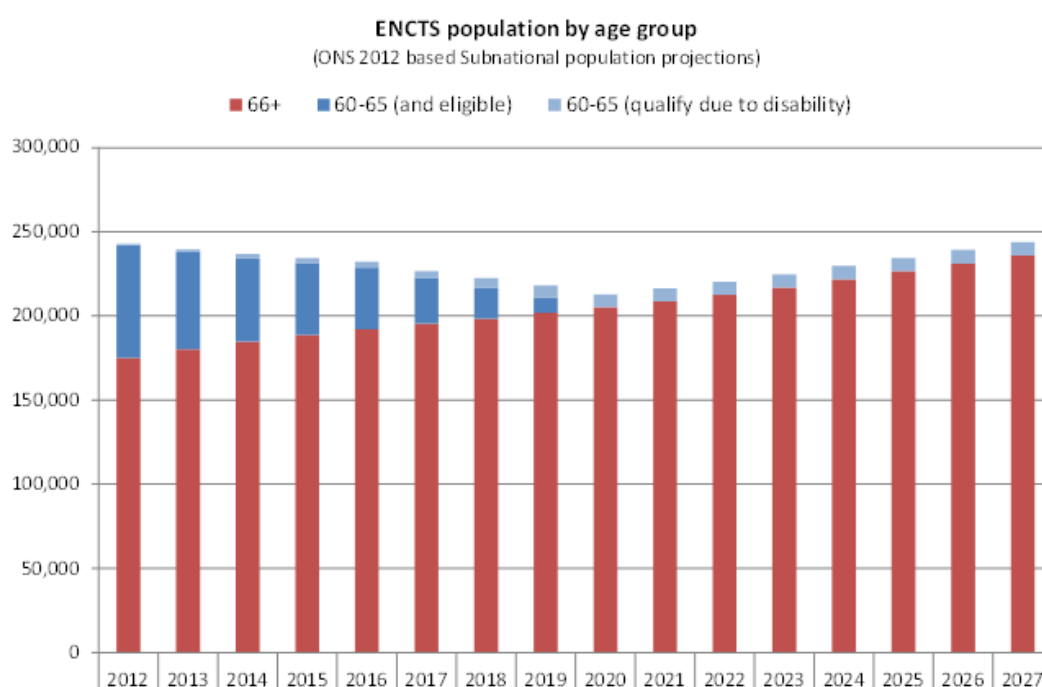
Analysis of the passenger's home district for each ENCTS journey made gives the following results:-

Resident of	Journeys 2014/15 (000s)	Journeys 2015/16 (000s)	Change %	2014/15 Proportion of all trips by T&W resident in...	2015/16 Proportion of all trips by T&W resident in...
Sunderland	12,244	12,002	-2.0%	28.5%	28.5%
Gateshead	8,915	8,711	-2.3%	20.7%	20.7%
Newcastle	10,079	9,897	-1.8%	23.4%	23.5%
North Tyneside	5,774	5,654	-2.1%	13.4%	13.4%
South Tyneside	5,975	5,841	-2.2%	13.9%	13.9%
T&W residents	42,987	42,105	-2.1%	100%	100%
Non T&W residents	2,953	3,075	4.1%		
Total	45,940	45,179	-1.7%		

c. Pass holders and take up

The age eligibility for an ENCTS pass is gradually being increased in line with changes in the state pension age, so that between 2010 and 2021 it will increase from age 60 to age 66 . This is causing the eligible population to gradually reduce. However, beyond 2021, it is estimated that without any further policy adjustments, the eligible population will once again increase due to the increasing numbers of those aged 66 and over.

The following graph estimates the ENCTS eligible population through to 2027:-



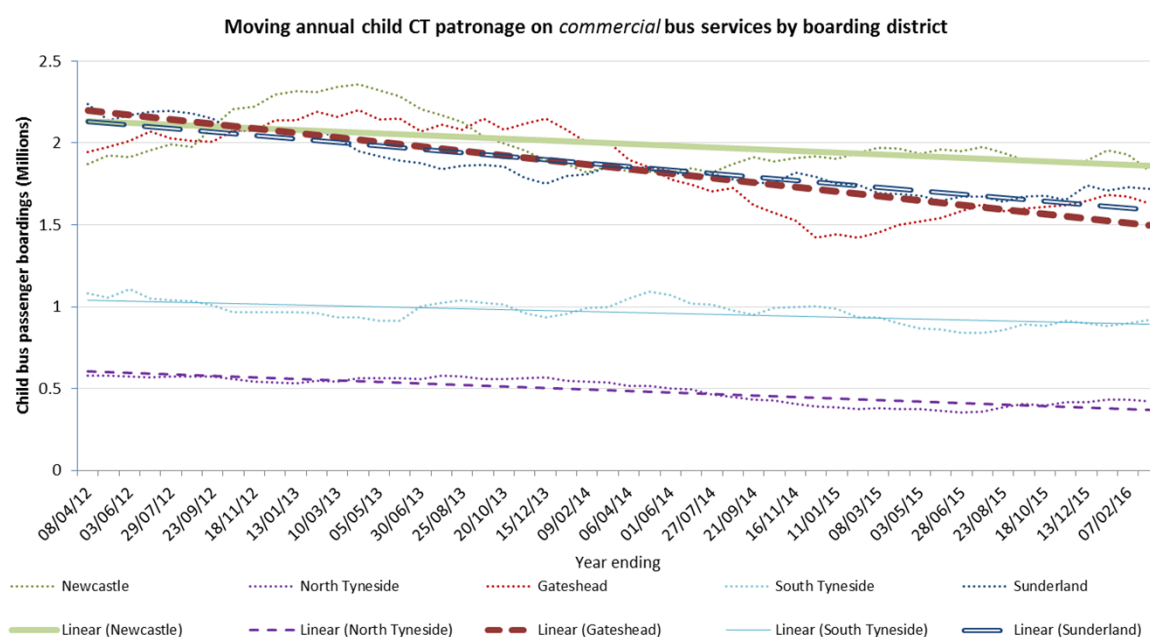
The following table shows the take up rate for the active ENCTS (elderly only) pass holders against the eligible population in each district.

ENCTS pass issues		2015/16
Sunderland	Passes issued	50,358
	Take up (%)	84%
Gateshead	Passes issued	37,589
	Take up (%)	86%
Newcastle	Passes issued	43,331
	Take up (%)	89%
North Tyneside	Passes issued	39,841
	Take up (%)	88%
South Tyneside	Passes issued	29,775
	Take up (%)	89%
Tyne & Wear	Passes issued	200,894
	Take up (%)	87%

Eligible Population was extracted from ONS 2014-based Subnational Population Projections for England.

4) Under 16 (U16) Concessionary Travel on Bus

During 2015/16, the Under 16 Child Concessionary Travel group made over 8.17 million journeys on bus in Tyne and Wear, a slight decline of around 0.8% on the previous year, although as the chart below illustrates, the number of child concessionary journeys made on commercial services within Tyne and Wear has been in steady decline since 2012. These figures are based upon boarding locations derived from the Continuous Monitoring Surveys for commercial services, smartcard data is not available for those aged under 16.



The number of passes issued and estimated take up rates of Under 16 cards are shown in the table below:

Under 16 passes issued		2011/12	2012/13	2013/14	2014/15	2015/16
Sunderland	Passes issued	12,489	13,023	13,021	13,110	13,150
	Take up rate (%)	34%	36%	37%	37%	37%
Gateshead	Passes issued	11,415	11,757	11,633	11,374	11,317
	Take up %	46%	45%	45%	44%	44%
Newcastle	Passes issued	10,913	11,751	12,148	12,526	12,820
	Take up %	32%	34%	35%	35%	35%
North Tyneside	Passes issued	7,455	7,746	7,666	7,394	7,122
	Take up %	29%	29%	29%	28%	27%
South Tyneside	Passes issued	7,320	7,574	7,555	7,403	7,277
	Take up %	37%	39%	40%	39%	38%
Tyne & Wear	Passes issued	49,592	51,851	52,023	51,807	51,686
	Take up %	35%	37%	37%	36%	36%

With 51,686 Under 16 Pop cards issued, take up rate is 36%, in line with previous years and only marginally lower than the previous year which had 51,807 card issues.

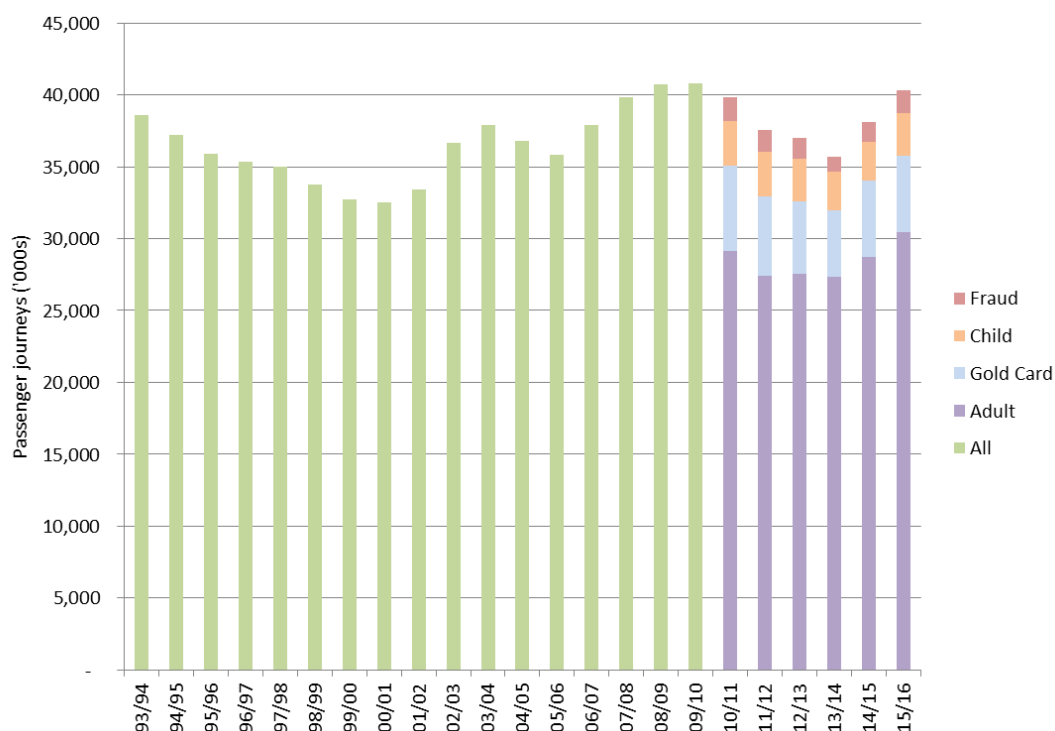
The Under 16 card is advertised as the way to get cheapest child fares. The Under 16 card is promoted in a variety of places and formats including in schools, on board buses and on Metro, in transport interchanges and across all relevant press, digital and social channels. In 2015/16, additional advertising was also undertaken to encourage early renewals of Under 16 cards that were due to expire in July 2016. All parents of children whose cards were due to expire were contacted and reminded of the need to renew to ensure their child continued to get the cheapest fares available.

Nexus continues to work with schools across Tyne and Wear to encourage pass take up and raise awareness about the benefits of the Under 16 card and the concession in general. Parents are targeted with Under16 advertising through publications like Primary Times and children are introduced to the card through Nexus led school visits and collaborative sessions with Schools Go Smarter. Nexus also produce a 'School Travel Fact File' which is distributed to all Year 6 school children via the Local Authorities in the summer term and, in partnership with Schools Go Smarter, offer public transport themed activity packs to younger children in Year 3. All publications advertise the Under 16 card. 'Back to School' campaigns in August remind parents to apply for an Under 16 card and to check the latest school bus and Metro timetables at www.nexus.org.uk/school.

5) Metro patronage

a. Overview of Metro passenger boardings

During 2015/16, almost 40.3 million journeys were made on Metro in Tyne and Wear, which represents an increase of 5.7% on the previous year, returning to the levels previously seen prior to the recession in 2009/10.



The table below provides a breakdown of the passenger numbers in more recent years with the change in 2015/16 compared to the previous year calculated.

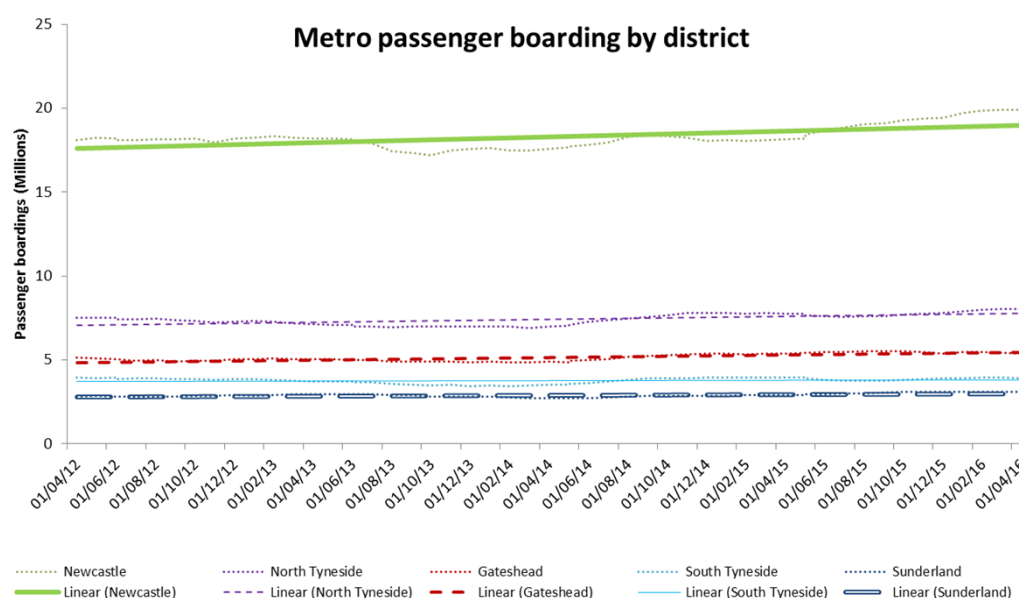
Passenger Type (Boardings 000s)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Change Vol	Change %
Adult	29,154	27,445	27,568	27,318	28,748	30,446	+1,698	5.91%
Gold Card	5,903	5,496	5,020	4,629	5,271	5,339	+0,068	1.29%
Child	3,088	3,092	2,952	2,680	2,722	2,922	+0,201	7.37%
Fraud	1,664	1,492	1,489	1,077	1,373	1,582	+0,209	15.21%
Total	39,809	37,525	37,029	35,703	38,114	40,290	+2,176	5.71%

The main increase in passenger journeys in 2015/16 was seen in the adult market. In particular, journeys made during peak commuter times and the continuing popularity of MetroSaver products contributed to the increases, specifically the Weekly Metrosaver. There were no major planned works during the year and this stability in the network had a positive influence on passenger numbers. The region

also hosted games during the Rugby World Cup in October 2016 and this is estimated to have boosted journeys by around 0.250m.

b. Metro passenger boardings by district

The chart below shows the long term trends for Metro boardings in each district.



c. All Metro passenger boardings - Resident district versus boarding district

As Metro is a static system, unlike the more fluid bus network, data is more consistent which allows for better comparison of boardings within each district. However, the same considerations are still relevant, in that those boarding in one district could live elsewhere. The proportion of people boarding the Metro in the same area they live in is lower compared to bus, highlighting the cross-boundary nature of the system. For example, less than 60% of those who board in Gateshead live within Gateshead and less than 55% who board in Newcastle also live in Newcastle.

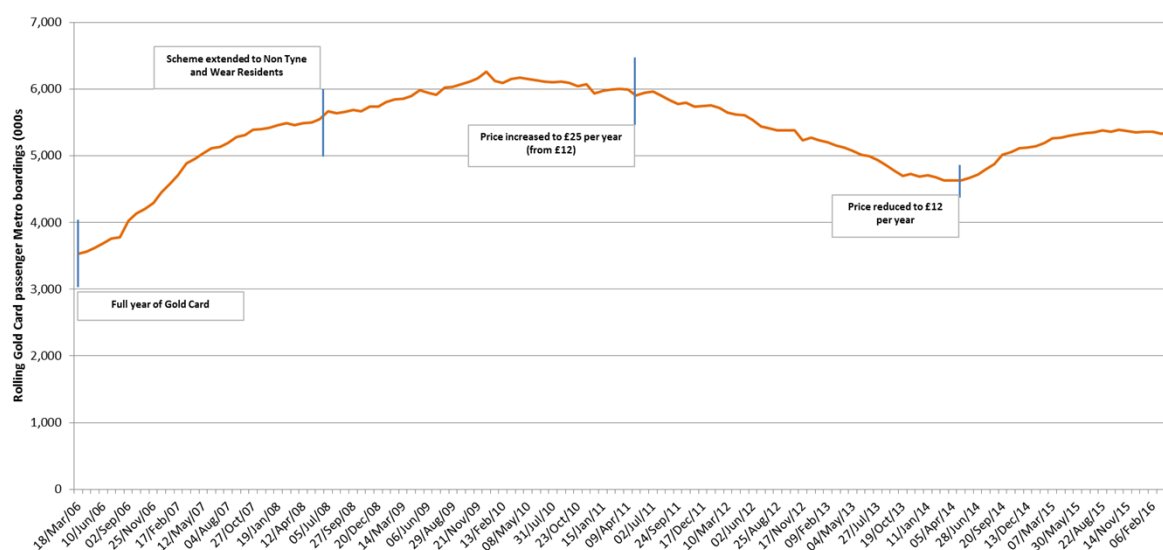
		Board in				
		GH	NC	NT	SL	ST
Live in	GH	59.8%	8.7%	3.4%	3.4%	6.0%
	NC	6.3%	54.9%	11.7%	4.4%	3.1%
	NT	2.5%	13.1%	78.1%	1.0%	1.1%
	SL	9.0%	6.1%	1.0%	82.7%	7.7%
	ST	18.9%	8.2%	2.3%	5.7%	80.0%
	Outside T&W	3.6%	9.0%	3.5%	2.8%	2.0%
	Check	100.0%	100.0%	100.0%	100.0%	100%

6) Gold Card Concessionary Travel on Metro

a. Overview of Metro Gold Card passenger boardings

The statutory English National Concessionary Travel Scheme does not include light rail, Ferry or heavy rail systems. However, in order to extend customer choice and provide parity with bus, Nexus provides the Gold Card, which allows subsidised travel on Metro for those eligible. Those eligible for the ENCTS can therefore purchase a Metro Gold Card which allowed unlimited travel after 0930 for £12.00 during 2015/16, the income from which assisted with operating costs.

During 2015/16, Gold Card Concessionary pass holders made just over 5.3 million journeys on Metro in Tyne and Wear which represented an increase of 1.3% on the previous year. As the fee for the Gold Card has changed, so has demand. This is depicted in the graph below:-

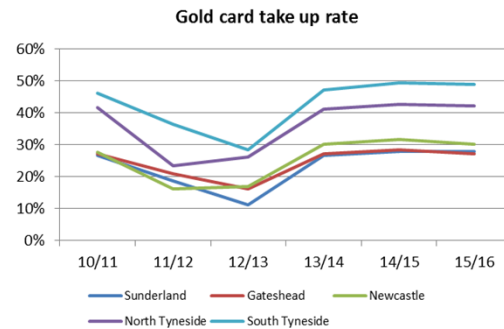


b. Metro Gold Card take up rate

In the 2016 public consultation on services Nexus provides, “Have Your Say”, the provision of the Metro Gold Card was ranked as the top priority for eligible ENCTS pass holders, compared to other local voluntary concessions offered by Nexus.

The table below shows Gold Card sales by local authority area along with demographics and pass take up compared to previous years. Although sales have decreased by 4%, take up rate stands at 34.1% of the eligible population compared to 34.8% in the previous year. Although sales are slightly less than in 2010/11, take up rate remains higher due to changes in eligibility.

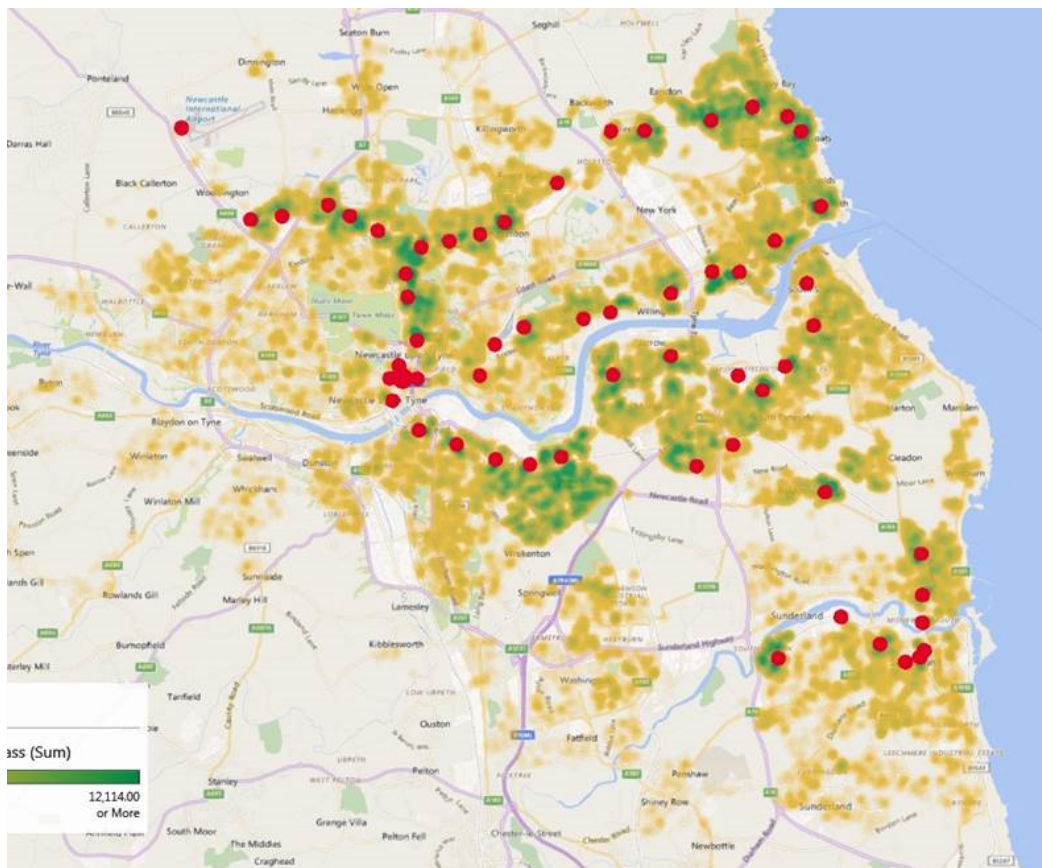
Gold card holder district		10/11	11/12	12/13	13/14	14/15	15/16
Sunderland	Card sales	17,175	11,861	7,185	16,724	17,263	16,707
	Take up (%)	27%	19%	11%	27%	28%	28%
Gateshead	Card sales	12,610	9,435	7,462	12,409	12,809	11,895
	Take up (%)	27%	21%	16%	27%	28%	27%
Newcastle	Card sales	15,119	8,700	8,744	15,263	15,755	14,638
	Take up (%)	28%	16%	17%	30%	32%	30%
North Tyneside	Card sales	19,785	10,968	12,442	19,232	19,852	19,041
	Take up (%)	42%	23%	26%	41%	43%	42%
South Tyneside	Card sales	17,018	13,212	10,108	16,589	17,124	16,421
	Take up (%)	46%	36%	28%	47%	49%	49%
Tyne & Wear	Card sales	81,707	54,176	45,941	80,217	82,802	78,702
	Take up (%)	32.7%	22.1%	18.8%	33.4%	34.8%	34.1%



Eligible Population was extracted from ONS 2014-based Subnational Population Projections for England, a more up-to-date estimate than those used previously.

Gold Card continues to be advertised across all of Tyne and Wear, including key corridors and transport interchanges. Advertising has been used in local authority newsletters as well as in local press titles and Nexus are working in partnership with Age UK to allow Gold Card to become a recommended product.

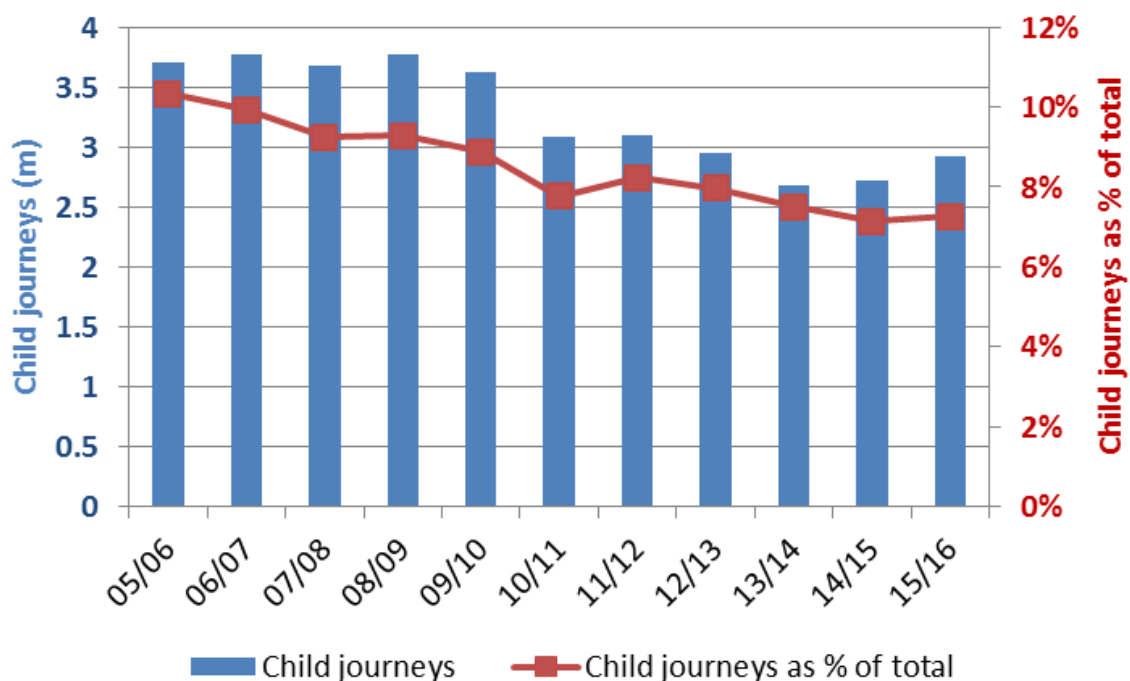
The diagram below shows the trips per card made on Metro per card, plotted by resident's home post code. The analysis, perhaps unsurprisingly shows higher concentrated usage across Tyne and Wear closer to where the Metro network is situated (red dots).



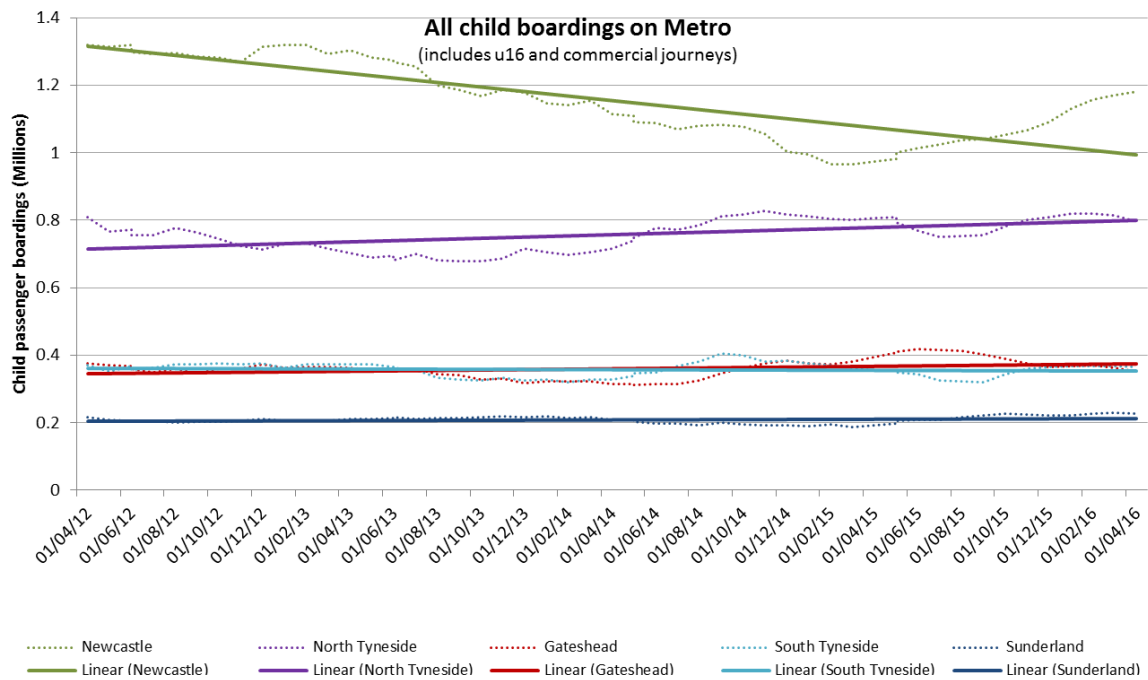
7) Under 16 (U16) Concessionary Travel on Metro

During 2015/16, there were just over 1.1 million journeys made on Metro in Tyne and Wear using the child concessionary products. This equates to a 5.4% increase compared to the previous year, a positive development when compared to bus operations. As with the previous year, a higher number of child journeys (1.8 million) were made using the commercial Metro product, an 8.6% increase on last year.

In 2005/06, child journeys made up 10% of all journeys, compared to less than 7.5% in recent years. However, the chart below shows that in the last 2 years, the child market on Metro has shown signs of stabilisation, following the years of decline seen previously.



The chart below illustrates that over the past three years, the trend in all Under 16 journeys made has been relatively consistent across boardings in each district. The exception to this is boardings in Newcastle which have been subject to more fluctuation, largely because of the major line closure in 2014.



In recent years marketing has concentrated on the beginning of the school summer holidays, but based on econometric analysis in 2016 we have brought this forward to May, running through to the end August. The summer leisure campaign focussed on great places to visit around Tyne and Wear by Metro. Families were used in the imagery and media included Sky Adsmart advertising and outdoor sites, amongst other media formats.

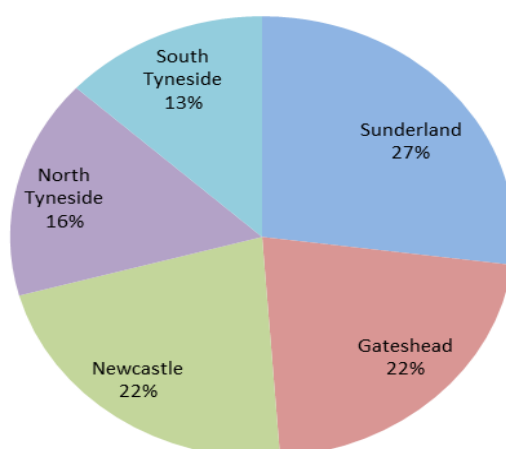
Other school holiday periods are used to ensure that Metro is front of mind when making travel decisions during the school holidays. Activity packs are regularly distributed to children and we have secured long term offers with various attractions that encourage reasons for children and families to travel by Metro.

In 2016, Metro will be actively marketed as the perfect way to see the trail and special limited edition Great North Snowdog and branded Pop Pay As You Go cards and collectable wristbands will be available to buy.

8) Bus Infrastructure

Nexus provides over 6,000 bus stops including 2,000 bus shelters across Tyne and Wear which it also cleans and maintains. Newcastle City Council manage all of their own bus shelters through an independent commercial contract; the other four districts manage some of their bus shelters through an independent commercial contract where a commercial entity provides the infrastructure and in return generates advertising revenues to cover their costs. In addition, Nexus also manages a number of bus stations and interchanges across Tyne and Wear. As it is the actual bus stop that primarily determines the access point to this mode, the chart below provides a breakdown of bus stops across Tyne and Wear by district.

The table below provides a breakdown of the active stops in 2015/16 and sets these in context by also showing the trend when compared to the previous year 2014/15. Despite minimal change in these physical assets year on year, changes to bus services have impacted on how many bus stops are in use. This fluctuates year-on-year as the needs of the public change.



District	Active stops	VL %	Stations	VL %
Sunderland	1,566	-2%	4	→0%
Gateshead	1,266	-2%	5	→0%
Newcastle	1,267	-1%	3	→0%
North Tyneside	932	-1%	4	→0%
South Tyneside	765	-1%	2	→0%
Tyne & Wear	5,796	-1%	18	→0%

9) Public transport information

Nexus also provides a wide range of public transport information in a variety of formats at bus stops, Bus and Metro stations, Travelshops, online and over the telephone.

a. Online

In 2015/16 there were more than 3.4 million sessions (i.e. visits to the site) on the www.nexus.org.uk website, higher than the previous year (3.1 million). The main reason for the increase have been a combination of more visits to the Metro 'service status' section of the website, 'journey planning' and 'contact us', which together with improved ticket finder functionality and online sales has seen growth in online 'hits'. We expect the number of website visits to continue to increase through 2016/17 as the number of people buying products online increases. Currently, 8% of sales made on smart products are purchased online.

The number of visits that originate from within Tyne and Wear remains at around 47% for the third successive year. The use of mobile devices to access the website continues to exceed the use of desktops/laptops, accounting for 63% of the usage over the year (up from 58% last year). 33% of these were from mobile phones while 30% were from tablets.

In the Nexus "Have Your Say" public consultation, the provision of public transport information was ranked as the 2nd most important overarching service provided by Nexus. Within this category, finding information online at www.nexus.org.uk was ranked as the 2nd top priority across all respondent groups.

b. Bus stop timetables

The aspect with regards to information provision that was ranked as most important across all respondent groups in the "Have Your Say" consultation was information provided at bus stops.

The table below shows the number of new bus liners produced throughout the year by district. Nexus will produce new liners if there are service or timetable changes at a stop during the year. With almost 10,000 new liners replacing old ones in 2015/16, on average there were around 27 liners replaced per working day.

District	New Liners	% of liners	Last year	% of liners
Sunderland	1,676	17%	2,277	26%
Gateshead	1,649	17%	2,253	26%
Newcastle	2,178	22%	1,455	17%
North Tyneside	3,827	39%	1,903	22%
South Tyneside	609	6%	897	10%
Tyne & Wear	9,939	100%	8,785	100%

c. Call Centre

The Nexus 'One Stop Shop' received just over 141,500 calls during 2015/16, a drop from around 166,000 calls the previous year. Call volume has fallen since the handling of Traveline calls was transferred to the central UK Traveline facility in the middle of the year but Nexus still continues to deal with around 3,500 requests for travel information per month.

The volume of calls can also increase significantly during periods of extreme weather, service disruptions and special events. Despite taking 387 calls on average per day, there have been days during 2015/16 where the number of daily calls has exceeded 900, reaching 918 on Good Friday 2015.

10) Ferry Services

During 2015/16 there were almost 0.45 million journeys on the cross Tyne Ferry service, which represents a decrease of 4.7% on the previous year.

Passenger type	2013/14	2014/15	2015/16	Change Vol	Change %
Adult	326,868	332,022	321,768	- 10,254	-3%
Gold Card	110,804	113,339	101,452	- 11,887	-10%
Child	25,849	24,119	24,428	309	1%
Total	463,521	469,480	447,648	- 21,832	-4.7%

A number of factors have been identified as probably contributing to the decline.

These include:

- A reduction in people working at South Shields due to significant job losses and relocations (including Essentra, B & Q, Marks & Spencer and Utilitywise, over 650 jobs in total). This has contributed to a reduction in journeys with Ferry season tickets.
- The opening of the new Tyne Tunnel, which for those living in South Tyneside and travelling to new employment opportunities at Cobalt, Silverlink and the Tyne Tunnel Trading Estate, driving is now a quicker and sometimes more attractive option.

Whilst this service provides a key cross Tyne link between South Tyneside and North Tyneside, which is reflected in the figures below, the benefit of this strategic asset also spreads to other districts of Tyne & Wear and beyond. The table below shows the percentage split of Ferry users by home district based on Nexus 2015/16 Ferry User Profile research, acquired during routine customer interviews on the ferry.

Ferry Users by District 2014/15	
District	% Total
North Tyneside	41.6%
South Tyneside	40.4%
Newcastle	3.3%
Gateshead	1.5%
Sunderland	5.3%
Other	7.8%
Tyne & Wear	100%

11) Local Rail Services

During 2015/16 there were just over 0.917 million journeys on local Rail services in Tyne and Wear, which represents a decrease of 7.0% on the previous year. This figure only includes journeys on Northern Rail services travelling on the Newcastle to Sunderland or Newcastle to Blaydon lines. The table below provide a breakdown of the figures relevant to the local Rail market across Tyne and Wear in 2015/16 and sets these in context by also showing the trend when compared to the previous year 2014/15.

Rail: Tyne & Wear by District 2015/16				
District	Pax (000s)	VLV	Stations	Track (miles)
Sunderland	94	↓ -19%	1	6
Gateshead	138	↓ -17%	4	10
Newcastle	685	↓ -3%	1	1
North Tyneside	-	-	-	-
South Tyneside*	-	-	-	5
Tyne & Wear	917	↓ -7%	6	21

* **NOTE:** 5 miles of track on the Sunderland and Newcastle line is actually in South Tyneside

The Office for Road and Rail record the number of entries/exits at all stations across the country. The latest data is for 2014/15. Outside of London, Newcastle Central ranks as the 46th busiest station. It is the rail hub of the North East, accounting almost 39% of all passenger movements in the region (unchanged for the third year running).

Passenger movements (entries & exits) at the stations within Tyne and Wear are shown below;

Station	Passengers 2014/15	Passengers 2013/14	North East Rank (of 55 stations)	UK rank (of 2,539 stations)
Newcastle	8,053,112	8,164,308	1	46
Sunderland	465,784	793,418	8	913
MetroCentre	363,108	374,966	10	1,056
Heworth	15,432	16,622	44	2,241
Blaydon	11,880	5,014	45	2,273
Manors	6,474	4,444	48	2,351
Dunston	4,904	2,336	49	2,382

12) TaxiCard Services

TaxiCard is a social inclusion transport initiative which is provided for disabled people who have difficulty in accessing mainstream public transport services. At the end of 2015/16 there were over 3,600 registered members of the scheme.

TaxiCard Active Membership 2015/16				
District	2014/15	% Share	2015/16	% Share
Sunderland	1,939	53%	1,911	52%
Gateshead	1,004	28%	1,111	30%
Newcastle	185	5%	160	4%
North Tyneside	318	9%	274	8%
South Tyneside	199	5%	187	5%
Tyne & Wear	3,645	100%	3,643	100%

TaxiCard Trips Made 2015/16			
District	2015/16	% Share	Trips per person
Sunderland	69,780	56%	37
Gateshead	41,602	34%	37
Newcastle	3,451	3%	22
North Tyneside	4,914	4%	18
South Tyneside	4,181	3%	22
Tyne & Wear	123,928	100%	34

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North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Date: 3 November 2016

Subject: Update on Nexus' Corporate Risks 2016/17

Report of: Managing Director (Transport Operations)

Executive Summary

The purpose of this report is to inform and update the Sub-Committee on Nexus' Corporate Risk Register.

Recommendations

The Sub-Committee is asked to note and provide comment on Nexus' Corporate Risk Register.

1 Background Information

1.1 As previously reported the fourteen risks contained in Nexus' corporate risk register for 2016/17 are as follows:

- **Metro performance targets not met.**
- **Rail North working arrangements.**
- **Payment and customer information systems do not meet customer expectations.**
- **Non-Metro capital programme fails to deliver intended outcomes.**
- **Metro Asset Renewal Programme fails to deliver intended outcomes**
- **Long term funding for Metro**
- **Replacement Metrocar fleet and Essential Renewals Business Cases not delivered on time.**
- **Nexus is insufficiently prepared to undertake Metro operations with effect from 01 April 2017.**
- **Bus Strategy delivery arrangements.**
- **Nexus' service review fails to deliver the necessary savings.**
- **Business cases to secure additional funding for improvements to the asset base are not delivered to time.**
- **Future retention of key skills and abilities.**
- **The safety performance at Nexus deteriorates in regard to key measures.**
- **The Devolution agenda on transport matters is progressed without having due regard to Nexus' funding, functions and powers.**

1.2 The following table identifies each of the risks in turn and shows the current risk score (the previous risk score) together with the RAG status, the direction of travel (comparing the current score with the previous one) for each of the fourteen risks together and the links back to the workstreams in Nexus Corporate Business Plan for 2016/17. A detailed explanation of the nature of each risk, together with controls and milestones, is set out in Appendix 1 to the report. A copy of the scoring matrix that has been applied is also appended for information.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

Risk name CBP workstream link:	Risk score (previous)	Direction of travel
Metro performance targets not met Reverse unsatisfactory Metro performance	6 (6)	↔ (static)
Rail North working arrangements Improve local rail services: Influence Network Rail's planning process: Develop a new local rail strategy.	4 (4)	↔ (static)
Payment and customer information systems do not meet customer expectations Innovate through technology	6 (8)	↑ (improving)
Non-Metro capital programme fails to deliver intended outcomes Deliver the Asset Renewal Programme	6 (4)	↓ (declining)
Metro Asset Renewal Programme fails to deliver intended outcomes Deliver the Asset Renewal Programme	6 (6)	↔ (static)
Long term funding for Metro Secure Metro's Financial Future	9 (6)	↓ (declining)
Replacement Metrocar fleet and essential renewals business cases not delivered on time Design a new Metrocar fleet	4 (4)	↔ (static)

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Nexus is insufficiently prepared to undertake Metro operations with effect from 1 April 2017 Restructuring Metro operations	4 (4)	↔ (static)
Bus Strategy delivery arrangements Plan the next steps for buses.	9 (9)	↔ (static)
Nexus' service review fails to deliver the necessary savings Review of Nexus' services	6 (6)	↔ (static)
Business cases for improvements to the asset base are not delivered to time Develop business cases to secure funding for improved transport assets	9 (6)	↓ (declining)
Future retention of key skills and abilities Develop training and succession planning.	6 (6)	↔ (static)
Safety performance at Nexus deteriorates with regard to key measures Focus on health, safety and the environment	4 (4)	↔ (static)
The Devolution agenda on transport matters is progressed without having due regard to Nexus' funding, functions and powers Exercise due diligence in managing our capital and revenue resources	8 (4)	↓ (declining)

1.3 The reasons for changes to risk scores since the last report are as follows:

- With regard to the risk that payment and customer information systems do not meet customer expectations the change in the score reflects a reassessment of the likelihood of the risk occurring and the impact should it occur. The impact has been reduced (from 4 to 2) as implementation and roll-out of the smart ticketing project is well progressed, with many features now in place and working. At the same time the likelihood has increased (from 2 to 3) as the remaining aspects to be put in place represent those refinements with a focus on anticipating more complex customer requirements.
- For the risk that the non-Metro capital programme fails to deliver intended outcomes there has been a reassessment of the likelihood and impact such that the former has been increased from 1 to 2, meaning it is now considered there is a 10% to 40% chance of the circumstances arising however, given the nature of the projects involved this year, the impact score has been reduced from 4 to 3 equating to the possible failure to deliver one, rather than several, high profile target.
- Regarding the delivery of the Metro Asset Renewal Plan, while the score has not changed it has been noted that some suppliers/contractors may be exercising caution in their pricing (e.g. for supply of copper cable) due to the lowering of the value of the pound following the outcome of the referendum being a decision not to remain the European Union.
- With regard to long-term funding for Metro the recent decision not to progress the devolution agreement could impact on the ability to fund any required local contribution, thereby increasing the likelihood of the circumstances occurring (from 2 to 3).
- In relation to the risk concerning bus strategy delivery arrangements, the detailed description now notes that the automatic powers to consider a franchising scheme are limited to a Mayoral Combined Authority under the provisions currently proposed in the Bus Services Bill, although other transport authorities may apply to the Secretary of State.
- As to developing and delivering business cases to secure funding for improved transport assets the risk score has been increased because it is considered that the recent decision not to progress the devolution agreement could impact on the ability to attract funding, thereby increasing the likelihood of the circumstances occurring (from 2 to 3).
- The score for the risk that the devolution agenda on transport matters is progressed without having due regard to Nexus' funding, functions and powers has risen from 4 to 8 as recent local developments mean higher levels of uncertainty around this issue which is felt to increase the likelihood of the circumstances occurring from up to 10% to between 10% and 40%.

North East Combined Authority

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- 1.4 As requested by the Sub-Committee further consideration is being given to the implications of the 'Brexit' vote, although it is still too early to quantify any risks that might be involved as very little has actually happened as yet, with only very short term effects as a result of the vote so far, including a lowering of the value of the pound in the currency markets, a rise in the value of the FTSE 100, interest rates being set at a record low.
- 1.5 A timescale has now been set with the government's intention to trigger Article 50 – the formal process to exit the bloc – by the end of March 2017, meaning that the UK will leave the EU by April 2019 following the prescribed two-year negotiation process.
- 1.6 However no actual decisions regarding 'Brexit' and how it will be implemented have been taken yet. The Department for Exiting the European Union is not fully established, though most of the senior team reporting to David Davis MP, Secretary of State, is now in appointed. The Prime Minister will lead the UK's exit negotiations and will be supported on a day-to-day basis by the Department which will work closely with all government departments and negotiate new relationships with the EU and the rest of the world.
- 1.7 'Brexit' will therefore represent a long-term structural change with implications possibly over decades: directly for trade, immigration, retention of the previous contribution to the EU budget, loss of EU funding, freedom from EU legislation and directives; and indirectly on economic, constitutional, social and cultural matters.
- 1.8 All sectors, including public services, will be impacted by changes to sources of funding in that EU streams will no longer be available. The demand for some services may change, for example fewer students may come from EU countries while older ex-pats may return. The impacts will therefore vary from sector to sector. Some services have a level of reliance on staff from EU countries. Exchange rates can impact on purchasing power. Wages costs may be impacted for example by the withdrawal from the Working Time Directive.
- 1.9 Central Government may find that it lacks capacity for some less urgent matters as it deals with the trade negotiations at the same time as getting ready for new processes and procedures e.g. for border and immigration controls. Because of uncertainties some central investment decisions may get delayed, causing potential problems for businesses in their decision making processes. However this may be mitigated by the opportunity to re-allocate the current EU budget contribution, improve competitiveness through reducing bureaucracy, simplifying regulation and progressing devolution.
- 1.10 Within local government risks will again vary from sector to sector with the loss of EU funding, potential staffing implications, the ability to retain and attract employers, business rate income, local investment returns, pension deficits and community relations. For some sectors e.g. waste there will be greater implications than others e.g. local public transport given the level of

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competence exercised by the EU through Directives and regulations (e.g. recycling).

- 1.11 Opportunities for local government could flow from the current low borrowing costs, identifying and responding to any 'Brexit' related skills shortages, possible new constitutional settlements through further devolution, and simplified procurement arrangements.
- 1.12 However these risks and opportunities are dependent on the form in which 'Brexit' actually happens, and the effects of other changes in the wider economic environment.
- 1.13 Recent House of Commons' Library Briefing papers have indicated that, for transport, it is too early to say what impact Brexit will have on aviation, shipping, public transport including rail and bus, and road haulage. Much will hinge on whether the UK remains a part of the EEA or whether it concludes bilateral treaties which oblige it to apply much of the current framework as regards single transport markets (such as Switzerland has). More generally transport prices may be affected by the general economic impact of Brexit – for example if inflation rises so will rail fares; and if the economy experiences a downturn big expensive infrastructure projects might be more difficult to finance.

2 Proposals

- 2.1 Nexus will continue to manage its corporate risk register to record, monitor and report to the Tyne and Wear Sub Committee at quarterly intervals.

3 Next Steps

- 3.1 A quarterly update on Nexus corporate risks will be reported to the Committee.

4 Potential Impact on Objectives

- 4.1 Nexus' corporate risk register will not impact directly on the objectives of the Authority's policies and priorities; however Nexus' approach to risk management will support delivery of aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

5 Finance and Other Resources

- 5.1 There are no direct financial implications for the NECA regarding the management of Nexus' Corporate Risk Register.

6 Legal

- 6.1 There are no specific legal implications for the NECA arising directly from this report.

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7 Other Considerations

7.1 Consultation/Community Engagement

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

7.2 Human Rights

There are no Human Rights implications directly arising from this report.

7.3 Equalities and Diversity

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

7.4 Risk Management

There are no direct risk management implications for the NECA arising from this report which provides the assurance that Nexus is managing its corporate risks.

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

8 Background Documents

8.1 Nexus' Corporate Business Plan 2016/17.

8.2 House of Commons Library Briefing Paper Number 07213, 'Brexit: impact across policy areas', published 26 August 2016

8.3 House of Commons Library Briefing Paper Number 7633, 'Brexit: how will it affect transport?' published 25 July 2016

9 Links to the Local Transport Plans

9.1 Nexus' approach to corporate risk management will support delivery of the Strategic Economic Plan and the Tyne and Wear Local Transport Plan, by identifying and dealing with the biggest long-term threats to delivery.

10 Appendices

10.1 Appendix 1 details each of Nexus' fourteen corporate risks.

10.2 Appendix 2 is the risk analysis toolkit that has been applied.

11 Contact Officers

11.1 Tobyn Hughes, Managing Director (Transport Operations),

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12 Sign off

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

13 Glossary

Corporate Risk - relates to those factors that might have a significant effect on the achievement of workstreams in Nexus' Corporate Business Plan and therefore the successful delivery of the NECA's policies and priorities.

Risk - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.

Risk Controls or control processes - are those pre-emptive actions which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

Risk Matrix - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

Risk Owner - has overall responsibility for the management and reporting of the risk.

Risk Impact - indicates the potential seriousness should the risk materialise.

Risk Likelihood - indicates the chance of a risk materialising in the time period under consideration.

Risk Score - the product of the Impact score multiplied by the Likelihood score.

Appendix 1

Nexus' Corporate Risk Register:

CBP Theme: Improve public transport services today		
CBP Workstream: Reverse unsatisfactory Metro performance		
Risk Owner: Director of Rail and Infrastructure Risk Area: Metro performance	Risk Score 3x2 (LxI) ¹	Direction of Travel
	6 Green	↔ (static)
<u>Risk</u>		
Metro performance targets not met.		
Impact/Consequence(s): That unsatisfactory Metro performance (including for special events such as the Great North Run) continues and/or worsens, leading to loss of confidence in Nexus as an effective delivery agent for the NECA.		
Control(s): <ul style="list-style-type: none">• Closer monitoring of DBTW activities• Increased auditing of key delivery outputs from DBTW• Increase 'micro-management' of critical Metro issues		
Next Steps/Key Milestones: <ul style="list-style-type: none">• Quarterly Concession Performance Management meetings		

¹ L = Likelihood; I = Impact

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CBP Theme: Improve public transport today CBP Workstream: Improve local rail services		
Risk Owner: Director of Rail and Infrastructure Risk Area: Rail North working arrangements	Risk Score 1x4 (LxI)	Direction of Travel
	4 Green	↔ (static)
<u>Risk</u> Rail North working arrangements may fail to deliver the NECA's ambitions for improvements in rail services.		
Impact/Consequence(s): The NECA is seeking to achieve transformational improvements in rail services for the area. Failure to secure these improvements could leave the NECA area isolated in terms of rail connectivity and thereby limit delivery of the Strategic Economic Plan.		
Control(s): <ul style="list-style-type: none">• Active participation in Rail North• Ensuring that the NECA Lead Member for Transport is fully briefed• Formation of the North East Rail Management Unit (NEMU)• Appointment of NEMU Manager• Close working relationships developed with Rail North Partnership Directors• Close working relationships developed with senior managers of newly appointed local rail franchise operators.• Close working relationships developed with senior managers of existing rail franchises that serve the North East		
Next Steps/Key Milestones: <ul style="list-style-type: none">• Continue with the newly developed framework for engaging and managing the new North East Rail Franchises.		

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CBP Theme: Improve public transport services today		
CBP Workstream: Innovate through technology		
Risk Owner: Corporate Manager Business Change and Technology Risk Area: Payment and customer information systems	Risk Score 3x2 (LxI)	Direction of Travel
	6 Green	↔ (static)
<u>Risk</u>		
Payment and customer information systems do not meet the rate of change in customer expectations.		
Impact/Consequence(s): Customer facing technologies being implemented by Nexus could be overtaken by technological developments and customer experience elsewhere leading to the offer being perceived as inadequate or outdated and unable to deliver the intended benefits for customers and stakeholders.		
Control(s): <ul style="list-style-type: none">• Emerging technology roadmap covering a 10 year timeframe• Embedding technology roadmap within NECA's Transport Plan for the North East• Setting timescales and milestones and working to a plan• Aligning with Transport for the North developments as committed through the Devolution Agreement		
Next Steps/Key Milestones: <ul style="list-style-type: none">• Providing input to the Transport Plan for the North East• Providing input to the plans being developed through Transport for the North• Updating and refreshing the technology roadmap and related plans on a regular basis		

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CBP Theme: Be an effective delivery agent for the NECA		
CBP Workstream: Exercise due diligence in managing our capital and revenue resources		
Risk Owner: Corporate Manager Business Change and Technology Risk Area: Non-Metro capital programme	Risk Score 2x3 (LxI)	Direction of Travel
	6 Green	↔ (static)
<u>Risk</u> Non-Metro capital programme fails to deliver intended outcomes.		
Impact/Consequence(s): There is a risk that projects in the non-Metro capital programme are not delivered to time, cost and quality requirements.		
Control(s): <ul style="list-style-type: none">• The Programme Assurance provides independent oversight to ensure that projects comply with standard governance and controls - to help ensure all projects delivered by Nexus are clearly defined, delivered to time and budget and with engagement from stakeholders.• The Business Change (BC) department helps other sections to understand what they are trying to achieve and, through drafting and getting an agreed detailed project specification, then working with Projects to deliver the benefits to the business.• BC has the role of leading on and developing key business change projects to improve the operational efficiency of Nexus and/or the service for our customers.• Ensuring that when requirements for a business change are identified the benefits are too, as well as confirming that the change is properly scoped and implemented.• Working with internal clients to ensure they are prepared and ready to accept the changes that will be needed when the project is integrated back into the business.		
Next Steps/Key Milestones: <ul style="list-style-type: none">• Determined by Nexus' Project Control Manual and the Stage Gate cycle.		

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CBP Theme: Improve public transport services today		
CBP Workstream: Deliver the Asset Renewal Programme		
Risk Owner: Director of Finance and Resources Risk Area: Metro Asset Renewal Plan	Risk Score 2x3 (LxI)	Direction of Travel
	6 (Green)	↔ (static)
<u>Risk</u>		
DfT has confirmed £120m for the final years of the ARP, through to 2020/21, against the original offer of up to £153m. However funding for and affordability of the Metro Asset Renewal Plan (ARP) Phase 2 remains a key concern.		
Impact/Consequence(s): Increased pressure on the funding for and affordability of ARP Phase 2 could mean a further scaling back of the work programme through to 2020/21, adding to the requirement for capital renewals being provided for later years in Phase 3 which could potentially compromise timely delivery of other key elements.		
Control(s): <ul style="list-style-type: none">• Some scaling back has taken place and bids are being made for additional funding e.g. through SLGF in relation to the station investment programme, to relieve the financial pressures involved.• Work with NECA to identify opportunities through the devolution deal to fund Metro schemes.• Effective programme management, project delivery and budget control processes.• Value engineering, technology choice, option analysis, specification and scope.• Active stakeholder engagement to obtain involvement and co-operation of third/interested parties e.g. DB Regio Tyne and Wear Limited, highway authorities, utility companies etc.• Providing sufficient programme/project management resource• Close and proficient management of all contracts relating to ARP works		
Next Steps/Key Milestones: <ul style="list-style-type: none">• Periodic Affordability Review		

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CBP Theme: Prepare for the future		
CBP Workstream: Secure Metro's Financial Future		
Risk Owner: Director of Finance and Resources	Risk Score 3x3(LxI)	Direction of Travel
Risk Area: Long term funding for Metro	9 Amber	↓ (deteriorating)
<u>Risk</u> There is no long-term funding agreement in place to sustain Metro's current operations, replace life expired capital assets and allow future expansion.		
Impact/Consequence(s): The next stage of Metro reinvigoration, commencing in 2021/22, includes replacement of the Metrocar fleet and the signalling system without either of which the continued safe and reliable operation of the railway will not be sustainable in the longer term. Securing a long-term funding agreement involves the consideration of options concerning the future structure of Metro operations to facilitate procurement of the necessary elements. Commitment to long-term funding has to be established through influencing strategic partners.		
Control(s): <ul style="list-style-type: none">• Effective liaison with DfT including 4-weekly progress reporting on the current Asset Renewal Plan and 1/4ly reviews.• Procurement strategy & contractual arrangements that minimise risk and deliver VFM.• Value engineering, technology choice, option analysis, specification and scope.• Engaging members in prioritisation processes.• Active stakeholder engagement/increasing public awareness.• Engaging with national government, local councillors & MPs and building public support.• Inclusion of Metro fleet renewal and route extensions in the devolution agreement.		

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- Ensuring that the long term plan Metro forms an integral part of the NECA's Transport Plan for the North East.
- Linking Metro to the long term development aspirations of the NECA, local Councils and the North East LEP's Strategic Economic Plan.
- Engaging with national government.
- Engaging with local councillors and MPs.
- Leading in development of the business case.
- Identifying and investigating potential funding streams.

Key Milestones/Next Steps:

- Regular quarterly reviews with DfT
- Liaison with DfT to ensure ambitions surrounding future development of Metro can be achieved.
- Input to NECA's Transport Manifesto.
- Input to NECA's Transport Plan for the North East.
- Outline Business Case for replacement Metrolinks was endorsed by the Leadership Board in July 2016.
- Outline Business Case for essential renewals beyond 2021 was endorsed by the Leadership Board in July 2016.
- New Metro and local rail strategy was endorsed by the Leadership Board by in July 2016.
- Development of a business case for extensions will begin immediately following approval of the new Metro and local rail strategy.
- OJEU notice for next Metro operating contract commencing April 2019, to include fleet replacement, to be placed by June 2017. PIN Notice issued in June 2016.

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CBP Theme: Prepare for the Future		
CBP Workstream: Secure Metro's financial future		
Risk Owner: Director of Finance and Resources Risk Area: Delivery of business cases for new Metro rolling stock and essential renewals	Risk Score 1x4 (LxI)	Direction of Travel
	4 Green	↑ (improving)
<u>Risk</u> That the final business cases for the new Metro rolling stock and for essential renewals are not delivered on time to feed into DfT's decision making processes.		
Impact/Consequence(s): The proposed replacement of the current fleet and the investment in essential renewals are key elements in the Metrofutures programme. Metrofutures is Nexus' overall vision to enhance and improve the Metro system into the future. Non-delivery of the business cases to the required DfT deadlines could compromise achievement of the Metrofutures programme.		
Control(s): <ul style="list-style-type: none">• Metro Business Development team established in Corporate Planning section.• Leading the project to scope and let the next Metro operating concession.• Developing the business case to secure funding and to let the contract.• The project also includes developing the business cases for a new fleet of Metrocars and for investment in essential renewals.• Outline business cases are under development.• Economic consultants have been appointed to determine the BCR.• On-going liaison has been established with DfT and preliminary documents have been shared.		
Key Milestones/Next Steps: <ul style="list-style-type: none">• Preliminary Outline Business Cases (OBCs) submitted to DfT• Feedback received was used to prepare a full OBC that was submitted to the July 2016 meeting of Leadership Board• Leadership Board approved the OBC which was then formally submitted to DfT• Actively liaising with DfT and HMT• Nexus to participate in a Gateway Review process initiated by DfT		

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- DfT BICC investment meeting in January 2017 is expected to confirm funding
- Subject to DfT's confirmation of funding procurement activity will commence

CBP Theme: Prepare for the future		
CBP Workstream: Restructuring of Metro operations		
Risk Owner: Metro Transition Director Risk Area: Delivery of Metro operations following the end of the current concession	Risk Score 1x4 (LxI)	Direction of Travel
	4 Green	↑ (Improving)
<u>Risk</u> There is a risk that the significant organisational change processes required to prepare for the reintegration of staff at the end of the current Concession (31st March 2017) may mean that not everything necessary is successfully put in place to ensure a smooth transition of Metro operations from DBTW to Nexus on 1 April 2017.		
Impact/Consequence(s): Failure to achieve a smooth transition could result in a disruption in the continuity of Metro services to passengers in that e.g. key staff may not transfer, regulatory and safety certification consents may not have been granted, contracts may not have been novated, licences may not have been transferred etc.		
Control(s): <ul style="list-style-type: none">• A Metro transition team has been established following the appointment of the Metro Transition Director (MTD).• Liaison has been established with the necessary authorities e.g. Office of Rail & Road, Network Rail, South Tyneside Pensions Fund and providers of 'Key Contracts' (See note at end of table)• Periodic cycle of Metro Futures CMT meetings established to monitor and review progress: 4-weekly reports.• Weekly Transition Team meetings take place. MTD meets with DBTW's Transition Lead fortnightly. Workstream Leads meet on a regular basis.• Established a Metro Transition Project Assurance Committee, meeting on a four-weekly basis, consisting of external rail industry experts together with a NECA representative.• TUPE: Staff engagement plan agreed with DBTW ahead of the formal TUPE process.		

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- Regulatory Consents: Discussions are taking place with ORR, Network Rail and Northern Rail.
- Novation of Contracts: Making appropriate novation arrangements through liaison with suppliers are underway.
- ICT systems: An ICT audit has been undertaken and a plan formed to 'novate' systems currently with DBTW back to Nexus.
- Structure: An alternative delivery option of an in-house subsidiary to deliver operations until April 2019 is being established

Next Steps/Key Milestones:

- Updates with interested authorities as and when required
- Further liaison with contractors and suppliers
- Meetings of the wider Metrofutures Programme Team take place on a fortnightly basis
- Provisional arrangements with regard to regulatory matters will be in place by end of January 2017
- Arrangements for required novation will be in place by end of January 2017

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CBP Theme: Prepare for the future		
CBP Workstream: Plan the next steps for buses		
Risk Owner: Corporate Manager Bus Services Risk Area: Bus strategy delivery arrangements	Risk Score 3 x 3 (LxI)	Direction of Travel
	9 Amber	↓ Declining
<u>Risk</u> New legislation does not provide the necessary means to deliver the Bus Strategy.		
<p>Impact/Consequence(s):</p> <p>Parliamentary consideration of the Bus Services Bill (the Bill) is completing its passage through the House of Lords and will then be considered in the House of Commons.</p> <p>The Bill appears to make provisions in line with expectations regarding franchising arrangements, noting that automatic powers to consider a franchising scheme are likely to be limited to Mayoral Combined Authorities. Further clarity is needed with regard to the provisions being proposed about strengthened partnership working.</p> <p>Timescales for delivering any of the options envisaged under the Bill may be lengthy as a result of the novelty of the proposed legislation which would be unlikely to achieve Royal Assent before early 2017.</p> <p>There are a number of political and practical risks associated with implementing bus franchising in the NECA area that will need to be managed and mitigated.</p>		
<p>Control(s):</p> <ul style="list-style-type: none">• Ensure local stakeholders are aware of the Bill's progress and its implications.• Engage with DfT• Engagement with local MP's to brief on legislative requirements• Put in place background information and research projects in order to ensure that decision makers are fully informed about the benefits the Bill can deliver. <p>Other actions being taken in preparation for the use of the provisions in the Bus Services Bill:</p> <ul style="list-style-type: none">• Undertake a full review of options to deliver the Bus Strategy, including options for bus franchising, through a scoping study. This study will lead to the development of a business case for a preferred option, for consideration by the NECA.		

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- Engage constructively with Northumberland and Durham at an early stage in order to: understand their priorities for buses; reflect those priorities in a series of objectives (which must also reflect the objectives in the Bus Strategy for Tyne and Wear); and ensure that they are fully engaged with a scoping study.
- Maintain constructive dialogue with local bus operators, with a view to developing partnership options for the NECA area.
- Mitigate legal, operational and procurement risks by seeking appropriate advice.

Next Steps/Key Milestones:

- Continue discussions with DfT on the detail of the Bill.
- Lobby via the Urban Transport Group and others for appropriate amendments to the Bill.

Other steps:

- Joint working with Northumberland and Durham will continue in order to ensure full consideration of strategy delivery options across the NECA is undertaken in an inclusive manner
- Undertake a scoping study that considers options for delivering an agreed set of bus objectives
- Open discussions with bus operators about the scope and content of partnership proposals
- Address deficiencies in the availability of bus use and bus revenue data for the full NECA area

CBP Theme: Prepare for the future		
CBP Workstream: Review of Nexus services		
Risk Owner: Director of Finance and Resources Risk Area: Nexus spending review	Risk Score 2x3 (LxI)	Direction of Travel
	6 Green	↑ (improving)
<u>Risk</u>		
Nexus' service review fails to deliver the necessary savings.		
Impact/Consequence(s): There is a risk that Nexus' service review may not produce the savings necessary to meet the proposed reduction in funding available from the levy, together with the requirement to eliminate reliance on use of reserves by 2019/20.		
Control(s): <ul style="list-style-type: none">• Budget managers have prepared service plans• Consultation with public and key stakeholders undertaken in June and July• Base budget review carried out• Balance sheet review undertaken		
Next Steps/Key Milestones: <ul style="list-style-type: none">• Proposals for consideration by TWSC will be formulated on the basis of the consultation results• TWSC will then make informed choices regarding Nexus' prioritisation of services within the reduced resource base as remitted by the Leadership Board• Nexus will then prepare its forward plan commencing 2017/18 on the basis of the agreed prioritisation for consideration through the NECA budget formulation process		

CBP Theme: Prepare for the future CBP Workstream: Develop business cases to secure funding to improve public transport assets		
Risk Owner: Director of Finance and Resources Risk Area: Business cases for external funding	Risk Score 3x3 (LxI)	Direction of Travel
	9 Amber	↔ (static)
<u>Risk</u> Business cases to secure additional funding for improvements to the asset base are not delivered to time.		
Impact/Consequence(s): <p>Lack of public sector funding means Nexus is becoming more reliant on attracting external funding for which good quality business cases that show Value for Money are required. Nexus' capability and capacity to prepare business cases on time and to the required quality will impact on Nexus' success in attracting such funding.</p>		
Control(s): <ul style="list-style-type: none"> • Dedicated resources in Corporate Planning section • Programme that ensures tasks and responsibilities are carried out to time • Budgets established • Liaison with the Regional Team to co-ordinate activity • Close supervision of economic consultancy inputs, providing the required information to ensure timely advice 		
Next Steps/Key Milestones: <ul style="list-style-type: none"> • Develop business cases for Single Local Growth Fund (SLGF) 'pipeline' schemes as prioritised by the Regional Team • Establish resources to develop SLGF 'pipeline' schemes to Stagegate 3 • Develop possible future schemes to Stagegate 3 and establish a Nexus' pipeline 		

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- Promote the Stagegate A/B process to capture ideas for possible longer-term future schemes

CBP Themes: Be an effective delivery agent for the NECA.		
CBP Workstream: Develop training and succession planning		
Risk Owner: Corporate Manager Legal and Human Resources; Director of Rail and Infrastructure. Risk Area: Future retention of key skills and abilities.	Risk Score 2x3 (LxI)	Direction of Travel
	6 Green	↑ Improving
<u>Risk</u> Nexus may be unable to recruit and retain key personnel because of public sector pay restraint and competition from more buoyant employers		
Impact/Consequence(s): This could adversely impact on Nexus' ability to deliver key projects on behalf of the NECA. Placing reliance on third party resources (e.g. external consultants) to provide the required skills and expertise could result in increased costs and/or delays.		
Control(s): <ul style="list-style-type: none">Keep the revised "person spec" for key posts under review to optimise the potential size of the application base.Review the market supplements available to key posts.Keep under review key aspects within Nexus recruitment process.Develop a wider internal graduate base from which to draw.Explore 'fast-track' options to secure a graduate base.Develop succession plans for key business areas.Develop training and succession planning to ensure we are fit to meet changing business requirements.		
Next Steps/Key Milestones: <ul style="list-style-type: none">Completing the review of market supplements for key posts.Progressing an establishment review with departmental/sectional managers, andFeeding the outcomes into training & succession planning processes.		

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- Fully evaluate the development of the graduate & fast-track options by end of November.

CBP Theme: Be an effective delivery agent for the NECA		
CBP Workstream: Focus on health, safety and the environment		
Risk Owner: Director of Rail and Infrastructure Risk Area: Deterioration in safety performance	Risk Score 2x2 (LxI)	Direction of Travel
	4 Green	↔ (static)
<u>Risk</u> That safety performance at Nexus deteriorates in regard to key measures.		
Impact/Consequence(s): Deterioration in key measures of safety performance would indicate an increase in the likelihood of accidents and incidents occurring.		
Control(s): <ul style="list-style-type: none">'Safe Supervisor' training aimed at continuing the culture change initiative started in 2015/16.Continuously review of risk assessments, safe systems of work and procedures across the organisation.Continue development of the Metro Rule Book.Increase awareness around staff wellbeing issues e.g. muscular/skeletal problems from ballast walking, vibration white finger and fatigue.Improve dissemination of critical changes to rules, standards and specifications.Assurance programme to provide for transition as well as the HSTQE internal audits.Further review of level crossings to be determined by the steering group.Explore introducing a 'Just Culture' set of arrangements with the Trades' Unions.		
Next Steps/Key Milestones: <ul style="list-style-type: none">Periodically carry out a sample audit of the newly introduced rule book and other safety critical documentation produced by Nexus.		

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- New system for controlling rule book changes to be implemented by November 2016.
- Commence 'Safe Supervisor' training by November 2016.

CBP Theme: Prepare for the future		
CBP Workstream: Review of Nexus' services		
Risk Owner: Managing Director Transport Operations Risk Area: Progressing the devolution agenda	Risk Score 2x4 (LxI)	Direction of Travel
	8 Amber	↔ (static)
<u>Risk</u>		
The devolution agenda on transport matters is progressed without due regard to Nexus' funding, functions and powers.		
Impact/Consequence(s): There is a risk that the devolution agenda is progressed without due regard to Nexus' funding, functions and powers potentially leading to sub-optimal decisions with regard to making future provision for public transport arrangements in the NECA area. If devolution goes ahead without due regard for Nexus duties and powers as the Passenger Transport Executive for Tyne and Wear there is the potential for increased complexity and cost. There will also be uncertainty in the development of area wide transport policies and any associated action to deliver them.		
Control(s): <ul style="list-style-type: none">• Engagement with NECA statutory officers to identify legal and financial considerations• Work with the Chief Executives' Group to identify issues and mitigations• Liaison with District officers to identify working approaches in the event of the current statutory arrangements being redefined		
Next Steps/Key Milestones: <ul style="list-style-type: none">• To be determined		

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Risk Analysis Toolkit

Determine the risk priority:					
B: Impact					
Likelihood		Insignificant	Minor	Significant	Critical
	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

A - Assess the likelihood of the risk occurring:	
High	More than a 75% chance of circumstances arising
Medium	40% to 75% chance of circumstances arising
Low	10% to 40% chance of circumstances arising
Negligible	Less than a 10% chance of circumstances arising

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B - Assess the impact should the risk occur:

	Legislative/contractual	Service Delivery	Financial	Reputational	Project delivery
Critical/Showstopper	<ul style="list-style-type: none"> Statutory duty or regulatory requirement not achieved 	<ul style="list-style-type: none"> Longer term disruption to major service element. 	<ul style="list-style-type: none"> Inability to secure or loss of significant funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on budget 	<ul style="list-style-type: none"> Persistent adverse national media coverage 	<ul style="list-style-type: none"> Failure to deliver several high profile targets
Significant	<ul style="list-style-type: none"> Breach of significant contract; element of legislative requirement not achieved. 	<ul style="list-style-type: none"> Major element of service not provided for 1 week, longer term disruption to minor element 	<ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on budget 	<ul style="list-style-type: none"> Persistent adverse local media coverage 	<ul style="list-style-type: none"> Failure to deliver a high profile target

North East Combined Authority

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Minor	<ul style="list-style-type: none">• Breach of minor contract; failure to meet significant contract terms	<ul style="list-style-type: none">• Major element of service not provided for 1 day, minor element not provided for 1 week	<ul style="list-style-type: none">• Minor financial loss in more than one business activity• Some/loss of funding or funding opportunity threatened	<ul style="list-style-type: none">• Adverse local publicity / local public opinion	<ul style="list-style-type: none">• Significant delay to high profile project, or failure to deliver target
Significant	<ul style="list-style-type: none">• Failure to meet minor terms of contract	<ul style="list-style-type: none">• Short term disruption to restricted aspects of service delivery	<ul style="list-style-type: none">• Isolated/minor financial impact	<ul style="list-style-type: none">• Short term adverse local public opinion.	<ul style="list-style-type: none">• Delay to project

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