



## **Transport North East (Tyne and Wear) Sub-Committee**

Tuesday 24 November 2015 at 2.00 pm

Meeting to be held at Durham County Council, County Hall, Durham, DH1 5UQ

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# AGENDA

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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.	<b>Minutes of the Previous Meeting</b>	<b>1 - 4</b>
4.	<b>Metro Services for the 2015 Great North Run</b>	<b>5 - 28</b>
5.	<b>Monitoring Nexus's Performance: 1 April to 12 September 2015</b>	<b>29 - 54</b>
6.	<b>Tyne and Wear Metro Performance Update</b>	<b>55 - 60</b>
7.	<b>Revision to the Metro and Ferry Fares 2016</b>	<b>61 - 76</b>
8.	<b>Nexus' Annual Activity and Expenditure Report 2014/15</b>	<b>77 - 114</b>
9.	<b>Nexus's Corporate Business Plan 2016/17 to 2018/19</b>	<b>115 - 132</b>
10.	<b>Concessionary Travel Policy for Tyne and Wear</b>	<b>133 - 146</b>
11.	<b>Draft Transport Budget and Levies 2016/17</b>	<b>147 - 160</b>

12. **Date and Time of Next Meeting**

Thursday, 28 January 2016 at 2pm at Sunderland Civic Centre.

13. **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.

14.	<b>Confidential Minutes of the Previous Meeting</b>	<b>161 - 164</b>
15.	<b>Tyne Tunnels Update</b>	<b>165 - 216</b>
16.	<b>Update on Nexus' Strategic Risks</b>	<b>217 - 230</b>

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**To All Members**

## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

17 September 2015

(2.05 - 3.40 pm)

Meeting held: North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

#### **Present:**

Councillor: Harrison (Chair)

Councillors: G Hobson, J McCarty, McElroy and M Mordey

#### **17 ANNOUNCEMENTS FROM THE CHAIR - THE TYNE AND WEAR METRO**

The Chair opened the meeting and explained that Members were concerned about the performance of Metro on the day of the Great North Run. For that reason, and also due to other issues with the performance of Metro, agenda items 6 and 14 would need to be deferred until a thorough investigation of the events had been undertaken and results reported to Members.

The Managing Director (Transport Operations) addressed the Sub-Committee with an acknowledgement of poor performance of Metro on the day of the Great North Run, referring to the successful and long-standing blueprint established for Metro to support this event over the years, and noting that an investigation had been launched by Nexus.

Members expressed concern about the risks of a potential reputational damage for the region and commented on the need to look at broader issues with the performance of Metro and the importance of a detailed report on the results of the investigation.

A representative of a campaigning group addressed the Sub-Committee conveying concerns of the Metro users, which had been posted on the group's social media page. During his representation the representative commented on the importance of restoring confidence in Metro and asked for a wider review of Metro services, including reliability.

Members suggested that the Overview and Scrutiny Committee should be asked to provide a more independent scrutiny of the issues with the performance of Metro.

Other comments from Members included references to the contrasting good performance of the Tyne Ferry, the high number of issues with Metro, the

importance of understanding these issues and the importance of the Metro services being put right.

**RESOLVED** – That a detailed report be provided to a future meeting on the investigation of the performance of Metro, particularly on the day of the Great North Run.

**18 APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

**19 DECLARATIONS OF INTEREST**

Councillors Harrison, Hobson and McElroy declared a personal interest in all agenda items relating to Metro due to holding the Metro Gold Card.

Councillor Hobson declared a personal interest in agenda item 17 (Tyne Tunnel Update) due to holding a commercially acquired pass for the Tyne Tunnels.

**20 MINUTES OF THE PREVIOUS MEETING HELD ON 9 JULY 2015**

The minutes of the previous meeting held on 9 July 2015 were approved as a correct record and signed by the Chair.

**21 MONITORING NEXUS'S PERFORMANCE: 1ST APRIL TO 18TH JULY 2015**

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

Members considered the report which provided information on Nexus's performance against its business plan objectives over the period 1 April to 18 July 2015.

A discussion took place on the need to publicise and announce information in relation to the 700 "Connect" service, Sunderland, including announcements on trains. Members suggested that consideration should also be given to announcing special arrangements for disabled passengers and passengers using park and ride facilities. Members also suggested that announcements should be made before Durham Station.

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

**22 DB REGIO TYNE & WEAR LIMITED (DBTW) PERFORMANCE UPDATE**

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

Members considered the report which provided information on the recent performance with regard to the operation of the Metro system by Deutsche Bahn Regio Tyne and Wear Ltd (DBTW).

Amongst the matters discussed during the ensuing discussion were the following:

- the contractual obligations of DBTW;
- the joint working between DBTW and Nexus to address the Metro performance issues;
- the work to improve the cleanliness and presentation of the Metro trains;
- the need to liaise with Network Rail with regard to their responsibilities for cleaning the rail tracks, particularly in Sunderland;
- the expectations of the public with regard to the Metro services and Members' accountability; and
- the importance of significant improvements in the performance of Metro.

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

**23 EXPIRY OF THE TYNE AND WEAR METRO CONCESSION AND OPTIONS TO EXTEND**

Submitted: A report of the Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes) which provided information on the forthcoming expiration of the Metro Concession Agreement and option for Nexus to extend it.

**RESOLVED** – The report be deferred.

**24 UPDATE ON NEXUS'S STRATEGIC RISKS 2015/16**

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

Members considered the report which provided an update on the Nexus strategic risks 2015/16.

Members noted the work undertaken to address risks associated with the recruitment and retention of staff with specialist skills, including work with educational establishments, apprenticeship schemes, in-house training and targeting and attracting high calibre candidates.

**RESOLVED** – That the report and the current status of the nine strategic business risks currently being managed by Nexus be noted.

**25 USE OF "GOLD CARD" TRAVEL PASS ON METRO - RESPONSE TO PETITION**

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

Members considered the report which provided Nexus' response to a petition that had been received at the 9 July 2015 meeting in relation to the commencement of the period of validity of the Gold Card.

During the ensuing discussion, Members welcomed the proposals and thanked officers for their work. Members asked that information on the forthcoming changes should be communicated to users. A representative of a local group addressed the Sub-Committee offering thanks for the proposed changes.

**RESOLVED** – That a modification to the software to allow the Gold Card to be accepted by devices from 09:27hrs be implemented from November 2015.

26      **NEXUS PUBLICITY MARKETING AND PROMOTIONS POLICY**

Submitted: A report of the Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes) which sought endorsement of a policy for future publicity, marketing and promotions in Tyne and Wear.

**RESOLVED** – That the consideration of the report be deferred pending further information on budget and spend and clarification of commercial entities.

27      **DATE AND TIME OF NEXT MEETING**

Tuesday, 24 November 2015 at 2pm at Durham County Hall.

28      **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** – That by virtue of paragraph 3 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 12, 13, 14, 15, 16 and 17 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

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**Date:** 24 November 2015

**Subject:** Metro Services for the 2015 Great North Run

**Report of:** Managing Director (Transport Operations)

#### **Executive Summary**

The purpose of this report is to provide members with an update on Nexus's review into the delivery problems experienced on the Metro during the 2015 Great North Run.

#### **Recommendations**

It is recommended that the Committee notes within this report:

- i. the findings contained within Nexus' review;
- ii. that the events around the 2015 Great North Run are considered a one off;  
and
- iii. the apology Nexus extends in relation to the service levels delivered.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### **1 Background Information**

- 1.1 The 2015 Metro service aimed at supporting the Great North Run, experienced significant disruption shortly after the start of service and throughout much of the day.
- 1.2 In response to this a request was made by the NECA's Managing Director (Transport Operations) to undertake a review of the events leading up to the day of the Great North Run in 2015. The main purpose of the review is to:
  - a) establish facts as to what deficiencies presented themselves on Sunday 13 September 2015;
  - b) identify what caused the above to present themselves; and
  - c) make recommendations aimed at reducing similar risks reoccurring in future years.
- 1.3 Nexus's Director of Rail and Infrastructure has now completed the review and a copy of the report is attached as Appendix 1.

### **2 Findings**

- 2.1 The review has found the main cause of the problems experienced was a reduction in the timetable that DBTW planned to deliver on 13 September 2015.
- 2.2 The only motivation for which the review found evidence for reducing from a previously successful set of arrangements was to avoid possible driver shortages relating to rostering difficulties. On the day, and against this already weakened plan, further driver shortages were experienced.
- 2.3 Before 10.00 hours the level of reduction in (year on year) capacity expressed by train kilometres (KMs) ranged from 25% to 44% across various parts of the network. This reduction in passenger carrying capacity then caused passenger loading problems which further compounded the delays.
- 2.4 With this disruption ongoing, good spacing or regulation of the service was lost and replaced by the bunching of trains across the network. This led to a number of overhead line power trips. Consequential to these problems overcrowding occurred and this in some cases resulted in a number of passengers feeling unwell.
- 2.5 Knowledge of the reduction in the planned timetable was contained within the DBTW operations team and was not escalated internally or conveyed externally to Nexus.
- 2.6 Overall it is considered that the experiences encountered on the Metro during the 2015 Great North Run day were a one off.



# **North East Combined Authority**

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### **3 Corrective Actions**

- 3.1 Nexus deeply regrets the failings experienced by Metro passengers on 13 September 2015, and would like to offer a sincere apology to Great North Run participants, spectators and organisers.
- 3.2 The review undertaken by Nexus identified a total of nine recommendations. These will now be actioned making way for Metro services on all future Great North Run days to be as successful as those prior to 2015.

### **4 Potential Impact on Objectives**

- 4.1 There is no specific potential impact on objectives arising from this report.

### **5 Finance and Other Resources**

- 5.1 There are no direct financial implications regarding the contents of this paper

### **6 Legal**

- 6.1 There are no direct legal implications regarding the contents of 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**

Nexus's Strategic Risk register recognises that continued delivery of the current Metro operating concession may not meet expectations and that a range of

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## Transport North East (Tyne and Wear) Sub-Committee

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mitigating actions are detailed as control measures. A paper elsewhere on this agenda provides further detail.

### 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.

## 8 **Background Documents**

8.1 None.

## 9 **Links to the Local Transport Plans**

9.1 This report has no direct links to plans in the Policy Framework.

## 10 **Appendices**

10.1 Nexus Director Level Review in relation to the provision of the Great North Run 2015 Metro services.

## 11 **Contact Officers**

11.1 Raymond Johnstone, [Raymond.johnstone@nexus.org.uk](mailto:Raymond.johnstone@nexus.org.uk), Tel: 0191 203 3500

## 12 **Sign off**

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



## **APPENDIX 1**

### **1. EXECUTIVE SUMMARY**

- 1.1 The 2015 Metro service, aimed at supporting the Great North Run, experienced significant disruption shortly after the start of service. This review has found the main cause of this was a reduction in the timetable of planned delivery. The only motivation for which this review has found evidence for reducing from a previously successful set of arrangements was to avoid possible driver shortages. On the day, and against this already weakened plan, further driver shortages were experienced.
- 1.2 Before 10.00 hours the level of reduction in (year on year) capacity expressed by train kilometres (KMs) ranged from 25% to 44% across various parts of the network. This reduction in passenger carrying capacity then caused passenger loading problems which further compounded the delays.
- 1.3 With this disruption ongoing, good spacing or regulation of the service was lost and replaced by the bunching of trains across the network. This led to a number of overhead line power trips. Consequential to these problems overcrowding occurred and this in some cases resulted in a number of passengers feeling unwell.
- 1.4 The reduction in the timetable as planned was contained within the DBTW operations team and was not escalated internally or conveyed externally to Nexus.
- 1.5 This report contains 9 recommendations aimed at preventing a recurrence.

### **2. PURPOSE**

- 2.1 As a result of the request made by the NECA's Managing Director (Transport Operations) a review of the events leading up to the day of the Great North Run in 2015 and what was operationally delivered by the Tyne and Wear Metro have been reviewed:
- 2.2 The main purpose of the review is to:
  - a) establish facts as to what deficiencies presented themselves on Sunday 13 September 2015.



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- b) identify what caused the above to present themselves; and
- c) make recommendations aimed at reducing similar risks reoccurring in future years.

### 3. METHODOLOGY

- 3.1 In compiling this report Nexus' Director of Rail & Infrastructure has used the input of a number of sources.
- 3.2 The main source of these inputs can be summarised as:
  - a) Face to face meetings with key staff
  - b) Contractual documentation
  - c) Control Room based logs from both Nexus and DBTW
  - d) Performance Management System Information
  - e) Feedback obtained from DBTW's own investigation
  - f) Other forms of base documents such as emails, minutes of meetings and similar relevant material

### 4. BACKGROUND

- 4.1 On Sunday 13 September 2015, the 35<sup>th</sup> Great North Run (GNR), which is the world's largest half marathon, took place. The number of runners participating in the race has grown from around 12,000 in 1981 to an estimated 56,000 in 2013, rising to 57,000 in 2014 and 2015.
- 4.2 From before the start of the race, difficulties were experienced by a great number of passengers, many of whom were either running or going to spectate at this annual event.
- 4.3 Overcrowding and disruption continued for much of the day and overall the Tyne and Wear Metro's ability to support the GNR was found to be seriously below normal standards.
- 4.4 Certainly before 2015, the Tyne and Wear Metro has positively contributed to the overall success of the Great North Run.
- 4.5 The Tyne and Wear Metro is the largest light rail system in the UK outside London. On a daily (weekday) basis 450 trains operate carrying in excess of 100,000 passengers. The



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annual patronage of the Metro has grown in recent years, reaching a level now of 39 million passenger journeys.

- 4.6 The Metro is owned by Nexus, the trading name for the Passenger Transport Executive, who manage the system in line with the North East Combined Authority's policies.
- 4.7 In April 2010 operations of the trains and stations, together with the maintenance of the train fleet and management of the operations of the control room, was let via a Concession Agreement (CA) to Deutsche Bahn Regio who formed a subsidiary company called Deutsche Bahn Tyne and Wear (DBTW).
- 4.8 This contract was let after a competitive tendering exercise. The contract is specified and controlled via a set of terms and conditions known as "transactional documents".
- 4.9 The transactional documents cater for numerous activities and situations including delivering 'special events' of which the GNR is one. Details of what is required are contained within one of the transactional documents known as the Operations Specification. This specifies broadly the service provision that makes up the timetable for normal Monday to Sunday services together with various forms of special events such as football matches at Sunderland and Newcastle, the Sunderland Airshow and the Great North Run.

### **5. SUMMARY OF EMERGING PROBLEMS ON 13 SEPTEMBER 2015**

- 5.1 Near to the start of service (around 07.00 hours), 3 x trains were noted as being cancelled for their entire daily diagrams. The reason for this was there were no driving resource.
- 5.2 From 07.14 hours to 08.00 hours a fault on two trains caused them to be late out of the depot. Then a further train failed in service resulting in it being taken out of passenger service.
- 5.3 By 08.10 hours reports of heavy passenger loadings were noted on the Airport line, then followed soon afterwards by Heworth and Sunderland stations.
- 5.4 By 08.48 hours passengers were being left behind at Heworth with many stations observed to have many sizeable queues.
- 5.5 At 09.39 hours large gaps in the service were noted by the Control Room staff with many trains now running 20 minutes late.



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5.6 Over and above matters described in section 5.1 to 5.5 inclusive for the remainder of the day some other problems were experienced. These can be summarised as:

- a) 1 x track circuit failure between Whitley Bay and Tynemouth. This delayed trains that were already in excess of 20 minutes late by another 4 minutes per train on average and is not considered to have had an actual consequence on the delay on the day.
- b) A number of Overhead Line power supply trips which had the consequence of bringing trains to a standstill until the power was restored. This matter will be further explained in a later section of this report.
- c) A number of instances of passengers taking unwell, some of which resulted in medical attention and further delays being encountered.

5.7 From the details outlined within this section (5) of the report, it can be seen that problems emerged from the start of service, when the basic capacity to carry passengers was evidently not coping.

## 6. FACTORS FOR CONSIDERATION

### 6.1 Specifying for the GNR

- 6.1.1 Ordinarily the Metro Delivery on previous GNR days has been positive to the point that it has become an integral part of the day for many runners together with their families and friends. Reflecting this success, alterations to each year's plan is more of a minor adjustment rather than major changes.
- 6.1.2 The Concession Agreement and other transactional documents outlines requirements both generally on timetables and specifically on special events including the GNR.
- 6.1.3 The general requirements placed upon DBTW are that they should act professionally, in good faith and diligently.
- 6.1.4 The Operating Specification (which is one of many so called transactional documents) gives details as to the level of additional passenger services that should be delivered. In the case of the GNR, the key points to note in what is required are:-

- 11 extra trains
- 9 of which are timetabled
- 2 of which to work to instructions on the day
- The above applies between 0540 hours and 1932 hours
- The routes served being South Shields on one hand to Benton, Airport and Monkseaton.

In undertaking this review the wording of a small number of specific clauses in the Operating Specification have been identified as being less than fully clear and alterations should be made to add clarity. However none of the wording deficiencies found are considered to be causal factors in the events of 13<sup>th</sup> September.

6.1.5 Importantly, the Operating Specification Part 1, Appendix C states *"The Operator will ensure that Special Event Services are developed on the basis of analysis of previous experience of servicing such events."*

6.1.6 ***In considering the matter of what is specified, it is reasonable to conclude that a clear specification exists not only on what has to be delivered "on the day" but how there ought to be reviews allowing incremental improvements to be made year-on-year. Furthermore, the Operator, DBTW, should act professionally, in good faith and exercise diligence.***

## 6.2 Planning for the GNR

6.2.1 Following the requirements outlined in the Concession Agreement and other transactional documents, DBTW produced a report into the 2014 GNR Metro Delivery and passed this to Nexus in December 2014.

6.2.2 In April 2015, a joint Nexus/DBTW meeting discussed the 2014 review and made a list of recommendations totalling 13. Whilst some of these were addressing future needs beyond 2015 e.g. ensuring any future South Shields Interchange development would take cognizance of the GNR, others were aimed at addressing more immediate risks. In the case of 4 out of the 13 recommendations these centred around staffing or resourcing; in particular for drivers duties.

6.2.3 The next important milestone in the planning process appears to have been an internal DBTW meeting organised by the Train Planning Team. There was no



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agenda for this meeting and the meeting invite described the purpose as "Discussion to look pragmatically at what train service we can run on GNR day in relation to the discussion we had a couple of months ago with Nexus' aspirations".

6.2.4 The meeting was attended by various parts of the Operations team and included a senior operations manager just short of director level and a senior member of the Contracts Team. The meeting considered the operational difficulties the GNR Metro services presented in terms of driver numbers and the (poor) take up of volunteers experienced during other similar events such as the Sunderland air Show. This meeting was held on 9 June 2015.

6.2.5 The above meeting focussed on the previous year's GNR delivery in terms of securing the correct level of driving resources.

The main issue that was being addressed was how to deal with the problem of obtaining the number of drivers required in order to comply with the Operating Specification or balancing the timetable to equal the level of resource that was considered likely to be available.

There no evidence to suggest that these considerations were motivated by an attempt to reduce costs.

The solution to the shortage of volunteer drivers was to reduce the length of the overtime shifts to make them more attractive to the drivers. The consequences of this solution were not discussed or considered.

6.2.6 What was also not discussed was how to use the "Traincrew Agreement" that exists between DBTW and the Trade Unions in order to minimise the risks relating to the lack of drivers. Section 4.5 of this agreement outlines that in order to safeguard the company's business and commitment to the Metro, arrangements will be agreed with "Sectional Committee A" (the drivers representative). This was never actioned.

6.2.7 Three days after the internal DBTW GNR planning meeting a joint DBTW and Nexus regular concession management meeting took place. This was held on 12 June and at the "Service Delivery Meeting". Amongst other things discussed was the GNR Metro service. The senior operations manager, who was the most senior attendee at the internal DBTW meeting three days before, confirmed, when asked



on the matter, "DBTW plan to run a base Sunday service with additional as per the Ops Spec." Whilst this statement suggested compliance with the Operating Specification it did not convey the critical information that a reduction in services was planned that would result in material changes to the early morning (pre 1000 hours) trains. Therefore those present from Nexus left the meeting with the clear impression that service levels were planned to be consistent with previous years.

- 6.2.8 On the 9 July 2015 the GNR timetable was received by Nexus. Railway timetables are detailed and complex documents that require specialists to construct them. The ability for any non-specialist person to detect flaws is limited. Despite being specifically requested by Nexus's Rail Contract Manager in December 2014, the email from DBTWs Planning Team did not confirm that the attached detailed timetable was either compliant or not in respect of the Operating Specification.
- 6.2.9 This detailed timetable document contained only eight additional trains instead of the required nine. It should be noted that the two (spare) trains to work to instructions on the day (see section 6.1.4) would not be timetabled and, therefore, not visible at this stage in the planning process. The fact that this number of additional trains did not meet the Operating Specification was never identified by Nexus' Concession Office staff. It was, however, returned to DBTW due to the fact that of the trains timetabled some did not meet the basic rules on matters such as turnaround times at terminal end stations.
- 6.2.10 An updated timetable was received by Nexus on 15 July 2015. Again this did not state clearly whether it was compliant or not. Again, like the previous version from 9 July 2015, Nexus Concession Office staff failed to identify it was missing one train.
- 6.2.11 In undertaking this review, it became clear that a number of people within DBTW operated under the assumption that prior to 2015 a base Saturday timetable was used and then supplemented with the total of 11 trains specified for the GNR. This has proved to be inaccurate. A review of the GNR timetable submitted for 2014 has established it consisted of 10 timetabled trains as opposed to the nine specified. It should be noted that 2 out of these 10 timetabled trains had very short distance running diagrams. If this service was to resemble a Saturday timetable, what was submitted would have had to have totalled 14 timetabled trains plus two to be ran as directed on the day. In short, on the basis of using 2014 actual timetable, arrangements for previous GNR events centred around a Sunday timetable not a Saturday timetable.

6.2.12 Lastly but importantly in reviewing this part of the planning arrangements for 2015 it should be noted that there was no evidence that any persons within DBTW outwith the attendees of 9 June meeting were aware of these changes. Specifically the directors of DBTW were not aware. Similarly the fact that changes had been made, which in effect were a diminution of the expected service level, was never conveyed to Nexus.

6.2.13 ***In considering the planning for the 2015 GNR, it is clear that in order to resolve the problem of obtaining the correct number of drivers to deliver the Metro service, the solution in place was simply to reduce the service level provided. No attempt was made to work with the Trade Unions in addressing this. No information was "passed up the line" to make the directors aware of this reduction in service and there was no message sent to Nexus. At the point of passing the detailed timetables to Nexus, DBTW failed to present them in a previously agreed format which would have made any changes and the level of compliance with the Operating Specification clear. The accumulation of these actions can only be described as being deliberately misleading. Nexus' Concession Office failed to notice this reduction in respect to the detailed timetable documents sent to them on two occasions in July 2015.***

### 6.3 The consequence of the shortfall

6.3.1 The diminution or shortfall in the service level became apparent to many passengers from an early stage on the morning of 13 September 2015. Shortly after 8.00 am heavy passenger loadings were noted and by 08.30 am passengers were being left behind by trains that were full to capacity.

6.3.2 Customer complaints received by both Nexus and DBTW relating to the GNR are shown below:-

Total in 2014 - 5  
Total in 2015 - 517

It can easily be seen from the numbers above that 2014 was a successful year and 2015 not.

6.3.3 On 16 September 2015 the 'Sort Out the Metro Group' wrote to the North East Combined Authority's Tyne and Wear Sub Committee chair. The Group highlighted a number of issues of concern. Attached to their letter was a list totalling 35 electronically posted comments most of which gave an account of problems experienced on 13 September 2015.

6.3.4 In respect to quantifying the shortfall and, therefore, understanding the magnitude of this, it is useful to consider over a number of years the train distance (capacity) provided on GNR days. These are recorded as:-

	<u>Planned KMs</u>	<u>Actual KMs</u>
2011	16,247	16,222
2012	16,295	14,665
2013	15,351	14,598
2014	15,412	14,232
2015	14,254	11,534

The capacity of train kms planned in 2015 was 7.5% less than the previous year's plan and was 12.2% less than that planned in 2011.

The actual capacity of train kms provided in 2015 was 19% less than the planned in 2015 and slightly more than a 25% reduction when compared to the planned km in 2014.

It is noticeable that the planned capacity in 2015 broadly equated to that which was actually delivered in 2014. Given that since 2012, what was actually delivered varied from the plan by between 5% and 10% it can be concluded that planning to deliver 14,254 km was inherently risky.

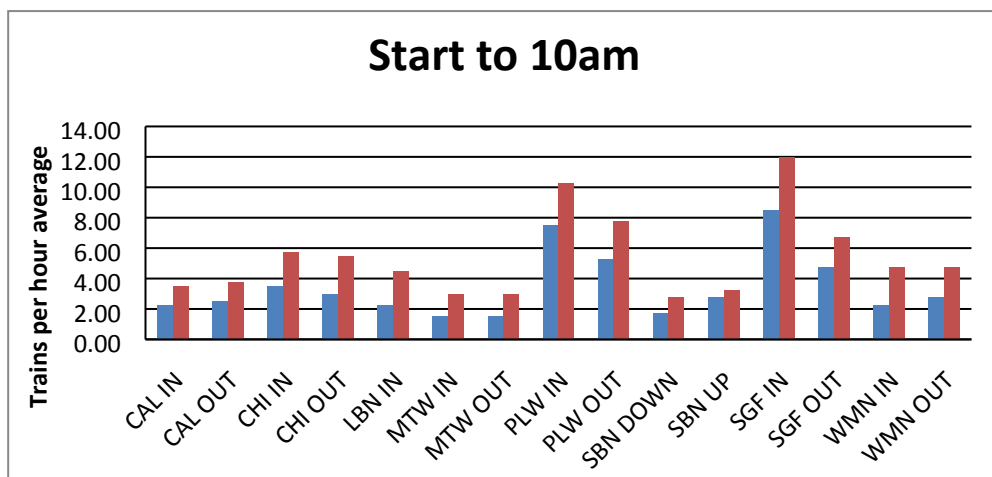
6.3.5 In terms of understanding the causes of this reduction the following summary aims to explain:-

- The 1,158 km reduction between this year's planned 14,254km vs last year's planned 15,412 km can be attributed the new reduced timetable being created (less driving distance and therefore reducing capacity).
- On the day, the difference between the now (reduced) planned capacity of 14,254 km and the 11,534 km actual totalled 2,720km.

c) Using the traditional approach and methodology to attribution of perturbation used between Nexus and DBTW, this gives the GNR Metro services total reduction of 2,720km a breakdown of causal factors as follows:

- 680km on the day driver shortages
- 626km passenger loadings (this is considered to be mostly a consequential or secondary causal factor to driver shortages)
- 1,170km due to passengers operating the emergency handles and/or detraining (taking unwell)
- 54 km due to train failures
- 190km due to overhead line (OHL) electrical trips
- **TOTAL = 2,720 km**

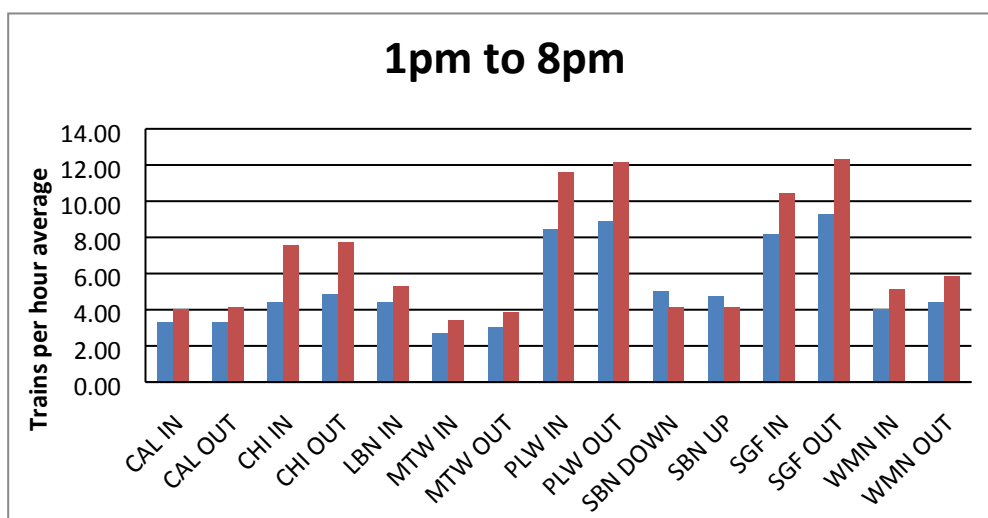
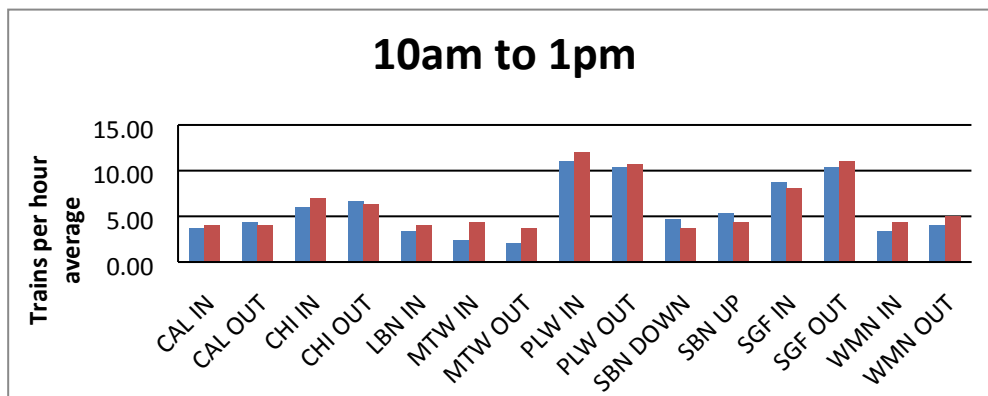
6.3.6 In the graphs below a number of comparisons are made across the Metro network looking at three timeframes: before 10.00 am; 10.00 am to 1.00 pm and 1.00 pm to 8.00 pm. On the X-axis various locations are listed and the Y-axis the number of average trains per hour. A year-on-year comparison is displayed with 2015 shown in blue and 2014 shown in red.





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Key to station codes:

Code	Station Name
CAL	Callerton Parkway
CHI	Chichester
LBN	Longbenton
MTW	Monument (East/West)
PLW	Pelaw
SBN	Seaburn
SGF	South Gosforth
WMN	West Monkseaton

From the three graphs it can be seen that before 10am the largest reductions in service delivered were experienced. The level of reductions from 2014 to 2015 before 10.00 am can be summarised as:

Airport line	28.5%
South Shields line	44.0%
North Tyne Coast	44.0%
Sunderland line	25.0%

The 2015 service levels or capacity between 10am to 1pm are closest to those delivered in 2014 and the period ranging from 1pm to 8pm somewhere between the two.

6.3.7 It is worthy of noting that despite attempting to make the timetable more attractive for drivers to volunteer to take up turns of duty, 1,158kms were lost in the train plan and a further 680km were lost due to driving turns remaining unfilled or vacant on the day. Put another way, a total of 1,838 kms were lost due directly to a shortage of drivers.

6.3.8 ***In considering the shortfall in the capacity provided and the consequence of this for passengers, it is clear that the main causal factors were the planned diminution in service levels added to the "on the day" lack of drivers to fill this diluted train plan. Both of these factors led to a sizeable yet foreseeable effect on the service provision especially on the morning of the GNR. The level of disruption and consequential crowding then created other problems such as passengers activating the train emergency stops and overhead line problems for the remainder of the day.***

***On the day delivery of services affected passengers very badly. The planned reductions, in particular those before 10.00 am, resulted in between a quarter to about a half of services reduced compared to the previous year.***

#### 6.4 Changes in passenger demand

6.4.1 An average Sunday for the Metro would experience a patronage level of around 32,000 passenger journeys. Other than the GNR days, September Sunday's would record about 1,000 less trips.

6.4.2 The number of Metro passenger trips recorded on each GNR day is shown below:

<u>Year</u>	<u>Passenger Patronage</u>
2010	89,974
2011	82,933
2012	81,494
2013	79,859
2014	82,870
2015	84,122

Whilst the 2015 patronage figure is higher than the previous four years, it is only a 1.5% increase on the 2014 figure and, therefore, well within any variation level that might be expected.

6.4.3 In 2010, the patronage figure was a higher level with a total of 89,974. In this year, there was no noticeable problem.

6.4.4 ***In considering the level of demand placed upon the Metro from GNR 2015, it is clear that the numbers were 'in line with expectations' and 'not excessive' and in any event, less than GNR 2010 when there was no noticeable problem. Accordingly, this factor is considered not to have played any part in determining the outcome from the event of this year's GNR.***

## 6.5 Overhead line problems

6.5.1 The Metro system uses a non-standard traction power supply via a 1500 volt dc overhead line (OHL) network.

6.5.2 This network has remained mostly unchanged since the Metro was launched in 1980 and consists of a relatively high number of local OHL sections each of which receives a supply of electricity from a substation.

6.5.3 Close to but not at South Shields terminal end station, the relevant part of the OHL network is called Chichester to Hebburn. Each of the two railway lines has its own individual supply denoted as H/C or C/H.

6.5.4 Each section has electrical overhead protection devices and these are rated at 1300 amps for electrical overloads. In other words should more than 1300 amps

be detected the overloads will operate and interrupt the supply of electricity into the section it protects.

- 6.5.5 In starting from a fully stopped position each Metro train (consisting of two Metrocars) will draw 1000 amps of electrical current. If two trains (a total of four Metrocars) were to run in any one electrical section as much as 2000 amps could be drawn from the OHL and could cause the overload devices to operate. The chances of this happening are relatively low as trains are spaced out.
- 6.5.6 The regular spacing of trains is ordinarily controlled to a large extent by the timetable which stops the bunching of trains.
- 6.5.7 When disruption occurs, reliance is placed on staff within the Metro Control Room to ensure an even spacing of trains takes place. The regulation is important and relies on the interventions and interactions of the System Controllers (in effect the signaller) and the Power Controllers.
- 6.5.8 On Sunday 13 September there were a total of nine overhead line overload trips. Of these, six had more than two trains in the section in some cases as many as four trains were present.

Five of the trips were on the C/H section.

Four of the trips were on the H/C section.

- 6.5.9 It is worthy to note that after delivery of the GNR in 2015 some staff within DBTW presumed the number of trips was a function of some kind of fault that existed during the event.

The two prevailing views within DBTW as to the cause were:

- a) A recent change to the Timed Overloads (TOTs); or
  - b) A faulty feeder cable which failed several days after the GNR.
- 6.5.10 On the first theory this relates the Timed Overloads. These offer a different type of electrical protection should a less high current level (800 amps or more) be prolonged for 40 seconds or more. The assertion that these TOTs caused problems on the GNR day is easy to discount on the basis of data stored within



the SCADA system (Supervisory Control and Data Acquisition). This data shows all nine trips were general overloads and none were timed overloads.

- 6.5.11 On the matter of the faulty cable, this was "in circuit" for the H/C section and could, therefore, only have influenced four out of the nine trips.

Further to this and of greater relevance is that each electrical section has protection in the form of the 1300 amp overload device at both ends. Due to relationship between physical distance, electrical resistance and the level of fault current drawn the geographical end of the section nearest the fault is the end of the section that will detect the fault.

In the case of the 4 x H/C trips, a review of SCADA data shows the fault was detected 3 times by the Chichester overload which was greater than 5km away from the location of the faulty cable. The faulty cable was only several hundred metres from the Hebburn end. Put another way, had the fault cable been the source of these 4 trips then the location seeing and reacting by operating its overload device would have been Hebburn.

- 6.5.12 For the one occurrence where the Hebburn substation overload did operate, 3 x trains were in this section.

- 6.5.13 In respect to the faulty cable causing any of the overhead line trips that day, it is reasonable to summarise that:

- It could not possibly have caused five of the nine
- It is extremely unlikely to have caused three out of the four remaining trips
- Of the one and last remaining trip, it is possible but given three trains were in the section it is far more likely this latter factor caused the OHL overload to trip.

- 6.5.14 Notwithstanding the comments made within this section (6.5), Nexus' Principal engineer responsible for the overhead line system has identified that some greater resilience could possibly be introduced into the system around South Shields. This would be aimed at reducing overloads caused by the bunching of trains. It is thought the investment levels are in the tens of thousands.

6.5.15 ***In considering the overhead line problems experienced on the 2015 GNR day it can be established without doubt that the Time Overloads played no part. In regards to the alternative theory of the defective cable which failed three days later playing a part this could only have done so in one out of nine occasions. For the one possible occasion and on the balance of probability this was due to three trains running in the section at the time and therefore drawing current levels over and above those permitted.***

***Notwithstanding the comments above, Nexus' Principal Engineer has identified a potential opportunity to make more resilient the OHL electrical protection arrangements around South Shields.***

## 6.6 Passengers taking ill

- 6.6.1 Under normal conditions passengers can and do take ill on trains including the Tyne and Wear Metro at any time.
- 6.6.2 Experiences of other UK rail operators would suggest when large volumes of passengers are being carried and disruption occurs there can be an increase in passengers taking ill.
- 6.6.3 13 September 2015 was a warm day for the time of year. In and around the Metro system temperatures were reported to be as high as 18 degrees.
- 6.6.4 Whilst it is difficult to determine precisely from sources such as the Metro system Control Room logs it would appear there were a total of 7 occurrences of reports of one or more passengers taking ill or feeling unwell.
- 6.6.5 Of those recorded cases, three ambulances were requested from the North East Ambulance Service. In one of these the request for an ambulance was later cancelled when a nurse on board the Metro gave assistance to the passenger feeling unwell.
- 6.6.6 Two of the seven occurrences are worthy of further noting with details contained within sections 6.6.7 and 6.6.8.
- 6.6.7 At 13:22 Train 130 was standing mid-section or between Tyne Dock and Chichester stations. Some 19 minutes before there was some disruption when the overhead line overload protection tripped with 3 trains operating in this

section. With the power restored at 13:14 there was a further bunching of trains. Whilst stationary a train emergency door release was operated and an estimated 20 passengers "de-trained" onto the track. All trains in the area were stopped and the police assisted in clearing the area before services could resume. Whilst there is no record of any passengers taking ill or feeling unwell, it is likely this was a factor.

- 6.6.8 The second occurrence worthy of noting is recorded at 15:00 hours and involved a passenger on board Train 143 who suffered a fit at Jarrow. Around 3 minutes later at 15:03 another train near to Jarrow reported having come to a stand as the "passenger emergency button" had been operated. A passenger was reported as being ill. An ambulance attended the site and gave assistance to these two passengers. Later in the day the North East Ambulance Service advised the Metro Control that whilst on site at Jarrow a further 11 people sought assistance.
- 6.6.9 From the information available it would appear that none of the recorded cases of passengers being unwell were of a serious nature.
- 6.6.10 In its policy position on the subject of "on-train crowding" the UK rail safety regulator, The Office of Rail and Roads (formerly Office of Rail Regulation), describe that "there is no conclusive evidence linking over-crowding with anything other than low level health and safety risk to individual passengers."
- 6.6.11 ***Notwithstanding the policy position of the ORR, the perceived level of risk allied to the volume of passengers on services during special events, some of whom may have been feeling unwell, still makes this a matter where efforts could be further focussed. Most obviously preventing over-crowding by a better planned level of service and over and above this and before next year's GNR a review of some practical measures would be of value.***

## 7. CONCLUSIONS

- 7.1 This review has established there was an intentional, sizeable reduction in passenger carrying capacity for Metro services on the day of the 2015 GNR.
- 7.2 The year-on-year reduction in timetable plan equated to 7.5% and emanated from DBTW's inability to encourage drivers to work on this day.



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- 7.3 There is no evidence to suggest that this was escalated to director level within DBTW. The plan was not openly or transparently conveyed to Nexus.
- 7.4 On top of the reduced level of timetabled services, further driver shortages occurred on the day. From experience of the last four years this should have been anticipated and the fact that it was not catered for in planning for the event is of concern.
- 7.5 Both these factors were more prevalent before 10:00 hours. From this point onwards the delay to trains caused passenger over-crowding and poor regulation of services, especially towards South Shields. The latter issue then resulted in problems with the overhead line supply overload protection as too many trains were being operated in close proximity.
- 7.6 The manner in which the origins of this chain of events occurred, and the fact that there was no communication of these changes to Nexus or to the Directors of DBTW can only be described as being deliberately misleading.

## 8. RECOMMENDATIONS

- 8.1 This section contains recommendations aimed at avoiding a recurrence of the events on 13 September 2015 where the Tyne and Wear Metro service fell short of its normally positive track record of supporting the GNR.

### 8.1.1 Recommendation 1

DBTW should undertake a robust review of its planning and delivery arrangements for all future GNRs. This review should carefully consider the trends in patronage and capacity offered in previous years and ensure that all future events are planned with sufficient passenger capabilities. This review should involve the event organiser, local authorities and other relevant organisations.

### 8.1.2 Recommendation 2

DBTW should work with the TUs and make use of the existing Traincrew Agreement. The main output from this action is to ensure there is sufficient driver resource for all the required shifts on future GNR. The resource levels need to meet the passenger demand profile, including catering for pre 1000 hour services.

### 8.1.3 Recommendation 3

DBTW should initiate actions within its own organisation aimed at ensuring that if significant Metro delivery problems exist, these matters are effectively escalated to a more senior level in a prompt manner.

### 8.1.4 Recommendation 4

DBTW should review its arrangements for dealing with passengers feeling unwell/ taking ill in the context of special event days.

### 8.1.5 Recommendation 5

Aimed at avoiding disruption from unnecessary OHL overload trips, DBTW should brief, train or otherwise improve the knowledge and understanding of the relevant Metro Control Room staff to ensure that effective train regulation takes place during special events, times of disruption and any other time this may be required.

### 8.1.6 Recommendation 6

DBTW and Nexus should put in place firm arrangements with respect to the handover of draft timetables. These arrangements should include, but not be limited to:

- a clear indication as to whether or not the proposed draft timetable meets the Operating Specification;
- a clear indication of how the capacity of the proposed draft timetable compares to previous actual arrangements;
- a clear indication where any spare (to be directed on the day) trains are shown on the timetable (or some similar methodology); and
- the inclusion of a section highlighting the level of delivery risk.

### 8.1.7 Recommendation 7

Nexus should review the effectiveness of its draft timetable reviewing arrangements.

### 8.1.8 Recommendation 8



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Nexus should undertake a cost benefit analysis on whether alterations to the OHL around South Shields may make this asset more resilient.

### 8.1.9 Recommendation 9

Nexus should review Annex 1 of the Operating Specification with a view to removing any sources of ambiguity.

## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

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**Date:** 24 November 2015

**Subject:** Monitoring Nexus's Performance: 1 April to 12 September 2015

**Report of:** Chief Executive Officer for Transport and  
Managing Director (Transport Operations)

#### Executive Summary

The purpose of this report is to provide an update on Nexus performance against its Corporate Business Plan (CBP) for 2015/16. The CBP has four main themes and sixteen workstreams which are each dealt with in the attached appendix.

The four themes are:-

- Leading the delivery of better public transport,
- Prepare Metro for the future,
- Deliver the Bus Strategy, and
- Continuous organisational improvement.

The summary performance information within the appendix shows that of the 16 workstreams there are 14 rated as 'Green' in status with two workstreams rated 'Amber', both in Theme 1: 'Leading the Delivery of Better Public Transport'.

Each of the two Amber workstreams is identified as having a trend improvement, because of the mitigating actions which are being taken:

- With regard to 'Improve Customer Satisfaction' the concessionaire DBTW is implementing a campaign to focus its front-line staffs' attention on key customer service matters, and
- In relation to 'Improve Service Quality' the concessionaire is subject to special monitoring measures by Nexus.

The following information is also drawn to the attention of the sub-committee:

#### Metro

At 18.144m boardings Metro patronage is 5.16% ahead of the 17.207m target for the year to 12th Sept 2015 and 4.78% up on the 17.276m boardings in the same period last year.

Metro fare revenues are forecasted to be £0.3m better than budget at the year end.

Metro charter punctuality at the end of the period was 2.51% below the 87.2% target at 85.01%.

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DB Regio have exceeded the number of budgeted Excess Headway Minutes during the year to date; Customer Satisfaction scores are depressed and the mean distance between fleet failures is still below target. As outlined earlier in the report, enhanced monitoring arrangements have been introduced by Nexus.

### Smart

Pop Pay As You Go (PAYG) pilots have been extended on Go Ahead and Arriva bus services: Arriva is planning to extend coverage across all of its services north of the Tyne from 29th September.

The Metro Pop PAYG pilot was further expanded to 350 users and full commercial roll-out of PAYG will commence on 2nd November 2015.

Following the Pop website going live in July, an average of one hundred season tickets a week are being bought on line for pick-up by the user at a Metro station using the TVMs and Validators within 24-hours.

### Bus Quality Contracts

Following public hearings in mid-July the Quality Contracts Scheme Board published its findings at the end of October 2015 and a report was considered at the Leadership Board on 17 November 2015. A verbal update will be provided to the Sub-Committee.

### Performance against Budget

#### Nexus - Summary Revenue Budget

	Budget	Forecast	Variance
	£m	£m	£m
<b>EXPENDITURE</b>			
Metro	81.139	80.856	(0.283)
Concessionary Travel	48.589	48.495	(0.094)
Bus	21.216	20.216	(1.000)
Other	25.277	24.857	(0.420)
	176.221	174.424	(1.797)
<b>INCOME</b>			
Grant Income	91.904	91.857	(0.047)
Commercial Income	60.633	60.707	0.074
Other	20.581	20.581	0.000
	173.118	173.145	0.027
(Surplus) / Deficit	3.103	1.279	(1.824)

As at 12th Sept 2015 the Nexus revenue forecast was showing an improvement against the budget for 2015/16 of £1.824m.



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The Metro Asset Renewal Plan (ARP) forecast for 2015/16 was £41.502m as at 12<sup>th</sup> Sept 2015.

### **Recommendations**

It is recommended that the Committee receives and considers the report and the attached appendix giving details of Nexus corporate performance in delivering services and projects from 1st April to 12th Sept 2015.

#### **1 Background Information**

- 1.1 The attached appendix provides detailed commentary on Nexus' performance against its business plan objectives over the period 1st April to 12th Sept 2015.

#### **2 Proposals**

- 2.1 There are no proposals being submitted for consideration.

#### **3 Next Steps**

- 3.1 Not applicable. A further performance update will be presented at the next 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.

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### **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.

### **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.

## **8 Background Documents**

8.1 None.

## **9 Links to the Local Transport Plans**

9.1 This report has no direct links to the delivery of public transport services and facilities covered in the statutory Local Transport Plan for Tyne and Wear.

## **10 Appendices**

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

## **11 Contact Officers**

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### 12 Sign off

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

### 13 Glossary

**ARP** – Asset Renewal Plan – currently the £389m programme of planned investment in modernising Metro that started in 2010 and is scheduled to complete in 2021, also referred to as Phase II. Phase III of the ARP refers to the later investment required to replace the remaining elements including procurement of a new Metrocar fleet and possible additions to the network.

**ATG** - Automatic Ticket Gate – as part of the smart ticketing project and in order to discourage ticketless travel Automatic Ticket Gates have been installed at 13 stations:

- Airport
- Byker
- Central Station
- Chichester
- Gateshead
- Haymarket
- Heworth
- Jesmond
- Manors
- Monument
- North Shields
- South Shields
- St James

**Beta test** – a controlled release to selected customers of software and functionality to receive *feedback* and ensure the systems can operate with high volumes of traffic: the final stage before a full public launch.

**CIPFA** – Chartered Institute of Public Finance & Accountancy – the professional accountancy body specialising in public services.

**CMS** – Card Management System – provided to manage cardholders' details and history. A database of information about a population of smartcards and customer accounts e.g. English National Concessionary Travel Scheme cards, Pop cards.

**Concession Agreement** – the formal contract between Nexus and DBTW which governs all of the business transactions and discussions between the two parties.

**CT** - Concessionary Travel – Free bus travel and reduced fare travel on local public transport services such as Gold Card on the Metro system which is available to qualifying disabled persons and people who qualify under the English National Concessionary Travel Scheme. CT is also available to under 16's who can travel at reduced fares on buses and the Metro system.

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**CP** – Control Period –Network Rail’s Control Periods have a 5-year timespan. The Control Periods are used for financial and other planning purposes. The current Control Period 5 covers 2014 to 2019 and planning is taking place for CP6 2019 to 2024.

**CMT** – Corporate Management Team –Nexus’ three Directors and five Corporate Managers who together deal with the day-to-day management of the organisation.

**De Minimis agreements** – statutory rules or exceptions under which local transport authorities/executives are in some cases excepted from the requirement to let bus subsidy contracts through competitive tender under the Service Subsidy Agreements (Tendering) (England) (Amendment) Regulations 2004.

**DBTW** – Deutsche Bahn Regio Tyne and Wear Ltd, the current operator of the Tyne and Wear Metro through the Concession Agreement with Nexus that started in April 2010 and will run for seven years extendable to nine years at Nexus’ discretion.

**EHWM** - Excess Headway Minutes, the method by which delays experienced by passengers are measured. The total EHWM for any period is subject to an attribution process resulting to an agreed allocation across the Operator, Nexus Rail, Network Rail and Other/disputed depending on the identified causation.

**ENCTS** – English National Concessionary Travel Scheme - a mandatory bus concession for older and disabled people has been in place since 2001. The scheme has gradually been extended since its introduction and since April 2008 has provided free off-peak local bus travel to eligible older and disabled people anywhere in England.

**EWI** - Excess Waiting Time – the measurement used to calculate punctuality in a high-frequency operation; instead of measuring adherence to timetable, the measurement looks at the number of minutes a passenger is kept waiting above a reasonable threshold based on the scheduled headway (time between trains).

**Failure** – an occasion where the operator did not succeed in meeting its performance criteria on a specific occasion, resulting in a penalty being applied.

**FYE** – Full Year Estimate/Full Year Effect – relates to the estimated increase in costs or savings being made on an annualised basis.

**HOPS** – Host Operating/Processing System – the electronic back-office systems that process transaction security, message handling, product ownership and product accounts. Required in the provision of any ITSO compliant system.

**Hotlisting** – is what happens when a smart card is reported or otherwise identified as being lost or stolen. In the case of a Pop smart card an electronic message is sent to all the devices in the system (e.g. gates, validators) blocking the card from further use. This is to prevent the potential for fraudulent use.

**ITSO** - ITSO Ltd is a Government-backed, non-profit distributing organisation which aims to make travelling on public transport throughout the UK seamless and easier by using smart technology. The company is the guardian of the ITSO Specification – a Crown Copyright open national standard for smart ticketing.

**ITT** – Invitation To Tender - a procedure for generating competing offers from different bidders looking to obtain an award of business activity in works, supply, or service contracts, usually preceded by a pre-qualification questionnaire (PQQ).

**LRA** - Low Rail Adhesion - Leaves falling on tracks are compressed and become a slippery substance that is difficult to remove and creates greasy track conditions known as Low Rail Adhesion.

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**MAA** – moving annual average - the average for the past 13 periods (i.e. 12 months) including the 4-week period being reported on.

**Mean distance between service affecting failures** – is calculated as the total number of fleet failures affecting the Metro service by four minutes or more divided by the total fleet kilometres in the period being reviewed.

**Major Line Closure** – a significant possession of part of the running line, leading to a long section of track being unavailable for normal passenger service over an extended time period.

**Metro Customer Satisfaction Score** – the result of a tracking survey that is carried out in May and November each year as part of the Metro Concession Agreement to compare the result with DBTW's contractual target of 8.3 and apply rewards/penalties as appropriate.

**Metro Passenger Charter** – published in April 2014 by DB Regio Tyne and Wear Ltd (DBTW) the Metro operating concessionaire setting out their commitments to providing excellent customer service, improved cleanliness, safe, welcoming environments and sustained high performance and reliability.

**Miscellaneous Workings** – refers primarily to works and scholars services where it is administratively efficient to tender to secure the commitment of resources (e.g. buses of various sizes) to be deployed as specified by Nexus rather than seeking to secure many individual services or journeys.

**NESTI** – North East Smart Ticketing Initiative – a programme that will create a smart ticketing infrastructure that covers the public transport network in the North East. The Programme is funded by the 12 Local Authorities in the North East, the *neca* and Nexus.

**Network Rail** – the statutory infrastructure provider maintaining the railway and providing the power and signalling for the tracks and stations between Pelaw and South Hylton via Sunderland.

**Nexus Rail** – the division of Nexus responsible for providing and maintaining the Metro infrastructure including the track and stations owned by Nexus.

**North East Business Unit** – The management unit covering local services in the North East, as required by the Northern Rail franchise Invitation to Tender.

**PAYG** – Pay as You Go - The facility of a travel smart card that can be topped up using cash, credit or debit cards and used to touch in and out at Metro ticket gates and validators, which will automatically deduct the cost of the journey from the card.

**PQQ** – Pre Qualification Questionnaire – a useful tool to identify the most suitable suppliers to invite to tender for contracts. PQQs enable purchasers to assess the prospective tenderer's commercial, technical and financial competencies and determine whether they meet the minimum criteria of the contract.

**OPR** – Operational Performance Regime - the means by which train service performance is measured in terms of excess waiting time for customers and punctuality of first and last trains.

**Patronage** – the number of passenger boardings for a service, mode or area over a specified period normally arrived at by survey, the use of ticket machine data or some combination of both. Often used interchangeably with Ridership.

**Payzone** – Payzone UK limited is a leading consumer payments acceptance network that is contracted to accept credit and debit card payments for travel smartcard transactions in its local outlets throughout Tyne and Wear and across the North East.

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**Period** – 4-week periods (there are 13 in each financial year) used for financial, accounting and performance measurement purposes.

**Pop** – Nexus smartcard brand that enables customers to pay for public transport using a plastic card that can be read by machines on stations and vehicles.

**Pop App** – The Pop Card Checker Application uses an Android device's Near Field Communication (NFC) to be able to read and display selected ITSO Product details from the smartcard presented to the device. The application is capable of reading and displaying details of ENCTS entitlements, metro entitlements and products, and the NESTI PAYG product. The Pop Card Checker app is currently being used by Metro ticket inspector staff to check the ITSO products contained on smartcards and the time and location of where the customer last tapped at in at a Metro station. It is also available on the Google Play website for customers to download free of charge.

**Possession** – a period of time when engineering works take place on a section of track, preventing normal passenger service from being provided.

**PTI** – Positive Train Identification – electronic equipment dealing with Metro Train Route setting and associated functions

**Punctuality** – measurement of train punctuality as set out in the Metro Passenger Charter; measures the percentage of trains arriving within three minutes later or within 29 seconds earlier than scheduled.

**QCS** – Quality Contracts Scheme - A QCS is a statutory scheme under which a Local Transport Authority, such as the *neca*, can determine what local bus services should be provided in an area and those local bus services are primarily provided in that area in accordance with quality contracts.

**Rail North** – the Consortium of 29 Local Transport Authorities focussed on improving rail services across the North of England

**Rail North Ltd** - The limited company established by Rail North (see above) to enter into formal partnership with the Department for Transport.

**Rail North Partnership** - The formal partnership, including the officer structure, between Rail North Ltd and the Department for Transport, which will manage the Northern and TransPennine Express rail franchises once they are re-let in 2016.

**Rail Traffic Management System** - will replace the PTI (positive train identification) system to provide Metro Train route setting and associated functions.

**Reliability** – a measure relating to the ability to provide sufficient resource to meet operational requirements and run the level of public transport service as advertised.

**RIDDOR** - The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 - place a legal duty on employers, self-employed people and people in control of premises to report to the appropriate authority (either the Health & Safety Executive or the Office of Rail and Road) work-related: deaths; serious injuries or over-seven-day-absence injuries; work related diseases; and dangerous occurrences (near miss accidents).

**Ridership** – the number of passenger boardings for a service, mode or area over a specified period normally arrived at by survey, the use of ticket machine data or some combination of both. Often used interchangeably with Patronage.

**Secured Services** – to deliver public transport links that are considered to be socially necessary, but are not regarded by the commercial operators as being sufficiently profitable, action is taken to secure those services through a competitive tendering process in which all interested local bus operators are invited to submit bids.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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**Significant Incident** – occurs when a single failure in Nexus Rail infrastructure leads to 500 EHWMs or more being allocated.

**SQR** – Service Quality Regime - the means by which quality standards on stations and trains is measured

**Stagegate** – a management control process for delivering projects. Based on dividing a project into a number of distinct stages, and within each stage an agreed set of products are delivered. The project cannot move through the gate from one stage to the next without the required products being signed off. The stage gate review process therefore examines a project at critical stages in its lifecycle to provide assurance that it can successfully progress to the next stage

**T&G** – Ticketing and Gating – the project to implement smart ticketing on the Metro. New smart ticket vending machines are in place at all 60 Metro stations, making paying for travel easier and more flexible, with smart card payments up and running. Automatic ticket gates have been installed at 13 key Metro stations.

**TVM** – Ticket Vending Machine – using a Ticket Vending Machine at a Metro station a customer can:

- Pay for a ticket using notes as well as coins
- Pay for a ticket using a credit or debit card as well as payWave
- Read information on screen in six different languages
- Press the audio button if they want to hear instructions
- Buy weekly Metro and Network One tickets
- Buy Metro special event tickets in advance
- Renew their Metro season ticket
- Check the expiry date of their season ticket
- Buy multiple tickets
- Buy a Metro Gold Card

**UAT** – User Acceptance Testing - consists of a process of verifying that a solution works for the user i.e. to test the user accepts the solution. Users of the system perform tests in line with what would occur in real-life scenarios. The UAT acts as a final verification of the required business functionality and proper functioning of the system, emulating real-world usage conditions on behalf of the end-user whether a paying client or specific customer. The final internal testing stage before Beta Test.

**Validator** - Metro stations that do not have Automatic Ticket Gates have been provided with validators so that a customer with a smartcard can touch in or out at the start or end of their journey.

**WebTAG** – web based Transport Analysis Guidance – provided by the Transport Appraisal and Strategic Modelling Division of the Department for Transport. Projects or studies that require government approval are expected to make use of this guidance in a manner appropriate for that project or study.

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**Theme 1: Leading the delivery of better public transport.**

Workstream:	Trend	Key Considerations:
<b>Grow Public Transport Journeys (on services under Nexus control) (RAG status: Green)</b>	↑	The year to date figure for total boardings on Metro, at 18.144m, is up 5.16% against the year to date target of 17.207m.
		Year on year, the cumulative Metro ridership total is 4.78% up on the 17.276m boardings at the same point last year.
		In the eight weeks to 12th September the Metro ridership, at 5.898m, was 6.0% above the 5.544m being targeted.
<b>Improve Customer Satisfaction (RAG status: Amber)</b>	↑	The May 2015 Metro Customer Satisfaction tracking survey resulted in an overall score of 7.8.
		The score is below the contractual target of 8.3. A "back to basics" campaign by DBTW, along with the continued work to improve reliability and punctuality, is aimed to improve customer satisfaction.
		DBTW is implementing a campaign to focus its front-line staffs' attention on key customer service matters.
<b>Improve Service Quality (RAG status: Amber)</b>	↑	137,711 Excess Headway Minutes have occurred in the year-to-date: of this total 106,795 (76%) are attributed to DBTW, the concessionaire, against a target of 102,312.
		As at 12th September the Metro punctuality figure was 85.01%, 2.51% (2.19 percentage points) below the Passenger Charter target of 87.2%.
		The concessionaire is still subject to special monitoring, and results so far show signs of improvement, for example the Metro punctuality score, whilst below target, has improved of late and the mean distance between service affecting failures for the fleet has also improved, increasing from 6,000kms to 7,000kms.
<b>Exploit Smart Ticketing Technology (RAG status: Green)</b>	↑	Arriva will be accepting PAYG on all its services north of the Tyne from 29th September 2015.
		The Metro PAYG pilot now involves 350 users: full commercial roll-out of PAYG will commence on 2nd November 2015.
		An average of one hundred season tickets a week are being bought on line for pick-up by the user at a Metro station using the TVMs and Validators within 24-hours.

**Theme 2: Prepare Metro for the future.**

Workstream:	Trend	Key Considerations:
<b>Plan for the Long-Term development of Metro</b> (RAG status: Green)	↔	The long-term development plan for the Metro will be considered as an integral part of proposals for the NECA's Transport Vision and the Transport Plan for the North East.
<b>Develop fleet procurement options</b> (RAG status: Green)	↔	Work has commenced on the business case.
		Various options for procuring the rolling stock have been explored and work is underway to align the procurement with the options for the next concession.
<b>Formulate arrangements for the next concession</b> (RAG status: Green)	↔	Options appraisal for the structure of the next concession has commenced.
		A review of all concession documentation has commenced.
<b>Seek confirmation on funding arrangements for Phase 3</b> (RAG status: Green)	↔	Options for funding are being investigated and experiences of other light rail operators sought.
<b>Deliver the Metro Asset Renewal Plan</b> (RAG status: Green)	↔	Start-on-site dates are being achieved slightly ahead of programme.
		Work is continuing to focus on developing and optimising the ARP delivery plans for the next 3 financial years.
		Performance against budget is on target. Overall the Programme is remaining very stable with minimal changes in project forecasts and schedules

**Theme 3: Deliver the Bus Strategy.**

Workstream:	Trend	Key Considerations:
<b>Fit for QCS</b> (RAG status: Green)	←→	The Quality Contracts Scheme Board met in public during the last two weeks in July with both Nexus and bus operators providing evidence.
<b>Progress with the QCS</b> (RAG status: Green)	←→	The Quality Contracts Scheme Board is expected to publish its findings at the end of October 2015, to which the NECA must respond. The NECA can make the scheme as it stands; make the scheme after addressing the recommendations of the QCS Board; progress with a modified scheme or abandon the scheme. A decision to make the Scheme, with or without consideration of any QCS Board recommendations, must be made by the end of April 2016 in order to comply with legislation (unless the Scheme is modified, in which case the QCS Board would be re-engaged).
		Nexus is preparing for a procurement exercise to commence at the end of 2015, subject to the NECA Leadership Board's approval.
		A Business Transformation Plan has been prepared that details the actions and resources necessary to prepare for the introduction of a Quality Contracts Scheme and key workstreams are being progressed.

**Theme 4: Continuous organisational improvement.**

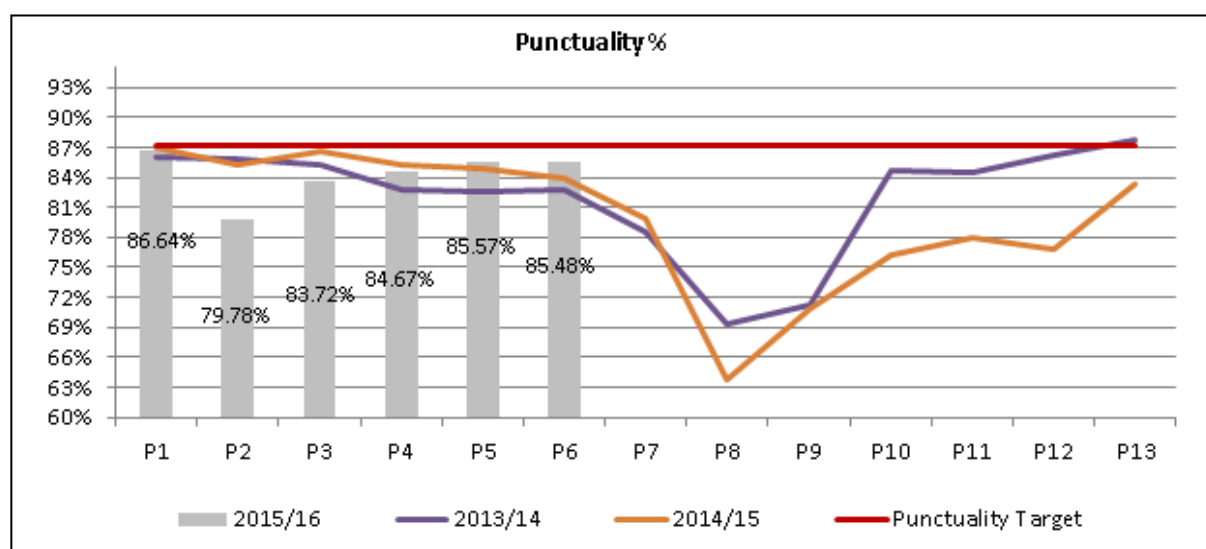
Workstream:	Trend	Key Considerations:
<b>Employee Engagement</b> (RAG status: Green)	↔	Progress is being made against the suite of improvement actions sanctioned following a review of the safety culture survey results.
		Further discussions are taking place between management, staff and union representatives to identify further improvement initiatives in Nexus' Year of Safety initiative.
<b>Effective budget management</b> (RAG status: Green)	↑	Revenue: Financial performance is better than budget.
		Capital: Forecast Metro ARP expenditure is in line with the DfT target and the programme budget remains in line with expectations.
<b>Process Improvements</b> (RAG status: Green)	↔	Work is being progressed for production of Nexus' three-year Forward Plan in line with the NECA's requirements.
<b>Focus on Health, Safety and Environment</b> (RAG status: Green)	↔	Railway operations incidents and assurance checks undertaken are within target.
		Nexus has recorded a continuous period of 207 RIDDOR (reportable accident) free days.
<b>Supporting the NECA's interests in Rail</b> (RAG status: Green)	↔	The proposed Members' Agreement for Rail North is to be reported to the next TNEC meeting for consideration.
		The proposed Collaboration Agreement for the North East Rail Business Unit is to be reported to the next TNEC meeting for consideration.

The following report provides further information on Nexus' corporate performance with data drawn from the reporting periods over 1st April to 12th September, 2015. Information drawn from the first four periods (up-to 18th July) has previously been covered: this update therefore draws on data from the eight-weeks ending 12th September.

## Theme 1: Leading the delivery of better public transport.

- 1 In the eight weeks ending 12th September the Metro ridership was 5.898m, which is 6.0% above the 5.544m target. In the year to date Metro ridership, at 18.144m, is 5.16% up against the target of 17.206m boardings, and up 4.78% year on year against the 17.276m boardings for the year to date in 2014/15.
- 2 The May '15 Metro Customer Satisfaction tracking survey resulted in an overall score of 7.8, a decline of 0.2 points (2.5%) against the spring score last year (8.0 in May '14). However this represents an increase of 0.2 points (2.6%) against the Nov.'14 score of 7.6, following an established pattern where the spring score is always higher than that in the autumn.
- 3 As the customer satisfaction score does not meet the contractual requirement of 8.3, penalties have been applied to the concessionaire, DB Regio Tyne and Wear Limited (DBTW), in order to incentivise improvement. In response DBTW is developing a campaign that will focus its front-line staffs' attention on a range of actions, involving information and training initiatives, aimed at changing their behaviours and attitudes and thereby help address these poor customer satisfaction survey results.

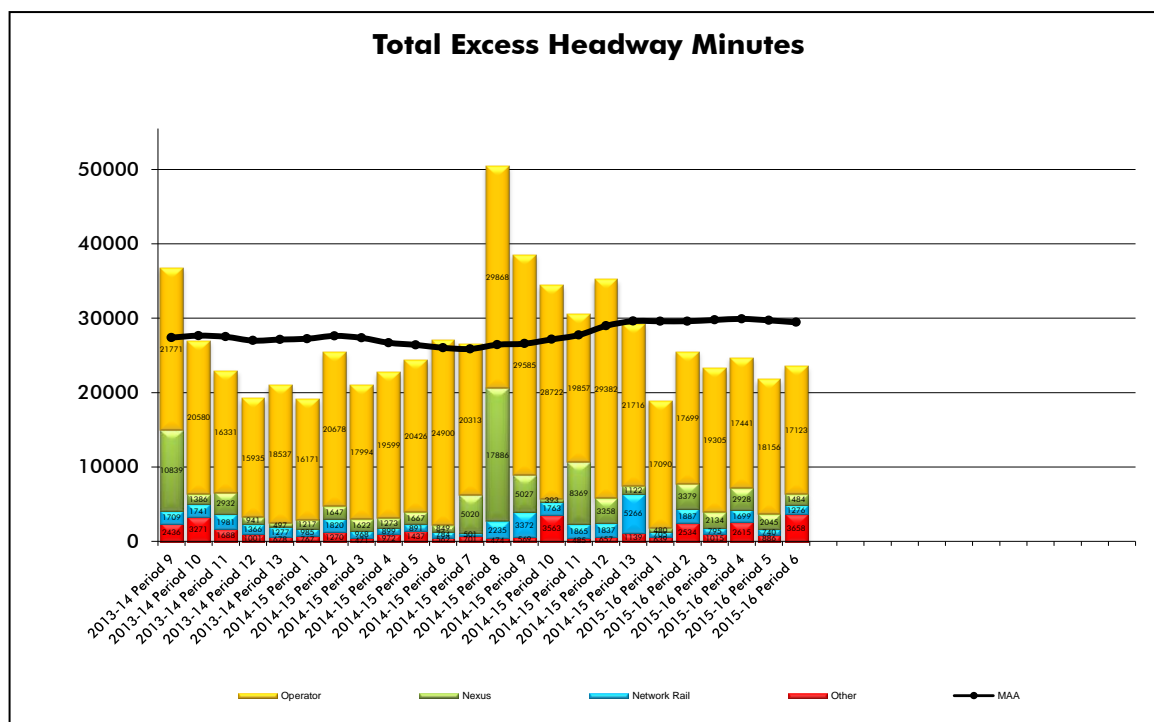
**Chart 1.4 Trend data for Metro Punctuality Performance**



- 4 As at 12th September Metro punctuality was 85.01% (having reached 86.34% for the period ending 15th August) representing a 0.4% (0.34 percentage points) improvement on the 84.67% reported for 18<sup>th</sup> July, and 2.51% (2.19 percentage points) below the target of 87.2% set out in the Metro Passenger Charter. At the same time last year Metro punctuality was reported at 84.1%. Service reliability continues to be a key area of focus for both Nexus and DBTW through the joint performance management arrangements that have been enhanced at Nexus' request. As a result of the recent Metro Operational Performance Regime review Charter Punctuality has been introduced as a Committed Obligation for DBTW in the Concession Agreement.

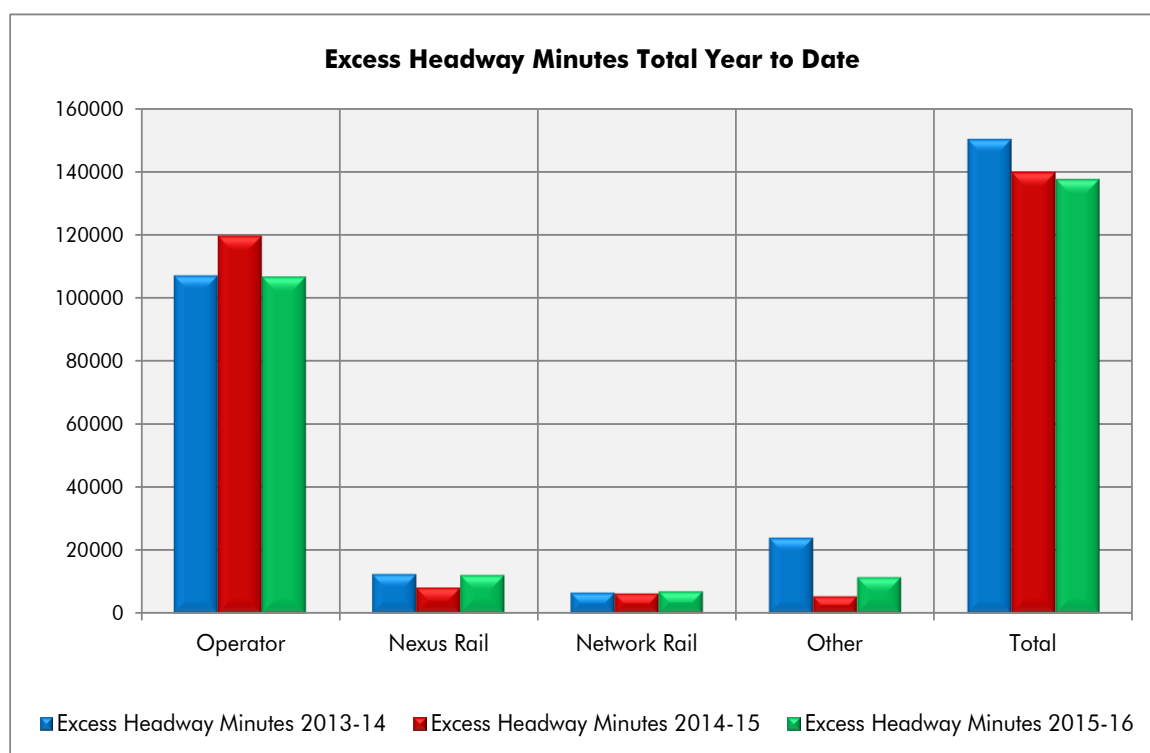
**Theme 1: Leading the delivery of better public transport. (continued)**

**Chart 1.5 Trend data for Metro Total Excess Headway Minutes**



5 Over the eight-weeks to 12th September a total of 45,366 Excess Headway Minutes ('EHWM', the method by which the overall delays experienced by passengers are measured in the contract) were recorded (see chart 1.5 for period on period trend and Moving Annual Average). Following analysis the allocation in the period was:

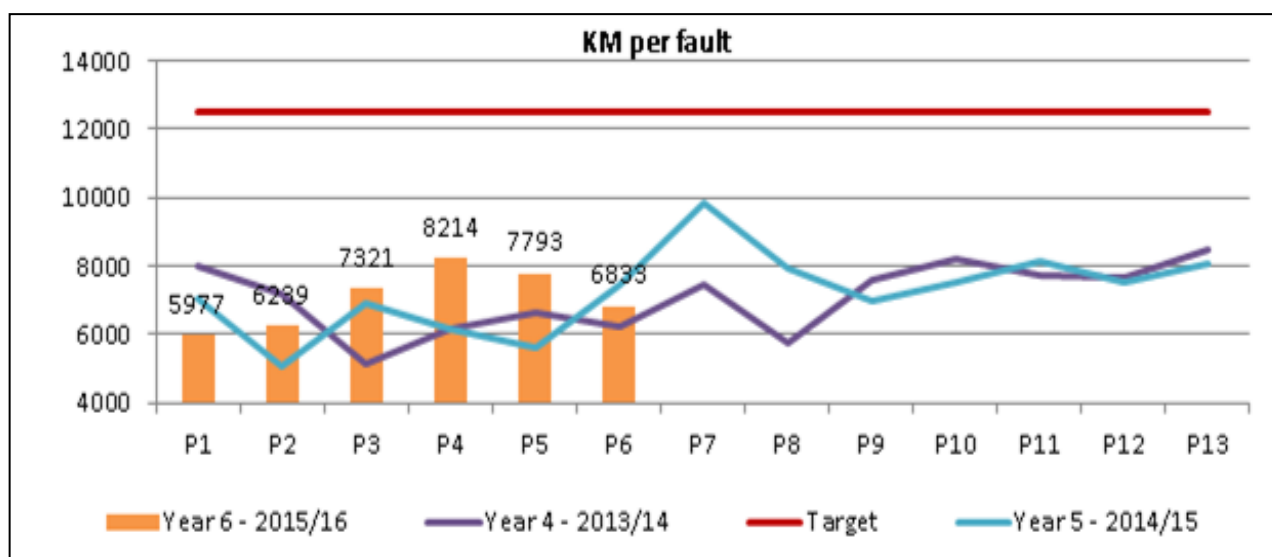
- 35,258 (78%) to the Metro operator DBTW - against a target of 34,104
- 3,549 (8%) to the Metro infrastructure provider Nexus Rail – against a target of 4,100
- 2,015 (4%) to the infrastructure provider Network Rail, and
- 4,544 (10%) other.

**Theme 1: Leading the delivery of better public transport. (continued)**
**Chart 1.6 Year-to-Date EHW M data for 2013/14 to 2015/16**


- 6 In the year to 12th September the cumulative figure of 137,711 EHW M has been recorded (see Chart 1.6 for comparisons with previous years). Of this total the allocations were:
- 106,795 (76%) to DBTW - against a target of 102,312,
  - 12,285 (9%) to Nexus Rail – against a target of 12,300,
  - 7,103 (6%) to Network Rail, and
  - 11,528 (9%) other.
- 7 Fleet related issues remain a significant cause of DBTW's EHW M for the year so far, another major contributory factor being a mix of driver related issues. The resolution of these issues continues to be addressed through the Nexus/DBTW Joint Performance Meeting. Fleet reliability (in particular power and door faults) remains the key areas of focus within the Performance Improvement Plan that Nexus has imposed on DBTW.
- 8 Nexus is also being provided with information in relation to Fleet performance and in particular the number of incidents of Metrocar failures occurring. The mean distance between service affecting failures (a standard method applied to assess fleet reliability) had improved over four consecutive periods in a row, from a low of around 6,000 kilometres per incident at the start of the year to just over 8,000 kilometres per incident as at 18th July. Over the four weeks to 15th August this remained relatively stable at below 8,000kms per incident. Since then, in the final four weeks to 12th September the performance has decreased to just below 7,000 kilometres per incident (see Chart 1.8, on the next page, for period-on-period and year-on-year detail).

**Theme 1: Leading the delivery of better public transport. (continued)**

**Chart 1.8 Trend data for mean distance between service affecting failures**



- 9 In regard to the 3,549 EHW allocated to Nexus Rail in the eight-week period to 12th September there was only one significant incident of more than 500 EHW accounting for 17% (612 EHW) of the period
  - On 29th July there was a Signal Equipment Failure in the Gateshead/Gateshead Stadium area due to a broken wire in a location case resulting in the requirement to talk the trains past the signal in question.
- 10 There were 2 incidents of a Passenger Facility being out of order for 24 hours or more within the eight-week period. These were as follows:
  - South Hylton Platform 1 PID from 23 July 2015 to 04 August 2015 due to rodent damage to the cable.
  - Gateshead Escalator 7 from 23-27 July 2015 when a handrail drive failed.
- 11 Shields Ferry patronage at 98,427 in the eight-weeks to 12th September was 7.4% down when compared to the figure of 106,309 being targeted, and 13.2% down against the boardings figure of 113,494 in the same period last year. This figure is affected, however, by the timing of the Great North Run which fell into period 6 last year but period 7 this year. Various media events have taken place to promote the ferry including a buskers event to help attract additional passengers.
- 12 Over the year to 12th September the reliability target of 99% for secured bus service mileage operated has consistently been achieved with periodic reliability of up to 99.9% also being recorded.
- 13 Secured bus service ridership for the eight weeks to 12th September was 968,661, 7.8% down against 1,051,419 journeys over the same period last year and 9.3% below the period target of 1,068,382. For the year to date, cumulative ridership was 3.412m, 7.8% down against the target of 3.703m, and 6.4% down against the 3.647m boardings in the year to date last year. In addition to school holidays the Quaylink becoming commercial has impacted on secured service patronage. An action plan to address the declining trend of secured service patronage is under development, and is being designed to target tailored initiatives at specific services.
- 14 Contracts for 33 Miscellaneous Works services dealing in particular with schools services commenced in early September 2015. There were no major problems encountered though a small number of contract variations have been implemented to deal with unexpected overloading problems. These were at minimal cost to the budget.





**Theme 1: Leading the delivery of better public transport. (continued)**

- 15 Two shuttle bus services were procured on behalf of Gateshead Council to ensure the Greenside area of Gateshead continued to have access to public transport during a major road closure on 17th August 2015.
- 16 A shuttle bus service was procured on behalf of South Tyneside Council to ensure the Ferry Street and Mile End Road areas of South Shields continued to have access to public transport during a major road closure on 1st August 2015.
- 17 The procurement process for bus services over the Christmas period is underway. Details of the opening hours of major retail sites and major events in the area have been collated and circulated to the commercial bus operators. Nexus is awaiting feedback information as to the proposed levels of commercial operation in order that the appropriate level of secured service operation can be considered.
- 18 The programme of work to embed and exploit smart ticketing technology is progressing as planned. Formal testing of the next release of Scheidt & Bachmann's (the contractor to the ticketing and gating project) software update is now at the second stage, with encouraging results so far. This will include a number of improvements, including the ability to purchase "add-on" tickets for season ticket holders to travel outside their normal zones. An introduction date of November 2015 is anticipated.
- 19 Gatelines are now fully operational in line with the relevant provisions of the Concession Agreement with DBTW. Staffing of the gateline by DBTW forms part of their obligations, performance is monitored and penalties issued where they do not meet the requirements. A review of station staffing is underway to achieve the right balance between gateline staffing and roving customer service staff.
- 20 The PAYG Beta test on Metro started with an enhanced control group of 250 users on 21st July and yielded very positive initial feedback. The numbers involved are being increased in phases and at the end of the reporting period there were 350 participants. The Beta test is planned to end on 1st November 2015 with full commercial availability of PAYG commencing from the next day.
- 21 Popcard.co.uk, the website that allows POP cardholders to register their cards and to "click and collect" season tickets went live on 21st July. The website also enables cards which are reported lost or stolen to be blocked from future use ("hotlisting"). Whilst uptake has been low in volume at this stage, as expected, a wide range of products have now been purchased this way, with no reported problems, the quickest end-to-end transaction time being 23 minutes: significantly better than anticipated. Over 100 season tickets a week are now renewed on line for pick up at Metro stations.
- 22 The smart-ticketing requirements for the QCS are being determined and documented so that this can form a planned programme of work should the NECA wish to continue with the Scheme. This is currently at the scoping stage prior to developing detailed specifications.
- 23 The Pay-as-You-Go (PAYG) pilot has previously been extended to the Go North East X40 and Quaylink bus services. Arriva has also brought more services into its pilot and feedback from both of these extended pilots has continued to be positive. Feedback from the Stagecoach pilot in Teesside has been positive and discussions have commenced concerning extension of the pilot. From 29th September 2015 all Arriva services north of the Tyne will accept Pop PAYG.
- 24 The NESTI Operator Agreements are due to expire in October. Dialogue with the operators concerning their extension has commenced. A formal written request has been sent to all three operators involved requesting an extension of the original contract until the end of 2015. So far two provided a verbal commitment with a view to exploring a collaboration arrangement following publication of the QCS Board findings. No response has been received from one of the operators.

**Theme 2: Prepare Metro for the future.****Activities in the eight weeks to 12th September include:**

- 25 Renewal of the critical switches and crossing at Regent Centre was completed in a series of weekend possessions.
- 26 Refurbishment works at Felling and Gateshead Stadium stations is progressing well and is expected to complete in mid-October. Detailed design work is progressing for Heworth Interchange refurbishment.
- 27 Essential earthworks to ensure long term stability of embankments and cuttings in the South Gosforth to Jesmond corridor continue and are currently expected to complete in March 2016.
- 28 Remedial and strengthening work to bridges at Black Road and Hill Street Jarrow and Monksway at Bede continues, with completion expected in February 2016.
- 29 The first replacement escalators at Four Lane Ends and Manors Metro stations have are now installed. Installation of the remaining escalators is planned for December 2015.
- 30 The Railway Traffic Management System (RTMS) project is continuing and survey work commenced on site. The detailed delivery programme is now accepted.
- 31 Installation of radio infrastructure is progressing, with mast installation having commenced in August.
- 32 The main works for the refurbishment of Metro bridges at Benfield Road and Shields Road are now complete, this being part of the overall Wallsend to Walkergate bridges scheme.
- 33 Planned refurbishment work on the bridge at St James Road, Gateshead continues and is due to complete November 2015.
- 34 Remedial works to the footbridge at Cullercoats station have commenced and are expected to be complete in late October.
- 35 Newcastle Central Metro Station refurbishment is now underway.
- 36 The required planning applications have been submitted for the proposed South Shields Interchange with a decision expected end of October.

**Looking ahead into Quarter 3**

- 37 The Newcastle Central Station refurbishment works, commencing on 14th September, is expected to complete in August 2016.
- 38 Tenders for the Permanent Way Framework are under evaluation. The first phase of the works planned under the new Framework is scheduled to commence in March 2016.
- 39 Collating the full requirements for the RTMS system will be finalised and agreed with stakeholders with detailed design work to follow.
- 40 The bridge works at Black Road and Hill Street, Jarrow and Monksway at Bede will continue, with completion expected in December 2015.
- 41 Design packages for Four Lane Ends and Regent Centre Metro stations will be awarded. Design will progress this year to enable construction to start early in summer 2016.
- 42 A design task order will be awarded in September for the refurbishment of Chichester and Tyne Dock Metro stations, with construction works likely to take place in summer 2016.



**Theme 2: Prepare Metro for the future (continued).**

- 43 The installation of radio infrastructure will continue with the planned completion of these works scheduled late 2015. Installation of radio equipment into Metro Cars will then commence in early 2016.
- 44 Refurbishment works at Felling and Gateshead Stadium Metro stations will continue - this includes painting and rebranding with improved way-finding together with electrical and lighting improvements. This work, is expected to be completed by the end of October 2015.
- 45 Installation of four new escalators will commence at St James Metro station in November 2015.

**Theme 3: Deliver the Bus Strategy.**

- 46 The QCS Board hearings were held between Monday 13 July and Friday 24 July 2015. In preparation for these hearings, Nexus and the bus operators provided evidence and witness statements that extended to over 2,000 pages of evidence. Nexus and the operators have submitted their closing statements to the QCS Board, which will publish its recommendations at the end of October 2015.
- 47 Nexus will then consider the QCS Board's recommendations prior to reporting to the NECA Leadership Board in November/December 2015 with a recommendation to either proceed with the existing Scheme, amend the Scheme or abandon the Scheme and pursue another course to achieve the Bus Strategy objectives. The NECA is required by legislation to make the Scheme, should that be the chosen way forward, within six months of the QCS Board's recommendations being received (unless the Scheme itself is amended, in which case a further period of consultation and QCS Board consideration would be required).
- 48 Nexus is preparing for a procurement exercise, which could commence at the end of 2015. The precise timescales are subject to the nature and scale of recommendations received from the QCS Board, and the amount of work and analysis required from Nexus to respond to those recommendations prior to the NECA Leadership Board making a Scheme. The start of the procurement exercise could also be delayed should there be a legal challenge from bus operators.
- 49 The proposed procurement process has been designed to generate competition, deliver value for money to the public purse, minimise adverse effects on existing operators wherever possible and moderate the impact on employees. The procurement framework is now broadly agreed and current work is focussed on the drafting of the necessary documentation including contracts, schedules, specifications and tender materials.
- 50 A Business Transformation Plan has been prepared that details the actions and resources necessary to prepare Nexus for the introduction of a Quality Contracts Scheme, reflecting the considerable change in functions and responsibilities that this would entail. Changes to processes, systems and resourcing have been identified throughout Nexus.
- 51 Three transformation projects which are critical for the delivery and management of a QCS are currently being prioritised: identifying opportunities for future operators of Quality Contracts to establish new depots; the roll out of the ambitious and integrated QCS smart ticketing proposals; and the development of integrated contract, information and performance management systems.

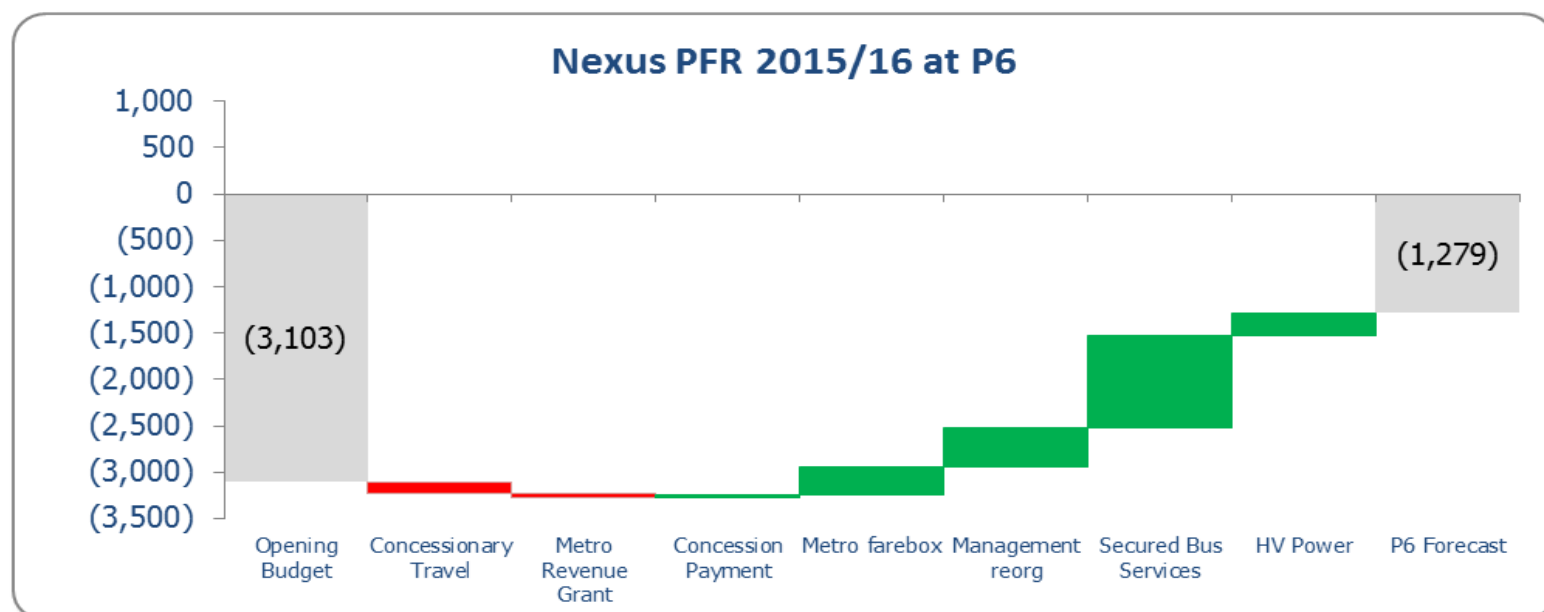
**Theme 4: Continuous organisational improvement.**

- 52 Following a review of the safety culture survey results several initiatives have been identified and developed to improve safety culture including the establishment of a Rules and Procedures Review Group and a 'near-miss' reporting campaign. 'Rule Book Champions' are being sought from across Nexus Rail as part of the introduction of the new-look Metro Rule Book. In addition the Corporate Management Team and direct reports to the Director of Rail and Infrastructure are to attend a bespoke training session covering strategic safety matters. Progress against these initiatives will be updated periodically.
- 53 Discussions between management, staff and union representatives are on-going as part of the efforts to improve safety culture through identifying further initiatives. Arrangements are being made to carry out the 2015 employee engagement survey which will help to provide a context for the progress being made.
- 54 As previously reported, bids for the Northern and TransPennine Express rail operating franchises continue to be evaluated, with the successful bidders expected to be announced before the end of the year. Although the Secretary of State for Transport retains full responsibility for franchise procurement, Rail North has been represented during this process and is participating alongside officials from the Department for Transport.
- 55 Nexus, working on behalf of NECA, fed back comments on the draft Rail North Members' Agreement. Comments sought to embed the rights of Regional Business Units into the Agreement, allowing North East authorities to exercise these in due course. The Agreement also defines how individual member authorities, including NECA, will interact with the organisation, establishing processes for initiating consultations, making franchise changes and providing for investment mechanisms.
- 56 In parallel, the North East Rail Management Unit Collaboration Agreement is now a final draft, with only minor amends still to be made. This Agreement will be considered at NELB in November, and a presentation has been prepared to introduce elected members to the topic and provide the justification behind the proposals. A similar process will be undertaken in the other North East local transport authority areas, and Nexus have offered to provide support in this process should it be required.
- 57 Should the Collaboration Agreement be endorsed by the Authorities within the North East, a proposition will be presented to the Strategic Board of the Rail North/DfT Partnership. This proposition will set out the 'asks' for delegated powers and provide details of the intended internal governance arrangements. It is hoped that this proposition will be considered before the end of the year.
- 58 The next phase of the Transport for the North (TfN) project began in earnest during the period. HS2 Ltd and Network Rail have been commissioned to undertake a number of studies to inform the next strategy publication, due in March, and the next HS2 announcement in September. Nexus is representing NECA on the rail workstream, and attended a series of workshops with Network Rail, as it focussed on assessing the deliverability of the Leeds-Newcastle conditional outputs (at least 4 trains per hour, with maximum 60 minute journey time).
- 59 A community engagement campaign has been run with residents and businesses at locations where new radio masts are to be installed as part of the Metro ARP programme. No major issues or concerns have been raised in response to letter drops and community events.
- 60 DBTW led photocall and press release around completion of Metro car refurbishment programme.
- 61 Health and Safety survey results published in Nexustimes and made available to staff on Intranet, staff also kept updated via Internal Comms email. Staff also kept informed via Internal Comms email around story appearing in local media regarding proposed house development of former Greggs site in South Gosforth.

#### Theme 4: Continuous organisational improvement (continued).

- 62 In respect of process improvements, work is being progressed in order to meet TNEC, Governance Committee and the Overview and Scrutiny Committee deadlines for consideration of the draft budget for 2016/17, prior to the NECA Leadership Board's consideration of the final transport budget and levies at its meeting being held on 19<sup>th</sup> January 2016.

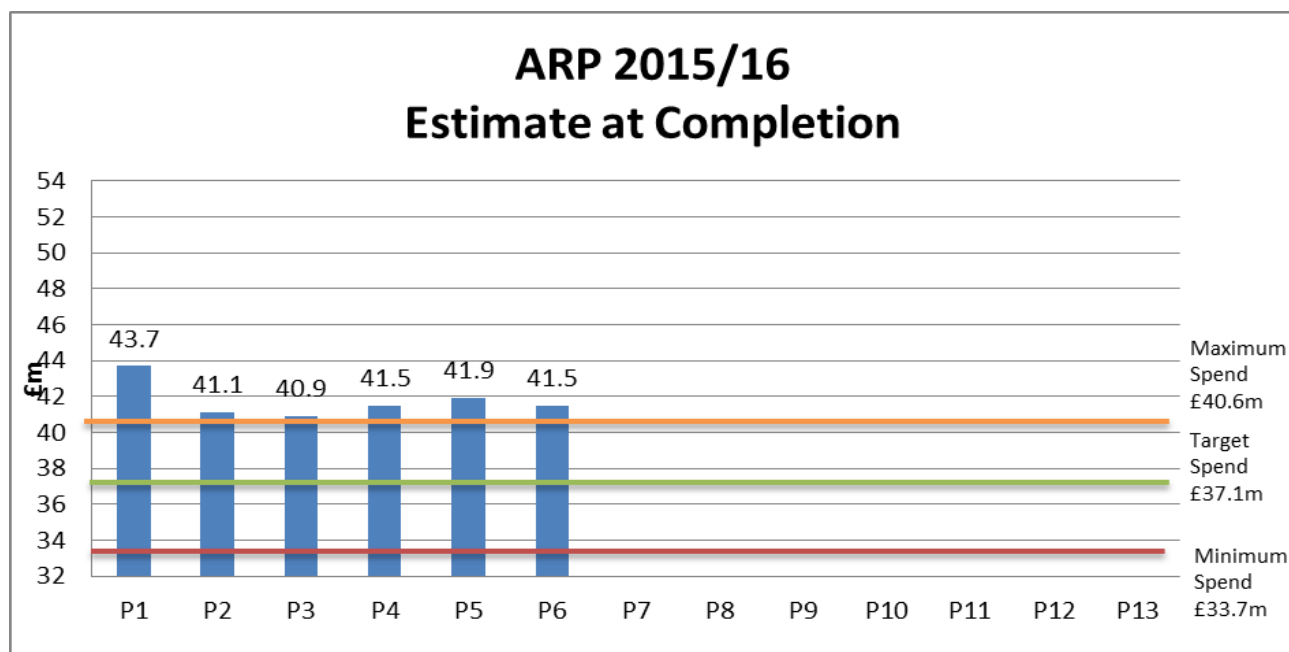
**Chart 4.63 Breakdown of Variance Against the Budgeted for Deficit**



- 63 As at 12th September 2015, Nexus' revenue forecast outturn for the year is for a deficit of £1.279m, showing a positive variance of £1.824m against the budgeted for deficit of £3.103m.
- 64 As shown in Chart 4.63 (above) the variance is largely as a result of a forecast saving of £1.0m on Secured Bus Services, improved Metro Frebox revenues of £0.3m, and savings in staff salaries and Hifg Voltage Power of £0.420m and £0.25m respectively.
- 65 The Metro Asset Renewal Plan (ARP) forecast for 2015/16 at 12th September was £41.502m. The forecast is therefore £4.759m less than the latest approved budget for the ARP of £46.261m (see the table on the following page), but manageable within the maximum/minimum spend targets set by the DfT as shown in the graph below. Expenditure in the period was 101% of the forecast.

**Theme 4: Continuous organisational improvement (continued).**

**Chart 4.65 ARP 2015/16 Estimate at Completion**



- 66 Extensive monitoring is being applied to ensure that the programme is delivered in accordance with the terms of the grant determination letter. This year's programme comprises approaching 80 projects. Particular emphasis is being directed towards the fourteen largest spending projects this financial year which represent over 70% of this year's programme. Three of these projects represent over 33% of this year's programme in monetary value: track renewal from Tynemouth to Northumberland Park; the Rail Traffic Management System; and Radio replacement.
- 67 The table below (see Chart 4.67) shows the programme and corresponding forecast for 2015/16 and the following two years for each asset category within the ARP programme:

**Theme 4: Continuous organisational improvement (continued).****Chart 4.67 ARP programme budget & forecast by asset category per year 2015/16 to 2017/18**

Asset Category	Programme					Forecasts			
	Original Approved Budget (DfT submission) 2015/16	Latest Approved Programme 2015/16	Latest Approved Programme 2016/17	Latest Approved Programme 2017/18	Total Programme 2015/16-2017/18	Period 6 Projection 2015/16	Period 6 Projection 2016/17	Period 6 Projection 2017/18	Total Projection 2015/16-2017/18
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Civils	9,490	8,059	6,473	7,780	22,311	7,146	4,744	9,362	21,252
Communications	4,643	5,873	265	598	6,735	4,828	1,500	128	6,456
Level Crossings	2	45	0	0	45	45	0	0	45
Mechanical & Electrical	1,938	4,124	92	280	4,496	3,656	192	280	4,128
Metro Cars	2,148	2,144	1,363	1,250	4,757	2,263	1,363	1,250	4,876
Miscellaneous	435	519	2,990	2,999	6,509	432	2,890	2,999	6,321
Project Management Costs	0	0	2,301	2,301	4,602	0	2,301	2,301	4,602
Inflation allowance	0	0	561	713	1,275	0	561	713	1,275
Overhead Line	1,986	1,991	5,020	3,000	10,011	3,024	3,801	3,371	10,195
Permanent Way	12,304	10,799	11,971	19,911	42,682	10,670	13,612	16,144	40,426
Plant	0	84	0	0	84	86	0	0	86
Power	0	193	0	0	193	148	40	0	188
Signalling	4,652	6,390	5,341	4,476	16,207	5,364	5,195	4,432	14,991
Stations	7,673	6,041	7,799	6,201	20,041	3,841	6,729	4,156	14,726
<b>Total ARP Programme</b>	<b>45,271</b>	<b>46,261</b>	<b>44,177</b>	<b>49,509</b>	<b>139,947</b>	<b>41,502</b>	<b>42,928</b>	<b>45,136</b>	<b>129,566</b>
Major Projects	3,500	6,120	0	5,950	12,070	6,120	0	5,950	12,070
<b>TOTAL</b>	<b>48,771</b>	<b>52,381</b>	<b>44,177</b>	<b>55,459</b>	<b>152,017</b>	<b>47,622</b>	<b>42,928</b>	<b>51,086</b>	<b>141,636</b>



## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

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**DATE:** 24 November 2015

**SUBJECT:** Tyne and Wear Metro Performance Update

**REPORT OF:** Managing Director (Transport Operations)

#### **EXECUTIVE SUMMARY**

The purpose of this report is to provide an update to the current performance issues with regards to DBTW.

#### **RECOMMENDATIONS**

It is recommended that the Committee notes the contents of this report.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### 1 Background

Whilst Nexus's overall performance is provided to the Sub-Committee in the separate report entitled 'Monitoring Nexus' Performance', this report is intended to provide supplementary information relating to the operation of the Metro system.

### 2 Overall performance of the Metro system

2.1 The overall performance of the network is reported to passengers through the Metro Passenger Charter using a measure known as 'Charter Punctuality'. The target for this measure is 87.2% and the two most recent periods recorded the following results:

- Period 6 85.48%
- Period 7 80.19%

2.2 The average Charter Punctuality across the two periods was 82.84%, which is a decrease compared to the previous three periods' average of 85.5%.

2.3 The Charter Punctuality of 82.84% is also slightly higher than the equivalent two periods last year of 82.1%. Previous reports have recorded negative variances when comparing year on year results and in some cases this has been in excess of 8%.

2.3 Therefore, although there remains some way to go before Charter Punctuality meets the required level, there is a trend of improvement to reflect the efforts that have been made by DBTW and Nexus to focus on punctuality and reliability.

### 3 Breakdown of influences on performance

3.1 Punctuality figures are a result of the performance of three organisations: DBTW, Nexus (in its capacity as infrastructure provider), and Network Rail.

3.2 Within DBTW there is a considerable focus on improving day-to-day delivery, reinforced by joint performance meetings with Nexus to identify improvement actions. Periods 6 and 7 saw an increase of 16% in the number of DBTW delay minutes when compared to the previous three periods. This included a sizeable quantity (1509 EHW Mins) in relation to the very poor delivery of Metro services for the Great North Run and also increased passenger loading delays relating to the successful delivery over three Rugby World Cup games.

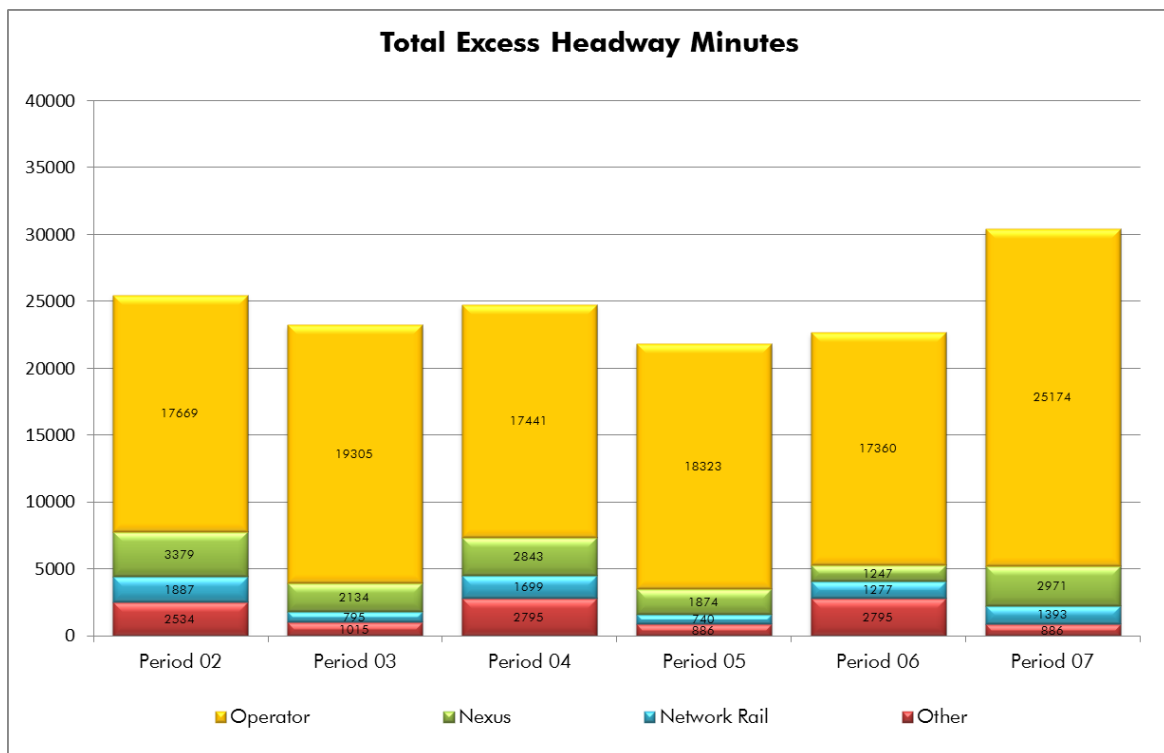
Notwithstanding problems within period 7 as outlined above, when compared to the previous years' number of delay minutes within periods 6 and 7, this year has seen an improvement of 8%.

3.3 The internal DBTW drive called "Metro 90" continues. This is aimed at ensuring that all employees across the business are constantly focused on achieving high performance for customers.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

- 3.4 Nexus' assets performed well during the periods being reported on, and even accounting for two external factors of flash flooding and a serious trespass incident which disrupted the operation of the Metro's infrastructure; the average number of delay minutes per period improved by 8% when compared to the previous three periods.
- 3.5 Network Rail had a lower level of performance during the periods being reported on; leading to a 24% increase in the average number of delay minutes per period in comparison to the previous three periods
- 3.6 The delay minutes (known as 'Excess Headway Minutes') attributable to the three organisations responsible for them, are shown in the graph below:



# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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- 3.7 The trend for each organisation based on average Excess Headway Minutes per period is as follows:

	Average EHM / Period		
	Previous 3 Periods	Current 2 Periods	Trend
Operator	18,356	21,267	16% Worse
Nexus	2,284	2,109	8% Improvement
Network Rail	1,078	1,335	24% Worse

- 3.8 In terms of moving forward, Nexus will continue to work collaboratively with DBTW and additionally exercise closer monitoring of key activities such as train fleet reliability.

### 4 Potential Impact on Objectives

- 4.1 The successful operation of the Tyne and Wear Metro assists the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

### 5 Finance and Other Resources

- 5.1 The penalties levied on DBTW in respect of train operations to the end of period 6 of this financial year amount to £0.136m. Penalties levied during the whole of the prior year amounted to £0.271m.

### 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.

# **North East Combined Authority**

## **Transport North East (Tyne and Wear) Sub-Committee**

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### **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.

### **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.

## **8 Background Documents**

8.1 None.

## **9 Links to the Local Transport Plans**

9.1 This report has no direct links to plans in the Policy Framework.

## **10 Appendices**

10.1 Not applicable.

## **11 Contact Officers**

11.1 Raymond Johnstone, Director of Rail & Infrastructure, Nexus  
[raymond.johnstone@nexus.org.uk](mailto:raymond.johnstone@nexus.org.uk)  
Tel: 0191 203 3500

## **12 Sign off**

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

### 13 Glossary

**DBTW** – Deutsche Bahn Regio Tyne and Wear Ltd, the current operator of the Tyne and Wear Metro through the Concession Agreement with Nexus

**Excess Headway Minutes** - the method by which delays experienced by passengers are measured

## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

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**DATE:** 24 November 2015

**SUBJECT:** Revision to the Metro and Ferry Fares 2016

**REPORT OF:** Managing Director (Transport Operations)

#### **Executive Summary**

The purpose of this report is to seek approval from the Transport North East (Tyne and Wear) Sub-Committee for proposed changes to Metro fares (as per section 5 of this report entitled 'Metro Fares Proposal') and Ferry fares for 2016, as set out in paragraphs 2.3, 2.4 and 2.5).

The report also refers to the future direction of the Metro fares strategy (paragraph 1.13), the price of the Gold Card (paragraph 3.6) and Child Concessionary Fares (paragraph 4.3).

#### **Recommendations**

It is recommended that the Sub-Committee agrees to the proposed Metro fares as per section 5 of this report entitled 'Metro Fares Proposal' and Ferry fares for 2016, as set out in paragraphs 2.3, 2.4 and 2.5. Members should also refer to the four Appendices A, B, C and D to this report. The fares changes are to be effective from 2<sup>nd</sup> January 2016.

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## Transport North East (Tyne and Wear) Sub-Committee

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### 1 Pricing Strategy (Metro)

- 1.1 The Tyne and Wear Metro operates using a range of ticket types. The recent introduction of smart ticketing has enabled the diversification of ticket types, in particular Nexus' ability to introduce the 'Pop Pay As You Go' product which provides discounted single ticket prices and daily fare capping.
- 1.2 Whilst any increase in fares is undesirable, there is an on-going requirement to grow fare income in order to offset increases in costs, helping Metro continue to operate with a relatively low subsidy compared to many other similar systems. Nevertheless there is also an objective to grow patronage on the system. Therefore the fares proposed are designed to strike a balance between these two conflicting objectives.
- 1.3 This proposal recommends an increase in Metro fares of a weighted average of 0.4%, applicable from 2<sup>nd</sup> January 2016. This compares to a Retail Price Index of 1.0% in July 2015, which (like for national rail fares) is the inflationary index traditionally referenced.
- 1.4 The recommendation contained in this report relates to Metro commercial tickets only. In relation to any changes to concessionary tickets, including the child single ticket, the child all-day ticket (CAT) and the Metro Gold Card, members' views are sought and will be taken into account in a Strategic Review of all Nexus discretionary expenditure during the first half of 2016 to form the basis of a consultation on proposals for services needed from 2017/18 onwards. Prices for Network One tickets are an altogether separate matter and are determined by the Board of Network Ticketing Ltd.
- 1.5 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;
  - 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.



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

- 1.6 Over recent years Nexus has gradually changed the relationships between the full fare (i.e. the adult price) and the discount offered to students (30% discount compared to the adult fare), and 16-18 year olds (60% discount compared to the adult fare). These relationships are proposed to be retained in 2016.
- 1.7 Fares for children under 16 are priced 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.

### *Fare 'Multipliers'*

- 1.8 Metro fares are divided into the following product types, categorised by the length of time over which travel is permitted:-

- Singles
- Day tickets
- MetroSavers (Weekly, 4-Weekly, Monthly\* and Annual tickets)

(\*note: monthly tickets are to be offered on a trial basis – see paragraph 5.5 below)

- 1.9 There is at present no fixed relationship between the price charged for different time-based product types; the relationship is highly variable having developed organically over many years, based on different pricing strategies. By way of example, whereas a one-zone annual ticket costs 11.84 times the price of a one-zone 4-weekly ticket, a three-zone annual ticket costs only 7.33 times the price of a three-zone 4-weekly ticket.
- 1.10 Nexus recommends that this relationship should be made more equitable, by moving over time to a structure where:
- Day tickets are priced at 1.8x the equivalent single ticket
  - Weekly tickets are priced at 3.5x the equivalent DaySaver ticket
  - 4-weekly tickets are priced at 3.5x the equivalent weekly ticket
  - Annual tickets are priced at 11.0x the equivalent 4-weekly ticket

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- 1.11 The 'multipliers' shown above have been designed so as to provide customers with the benefit of a discount in return for up-front payment and customer loyalty.
- 1.12 However as previously mentioned the concept of 'multipliers' is not currently used, and so there can be a large variation in the relationship between different prices. It is therefore proposed that the change to the use of 'multipliers' leading to a fixed relationship between prices is introduced gradually over a number of years. This will minimise large swings in product pricing and dampen any negative effects for existing passengers buying these products. The effect of this proposal on the relationship is shown in **Appendix A**, along with the target 'multiplier'.
- 1.13 Metro fares' reviews over the next two to three years are therefore also likely to follow this principle; something that will run alongside the prevailing rate of inflation, protecting and growing passenger journeys, maximising the fare box and encouraging take up of smart ticketing following sizeable investment in new payment methods. The views of the Sub-Committee are sought in regard to this matter.

### *Single and day tickets*

- 1.14 Approximately 64% of Metro ticket revenue is generated from sales of single and day tickets. Ticket machines limitations mean that the prices of these tickets can only be changed in multiples of £0.10. Given the size of this market segment and the relatively low starting position, this means that changes in these prices have a large impact on the weighted basket calculation.
- 1.15 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 reduce in price by £0.10, whereas day tickets will increase by between £0.10 and £0.20 depending on the number of zones.
- 1.16 In order to incentivise the uptake of smart payment using the recently introduced 'Pop Pay As You Go', the discount of £0.10 on a single ticket is retained, and the 'daily price cap' is proposed to be set at £0.20 less than the equivalent day ticket for the zones travelled through.

## **2. Pricing Strategy (Ferry)**

- 2.1 Ferry patronage for the year to date is indicative of a 4% decline versus last year (as at October 2015). As such, the proposals contained in this report are designed to halt this decline.

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- 2.2 As with Metro, proposals for Ferry pricing aim to achieve structured pricing and this review almost achieves full alignment to the target structure as outlined in Appendix A. Overall, the fares proposed represent a weighted basket change of zero per cent – recognising that this includes a mixture of increases and decreases in fares. It is expected to generate an additional £5,000 in revenues in 2016/17.2.1.
- 2.3 Similar to Metro, single fares are proposed to reduce by £0.10 and day tickets increase by £0.10. This achieves structured pricing for this ticket range.
- 2.4 Also in line with Metro, fares for children under 16 are proposed to be frozen.
- 2.5 The adult weekly and 4-weekly FerrySaver season tickets are proposed to be reduced by up to 16%, with a view to increasing demand amongst the commuter market.

### **3 Pricing Strategy (Gold Card)**

- 3.1 The Gold Card provides unlimited travel after 0930 to ENCTS pass holders for an annual fee of £12 (£25 for non-Tyne and Wear residents).
- 3.2 The Gold Card was introduced in 2006 when free local travel was introduced on buses. The card was initially retailed at £8 and was increased incrementally to £12 until the decision by the then Tyne and Wear Integrated Transport Authority to increase it to £25 with effect from April 2011. Over the next three years, sales of the Gold Card reduced by 34,000 from 88,000 to 54,000 and passenger journeys also decreased by 1.3m, from 5.9m to 4.6m. In April 2014, the then Tyne and Wear Integrated Transport Authority reversed its decision from April 2011 and the price of the Gold Card reverted back to £12 at which point sales increased by 29,000 to 83,000 and passenger journeys also increased by 0.7m, from 4.6m to 5.3m during financial year 2014/15.
- 3.3 The Nexus indicative budget for 2016/17 has so far been predicated on a freeze in the price of the Gold Card. However, in line with a request from the Sub-Committee, Nexus has modelled price potential increases effective from April 2016 of +£3, +£5 and +£8, i.e. pricing the product at £15, £17 and £20.
- 3.4 Nexus has modelled potential price increases in the Gold Card using 'directional elasticity' observed when the price was increased from £12 to £25, and the net effect is that Nexus would potentially lose income with effect from 2017/18.

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## Transport North East (Tyne and Wear) Sub-Committee

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3.5 By way of example, increasing the Gold Card by £3 is estimated to adversely impact on sales by circa 6,500 and whilst this would likely generate circa £127,000 of additional revenue, it would potentially add £383,000 to Nexus' ENCTS bill (based upon the 2015/16 DfT calculator). The estimated loss increases the higher the price of the Gold Card and in addition, an increase in the price of the Gold Card is likely to see a reduction in patronage, as happened in 2011.

3.6 Given the potential adverse effect on the wider Nexus budget, it is not recommended to increase the price of the Gold Card at this time.

### **4 Pricing Strategy (Child Concessionary Fares)**

4.1 The child concessionary fare was introduced by the then Tyne and Wear Integrated Transport Authority in 2008. The product allows Tyne and Wear residents in possession of an 'Under 16 Pop Card' to travel on any operator and any mode of public transport with a 60p single and £1.10 All Day ticket. These prices are +10p more expensive than when the concession was initially introduced following a price increase approved by the then Tyne and Wear Integrated Transport Authority in September 2012.

4.2 Nexus has modelled the impact of increasing both tickets by 10p effective from April 2016 and have estimated that this could potentially yield circa £500,000 of additional income in 2016/17.

4.3 Given this seems to be a genuine opportunity to make a budget saving of circa £500,000, the Sub-Committee will need to consider this further as part of a Strategic Review of all Nexus discretionary expenditure during the first half of 2016, which will form the basis of a consultation on proposals for services needed from 2017/18 onwards.

### **5 Metro Fares Proposal**

5.1 The January 2016 Metro and Ferry fares review seeks to build on the improvements identified as part of the January 2015 fares review with some further enhancements and considerations, including:

- A general realignment of fares, beginning the process of achieving a more structured approach to ticket pricing; and
- An aim to keep the weighted basket of fares calculation at, or below, the level of RPI (1.0% at July 2015).

5.2 The proposed fares for 2016 are shown in:

- Appendix B (single and day tickets);

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- Appendix C (MetroSaver tickets); and
- Appendix D (Miscellaneous tickets).

5.3 The positive outcomes for passengers of this proposal are:

- Fares for young people and students proposed to be frozen;
- Fares for 16-18 year olds to be frozen to maintain the 60% discount compared to the equivalent adult fare;
- Fares for students to be frozen or slightly reduced to maintain the 30% discount compared to the equivalent adult fare;
- Singles, 4-weekly and one-zone annual tickets will all reduce in price;
- Trials of new monthly tickets for adults, as well as termly tickets for students will be introduced; and
- Discounts for Pop Pay As You Go of £0.10 on an adult single and the daily price cap set at £0.20 cheaper than an Adult DaySaver.

5.4 The following tickets will increase in price under this proposal:

- Adult day tickets will increase by £0.20. The relatively low ticket price means that this leads to increases of between 3.7% and 5.4%.
- Annual 2-zone and 3-zone tickets will increase by 10.9% and 11.7% respectively because of the move towards a more structured approach to pricing. Nevertheless these tickets still provide excellent value for money at an equivalent of just under £1.60 per day for the 3-zone ticket. The price proposed for the 3-zone ticket is £575, the same as the price charged in 2005.

5.5 Other noteworthy aspects of this proposal are:

- Monthly tickets for adult passengers, and termly tickets for students, will be trialled in the latter half of 2015/16. These new products will allow passengers to purchase tickets in line with their monthly pay cheques
- Pop Pay As You Go is currently in public test stage and is due to be launched in November 2015. The proposals contained in this report include a 10p discount on adult single journeys using PAYG as well

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## Transport North East (Tyne and Wear) Sub-Committee

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as daily price caps with a 20p discount versus the equivalent DaySaver ticket

5.6 The following Metro tickets will all increase in line with RPI:

- Class Pass
- Business Pass
- Conference Pass
- Metro Rail Add on fares

### **6 Next Steps**

6.1 Should the Sub-Committee approve the proposed fare changes set out in this report, the new fare levels will come into force on 2<sup>nd</sup> January 2016.

6.2 A further report will be submitted in January 2016 in which the Combined Authority will consider the 2016/17 budget. The budget proposal will, subject to approval, take account of the Metro and Ferry fare changes contained in this report.

### **7 Potential Impact on Objectives**

7.1 The proposals in this report are intended to ensure the continued operation of the Metro within the subsidy levels available, whilst also maintaining the current trend of growing Metro patronage.

### **8 Finance and Other Resources**

8.1 Metro revenue remains on track to outperform the 2015/16 budget target of £48.526m. The Period 6 forecast (period ending 12 September 2015) indicates a favourable variance in the forecast to the year-end of £0.3m.

8.2 An estimated additional £0.530m is expected to be generated in 2016/17, subject to approval of the proposals outlined in this report. This represents increased revenue from fare changes in isolation and does not include any potential changes in the underlying trend of Metro usage, including the potential for an increase in demand associated with the Pop Pay As You go product. A stretch target for Metro revenues will be developed as part of the 2016/17 budget setting process.

# **North East Combined Authority**

## **Transport North East (Tyne and Wear) Sub-Committee**

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### **9 Legal**

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

### **10 Other Considerations**

#### **10.1 Consultation/Community Engagement**

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

#### **10.2 Human Rights**

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

#### **10.3 Equalities and Diversity**

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

#### **10.4 Risk Management**

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

#### **10.5 Crime and Disorder**

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

#### **10.6 Environment and Sustainability**

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

### **11 Background Documents**

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

### **12 Links to the Local Transport Plans**

12.1 This report has no direct links.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### 13 Appendices

- 13.1 Appendix A – Structured Pricing targets.
- 13.2 Appendix B – Proposed single and day ticket prices
- 13.3 Appendix C – Proposed season ticket prices
- 13.4 Appendix D – Proposed miscellaneous Metro prices
- 13.5 Appendix E – Proposed Ferry prices

### 14 Contact Officers

- 14.1 John Fenwick, Director of Finance and Resources, Nexus  
E-mail: [john.fenwick@nexus.org.uk](mailto:john.fenwick@nexus.org.uk)  
Tel: 0191 203 3248

### 15 Sign off

- Transport Lead Executive Officer ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

### 16 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

### Appendix A

Price Matrix Structural Target				
Product	2015 Ratio	2016 Ratio	Target Ratio	Relates to
DaySaver 1 Zone	1.5	1.6	1.8	Single 1 Zone
DaySaver 2 Zone	1.4	1.5	1.8	Single 2 Zone
DaySaver All Zones	1.4	1.5	1.8	Single All Zones
MetroSaver 1 Week 1 Zone	3.8	3.8	3.5	DaySaver 1 Zone
MetroSaver 1 Week 2 Zone	4.1	4.0	3.5	DaySaver 2 Zone
MetroSaver 1 Week All Zones	4.5	4.4	3.5	DaySaver All Zones
MetroSaver 4 Week 1 Zone	3.7	3.4	3.5	MetroSaver 1 Week 1 Zone
MetroSaver 4 Week 2 Zone	3.5	3.4	3.5	MetroSaver 1 Week 2 Zone
MetroSaver 4 Week All Zones	3.4	3.3	3.5	MetroSaver 1 Week All Zones
MetroSaver Annual 1 Zone	11.8	11.5	11.0	MetroSaver 4 Week 1 Zone
MetroSaver Annual 2 Zone	9.1	10.1	11.0	MetroSaver 4 Week 2 Zone
MetroSaver Annual All Zones	7.3	8.2	11.0	MetroSaver 4 Week All Zones
16 - 18 MetroSaver 1 Week All Zones	0.4	0.4	0.4	MetroSaver 1 Week All Zones
16 - 18 MetroSaver 4 Week All Zones	0.4	0.4	0.4	MetroSaver 4 Week All Zones
Student MetroSaver 4 Week Inner Zone	0.7	0.7	0.7	MetroSaver 4 Week 1 Zone
Student MetroSaver 4 Week All Zones	0.7	0.7	0.7	MetroSaver 4 Week All Zones
Student MetroSaver Annual Inner Zone	0.6	0.7	0.7	MetroSaver Annual 1 Zone
Student MetroSaver Annual All Zones	0.7	0.6	0.7	MetroSaver Annual All Zones

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## Transport North East (Tyne and Wear) Sub-Committee

### Appendix B

Single / Day tickets - Price changes proposed effective 2 January 2016					
Product	2015 Price	2016 Price	Change £	Change %	Sales (000s)
Single 1 Zone (A, B, C)	£1.80	£1.70	-£0.10	-5.6%	1,395
Single 2 Zone (A+ B, B+ C)	£2.70	£2.60	-£0.10	-3.7%	1,131
Single All Zones (A+ B+ C)	£3.40	£3.30	-£0.10	-2.9%	837
NEW Single 1 Zone PAYG	£1.70	£1.60	-£0.10	-5.9%	~
NEW Single 2 Zone PAYG	£2.60	£2.50	-£0.10	-3.8%	~
NEW Single All Zones PAYG	£3.30	£3.20	-£0.10	-3.0%	~
DaySaver 1 Zone (A, B, C)	£2.70	£2.80	£0.10	3.7%	1,339
DaySaver 2 Zone (A+ B, B+ C)	£3.70	£3.90	£0.20	5.4%	1,707
DaySaver All Zones (A+ B+ C)	£4.60	£4.80	£0.20	4.3%	1,206
NEW DaySaver 1 Zone PAYG	£2.50	£2.60	£0.10	4.0%	~
NEW DaySaver 2 Zone PAYG	£3.50	£3.70	£0.20	5.7%	~
NEW DaySaver All Zones PAYG	£4.40	£4.60	£0.20	4.5%	~
Transfare 1 Zone (T1)	£2.80	£2.70	-£0.10	-3.6%	13
Transfare 2 Zone (T2)	£3.60	£3.60	£0.00	0.0%	36
Transfare 3 Zone (T3)	£4.30	£4.30	£0.00	0.0%	19
Child Commercial Single (A+ B+ C)	£0.80	£0.80	£0.00	0.0%	364
Child DaySaver (A+ B+ C)	£1.20	£1.20	£0.00	0.0%	702
Child Transfare (T3)	£0.90	£0.90	£0.00	0.0%	26
~ very low					

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix C

MetroSaver / Corporate MetroSaver - Price changes proposed effective 2 January 2016					
Product	2015 Price	2016 Price	Change £	Change %	Sales (000s)
MetroSaver 1 Week 1 Zone (A, B, C)	£10.30	£10.50	£0.20	1.9%	89
MetroSaver 1 Week 2 Zone (A+ B, B+ C)	£15.20	£15.50	£0.30	2.0%	129
MetroSaver 1 Week All Zones (A+ B+ C)	£20.90	£21.00	£0.10	0.5%	53
MetroSaver 4 Week 1 Zone (A, B, C)	£38.00	£36.00	£-2.00	-5.3%	7
MetroSaver 4 Week 2 Zone (A+ B, B+ C)	£53.30	£53.00	£-0.30	-0.6%	13
MetroSaver 4 Week All Zones (A+ B+ C)	£70.30	£70.00	£-0.30	-0.4%	8
MetroSaver Annual 1 Zone (A,B,C)	£450.00	£415.00	£-35.00	-7.8%	~
MetroSaver Annual 2 Zone (A+ B, B+ C)	£482.50	£535.00	£52.50	10.9%	~
MetroSaver Annual All Zones (A+ B+ C)	£515.00	£575.00	£60.00	11.7%	1
Corporate MetroSaver (1 - 19 tickets)	£460.00	£498.00	£38.00	8.3%	0.5
Corporate MetroSaver (20-39 tickets)	£455.00	£493.00	£38.00	8.4%	0.5
Corporate MetroSaver (40+ tickets)	£450.00	£488.00	£38.00	8.4%	4
NEW MetroSaver Monthly 1 Zone (A, B, C)	N/A	£39.10	N/A	N/A	N/A
NEW MetroSaver Monthly 2 Zone (A+ B, B+ C)	N/A	£57.50	N/A	N/A	N/A
NEW MetroSaver Monthly All Zones (A+ B+ C)	N/A	£76.00	N/A	N/A	N/A
~ very low					

16-18 MetroSaver / Student MetroSaver - Price changes proposed effective 2 January 2016					
Product	2015 Price	2016 Price	Change £	Change %	Sales (000s)
16 - 18 MetroSaver 1 Week All Zones (A+ B+ C)	£7.50	£7.50	£0.00	0.0%	10
16 - 18 MetroSaver 4 Week All Zones (A+ B+ C)	£28.00	£28.00	£0.00	0.0%	15
Student MetroSaver 4 Week Inner Newcastle	£26.60	£25.20	£-1.40	-5.3%	16
Student MetroSaver 4 Week Inner Sunderland	£26.60	£25.20	£-1.40	-5.3%	
Student MetroSaver 4 Week All Zones (A+ B+ C)	£49.20	£49.00	£-0.20	-0.4%	7
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%	1
NEW Student Term Inner Newcastle	N/A	£75.00	N/A	N/A	N/A
NEW Student Term Inner Sunderland	N/A	£75.00	N/A	N/A	N/A
NEW Student Term All Zones	N/A	£100.00	N/A	N/A	N/A

# North East Combined Authority

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### Appendix D

Miscellaneous Metro Tickets - Price changes proposed effective 2 January 2016				
Product	2015 Price	2016 Price	Change £	Change %
Business Pass	£163.00	£165.00	£2.00	1.2%
Conference Pass	£2.50	£2.50	£0.00	0.0%
Class Pass - 1 Pass 1 Day	£30.50	£30.50	£0.00	0.0%
Class Pass - 2 Passes 1 Day	£48.40	£48.40	£0.00	0.0%
Class Pass - 1 Pass 1 Term	£92.60	£92.60	£0.00	0.0%
Class Pass - 2 Passes 1 Term	£152.60	£152.60	£0.00	0.0%
Class Pass - 1 Pass Annual	£238.50	£238.50	£0.00	0.0%
Class Pass - 2 Passes Annual	£423.00	£423.00	£0.00	0.0%
Single Inner Zone Rail Add On	£1.50	£1.50	£0.00	0.0%
Return Inner Zone Rail Add On	£2.10	£2.10	£0.00	0.0%
7 Day Inner Zone Rail Add On	£8.60	£8.70	£0.10	1.2%
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	£15.80	£16.00	£0.20	1.3%

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### Appendix E

Ferry Tickets - Price changes proposed effective 2 January 2016					
Product	2015 Price	2016 Price	Change £	Change %	Sales (000s)
Ferry Single	£1.60	£1.50	£-0.10	-6.3%	35
Ferry DaySaver	£2.60	£2.70	£0.10	3.8%	60
FerrySaver 1 Week	£11.70	£10.50	£-1.20	-10.3%	1
FerrySaver 4 week	£43.80	£36.80	£-7.00	-16.0%	~
Ferry Carnet (10 single trips)	£12.80	£12.00	£-0.80	-6.3%	0.3
1 Zone Transfare	£2.80	£2.70	£-0.10	-3.6%	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%	2
Child Transfare	£0.90	£0.90	£0.00	0.0%	0.1

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## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

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**DATE:** 24 November 2015

**SUBJECT:** NEXUS' ANNUAL EXPENDITURE AND ACTIVITY ANALYSIS  
REPORT 2014/15

**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's services as part of its annual reporting processes.

#### **Recommendations**

It is recommended that the Committee note the attached report, 'Nexus Annual Expenditure and Activity Analysis Report 2014/15'.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### **1 Background Information**

- 1.1 This report provides members with an analysis of Nexus expenditure and activity at district level during 2014/15. It builds on previous reports since 2009/10.
- 1.2 The basis of the report has in the past been used to discuss Nexus's 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 2014/15, 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 TWIA (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 Expenditure and Activity Analysis Report 2014/15' has been prepared using similar principles to those adopted for the previous three reports, although advances in smart technology have enabled more robust reporting in some areas e.g. concessionary travel.

### **2 Finance and other resources**

- 1.6 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.
- 1.7 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;
  - 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;



# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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- the nature and extent of bus operators commercial networks; and population densities, socio-economic geography and land use planning decisions.
- 1.8 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.
- 1.9 Nexus's 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.
- 1.10 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's gross expenditure requirement in 2014/15 was some £187.7m. Of this, £58.5m was funded from commercial revenues, whilst £127.9m 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 £64.9m of grant income, almost 65% of Nexus's gross expenditure requirement was therefore funded from outside of the grant passed to Nexus by the NECA.
- 1.11 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.

# **North East Combined Authority**

## **Transport North East (Tyne and Wear) Sub-Committee**

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### **4 Potential Impact on Objectives**

4.1 None.

### **5 Legal**

5.1 There are no direct legal implications arising from this report.

### **6 Other Considerations**

#### **6.1 Consultation/Community Engagement**

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

#### **6.2 Human Rights**

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

#### **6.3 Equalities and Diversity**

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

#### **6.4 Risk Management**

The report covers services provided and the cost of those services in the prior year. Ongoing uncertainty surrounding the Nexus budget and its funding mean that there is a risk to service provision moving forward.

#### **6.5 Crime and Disorder**

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

#### **6.6 Environment and Sustainability**

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

### **7 Background Documents**

7.1 None.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### **8 Links to the Local Transport Plans**

- 8.1 The report outlines Nexus's activity which supports the delivery of the Tyne and Wear Local Transport Plan

### **9 Appendices**

- 9.1 Nexus Annual Expenditure and Activity Analysis Report 2014/15.

### **10 Contact Officers**

- 10.1 John Fenwick, Director of Finance & Resources, Nexus  
[john.fenwick@nexus.org.uk](mailto:john.fenwick@nexus.org.uk) , Tel: 0191 203 3248

### **11 Sign off**

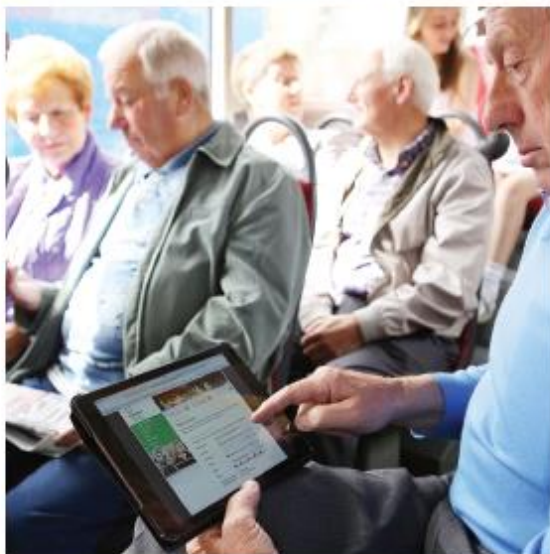
- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

### **12 Glossary**

See glossary included within the appended 'Nexus Annual Expenditure and Activity Analysis Report 2014/15'.

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# Nexus Annual Report 2014/15



## 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
NECA	North East Combined Authority
Secured Service	A service operated by a bus company but funded by Nexus. Also known as a tendered 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 service operated by a bus company which is usually commercially viable, and is therefore run without financial backing from Nexus
ENCTS	The English National Concessionary Bus Travel Scheme is a national scheme by the Department for Transport in conjunction with Local Authorities 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 graph	These are used within this report to show patronage. Each point on one of these graphs shows the total patronage over the last year at that point in 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 passenger 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. At the same time, the NECA's predecessor body, the Tyne and Wear Passenger Transport Authority (TWITA) 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 with our partners, Nexus provides, plans and promotes 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.

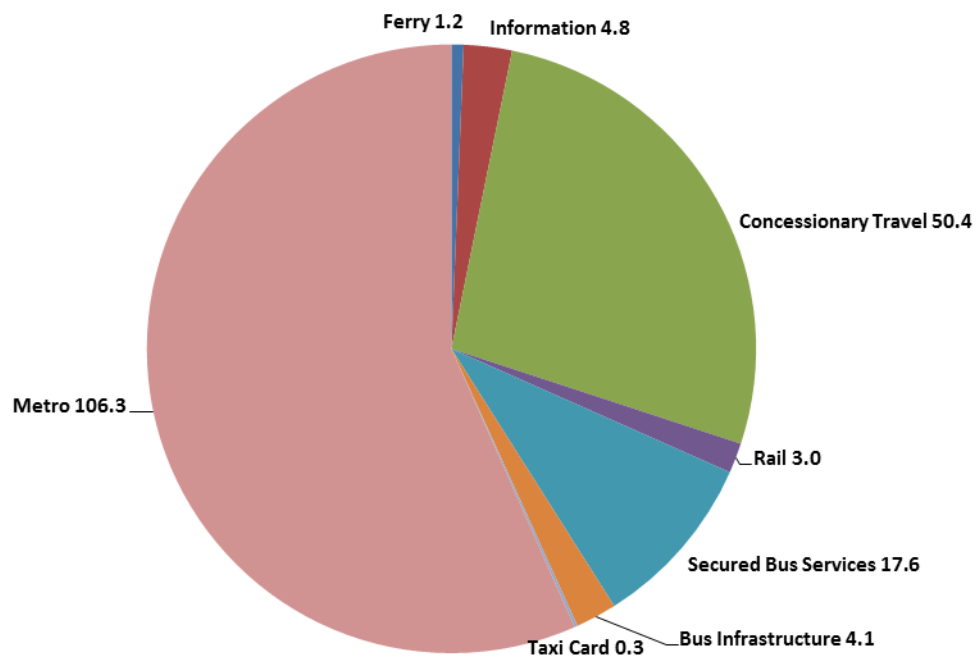
Our plans include the Metro: all change modernisation programme, worth up to £389m over 11 years, providing a step change in comfort and reliability for our passengers. We are also improving local bus services, working with local councils and operators through the Bus Strategy to meet the needs of local people. That means making sure buses go where people want them to, and provide a safe and welcoming travel environment. And we are investing in smart travel, with the new Pop card for use on Metro and beyond to make buying a ticket simpler and more flexible.



### Nexus Gross Revenue Expenditure 2014/15

Nexus' gross revenue expenditure during 2014/15 amounted to £187.7m. This enabled the provision of the services shown in chart below.

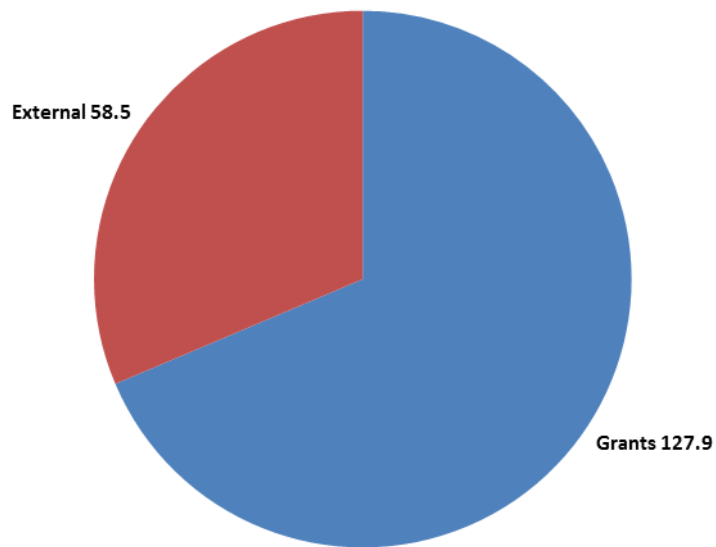
#### Nexus Gross Revenue Expenditure 2014/15 (£m)



### Nexus Income 2014/15

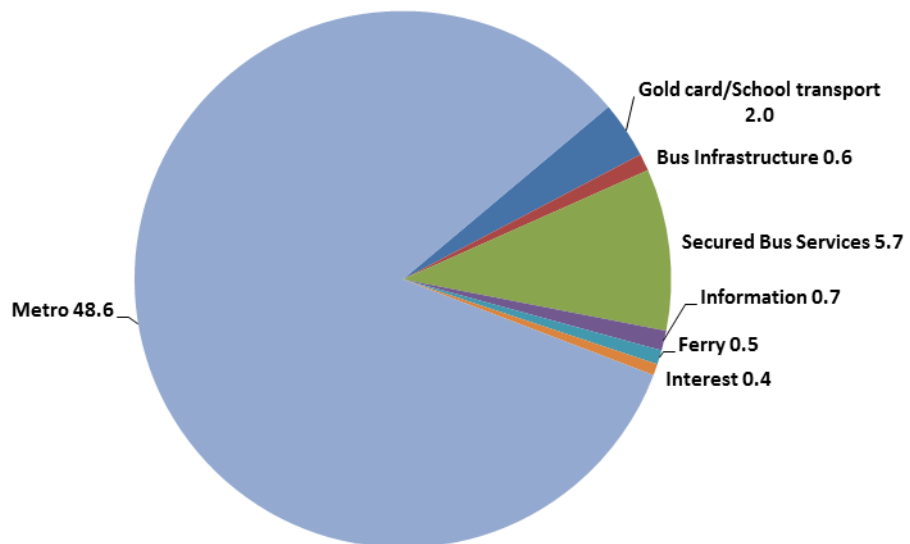
Nexus' income in 2014/15 amounted to £186.4m. Just under one third of the total income was provided through income-generating activities, with two-thirds obtained through grant funding.

### Nexus Total Income 2014/15 (£m)



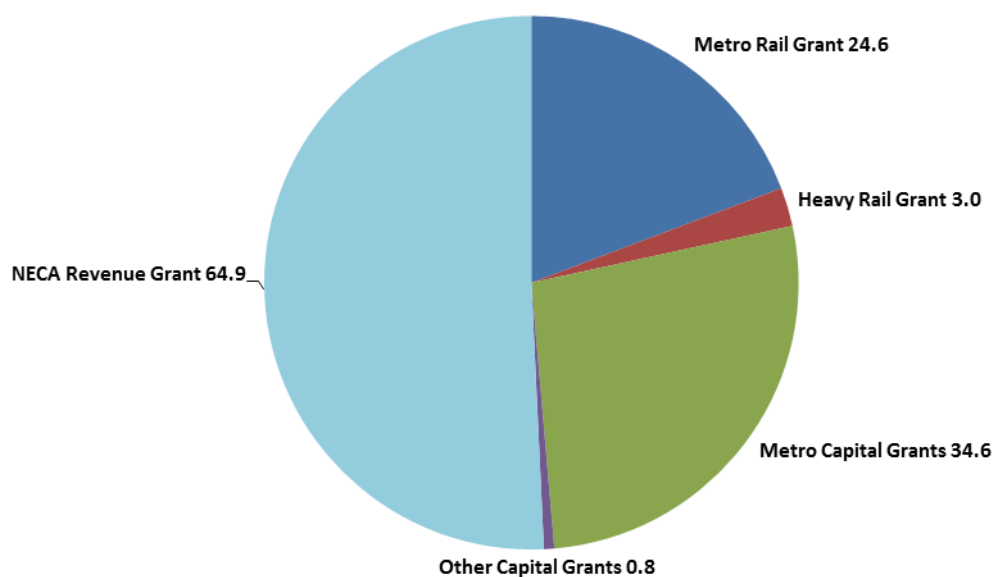
The chart below details the breakdown of Nexus external income during 2014/15:-

### Nexus Income-generating activities 2014/15 (£m)



The chart below shows the sources of the grant funding:-

### Nexus Grant Income 2014/15 (£m)



The largest source of grant funding received by Nexus during 2014/15 (around 52% of all grants) was from the NECA. Other sources of grant funding in 2014/15 were provided by central government for a specific purpose:-

- Metropolitan Rail Grant – from DfT to support the operating costs of the Tyne and Wear Metro
- Heavy Rail Grant – from DfT to support the operating costs of the Northern Rail franchise

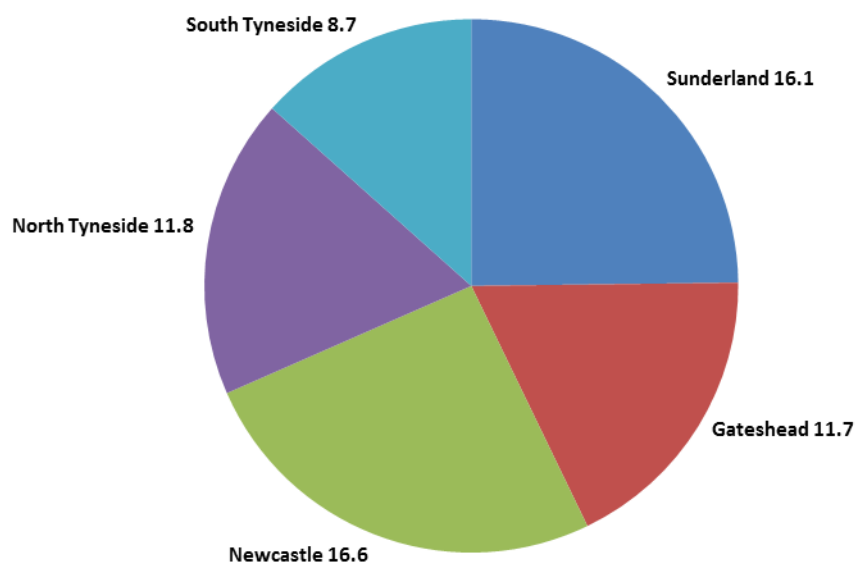
In addition to revenue grant funding outlined above, Nexus also receives capital grants direct from the Department for Transport, which are primarily utilised to fund the Metro reinvigoration programme. These grants amounted to £34.4m during 2014/15.

These grants are held in Reserves and are released to the Income and Expenditure Statement to match the depreciation costs associated with the assets they were used to finance. During the year, Metro capital grants (£34.6m) and other capital grants (£0.8m) made up a total of £35.4m in released grants.

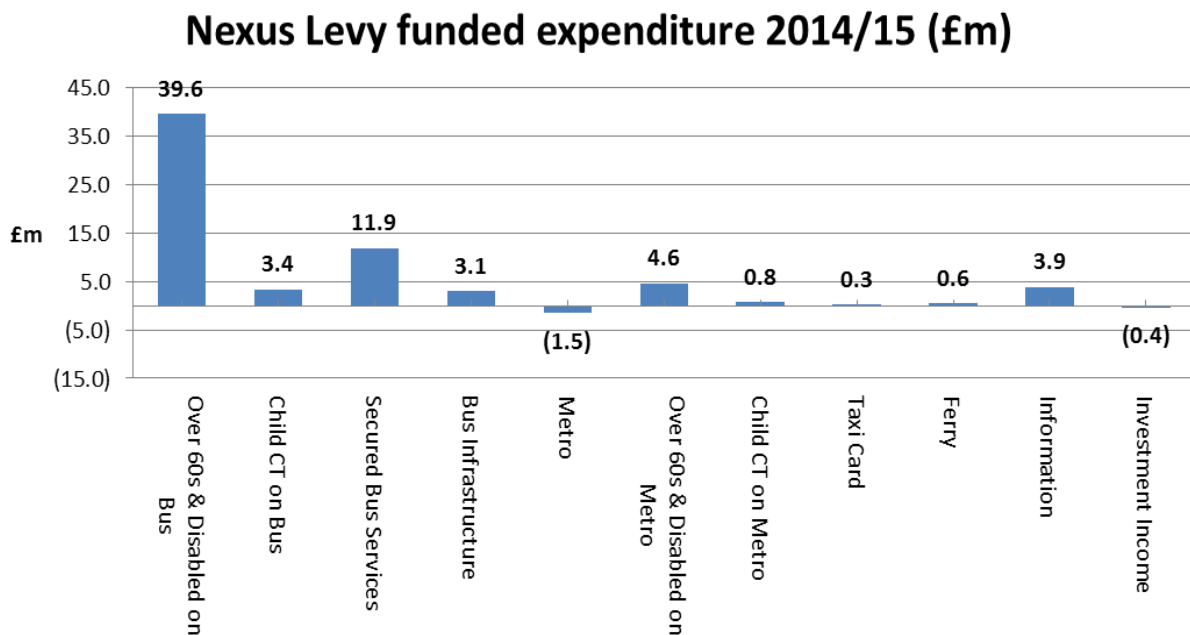
## The Levy

In January 2014, the then ITA agreed a budget and then issued a levy to the constituent councils within Tyne and Wear so as to meet a proportion of its liabilities/expenses for 2014/15. 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 the Tyne and Wear ITA, it set a levy for the financial year 2014/15 of £68.2m, of which £64.9m was as a grant paid to Nexus in order to execute the policy decisions of the ITA, as superseded by the NECA. The breakdown of how the £64.9m was funded is shown below:-

**Tyne and Wear Levy by District 2014/15 (£m)**



After taking account of central government grants, external income from commercial activities and the release of capital grants deferred, Nexus' net revenue expenditure during 2014/15 amounted to £66.2m, of which £64.9m was funded by the levy and £1.3m from usable reserves. The chart below shows how the NECA grant and Nexus' usable reserves were used by Nexus in providing a range of public transport services.



The chart above shows that Metro generated a surplus after taking into account DfT grant funding and fare revenues which effectively provided a contribution of £1.5m to those other services shown in the chart during 2014/15. However, this was after central departmental overheads e.g. Finance, Legal Services and Human Resources etc. were recharged across all of the range of services Nexus provides, including Metro. In addition, the figures included in the chart above also take into account an internal transfer of resources from Nexus' Concessionary fares budget to Metro, Secured Bus Services and the Ferry for the revenue that these operations forgoes in the carriage of Elderly and Disabled and Under 16 concessionary pass holders. The amount of concessionary fares reimbursement paid in respect of Metro were £4.6m for the carriage of elderly and disabled gold card holders and £0.8m for the carriage of Under 16 pass holders.

Concessionary Travel comprises almost 70% of Nexus' net revenue expenditure, therefore the extent to which residents from across the five districts use these concessions will heavily skew the financial benefit derived, relative to the population based funding that the districts provide to Nexus via the levy. Almost 82% of this relates to the English National Concessionary Travel Scheme (ENCTS), a statutory obligation that is placed on Nexus to reimburse commercial bus operators who themselves are statutorily obliged to carry ENCTS pass holders.

Activity and analysis of each of the services (excluding income from investments) shown in the chart above, together with commercial bus services, are described in more detail in the next section of this report.

## **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. Information
10. Ferry
11. Rail Services
12. TaxiCard Services

## 1) All bus services

### a. Overview of bus passenger boardings

During 2014/15, 132.7 million journeys were made on bus services in Tyne and Wear, which represents a decrease of 1.7% on the previous year. The table below provides a breakdown of the figures relevant to the bus market across Tyne and Wear in 2014/15 and sets these in context by also showing the trend when compared to previous years, 2010/11 to 2013/14.

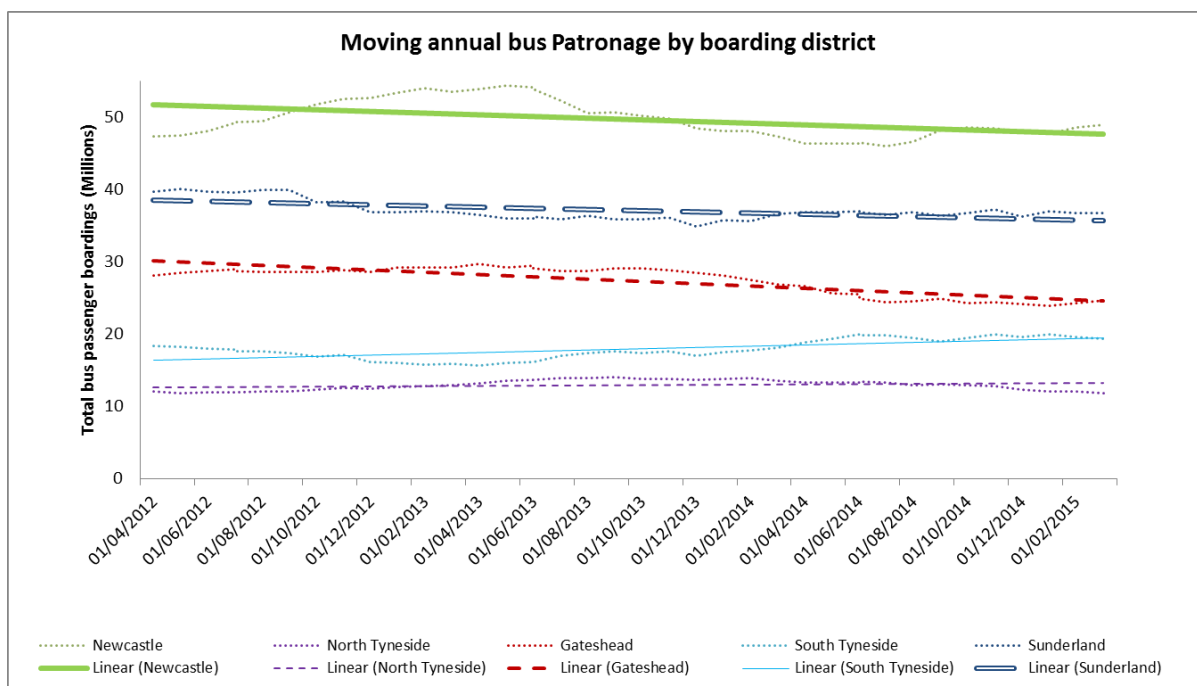
2014/15 performance is largely in line with the long term trend of decline in the adult and child markets and largely consistent numbers of ENCTS journeys.

Passenger Type	2010/11	2011/12	2012/13	2013/14	2014/15	Change Vol	Change %
Adult	82.245	78.169	80.103	75.721	74.392	-1.329	-1.76%
ENCTS	45.992	45.899	45.038	45.574	45.940	+0.366	0.80%
Child	13.383	14.026	14.436	13.681	12.388	-1.294	-9.46%
Total	141.620	138.094	139.577	134.977	132.720	-2.257	-1.67%

### b. All Bus passenger boardings by Council Area

The moving annual patronage chart below (explained in the glossary) shows the long term trend of total bus patronage boardings by Council Area. Although there is some variation year on year, the long term trends are largely consistent 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 three-year linear trend as well as the moving annual patronage.



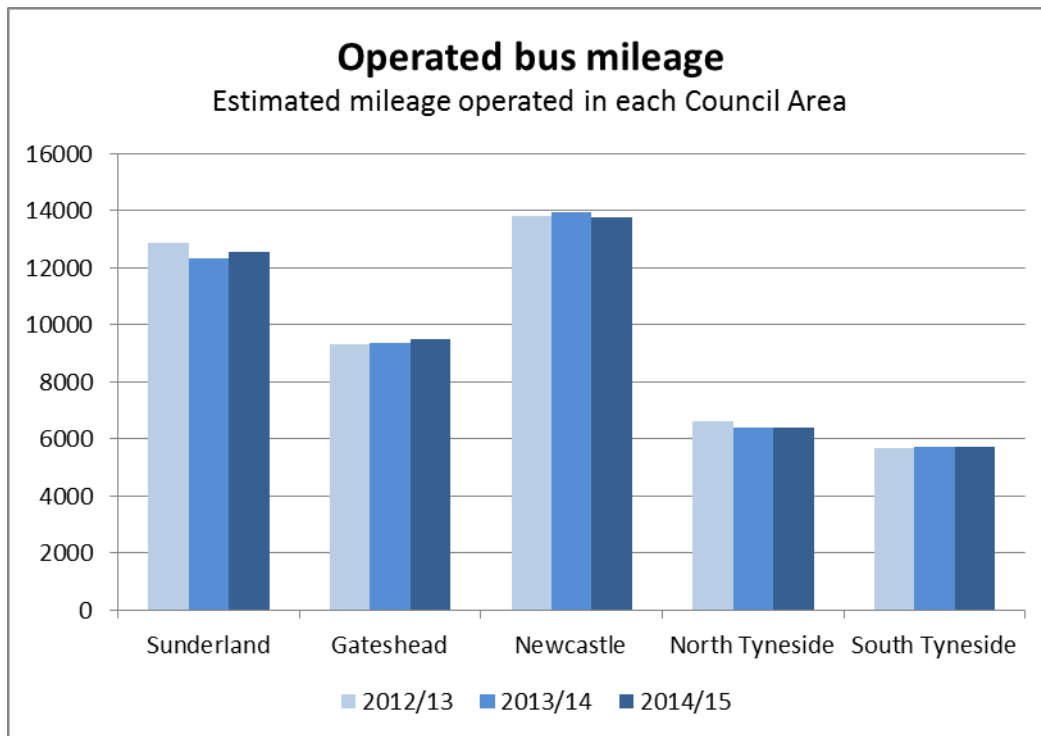
Nexus has analysed the Council Area that passengers live in, compared to the location they boarded and it is evident that a sizeable number of 'cross boundary' journeys are undertaken, including trips made by residents from outside of Tyne and Wear, which clearly impact on this analysis. For example, over 20% of those who board in Newcastle live outside the area. However, over 90% of those who board in South Tyneside and Sunderland also live in these districts, highlighting the fact that the levels of cross-boundary travel varies greatly by Council Area. The following table illustrates this.

		Board in					
		Gateshead	Newcastle	N. Tyneside	Sunderland	S. Tyneside	Outside T&W
Live in	Gateshead	79.6%	4.2%	1.5%	0.9%	0.7%	1.8%
	Newcastle	6.2%	79.8%	17.5%	0.2%	0.4%	4.6%
	N. Tyneside	2.8%	5.5%	73.4%	0.1%	0.5%	11.8%
	Sunderland	4.0%	0.6%	0.6%	91.0%	4.0%	9.4%
	S. Tyneside	3.6%	1.4%	2.3%	2.8%	93.9%	0.4%
	Outside T&W	3.8%	8.4%	4.7%	5.0%	0.5%	72.1%
	Check	100%	100%	100%	100%	100%	100%

### c. Operated bus mileage

For context, the DfT publish vehicle miles operated at a local authority level. The 2014/15 figures in the table below are derived from this publication (Vehicle distance travelled on buses tables, DfT, Table 0208a) and show commercial mileage operated within Tyne and Wear by all operators.





## 2) Secured bus services

### a. Secured services patronage

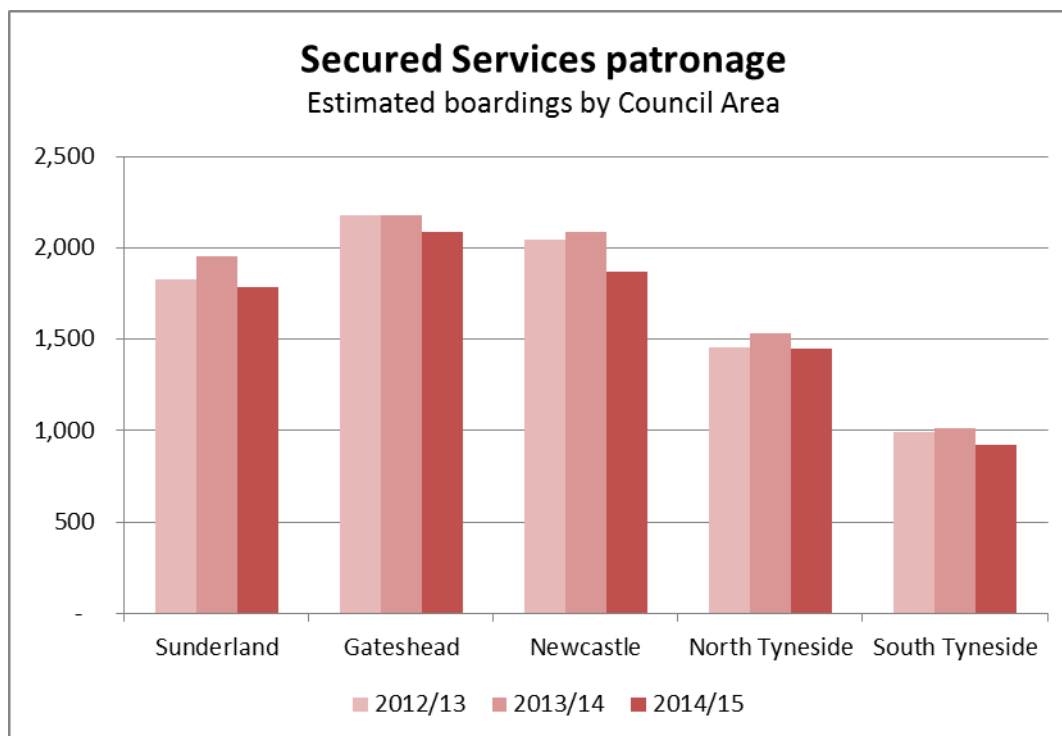
During 2014/15, across Tyne and Wear as a whole, Secured Services patronage decreased by almost 8%.

Passenger type (000's)	2010/11	2011/12	2012/13	2013/14	2014/15	Change %
Adult	4,033	4,328	3,951	3,946	3,798	-3.8%
ENCTS	2,878	3,062	2,383	2,462	2,180	-11.5%
Child	2,066	2,222	2,160	2,361	2,127	-9.9%
<b>Total</b>	<b>8,977</b>	<b>9,612</b>	<b>8,494</b>	<b>8,769</b>	<b>8,104</b>	<b>-7.6%</b>

The reduction in passenger journeys is largely explained by the following reasons:

- The timing of Easter caused a noticeable decrease in patronage in 2014/15, especially on Scholars and Works services, given there were an additional three bank holidays and an additional school holiday week as compared to the prior year, equating to an estimated reduction of 90,000 journeys. There was also a total reduction of around 15,000 journeys on Christmas Eve, Boxing Day and New Year's Eve in 2014 compared to 2013.
- Changes to the commercial network in Newcastle resulted in a reduction in patronage of around 80,000 on services 18, 32 and 33 operating in central Newcastle. The changes to the three scholars services in Newcastle previously mentioned saw a reduction in passenger numbers of over 20,000.
- There was also a fall in demand on Quaylink services of around 50,000 journeys, operating in the Newcastle and Gateshead districts.
- Passenger numbers fell on the R3, R4, R5 and R6 services operating in Western Gateshead with over 20,000 fewer journeys recorded and changes to the 96A operating in Gateshead saw a reduction of 10,000 passengers.
- Around 50,000 passenger journeys can be attributed to services, or journeys, becoming commercial, for example routes 50A (South Shields – The Boldons – Washington – Chester-le-Street).
- Although being replaced with other services such as 35A and 51, revisions to commercial services 26A, X6, 35B and 35C in Sunderland and North Tyneside, resulted in a net loss of around 90,000 Secured Service passenger journeys being observed.
- A fall in demand of around 15,000 journeys was also observed on the service 353 operated in North Tyneside.
- The TB529 service (Lukes Lane Estate - Hebburn - Bill Quay – Heworth) saw a reduction in passengers of around 10,000. Additionally, a further 5,000 journeys were lost on the service 558 in South Tyneside. The reduced operation of service number 5 in the area also resulted in a loss of 10,000 passenger journeys.

Passenger boardings in each Council Area can be estimated and the three year trend is shown below, reflecting the changes described above.

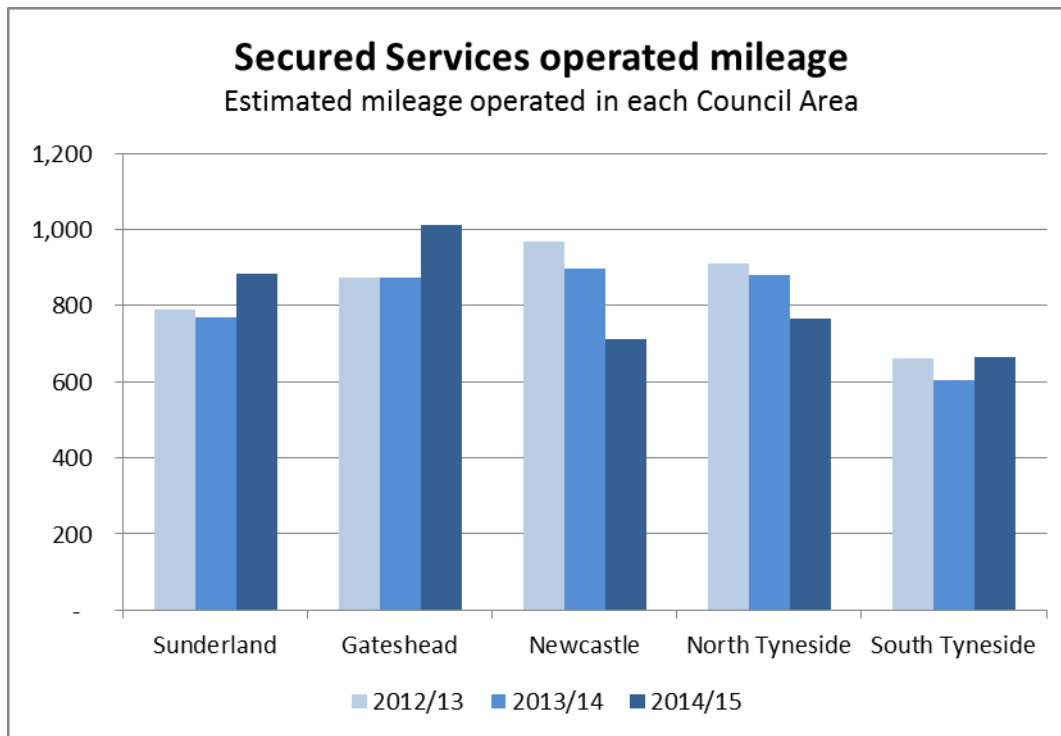


#### **b. Secured services mileage**

Despite recent cuts in is levy funding, Nexus has provided a commitment to the TWITA and now the NECA to maintain service provision. The delivery of Secured Services is a good example of where this has commitment has been fulfilled. The majority of Nexus' Secured Services are provided on a fixed route basis and Nexus operated 4.0 million miles on this basis in 2014/15. This was in line with 2013/14 and slightly less than the 4.2 operated in 2012/13.

When providing secured services, Nexus responds to changes in the provision of commercial services by private bus operators, and to a lesser extent major road works and other changes in demand. Nexus also provide secured services through a 'resource boards' basis where it contracts with commercial bus operators to receive a number of hours of operation, as opposed to a fixed route. This is a particularly advantageous way of operating a number of services, including works and scholars, where resources can be deployed more flexibly.

The estimated mileage operated of services provided on a fixed route basis in each Council area is shown below.



The variations in mileage across individual districts in 2014/15 listed above are largely explained by the changes detailed below:-

- Sunderland – the increase in operated mileage is largely accounted for by additional services on the 700 and 701 routes, “Sunderland Connect” project serving Sunderland University, City centre and other sites of interest in the city.
- Gateshead – the increase in operated mileage is largely accounted for by the introduction of the R7 service, an emergency shuttle service to maintain links to the Winlaton Mill area due to road closures caused by flood defence works (funded by Northumbrian Water) and the transfer of the services R3, R4, R6 (Clara Vale – Ryton – Blaydon – Winlaton – Rowlands Gill) and 643 (Metrocentre – Whickham, Watergate Estate) from ‘resource boards’ to fixed route services.
- Newcastle – the reduction in operated mileage is partly accounted for by services 44 and 45 (Newcastle Haymarket – Dinnington) journeys being taken in full on a commercial basis by the operator. Scholars route 128 was also withdrawn as All Saints College closed and two further scholars routes were withdrawn at the request of the Local Education Authority. Further changes have occurred with the transfer of various Works’ services in Kenton & West Jesmond to taxi bus resource boards. In addition, the replacement of the previously extended 71 route in the west of Newcastle has been revised to the 71A route, which can now be operated more efficiently using a single vehicle.
- North Tyneside – the reduction in operated mileage is largely accounted for by changes in the commercial network where the X6 service (Newcastle – Killingworth – Whitley bay – North Shields) was withdrawn which consequently resulted in the secured extension to this service also being withdrawn. Although this was replaced in part by the secured service 51 between Benton and Whitley Bay, it still resulted in a significant overall reduction in mileage.

- South Tyneside – the increase in operated mileage is largely accounted for by services 558 (Seaburn – Cleadon – The Boldons – Fellgate – Heworth Metro) and 515 (Heworth Metro – Hebburn) which were previously operated through ‘resource boards’ but are now operated on a fixed route basis. There have also been a number of smaller reductions in operated mileage, including the service 5 (South Shields – Boldon Colliery – Fellgate – Jarrow).

### 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 which is still required in order to estimate elements of the reimbursement that nexus makes to commercial bus operators for the carriage of ENCTS pass holders.

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

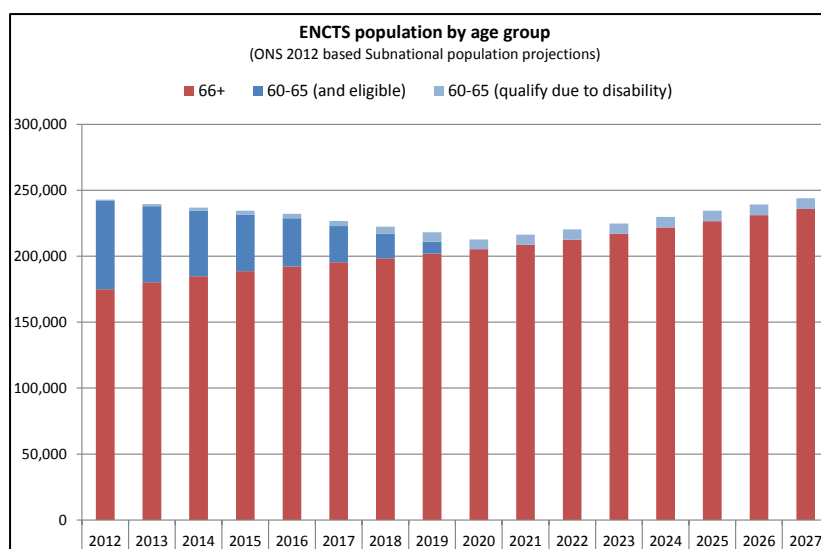
Analysis of the passenger's home district for each ENCTS journey made gives the following results :-

ENCTS on Bus (Over 60 & Disabled)					
Resident of	Journeys 2013/14 (000s)	Journeys 2014/15 (000s)	Change %	2013/14 Proportion of all trips by T&W resident in...	2014/15 Proportion of all trips by T&W resident in...
Sunderland	12,154	12,312	1.3%	28.5%	28.6%
Gateshead	9,339	8,858	-5.2%	21.9%	20.6%
Newcastle	9,211	9,925	7.8%	21.6%	23.1%
North Tyneside	5,928	5,801	-2.1%	13.9%	13.5%
South Tyneside	6,056	6,090	0.6%	14.2%	14.2%
T&W residents	42,644	42,987	0.8%	100%	100%
Total	45,574	45,940	0.8%		

#### c. Pass holders and take up

The age eligibility for an ENCTS pass is gradually being increased in line with changes in the retirement age for women, so that between 2010 and 2020 it will increase from age 60 to age 65. This is causing the eligible population to gradually reduce. However, beyond 2020, the eligible population will increase due to the increasing numbers of those aged 66 and over.

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



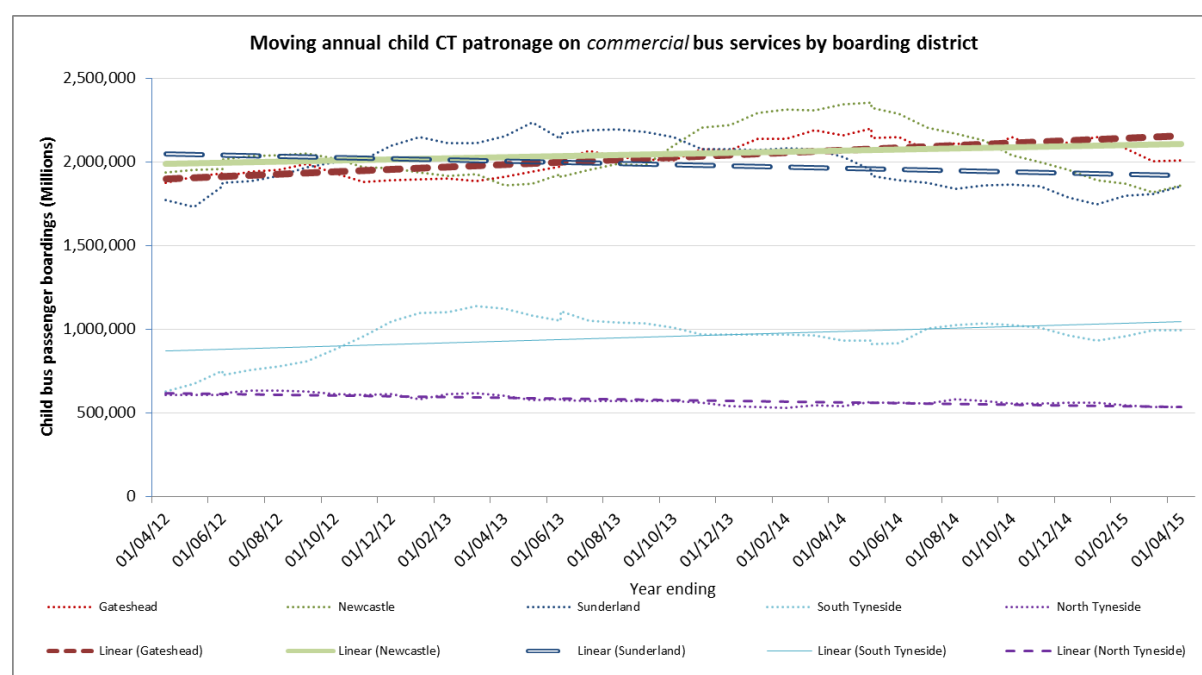
The following table shows the pass take up rate for the ENCTS (elderly only) against the eligible population in each district:-

ENCTS Take Up 2014/15			
District	Over 60s Passes	Eligible Population	Take Up
Sunderland	58,246	61,867	94%
Gateshead	40,013	44,949	89%
Newcastle	47,661	49,818	96%
North Tyneside	45,659	46,689	98%
South Tyneside	33,231	34,655	96%
Tyne & Wear	224,810	237,979	94%

Eligible Population was extracted from ONS 2012-based Subnational Population Projections for England.

#### 4) Under 16 (U16) Concessionary Travel on Bus

During 2013/14, the Under 16 Child Concessionary Travel group made over 8.2 million journeys on bus in Tyne and Wear, which represents a decline of 11% on the previous year. The chart below shows the number of child concessionary journeys made within Tyne and Wear over time. These figures are based upon boarding locations derived from the Continuous Monitoring passenger surveys for commercial services, as no smartcard data is available for children.



Take up rates of Under 16 cards are shown in the table below:

U16 on Bus: Tyne & Wear by District 2014/15						
District	Population	VLY %	Pass Issues	VLY %	Take Up	VLY (pp)
Sunderland	35,177	0.0%	13,110	0.7%	37%	0.2%
Gateshead	25,929	1.0%	11,374	-2.2%	44%	-1.4%
Newcastle	35,472	2.0%	12,526	3.1%	35%	0.4%
North Tyneside	26,726	0.9%	7,394	-3.5%	28%	-1.3%
South Tyneside	18,992	0.5%	7,403	-2.0%	39%	-1.0%
Tyne & Wear	142,296	0.9%	51,807	-0.4%	36%	-0.5%

Take up rate of Under 16 Cards is 36%, similar to the previous year (which had 52,000 card issues).

Nexus continues to work with schools across Tyne and Wear to increase pass take up and raise awareness about the benefits of the Under 16 card and the concession in general. Recent Nexus research to over 10,000 households in Tyne and Wear found that almost 60% class the under 16 concessionary product offer as important or very important.



## 5) Metro patronage

### a. Overview of Metro passenger boardings

During 2014/15, 38.1 million journeys were made on Metro in Tyne and Wear, which represents an increase of 6.75% on the previous year. The table below provides a breakdown of the passenger numbers in 2014/15 and earlier years with the variation between 2014/15 and the prior year shown in both absolute passenger numbers as well as the percentage change.

Metro Patronage by Ticket Type (000s)							
Passenger Type	2010/11	2011/12	2012/13	2013/14	2014/15	Change Vol	Change %
Adult	29,154	27,445	27,568	27,318	28,748	+1.430	5.23%
Gold Card	5,903	5,496	5,020	4,629	5,271	+0.642	13.88%
Child	3,088	3,092	2,952	2,680	2,722	+0.042	1.58%
Fraud	1,664	1,492	1,489	1,077	1,373	+0.296	27.52%
<b>Total</b>	<b>39,809</b>	<b>37,525</b>	<b>37,029</b>	<b>35,703</b>	<b>38,114</b>	<b>+2.411</b>	<b>6.75%</b>

A number of contributing factors have been identified to explain the increased patronage figures;

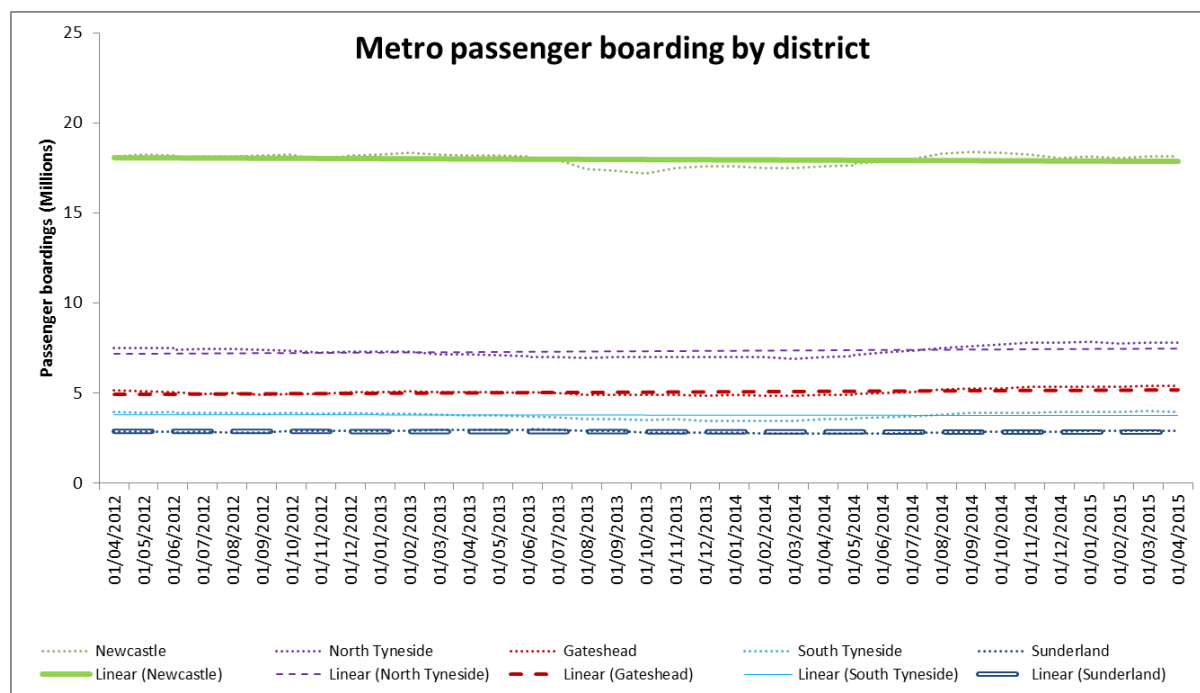
- The major line closure from Airport to Newcastle City Centre in period 5 (28 Jul – 24 Aug 2013) was estimated to have reduced overall 2013/14 patronage figures by 600,000.
- Increased network stability in 2014/15 (fewer network possessions) was estimated to have encouraged an additional 100,000 journeys.
- The reduced price of the Gold Card concession (from £12 in 2014/15 compared to £25 in 2013/14) was estimated to have increased patronage by 500,000.
- Improved product offerings to students and 16-18 year olds increased patronage by an estimated 400,000.
- In addition, there were notable increases in the purchases of adult single, day and season tickets, particularly the use of the Metro Saver weekly product, all of which contributed to the increase in passenger numbers.

### b. Metro passenger boardings by district

The table below shows increase was evident in each local authority area during 2014/15.

Metro: Tyne & Wear by District 2014/15					
District	Pax (000s)	VLY	Stations	Track (miles)	
Sunderland	2,895	↑ 6%	9	6	
Gateshead	5,373	↑ 10%	5	4	
Newcastle	18,126	↑ 3%	19	12	
North Tyneside	7,776	↑ 11%	17	14	
South Tyneside	3,944	↑ 12%	10	12	
Tyne & Wear	38,114	↑ 7%	60	48	

The chart below shows the long term trends for 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, just over 60% of those who board in Gateshead live within Gateshead whilst just over 50% who board in Newcastle live in Newcastle.

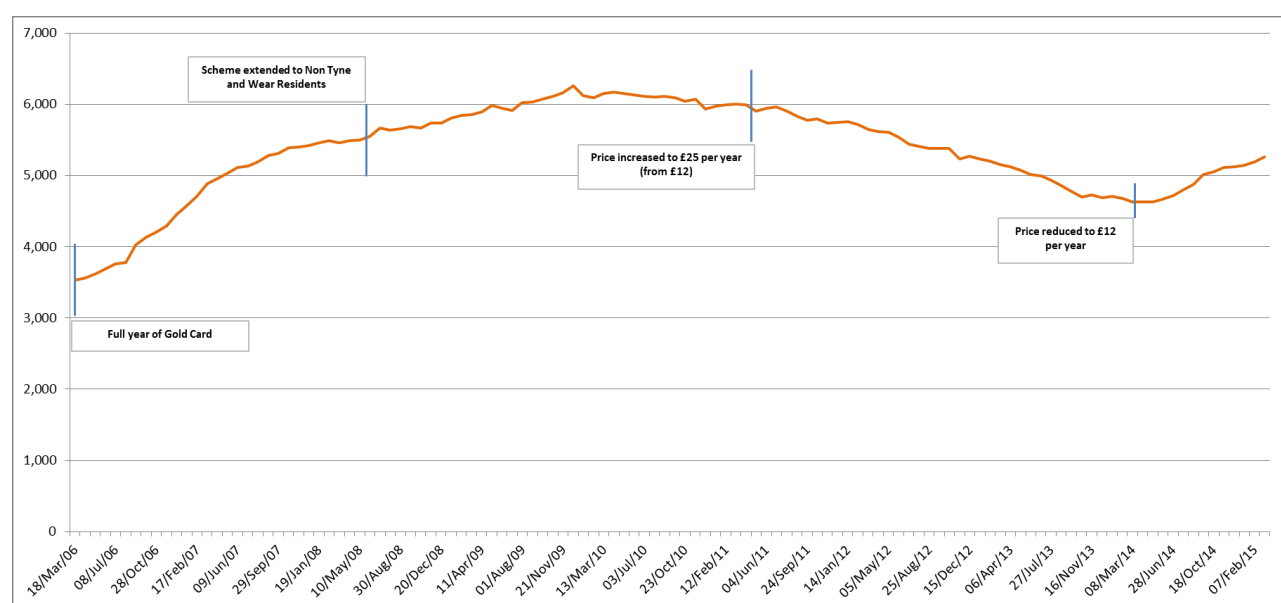
		Board in				
		Gateshead	Newcastle	N. Tyneside	Sunderland	S. Tyneside
Live in	Gateshead	63.4%	8.1%	3.7%	4.0%	5.0%
	Newcastle	5.3%	55.3%	10.9%	4.6%	2.5%
	N. Tyneside	2.2%	14.3%	78.7%	1.4%	1.5%
	Sunderland	8.9%	5.4%	1.1%	82.3%	8.0%
	S. Tyneside	16.4%	7.9%	2.0%	4.7%	81.6%
	Outside T&W	3.8%	9.0%	3.5%	3.1%	1.4%
	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 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. ENCTS passengers could purchase a Metro Gold Card which allows unlimited off peak travel for £12.00 during 2014/15, the income from which assists with operating costs. As the fee for the Gold Card has changed, so has demand.

During 2014/15, Gold Card Concessionary pass holders made almost 5.3 million journeys on Metro in Tyne and Wear which represented an increase of 14% on the previous year. As explained in section 2, eligible population fell by 1.07% but the total number of Gold Cards sold increased by 53% to just over 82,000. The chart below shows that patronage increased as a result of the decrease in Gold Card price to £12 from April 2014, plotting the moving annual total of Metro passengers (in '000s).



### b. Metro Gold Card take up rate

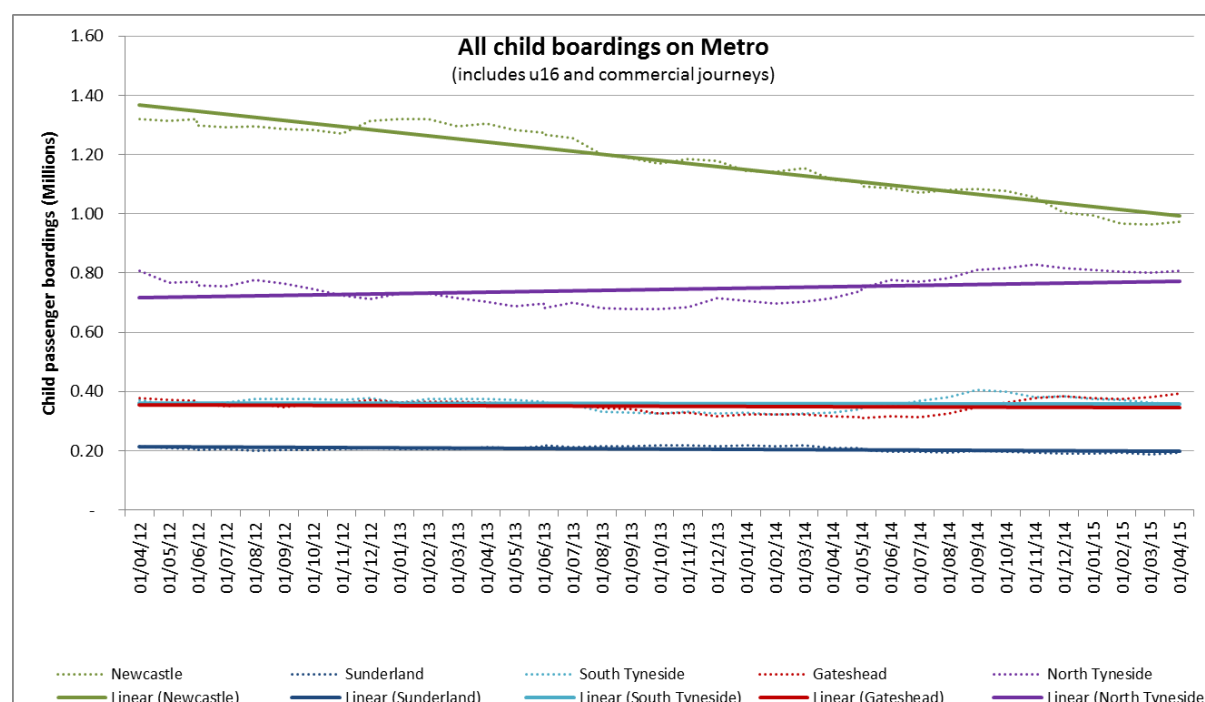
The table below shows Gold Card sales by authority area along with demographics and pass take up compared to 2013/14. Around 35% of the eligible population have purchased a Gold Card and Nexus research has shown that 60% of people in Tyne and Wear aged 62 or over feel the provision of the Gold Card is important or very important.

Gold Card on Metro:Take-up by District 2014/15 (E.P. - Eligible Population)						
District	13/14 E.P.	13/14 Cards	13/14 Take Up	14/15 E.P.	14/15 Cards	14/15 Take Up
Sunderland	62,578	10,379	16.6%	61,867	17,263	27.0%
Gateshead	45,453	8,138	17.9%	44,949	12,809	27.6%
Newcastle	50,641	9,618	19.0%	49,818	15,755	30.6%
North Tyneside	46,714	13,981	29.9%	46,689	19,852	41.2%
South Tyneside	35,135	12,122	34.5%	34,655	17,124	47.9%
Tyne & Wear	240,521	54,238	22.6%	237,979	82,802	34.8%

Eligible Population was extracted from ONS 2012-based Subnational Population Projections for England.

## 7) Under 16 (U16) Concessionary Travel on Metro

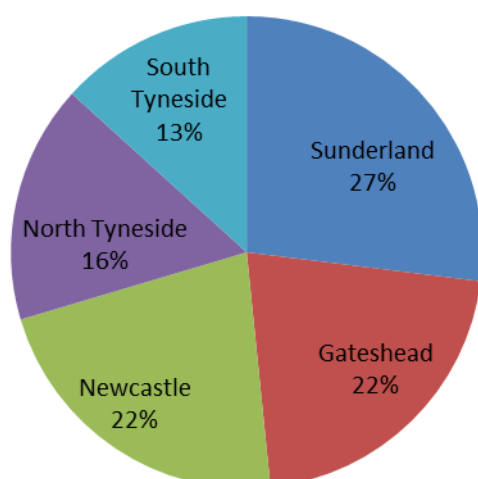
Under 16 patronage on Metro has increased by 1.5% in 2014/15 compared to the previous year, a positive development when compared to bus operations. During 2014/15, the Under 16 Concessionary Travel group made just under 1.05 million journeys on Metro in Tyne and Wear, a slight increase from 1.04 million the previous year. As with the previous year, the majority of Under 16 journeys, 1.7 million, were made using the commercial Metro product, a 2.1% increase on last year. Whilst there were small increases in 2014/15 compared to the previous year, the chart below illustrates that over the past three years, the trend in all Under 16 journeys made on Metro is declining.



## 8) Bus Infrastructure

Nexus provides almost 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 determines the access point to public transport, the chart below provides a breakdown of bus stops across Tyne and Wear by district.

**Bus Stops by District 2014/15**



The table below provides a breakdown of the active stops in 2014/15 and sets these in context by also showing the trend when compared to the previous year 2013/14. 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.

Bus Infrastructure Stops & Stations: Tyne & Wear by District 2014/15					
District	Stops		VLV %	Stations	VLV %
Sunderland	1,601	↑	1%	4	→ 0%
Gateshead	1,298	↑	3%	5	→ 0%
Newcastle	1,274	↓	-2%	3	→ 0%
North Tyneside	942	↓	-2%	4	→ 0%
South Tyneside	770	↓	-1%	2	→ 0%
Tyne & Wear	5,885	↑	0%	18	→ 0%

## 9) 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 2014/15 there were more than 3.0 million sessions (i.e. visits to the site) on the [www.nexus.org.uk](http://www.nexus.org.uk) website, slightly less than last year (3.1 million). Approximately 47% of the visits originate from within Tyne and Wear. The use of mobile devices to access the website continues to exceed the use of desktops/laptops, accounting for 58% of the usage over the year.

It is expected that the next financial year will see a substantial growth in usage of the site due to the launch of the smart online retail system and the roll out of real-time departure information which will be able to be accessed via smartphone at bus stops across Tyne and Wear.

### b. Bus stop timetables

Bus stop timetables and the Nexus website are two of the main channels of information provision to the public. The table below shows the number of new bus liners produced through the year by district. Nexus will produce new liners if there are service or timetable changes at a stop during the year. With over 8,700 new liners replacing old ones in 2014/15, on average there were around 33 liners replaced per working day.

Information: Bus Timetables produced		
District	New Liners	% of liners
Sunderland	2,277	26%
Gateshead	2,253	26%
Newcastle	1,455	17%
North Tyneside	1,903	22%
South Tyneside	897	10%
Tyne & Wear	8,785	100%

### c. Call Centre

The Nexus 'One Stop Shop' received almost 166,000 calls during 2014/15, a drop from 211,000 calls the previous year. 56,000 of these (34%) were Traveline calls enquiring about commercial services which were recharged to the relevant operator. The decline in overall calls is largely due to availability of information through other channels, including smartphone apps and the web site. Also, it is thought that the figure from 2013 is artificially high due to an extra 55,000 calls due to the bulk replacement of the ENCTS pass. The volume of calls can also increase significantly during periods of extreme weather, service disruptions and special events. Despite taking 466 calls on

average per day, there have been days during 2014/15 where the number of daily calls has exceeded 1,000. The very busiest days were Good Friday (1,080 calls) and Boxing Day (1,027 calls).



## 10) Ferry

During 2014/15 there were more than 0.47 million journeys on the cross Tyne Ferry service, which represents an increase of 1.6% on the previous year.

Passenger type	2010/11	2011/12	2012/13	2013/14	2014/15	Change Vol	Change %
Adult	383,217	376,979	324,799	326,868	288,493		
Gold Card	105,385	109,575	93,293	110,804	101,068		
Child	15,631	16,084	13,821	25,849	24,663		
<b>Total</b>	<b>504,233</b>	<b>502,638</b>	<b>431,913</b>	<b>463,521</b>	<b>471,024</b>	<b>7,503</b>	<b>1.6%</b>

While 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 2014/15 Ferry User Profile research, acquired during routine customer interviews on the ferry.

Ferry Users by District 2014/15	
District	% Total
North Tyneside	40.2%
South Tyneside	38.0%
Newcastle	3.5%
Gateshead	2.3%
Sunderland	5.4%
Other	10.6%
<b>Tyne &amp; Wear</b>	<b>100%</b>

## 11) Rail Services

During 2014/15 there were just under 1 million journeys on local Rail services in Tyne and Wear, which represents a decrease of 3.7% 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 Rail market across Tyne and Wear in 2014/15 and sets these in context by also showing the trend when compared to the previous year 2013/14.

Rail: Tyne & Wear by District 2014/15					
District	Pax (000s)		VLV	Stations	Track (miles)
Sunderland	117	↑	18%	1	6
Gateshead	165	↓	-23%	4	10
Newcastle	704	↓	-10%	1	1
North Tyneside	-		-	-	-
South Tyneside*	-		-	-	5
Tyne & Wear	987	↓	-10%	6	21

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

The Office for Rail Regulation record the number of entries/exits at all stations across the country. The latest data is for 2013/14. Outside of London, Newcastle ranks as the 18th busiest station. It is the rail hub of the North East, accounting 39% of all passenger movements in the region (same as last year).

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

Rail: Office for Rail Regulation (entries & exits)				
District	Pax	VLV	N.E. Rank	UK Rank
Newcastle	8,025,155	7,808,258	1	44
Sunderland	792,044	816,546	5	638
Metrocentre	374,468	374,860	11	1,017
Heworth	16,622	15,318	41	2,223
Blaydon	5,002	2,770	46	2,364
Manors	4,444	3,872	48	2,380
Dunston	2,336	2,164	50	2,430

## 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 2014/15 there were over 3,500 registered members of the scheme.

The Taxicard is promoted along with other Nexus services at various community events throughout the region. Mailshots are sent out to existing members and leaflets are available at Travel Shops throughout the region.

TaxiCard Active Membership 2014/15				
District	2013/14	% Share	2014/15	% Share
Sunderland	1,555	50%	1,939	53%
Gateshead	842	27%	1,004	28%
Newcastle	157	5%	185	5%
North Tyneside	419	13%	318	9%
South Tyneside	159	5%	199	5%
<b>Tyne &amp; Wear</b>	<b>3,132</b>	<b>100%</b>	<b>3,645</b>	<b>100%</b>

TaxiCard Trips Made 2014/15			
District	2014/15	% Share	Trips per person
Sunderland	70,632	56%	36
Gateshead	39,348	31%	39
Newcastle	3,378	3%	18
North Tyneside	8,115	6%	26
South Tyneside	4,347	3%	22
<b>Tyne &amp; Wear</b>	<b>125,820</b>	<b>100%</b>	<b>35</b>

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## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

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**Date:** 24 November 2015

**Subject:** Nexus's Corporate Business Plan 2016/17 to 2018/19

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

#### Executive Summary

The purpose of this report is to provide the Sub-Committee with an update concerning the development of Nexus's Corporate Business Plan for 2016/17 to 2018/19<sup>1</sup>.

Nexus is NECA's delivery agent in Tyne and Wear and, in order to carry out its delegated role of monitoring Nexus performance over the year, the Sub-Committee should be aware of the business plan to which Nexus is working.

The plan is derived from the policy objectives set for Nexus by the North East Combined Authority, and will continuously be adjusted to align with the NECA's Transport Vision and the Transport Plan for the North East as they develop to replace the current Local Transport Plans for the area including that for Tyne and Wear.

#### Recommendations

It is recommended that the Sub-Committee receives and provides comment on Nexus's proposed Corporate Business Plan for 2016/17 to 2018/19. The final version of the plan will be submitted to the NECA in January 2016 as required under the constitution.

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<sup>1</sup> At this stage, there is an assumption that the resources to be provided to Nexus by the NECA will be commensurate with furthering the ambitious programme of change, particularly in relation to bus franchising

# **North East Combined Authority**

## **Transport North East (Tyne and Wear) Sub-Committee**

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### **1 Background Information**

- 1.1 Nexus's Corporate Business Plan for 2016/17 to 2018/19 (attached) will provide direction during a critical period of change. The Plan has three key themes, derived from the objectives set by the North East Combined Authority:
- Improve public transport today,
  - Prepare for the future, and
  - Be an effective delivery agent for the NECA.
- 1.2 The Nexus Corporate Business Plan will continuously be adjusted to align with the aims and objectives being set by the NECA. It will therefore be a living document while the Transport Plan for the North East (TPNE) and its delivery plan are being developed.
- 1.3 In the business plan the three themes identified above give rise to fourteen detailed work programmes which are outlined in the document. Progress against the detailed actions and indicators involved in each work programme forms the basis for the summary performance updates that are presented to each meeting of the Sub-Committee.
- 1.4 As required by the NECA Constitution the business plan will be updated on an annual basis to align with the revenue and capital budgets set for Nexus by the NECA Leadership Board as part of the formal transport budget and levy setting process for the combined area covering all three transport delivery agencies.

### **2 Proposals**

- 2.1 It is proposed that Transport North East (Tyne and Wear) Sub-Committee receives and notes Nexus Corporate Business Plan for 2016/17 to 2018/19.

### **3 Next Steps**

- 3.1 Nexus's Corporate Business Plan will need to be agreed by the NECA at its January 2016 meeting. The resources that will flow to Nexus from the NECA are key to the delivery of this plan. The plan will therefore be tailored in accordance with the levy settlement for 2016/17 in particular.
- 3.2 Whatever is ultimately approved, the Sub-Committee will continue to be updated at each meeting on performance against the activities and targets as set out in Nexus's Corporate Business Plan so that the Sub-Committee can discharge its delegated function of monitoring Nexus activities

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### **4 Potential Impact on Objectives**

- 4.1 Business planning and performance monitoring can help to 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 and confirmation is given that the financial implications of Nexus's Corporate Business Plan are to be reflected in NECA's revenue Budget and Capital Programme for 2016/17 to 2018/19 and that any additional funding secured will be reported as part of the regular updating of the revenue budget and capital programme and the medium term financial plan.

### **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. Performance management and reporting supports good risk management practice.

#### **7.5 Crime and Disorder**

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

#### **7.6 Environment and Sustainability**

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

### 8 Background Documents

- 8.1 There are no background documents.

### 9 Links to the Local Transport Plans

- 9.1 This report has direct links to the Tyne and Wear Local Transport Plan which is part of the NECA Policy Framework.

### 10 Appendices

- 10.1 Nexus' Corporate Business Plan for 2016/17 to 2018/19.

### 11 Contact Officers

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### 12 Sign off

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

### 13 Glossary

**Asset Renewal Plan (ARP)** – currently the £389m programme of planned investment in modernising Metro that started in 2010 and is scheduled to complete in 2021, also referred to as Phase II. Phase III of the ARP refers to the later investment required to replace the remaining elements including procurement of a new Metrocar fleet and possible additions to the network: sometimes collectively referred to as Metro Reinvigoration.



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**Bus Strategy** – the approved strategy document in which the NECA sets out its service delivery ambitions and policy aspirations for local bus services in Tyne and Wear.

**CCTV** – the application of Closed Circuit Television equipment on Metro and Bus infrastructure to help enhance personal safety and security for customers, often associated with the application of Public Address systems e.g. to assist with emergency evacuation and other passenger direction processes and procedures.

**Charter Punctuality** – measurement of train punctuality as set out in the Metro Passenger Charter; measures the percentage of trains arriving within three minutes later or within 29 seconds earlier than scheduled.

**Concession Agreement** - the formal contract between Nexus and DBTW which governs all of the business transactions and discussions between the two parties.

**Control Period** – Network Rail's Control Periods have a 5-year timespan. The Control Periods are used for financial and other planning purposes. The current Control Period 5 covers 2014 to 2019 and planning is taking place for CP6 2019 to 2024.

**Customer Satisfaction Score(s)** – the result(s) of a tracking survey that is carried out in May and November each year as part of the Metro Concession Agreement to compare the result with DBTW's contractual target of 8.3 and apply rewards/penalties as appropriate.

**DB Regio Tyne and Wear Ltd. (DBTW)** - the current operator of the Tyne and Wear Metro through the Concession Agreement with Nexus that started in April 2010 and will run for seven years extendable to nine years at Nexus' discretion.

**ISO 18001** - an internationally accepted method of assessing and auditing occupational health and safety management systems.

**Metro Reinvigoration** – see Asset Renewal Plan

**Network Rail** - the statutory infrastructure provider maintaining the railway and providing the power and signalling for the tracks and stations between Pelaw and South Hylton via Sunderland.

**PA** – Public address equipment used to provide information to customers with applications e.g. on-train, at Metro stations and in bus interchanges; can be used in conjunction with closed circuit television to assist with passenger direction and emergency evacuation procedures.

**Pay As You Go (PAYG)** - the facility of a travel smart card that can be topped up using cash, credit or debit cards and used to touch in and out at Metro ticket gates and validators, which will automatically deduct the cost of the journey from the card.

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**Programme Management Office** – the section within Nexus’ organisation which is responsible for assurance of project management processes, systems and reporting together with providing cost and commercial management.

**Quality Contracts Scheme (QCS)** - a QCS is a statutory scheme under which a Local Transport Authority, such as the NECA, can determine what local bus services should be provided in an area and those local bus services are primarily provided in that area in accordance with quality contracts.

**QCS Board** – is independently established by the Traffic Commissioner as a formal part of the statutory process for considering a proposal for a Quality Contracts Scheme as and when made by a Local Transport Authority.

**Rail North** – the Consortium of 29 Local Transport Authorities focussed on improving rail services across the North of England.

**Rail Traffic Management System** - will replace the PTI (positive train identification) system to provide Metro Train route setting and associated functions.

**Service Improvement Plans (SIPs)** – are produced by sections and departments within Nexus as part of the annual business planning and budget formulation processes that are applied to ensure service improvement activity is focused on achieving the policy aspirations and objectives set by the NECA in the most efficient, effective and economic way.

**Stage-gate control processes** - a management control process for delivering projects. Based on dividing a project into a number of distinct stages, and within each stage an agreed set of products are delivered. The project cannot move through the gate from one stage to the next without the required products being signed off. The stage gate review process therefore examines a project at critical stages in its lifecycle to provide assurance that it can successfully progress to the next stage

**Star Chamber** – the challenge process used within Nexus to test the budget proposals and service improvement plans being proposed by departments and sections to ensure value for money is achieved.

**Transport for the North** - brings together local authorities and combined authorities across the North of England to allow the North to speak with a single voice to Government. Currently the Northern city regions are acting collectively as TfN, working with the Local Enterprise Partnerships, Government, Highways England, HS2 Ltd and Network Rail through the TfN Partnership Board to develop a Northern Transport Strategy.

**Transport Plan for the North East (TPNE)** – the NECA’s intended formal replacement for the three current local transport plans within the combined area i.e. Durham, Northumberland & Tyne and Wear.



## **Corporate Business Plan**

**2016/17 to 2018/19**

**“Supporting the economy and the environment  
through better public transport services”**

## Executive Summary

The creation of the North East Combined Authority (NECA) in 2014 increased the focus on the role public transport plays in developing the local economy by providing access to employment and education, providing an alternative to private cars in the face of growing congestion, and supporting local communities. Nexus' position as the NECA's delivery agent in Tyne and Wear means that our role supports the NECA in achieving its objectives.

We acknowledge that the performance of the Metro has not been good enough of late. Regular technical problems with the fleet together with a mix of driver related issues have combined to impact on recorded levels of Charter Punctuality. When coupled with inconsistent disruption messages and some infrastructure issues, this has given rise to lower levels of customer satisfaction.

Our key focus in 2016/17 is to work closely with DB Regio Tyne and Wear Ltd. (DBTW) to return Metro punctuality and reliability to their target levels, restoring customer confidence and satisfaction in the system.

At a time of increasing pressure on public sector funding, the next three years will continue to 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.

In October 2014 the NECA took the unprecedented step of referring a Quality Contracts Scheme (QCS) for local bus services in Tyne and Wear to the QCS Board. The financial year 2015/16 has been pivotal as the scrutiny process has played out, which culminated in publication of the QCS Board findings in November 2015. Nexus is disappointed that the Board's opinion was negative regarding the proposal, and there are aspects of the opinion that we simply do not agree with.

In the short term work on the QCS has been paused pending further consideration by the Combined Authority, and we have halted the work we had planned to prepare our organisation for the introduction of franchised bus services. We will however continue to work with local bus operators to deliver improvements to bus services by any means available to us.

The devolution deal for the Combined Authority includes provision for bus franchising through the upcoming Buses Bill, subject to final formal consent from a number of local and national stakeholders as well as the outcome of the Spending Review 2015. Future developments in bus franchising will be therefore reviewed in the light of the results of these legislative processes.

In the meantime the funding for bus services made available by Nexus, which was being held at a constant level in order to provide adequate funding to underpin the QCS, will be reviewed. Reductions in service levels and the resources needed to support them are likely to follow.

The organisation must remain focused on the schemes it is already delivering; in particular the Asset Renewal Plan (ARP) for the current phase of Metro Reinvigoration, spending £389 million over an eleven year period on renewing and modernising the railway infrastructure. Financial year 2017/18 is Year 7 of the ARP and will see further refurbishment of stations, with the works at Central Metro station being a major project, as well as the renewal of track and other essential infrastructure around the system.

We are targeting spend of a further £34.44m on the ARP in each of the three years over the period 2016/17 to 2018/19, completing key projects such as a major track replacement scheme in North Tyneside, and the replacement of Killingworth Road bridge in Newcastle, where extra funding has been received to alleviate this pinch point. We will continue to develop schemes with Sunderland City,

South Tyneside and Gateshead Councils to fund and complete major works at Sunderland Station, South Shields and Gateshead Interchanges.

Other key strands of ARP spend across the system include: civil engineering work to bridges, permanent way provision of plain line and works to switches and crossings, overhead line renewals, communications improvements to CCTV and PA equipment, and in regard to signalling, the implementation of the new Rail Traffic Management System together with the replacement of point motors at critical locations.

As well as ensuring continued delivery of the current phase of the ARP through seeking to secure full uplift funding from the Department for Transport (DfT) through to 2020/21, we also need to press ahead with preparations for the next phase of Metro reinvigoration, through to 2030, that will secure Metro's operational viability for the long term. In addition to making the case to secure funding that continues the programme of essential renewals beyond 2021, we will also prepare the business case for further investment of up to £450 million including a new signalling system and replacement of the Metrocar fleet. The opportunity will also be taken to examine possible extensions and enhancements to the existing system together with the potential for future integration of the Metro with the rail network.

There will also be a requirement to consider how the current Metro operating concession, our contractual arrangement for providing passenger services, will be replaced before the current agreement expires in 2017. The current seven year concession is extendable to nine years and a decision must be taken in the summer of 2016 as to whether this option is to be pursued.

Nexus will continue to fulfil its key role as an effective delivery agent for the NECA. This includes continuing to manage our projects and our resources, both capital and revenue to deliver the best possible outcomes for the NECA and the people and businesses in its area.

One way we are doing this is through representing NECA in Rail North and the wider Transport for the North initiative, bringing together local authorities and combined authorities in the North of England. These arrangements seek to ensure that the region gets the best possible deal out of the process and ensure that we can deliver a rail network that is fit for purpose across the North and operators that are committed to continuous improvement in standards of service.

Our Corporate Business Plan for 2016/17 to 2018/19 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.**

# 1 Nexus' business planning framework

Nexus is the statutory Passenger Transport Executive for Tyne and Wear, a public body formed under the provisions of the Transport Act 1968 (as amended). Our primary business remit is to deliver the policy aims and objectives set for us by the North East Combined Authority (the NECA). We own and operate the Tyne and Wear Metro light rail system and the Shields ferry service as well as procuring socially necessary bus services, providing information about the local public transport network and promoting the use and convenience of local public transport services.

## 1.1 Nexus' business mandate

Our business mandate is drawn from the current Tyne and Wear Local Transport Plan which has the following vision:

‘Tyne and Wear will have a fully integrated and sustainable transport network, allowing everyone the opportunity to achieve their full potential and have a high quality of life. Our strategic networks will support the efficient movement of people and goods within and beyond Tyne and Wear, and a comprehensive network of pedestrian, cycle and passenger transport links will ensure that everyone has access to employment, training, community services and facilities.’

The five goals adopted in the LTP to meet this vision are:

- To support the economic development, regeneration and competitiveness of Tyne and Wear, improving the efficiency, reliability and integration of transport networks across all modes.
- To reduce carbon emissions produced by local transport movements, and to strengthen our networks against the effects of climate change and extreme weather events
- To contribute to healthier and safer communities in Tyne and Wear, with higher levels of physical activity and personal security.
- To create a fairer Tyne and Wear, providing everyone with the opportunity to achieve their full potential and access a wide range of employment, training, facilities and services.
- To protect, preserve and enhance our natural and built environments, improving quality of life and creating high quality public places

Within the LTP these five goals are focussed on ways to address challenges within the following key areas:

- Supporting economic development and regeneration
- Addressing climate change
- Supporting safe and sustainable communities

The NECA believes the best way to deliver its vision, goals and challenges is for Nexus to seek the provision of a quality public transport network which is increasingly used as a mode of choice by local people.

To support the NECA's current policy mandate Nexus has developed the mission statement:

**‘Supporting the economy and the environment  
through better public transport services’.**

We are both looking to support future social and economic development and at the same time continuously striving to improve service delivery.

This Corporate Business Plan sets out how Nexus intends to achieve these policy objectives over the three financial years 2016/17 to 2018/19.

## **1.2 Transport Plan for the North East**

Work is in progress, through NECA's Regional Transport Team, to develop the Transport Plan for the North East (TPNE). Once adopted, the TPNE will replace the three existing Local Transport Plans in the NECA area, including that for Tyne and Wear, setting out the policy ambitions and objectives for Nexus to deliver in Tyne and Wear.

NECA intends that production of this Plan will be a two-stage process:

1. A Transport Manifesto setting out high level ambitions; followed by
2. The Transport Plan – a comprehensive, statutory document.

The Transport Manifesto is to be considered by TNEC in November 2015 and, subject to approval, a public consultation on the proposals will follow with the aim of having a final document signed-off in February 2016.

The Transport Manifesto will itself be a precursor to the collation and publication of a draft Transport Plan in May 2016, followed by a formal consultation process with a view to approving the publication of a full Transport Plan for the North East in October 2016.

The Nexus Corporate Business Plan will continuously be adjusted to align with the aims and objectives being set by the NECA. It will therefore be a living document while the TPNE and its delivery plan are being developed.

This process will be supported by Nexus' three-year business planning process which will be updated annually as a key element to the financial duties and responsibilities of Nexus to NECA and as required by the NECA's Constitution. The three-year business plan will be focussed on the delivery requirements set by the NECA through the 'Transport Plan for the North East' and supporting documentation.

In addition Nexus will agree with TWSC over the next 18 months a suite of policies to guide and drive the services which it delivers on behalf of the NECA. These documents develop over time to expand on emerging policy priorities with supporting evidence.

Every year departments prepare Service Improvement Plans (SIPs) to update their approach for implementing corporate objectives. The SIPs are discussed and agreed through a 'Star Chamber' challenge process to provide for an integrated progression to Nexus corporate objectives and the delivery of NECA's policy priorities.

## 2 Corporate Business Plan

Nexus' Corporate Business Plan for 2016/17 to 2018/19 is assembled around three key themes:

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

These three themes give rise to fourteen detailed work programmes. Departments identify their active contributions to deliver these programmes, and then use these activities as the basis for their Service Improvement Plans. Each Department is clear about the links it has to thematic work programmes and to the relevant internal planning documents that relate to and impact on our day to day work.

Performance against Nexus' Corporate Business Plan is monitored and reviewed through a periodic four-weekly reporting system. Progress with activities in the respective departmental Service Improvement Plans is reported against milestones and targets so that underperformance can be identified and remedial action taken as appropriate.

This detailed periodic reporting allows for summary reporting to each meeting of the NECA's Tyne and Wear Sub-Committee (TWSC) to allow the TWSC to carry out its delegated role of monitoring Nexus performance.

### 2.1 Improve public transport services today

The first theme is about improving public transport as currently provided. We cannot aim to do better tomorrow if we haven't first got right what we do today.

#### 2.1.1. Reverse unsatisfactory Metro performance

As a result of the recent poor Metro performance, customer satisfaction scores are lagging behind their targets. Overall satisfaction which had previously seen a steady increase (albeit still not at target levels) slipped back to 7.7 in November 2014 and then recovered slightly to 7.8 in the May 2015 survey – undoubtedly reflecting customer dissatisfaction with punctuality and reliability; and satisfaction with personal security, which had achieved its target over several consecutive surveys, slipped below target level again in November 2014 and remained below target in the May 2015 survey.

For 2016/7 we intend, through DBTW, to achieve the target levels which are contractual requirements of the Concession Agreement with DBTW. To do this we will work closely with DBTW and, at the same time continue to further the use of contractually permissible interventions in order to prioritise and incentivise improvement.

#### 2.1.2. Improve local rail services

Working with and on behalf of the NECA Nexus will use the membership of Rail North to seek to improve local rail services in our area to deliver a regional rail service with improved rolling stock and timetables. This will involve the establishment and governance of the North East Rail



Management Unit (NERMU) together with the processes for performance monitoring and reporting.

We will also seek to establish Pay As You Go as a facility that is provided by the Northern rail franchisee as well as agreeing priorities for investment and the formulating of a marketing plan. Through the NERMU, we will work with colleagues from across the North East of England to monitor the new Northern Rail franchise operator and help it promote and develop services, in particular through the adoption of integrated ticketing and timetabling.

### **2.1.3. Innovate through technology**

We will innovate through technology to make the use of public transport simple and attractive for customers. This will involve developing business cases to seek funding for the following technology based initiatives:

- Ticket gates across the Metro system.
- Expanding Pay As You Go across all public transport and for parking and cycle lockers at Bus and Metro stations.
- Introducing Wi-Fi on Metro.

We will seek to develop a common web-portal for all transport information, exploiting real-time passenger transport and highways information to ensure it is simpler to plan, pay for and make journeys.

Away from Metro we will start to process real-time passenger information from all buses across the North East region. This will be available at all bus stops using smart phones and text messages, as well as some 'countdown' displays at selected stops. We will also investigate options for providing the information in new and innovative ways.

### **2.1.4 Deliver the Asset Renewal Programme**

The delivery of the Metro Asset Renewal Plan (ARP) itself needs to continue to meet time, cost and quality standards with a further £34.44m of modernisation works and benefits being delivered during each of 2016/17, 2017/18 and 2018/19 financial years.

We will continue to renew the Metro network over the next three years by targeting investment of £34.44m per annum. We will maintain our focus on effective programme management and planning for renewal based on asset condition and engineering need. In order to achieve this we will first need to secure confirmation of full government funding through to 2021.

The on-going refurbishment of the Central Metro station is scheduled to complete in August 2016 while the refurbishment of Four Lane Ends and Regent Centre Metro stations will commence in summer 2016. At the same time work will start on the refurbishment of Chichester and Tyne Dock stations.

The works at Central Station in Newcastle are being part funded from a successful bid to the Single Local Growth Fund (SLGF) and over the three year period, the ARP will see station refurbishments carried out at Heworth, Manors, Gateshead, Jesmond, Regent Centre and Four Lane Ends. At South Shields, working in partnership with South Tyneside Council, we will progress the building of a new transport interchange. And working in partnership with Sunderland City Council and Network Rail, we will assist with the redevelopment of Sunderland station above ground.

Other key strands of the ARP include: civil engineering work to bridges, including at Killingworth Road Bridge in Newcastle where a recent successful joint bid with the City Council to the Highways Challenge Fund will allow improvements to both our bridge and the road junction at

this pinch point. We will also continue our programme of track replacement and the renewal of switches and crossings, overhead line renewals, communications improvements to CCTV and PA equipment, and in regard to signalling, implementation of the new Rail Traffic Management System together with the replacement of point motors at critical locations.

Disruptions to service that these works may entail will be managed proactively to ensure that customers are inconvenienced as little as possible, that there is a robust communications plan so that customers and stakeholders are aware of when the works are taking place, and of the improvements available on their completion.

Alongside developments in asset management capacity and capability there is an enduring focus on improvements to work planning, efficiency and overall front-line leadership within Nexus Rail. The knowledge and experience gained from the ARP delivery will be applied in finalising the designs for the refurbishment of the stations where works are being planned.

Delivery of the asset renewal plan for Metro Reinvigoration has led to increased asset knowledge. We will continue to reinforce our organisational capability in this area. This will include adopting industry best practice to develop systems and processes that improve our knowledge of our assets and our ability to enhance them appropriately to better meet the long-term strategic objectives set for us by the NECA.

At the same time there is the need to ensure the existing Metro network and its varying asset base is properly maintained so that the Metro service can continue to be delivered safely and efficiently.

## **2.2 Prepare for the Future**

Public transport users have rising aspirations for better quality services and facilities. Meeting these aspirations will entail significant investment. Existing assets (buildings, plant, machinery etc.) must be maintained, renewed and replaced to ensure they remain fit for purpose. Where there is a business case for new assets we must ensure they are capable of meeting future demand based requirements. We will exercise good asset management practice to ensure there is the optimum balance achieved between the investment made and benefits achieved.

### **2.2.1. Secure Metro's financial future**

The current eleven-year funding arrangements with the Department for Transport (DfT) for Metro reinvigoration works are in place until the end of Phase 2 of the ARP in 2021. Replacing the Metrocar fleet and providing any extensions to the system will depend on funding arrangements for the next phase of Metro reinvigoration which will need to be agreed with DfT to establish the balance of central and local financial contribution involved. Potential funding streams need to be identified and investigated, and engagement will take place to seek the commitment of key stakeholders.

Over the next three years the NECA will develop its transport plans to meet its aspirations for economic growth. Nexus' role in delivering these plans will be significant because of the public transport services in its area of responsibility, and its expertise and experience with delivering large scale projects and programmes for improvement.

An early step will be to secure the Metro's financial future by reaching a long term funding agreement with the government covering:

- The continuation of the programme of essential renewals across the network
- A commitment to fund the replacement of the fleet of Metro cars
- Provision for a new signalling system

- Ensuring on-going financial support for the next Metro operating concession and;
- The examination of possible extensions and enhancements to the existing system together with the potential for future integration of the Metro with the rail network.

By December 2016 we will have negotiated a commitment with government for the funding of the next phase of Metro reinvigoration to provide for the replacement of the Metrocar fleet. This may also involve possible extensions to the Metro system itself.

#### **2.2.2. Design a new Metro fleet**

A specification for a new fleet of Metro Cars together with the business case justifying it will be developed. We will design a new Metro fleet, with the aim of reaching a conclusion during 2017/18. The new fleet will be greener, more reliable and offer passenger improvements, and if possible will be capable of running on the local rail network as well as the existing Metro infrastructure.

This will also be a catalyst for considering potential expansion of the system, where technological advances should make it possible to provide new links to the heavy rail network, if desired. Through this process the business case for a new fleet will be developed, together with a consideration of the options for how this might be procured and the costs and benefits involved.

#### **2.2.3. Redesign and re-let the Metro concession**

We will secure funding for the next Metro concession and complete the required actions in tendering process for next Metro Concession by December 2018.

As identified above the work on the new fleet will inform our work to re-design and re-let the Metro Concession. An analysis of the strengths and weaknesses of the current arrangements will be carried out, together with identifying the opportunities and other pressures that could arise in seeking renewal or replacement thereof. During 2016/17 we will consider options for the scope and scale of the next concession and draw up the relevant documentation, subject to approval by the NECA.

During 2016/17 we will confirm the specification and commence the tendering for the replacement fleet in line with the agreed procurement strategy. The tendering process should complete in 2017/18 with tender analysis and award of the contract to follow.

#### **2.2.4. Influence Network Rail's planning process**

We will influence Network Rail's planning process, directly and through Transport for the North, so that the NECA's priorities for rail development are reflected in national investment programmes.

This will include our long-distance links as well as our emerging plans for an improved local rail network.

The first stage will be to agree local inputs to Network's Rail's proposals for their Control Period 6 covering the period 2020 to 2025. The agreement of Network Rail's investment plan will follow.

As previously highlighted, we will pursue through to completion a tri-partite agreement with Sunderland City Council and Network Rail for the complete refurbishment of ground level facilities at Sunderland Central railway station.

### **2.2.5. Develop a new local rail strategy**

We will develop a new vision for local rail services, mapping out the longer-term options for expansion in the local rail network, and the services that operate on it, in order to promote economic growth.

This will include consideration of local management of the next Northern Rail franchise, and exploring whether Metro and local rail services can be integrated to provide a truly integrated rail services across the Neca region.

Feasibility studies will be carried out leading to the development of business cases for developments to support the aspirations in the rail vision and to meet the policy objectives developed in the Neca's Transport Plan for the North East.

### **2.2.6 Plan the next step for buses**

In October 2014 the NECA took the unprecedented step of referring a Quality Contracts Scheme (QCS) for Tyne and Wear to the QCS Board. The financial year 2015/16 has been pivotal, as the scrutiny process has played out. The opinion delivered by the QCS Board in this matter means that a period of reflection is needed with regard to how best to deliver the Bus Strategy.

We will carry out a thorough examination of the options available and make recommendations to NECA about the steps that need to be taken to ensure that its policy objectives are achieved. The options to be examined include:

- Continuing with a QCS, potentially in amended form,
- Delivering bus franchising as part of the NECA devolution deal, and
- Negotiating a new bus partnership with the commercial operators.

The results of this examination will be reported to the NECA so that a preferred option (or options) can be identified. Nexus will then carry out further work to explore, develop and, if possible in the 3-year time period, commence delivery of the option chosen by the NECA for implementation.

Both the inevitable delay to implementing the bus strategy that the QCS Board's opinion has caused, and the resources required to implement the chosen option for bus strategy delivery, will have financial implications for Nexus. These will be considered as an integral part of this work because it is likely that Nexus' funding for secured bus services, and other discretionary areas of expenditure, will come under increasing pressure.

Once the NECA's new Transport Plan for the North East has been published we will prepare the next iteration of the NECA's Bus Strategy. This work will need to take account of options for possible improvements to bus services in Durham and Northumberland as integral parts of the NECA's combined transport area, and will consider the future beyond the introduction of new legislation to be set out in the Government's Buses Bill and the possible introduction of mayoral governance arrangements for the region.

### **2.2.7 Develop business cases to secure funding to improve public transport assets**

Throughout the three-year period we will develop business cases to secure funding to improve public transport assets, to target improvements beyond straightforward like-for-like asset replacement and renewal.

This will allow us to enhance the passenger experience on all forms of public transport, growing its use and value.

Our aim is to have a pipeline of capital projects in order to respond to future funding bid opportunities in an effective and timely manner.

## **2.3 Be an effective delivery agent for the NECA**

### **2.3.1. Develop training and succession planning**

As revenue budgets will continue to be constrained throughout the three-year period, we must focus on being an economic, effective and efficient delivery body.

The new skills we need to ensure that we continue to deliver will emerge and develop as we introduce some major changes to the way we carry out our business, and so we will develop training and succession planning to ensure we are fit to meet those changing business requirements.

The design and construction of our new training centre will be a significant enabler of this, as we structure a change programme around the opportunities that the new facilities will offer.

During 2016/17 how we plan and carry out training and the tools we need for successful training interventions will be reviewed. At the same time work will be carried out to develop succession plans in the light of future business needs and requirements.

Design work will be carried out to support the development of the Training Centre, and a business change programme will be developed around its future utilisation. Construction of the new training centre will commence in 2017/18.

Through offering tailored development opportunities we will ensure we have the right skills and knowledge within the organisation to be proactive when responding to changes in the business environment.

### **2.3.2. Focus on health, safety and the environment**

We have already begun a journey to improve our safety culture, and a focus on health, safety and the environment will continue throughout the three years of this plan.

We aim for an improvement culture in which all of our employees and contractors constantly engage with safety and proactively seek ways to make improvements.

Nexus will continue to sharpen its focus on organisational health and safety during the three year period with a range of initiatives aimed at making a step change in the organisation's core beliefs and attitudes to ensuring safe systems of work are employed throughout.

This will be guided internally by our health and safety strategy and we will progressively seek to develop an integrated management system and achieve accreditation using a combination of ISO 9001:2015 regarding Quality Management Principles, ISO 14001:2015 for Environmental Management and ISO 45001 on Occupational Health and Safety.

### **2.3.3 Exercise due diligence in managing our capital and revenue resources**

With public funding in short supply, we must exercise due diligence in managing our capital and revenue resources to ensure value for money together with efficiency and effectiveness in delivery.

Through the implementation of bus franchising we will balance the revenue budget, and all our capital projects will be overseen by the Programme Management Office and delivered through our established and effective stage-gate control processes.

A key feature of Nexus' ability to operate as a going concern is for it to maximise its funding which in addition to fare box revenues, comes in grant support whether via the Neca or central government i.e. the Department for Transport.

Neca funding will be sought from the Tyne and Wear transport levy for 2016/17 but a key priority will be for Nexus to negotiate grant support from the Neca in 2017/18 and beyond as it pursues the objectives set out for it by the Neca.

Similarly, it is vital that DfT funding, whether in the form of revenue grant to help support Metro operations or capital grant necessary to continue to make the sustained investment in the Metro infrastructure is secured; something that Nexus will work closely with DfT on over the three year period.

Passenger subsidy will be monitored and reviewed to control any risks to the budget. A programme of planned efficiency savings will be implemented during 2016/17 and in following years. We will continue to review organisational effectiveness in budget management, efficiency and project delivery.

We are committed to working with our local authority partners to become more efficient and to offer the residents of Tyne and Wear better value for money spent on public service. A programme of cash savings has been agreed and budgeted for in 2016/17.

Work will be carried out to identify the potential for future cash savings over the remainder of the business plan period. This will be complemented by innovating and identifying new ways to improve the efficiency and effectiveness of our processes and procedures and drive out waste wherever this is feasible.

Nexus procures many millions of pounds' worth of goods and services each year and we need to be sure that we are getting the best value from this process.

## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

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**DATE:** 24 November 2015

**SUBJECT:** Concessionary Travel Policy for Tyne and Wear

**REPORT OF:** Managing Director (Transport Operations)

#### **EXECUTIVE SUMMARY**

The purpose of this report is to set out the policy for Concessionary Travel in the Tyne and Wear area as operated by Nexus on behalf of the Combined Authority.

#### **RECOMMENDATIONS**

It is recommended that the Committee agree to approve the Concessionary Travel Policy.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### 1 Background Information

- 1.1 Nexus, on behalf of the Combined Authority operates both the statutory English National Concessionary Travel Scheme (ENCTS) and a range of discretionary elements, both as 'add-on's' to the statutory scheme and as specific schemes aimed at particular societal groups within Tyne and Wear.
- 1.2 Arrangements within Tyne and Wear differ to those on offer in other parts of the NECA area, namely county Durham and Northumberland. The main differences were set out in a report to the Transport North East Committee in October 2014 and are attached at Appendix A for information.

### 2 Proposals

- 2.1 The attached policy sets out the detail behind each of the schemes that Nexus currently operate and the criteria for eligibility for each.
- 2.2 The policy is governed by the Transport Act 2000 as amended by the Concessionary Travel Act 2007, which together with statutory guidance issued from time to time by DfT covers the mandatory English National Concessionary Travel scheme, (ENCTS) and the possibility for discretionary elements.
- 2.3 The policy covers
  - English National Concessionary Travel Scheme (ENCTS)
  - Under 16 Ticketing
  - Metro Gold Card
  - Companion Card
  - Taxi card
  - Any other Permitted Enhancements to the Statutory (ENCTS) requirements that are provided for by the legislation.
- 2.4 Other discretionary elements can be developed and implemented or withdrawn at any time by the Combined Authority and are subject to funding limitations.
- 2.5 Ordinarily this policy would be reviewed every two years. However Nexus is progressing a workstream to evaluate the financial feasibility of improving concessionary products for 16-18 year olds in line with the changing school leaving age. This policy will be revised as appropriate on the conclusion of this work

### 3 Next Steps

- 3.1 The Committee is asked to approve the policy.



# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### 4 Potential Impact on Objectives

- 4.1 The policy support travel to work, education and employment for the groups for whom there may be barriers to travel in the absence of such schemes and ensures compliance with the relevant legislation set out in the Transport Acts.

### 5 Finance and Other Resources

- 5.1 The Concessionary Travel reimbursement budget for 2015/16 is £48.497m.  
5.2 The following table illustrates the split between Statutory and Discretionary reimbursement:-

	2015/16 CT REIMBURSEMENT				
	E & D non statutory	E & D statutory	TOTAL E & D	CHILD	TOTAL
BUS	1,222,378	36,820,153	38,042,531	3,942,487	41,985,018
FERRY	114,618	0	114,618	5,047	119,665
NORTHERN RAIL	53,460	0	53,460		53,460
METRO	5,548,561	0	5,548,561	790,609	6,339,170
<b>TOTAL</b>	<b>6,939,017</b>	<b>36,820,153</b>	<b>43,759,170</b>	<b>4,738,143</b>	<b>48,497,313</b>

- 5.3 Whilst reimbursement to Ferry, Northern Rail and Metro are non-statutory, it should be noted that the removal of these concessions (in the absence of any similar withdrawal of the ENCTS) would result in a migration of concessionary journeys from these modes to bus, thereby increasing statutory bus reimbursement.
- 5.4 Additionally, a net Taxicard annual budget of £0.353m provides 3,000 registered members from across the five Tyne and Wear districts with a contribution of £225 per annum towards assisted taxi journeys.

### 6 Legal

- 6.1 The policy is governed by the Transport Act 2000 as amended by the Concessionary Travel Act 2007, which together with statutory guidance issued from time to time by DfT covers the mandatory English National Concessionary Travel scheme, (ENCTS) and the possibility for discretionary elements.

# **North East Combined Authority**

## **Transport North East (Tyne and Wear) Sub-Committee**

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### **7 Other Considerations**

#### **7.1 Consultation/Community Engagement**

Not applicable.

#### **7.2 Human Rights**

Not applicable.

#### **7.3 Equalities and Diversity**

The policy supports various groups with protected characteristics as defined under the 2010 Equalities Action.

#### **7.4 Risk Management**

The biggest risk associated with this report is the on-going provision of funding to meet the commitments set out in this policy. Nexus and Neca officers continue to lobby for protection of funding to support these products.

#### **7.5 Crime and Disorder**

Not applicable.

#### **7.6 Environment and Sustainability**

Not applicable.

### **8 Background Documents**

#### **8.1** None.

### **9 Links to Plans in the Policy Framework**

#### **9.1** This policy supports the provision of bus services as set out in the Tyne and Wear Local Transport Plan, by providing concessionary products that help specific disadvantaged groups travel to employment, education and leisure activities.

### **10 Appendices**

#### **10.1** Concessionary Travel Policy.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### 11 Contact Officers

11.1 Name, e-mail address, Tel: John Fenwick, Director Finance and Resources, Nexus, [john.fenwick@nexus.org.uk](mailto:john.fenwick@nexus.org.uk), 0191 2033248

### 12 Sign off

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

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix A

Element	Tyne and Wear	Durham	Northumberland
ENCT Discretionary			
Peak Journeys (all journeys made after 23:00 hours)	✓	✓	Mon - Fri
Peak Journeys (Journeys made pre 9.30am)	Medical appointments only	Flat fare 50p	Passes valid after 9am. Pre 9am medical appointments
Companions (Where eligible persons can travel with a companion at zero fare)	✓	✓	✓
Other elements	Gold Card £12	Gold card £25 Park and Ride services Link2 Discount on local rail	Gold Card £25 Taxi Token service
Other			
Child Scheme	✓	X	X

## 1. Policy Statement

For the area of Tyne and Wear that comprises the five local authorities of Gateshead, Newcastle upon Tyne, North Tyneside, South Tyneside and Sunderland, Nexus is the Travel Concession Authority for the administration of the English National Concessionary Travel Scheme (ENCTS) by virtue of the Transport Act 2000 as modified by the Concessionary Bus Travel Act 2007. This mandatory scheme relates entirely to travel by local bus services and is managed in accordance with the statutory guidance issued by the Department for Transport (DfT)<sup>i</sup>.

In addition the Transport Act 1985 (as amended) provides for Travel Concession Authorities to offer, at local discretion, travel for specified groups of people. Working within the general transport policies set by the NECA, Nexus offers anyone eligible for the ENCTS a range of discretionary add-ons to the ENCTS scheme in relation to local bus travel and in addition a range of discretionary concessionary products relating to local transport modes other than bus. There is also a discretionary travel scheme for residents who are under 16 years old. These discretions are established and managed by Nexus to support the NECA objectives through assisting travel by public transport and to assist in improving access to health and other essential services, work, education and leisure facilities.

These discretionary elements are subject to review and approval by NECA should Nexus recommend any change to this policy. The sustainability of these discretionary elements is subject to their on-going affordability and continuing alignment with NECA policy. Where-ever possible Nexus will review and amend its approach to delivery of these discretionary products to ensure this alignment and secure best value for money is obtained.

## 2. Background

Nexus offers a range of Concessionary products. These include the statutory English National Concessionary Travel Scheme (ENCTS) and a range of discretionary products.

The total cost of the ENCTS scheme to Nexus is around £40m per year, with discretionary schemes costing around £6M. These figures are reported to NECA as part of Nexus' budgetary and revenue reporting arrangements and form part of NECA's budget and levy setting processes.

### 3. Scope

This policy covers all concessionary travel schemes in Tyne and Wear and sits alongside similar statements covering Durham and Northumberland.

The policy is governed by the Transport Act 2000 as amended by the Concessionary Travel Act 2007, which together with statutory guidance issued from time to time by DfT covers the mandatory English National Concessionary Travel scheme, (ENCTS) and the possibility for discretionary elements.

This policy also covers the discretionary schemes in Tyne and Wear which are as follows:-

- Under 16 Ticketing
- Metro Gold Card
- Companion Card
- Taxi card
- Any other Permitted Enhancements to the Statutory (ENCTS) requirements that are provided for by the legislation.

## 4. Policy

### 4.1 English National Concessionary Travel Scheme (ENCTS)

4.2 The English National Concessionary Travel scheme (ENCTS) is a national scheme, administrated through designated Travel Concession Authorities across England (currently County Councils, Unitary Authorities, Passenger Transport Executives and London Boroughs). This mandatory scheme provides eligible elderly and disabled individuals with free bus travel between 9.30am and 11.00pm on weekdays and all day on weekend and public holidays.

Nexus administers the scheme in Tyne and Wear in line with the Department for Transport Guidance for Travel Concession Authorities on the England National Concessionary Travel Scheme.

Eligibility for the scheme is:

- For Women – the pensionable age
- For Men – pensionable age of a women born on the same day
- Disable people – there are 7 categories as set out in section 146 of the Transport Act 2000
  - Is blind or partially sighted
  - Is profoundly or severely deaf
  - Is without speech
  - Has a disability, or has suffered an injury, which has a substantial and long term adverse effect on his or her ability to walk
  - Does not have arms or has long-term loss of the use of both arms
  - Has a learning disability, that is, a state of arrested or incomplete development of mind which includes significant impairment of intelligence and social function
  - Would, if he or she, applied for the grant of a licence to drive a motor vehicle under part II of the Road Traffic Act 1988, have his/her application refused pursuant to section 93 of the Act (physical fitness) otherwise than on the grounds of persistent misuse of drugs or alcohol

Local authority social services departments are responsible for assessing disabled people against the criteria and confirming whether it's appropriate for the pass to be issued by Nexus.

Eligible services are as defined by the Travel Concessions (Eligible Services) Order 2002 as amended by the Travel Concession (Eligible Services) Order 2009. In essence these are the local stage carriage bus services that are operated by bus companies in the area.

As the Travel Concession Authority for Tyne and Wear Nexus is required by law to reimburse all bus operators providing eligible services for carrying concessionary passengers on a 'no better, no worse off' basis. Nexus must reimburse operators for all concessionary journeys which start within Tyne and Wear, regardless of where the passholder making the journey resides.

- 4.3 As a Travel Concession Authority Nexus must issue ENCTS passes free of charge, but is not required to reimburse applicants for any of the costs associated with making an application. The Concessionary Bus Travel (Permits)(England) Regulations 2008 set out the specification of the England-wide ENCTS passes. TCAs are responsible for producing passes that comply with the standard design as specified in the regulations.

Nexus will make a reasonable charge for replacing a lost pass, with the amount being as determined from time to time.

#### 4.4 ENCTS discretionary enhancements

Travel Concession Authorities such as Nexus have the flexibility to offer local enhancements to the scheme either to just local residents i.e. in Tyne and Wear or, at local cost, to all eligible persons from England. Enhanced benefits can be given to all residents who are eligible for the national concession or to sub-groups (such as blind people). Proposed discretions should be published 28 days before the start of the scheme. The following discretionary elements are only available to residents in Tyne and Wear.

- Nexus will issue a discretionary all day travel facility to those individuals who meet the qualifying criteria of:
  - Eligible for a disabled persons' ENCTS pass
  - Can prove that they either work or attend college for in excess of 15 hours per week.

This product, which is an enhancement to the standard disabled persons' ENCTS pass, will enable the holder to travel at any time on the bus network within Tyne and Wear at no charge to the passenger.

- Holders of ENCTS passes issued by Nexus can travel for 60p on the Shields Ferry from 9.30am Monday to Friday, all day at weekends and on public holidays
- Holders of ENCTS passes issued by Nexus can travel for 50p on Northern Rail services between Newcastle and Metrocentre/Blaydon from 9.30am Monday to Friday and all day weekends and on public holidays.
- Individuals needing to travel before 9.30am to get to and from a hospital appointment, where their journey starts in Tyne and Wear can travel free of charge by showing their appointment letter or card with a valid ENCTS pass as issued by Nexus when requested.



- There is no 11pm restriction on the ENCTS scheme in Tyne and Wear.

#### 4.5 Under 16 products

Nexus will offer an under 16 all day, all mode, fare called the CAT (Child All-day Ticket). To be eligible for the fare the young person must be in possession of a Under 16 POP card, which can be purchased from any Nexus travel shop, with proof of eligibility. To be eligible for this product the individual must:

- Be under 16 years of age. The card is only valid until the end of the school year in which the holder turns 16.
- Live in Tyne and Wear.

A single journey product can also be purchased as part of this arrangement.

The under 16 CAT fare and the charge for the Under 16 POP card is set and reviewed as part of the annual fares review process for approval by the Combined Authority.

Nexus will make a charge for issuing an Under 16 Pop card and for the replacement of a lost Under 16 Pop card.

Nexus will publish the terms and conditions for the use of the Under 16 Pop card on its website.

#### 4.6 Other young person's products

Nexus will also offer a range of Metro specific young person's concessions including

- Child ticket
- 16-18 Metrosaver
- Student season ticket

All these are considered as part of the Metro annual fares review.

Bus operators and other commercial providers of public transport also offer a variety of young person's products.

#### 4.7 Gold Card

The Gold Card is a discretionary concession for Metro which mirrors the ENCTS offer on Bus. Gold cards can be purchased and uploaded onto the ENCTS card as a smart product. The card allows the holder:

- Access to the Metro network from 09.27am, allowing unlimited travel on Metro after 9.30am.

Nexus will at its discretion waive the 9.30am restriction in July and August and between Christmas and New Year.

Nexus will make a charge for the Gold Card, this charge will be subject to annual review and approval by the Combined Authority as part of the annual Metro fares review.

Eligibility to purchase a Gold Card product is limited to:

- Those individuals who are eligible for the ENCTS pass

The Metro Gold Cards facility is a smart product that is uploaded onto an ENCTS pass. Residents of Tyne and Wear can obtain a Gold Card at a preferential rate. Non-Tyne and Wear residents are charged for the Gold Card at a premium rate.

Individuals needing to travel before 9.30am to get to and from a hospital appointment, where their journey starts in Tyne and Wear can travel free of charge by showing their appointment letter or card with a valid Gold Card when requested.

#### 4.8 Companion Card

Nexus will offer a companion card product, available to residents of Tyne and Wear who receive certain allowances (see below) and are not able to travel without a companion.

The Companion Card, which takes the form of a valid ENCTS pass and which also carries the 'C+' symbol allows an eligible person to be accompanied on their journey, free of charge on bus services in Tyne and Wear, County Durham and Northumberland.. The Companion card is also valid on Metro as long as the eligible person also holds a valid Gold Card.

The eligible person must either:

- Be in receipt of the high rate care component of the Disability Living Allowance

OR

- Be in receipt of the high rate Attendance allowance

AND

- Not be able to use public transport without the assistance of a companion.
- Qualify for and be in receipt of an ENCTS pass.

For those individuals assessed under Personal Independence Payment (PIP), rather than DLA, the criteria includes:

- Activity 11 'Planning and following journeys' with descriptor 11C 'Cannot plan the route of a journey' which scores eight points being used to denote minimum eligibility or Activity 7 'Communicating Verbally' using descriptor 7D (either at 8 points) 'Needs communication support to be able to express or understand basic verbal information'.

Companion cards are valid for use at the same times as the ENCTS pass. A companion card is only valid if the individual requires significant assistance throughout their journey. The card is not valid for individuals who can travel alone but need a carer in other aspects of their lives. A companion card holder must travel with a companion and is not permitted to travel alone.

#### 4.9 Taxi card

Taxi card is a discretionary product for individuals with mobility difficulties to help them travel independently. Travel is with approved taxi operators. Members are issued with a card which is credited with a set amount of money every year, which they use to pay towards each journey they make. The amount contributed to each journey is capped, regardless of the length or cost of the journey made.

Members can join the scheme in August or February each year. Nexus will charge an administration fee for joining the scheme.

To be eligible for the scheme an individual must

- Be in receipt of the High rate mobility component of the Disability Living Allowance.

OR

- Be registered severely visually impaired or blind

OR

- Be in receipt of the Higher rate attendance allowance

For those individuals assessed under PIP the criteria include:

- 'Moving around' using the descriptor 12C 'Can stand and then move unaided more than 20 metres but no more than 50 metres' which scores eight points as a minimum for eligibility.

#### 4.10 Reimbursement arrangements

Reimbursement of bus operators for the ENCTS and its discretionary enhancements as well as other discretionary products is determined with regard to DfT guidance and the 'no better, no worse' principle which covers revenue forgone by the operator as well as an allowance covering additional costs incurred by the operator as a result of participating in the scheme(s).

The same principle applies for Northern Rail.

For Gold Card, Nexus estimates the value of revenue forgone in connection with Metro carrying such passengers and makes provision within its budgets accordingly.

The same principle applies for the cross Tyne ferry service.

Taxi-card is tendered and operates as a franchise arrangement with taxi operators appointed via the tendering process.

## **5. Impacts**

Failure to adhere to this policy, by Nexus or any parties acting on its behalf, will incur reputational damage to Nexus.

## **6. Responsibilities**

This policy is owned by the Director of Finance and Resources.

Responsibility for ensuring compliance with this policy lies jointly with the Director of Finance and Resources

Document Control	Version	Comments	Date
Created	V0.1		06/07/15
Consulted	V0.2	Approval at CMT	18/08/15
Approved	V1	Approval at TWSC	
Reviewed	V2	Due 01/08/17	

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<sup>i</sup> Guidance for Travel Concession Authorities on the England National Concessionary Travel Scheme, Department for Transport, December 2010

## North East Combined Authority

### Transport North East (Tyne and Wear) Sub-Committee

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**DATE:** 24 November 2015

**SUBJECT:** Draft Transport Budget and Levies 2016/17

**REPORT OF:** Chief Finance Officer

#### **EXECUTIVE SUMMARY**

This report provides the Transport North East (Tyne and Wear) Sub Committee a summary of the latest information about the draft transport budgets and transport levies for 2016/17 for consideration and comment in order to inform the recommendations to be made in the report to the NECA Leadership Board meeting on 19<sup>th</sup> January 2016.

#### **RECOMMENDATIONS**

Transport North East (Tyne and Wear) Sub-Committee is recommended to:

- a) Note the contents of this report and identify any issues or points to be taken into account in preparing the Budget report to the Leadership Board in January;
- b) Note the transport net revenue budget and Levy of £65.120m proposed for 2016/17 as set out in section 2;
- c) Note the need to set a balanced budget for Nexus over the medium term, which would involve reducing the annual net cost of services by an estimated £7m or more from 2017/18; and
- d) Endorse the proposal to carry out a strategic review of the Transport Budget in Tyne and Wear, taking into account the outcome and impact of the Spending Review, with a view to identify options for reducing service budgets for consultation in 2016 for implementation from 2017 onwards.

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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### 1 Background

- 1.1 This report sets out a summary of the proposed Tyne and Wear Transport Revenue Budget and Levies for 2016/17 in order that recommendations can be agreed for inclusion in the budget report to the 19 January 2016 Leadership Board meeting. This is a requirement of the NECA constitution and needs to comply with regulations relating to the allocation of Transport Budgets and Levies. Not all of the information needed to complete the budget is currently available, in particular details of Government grant funding, which will be announced after the Spending Review on 25 November and possibly as late as 16 December.
- 1.2 A key external pressure facing councils is the impact of austerity measures and the Spending Review is expected to set out grant reductions for local government of between 25% to 40% over the next 4 years, in addition to the substantial reductions that were made in the last parliament. This includes cuts to the funding that Government has previously provided for Concessionary Travel and other transport services. Councils are facing difficult decisions about all services and the Transport Levy is part of the budget of Tyne and Wear councils, and it will need to be considered for reduction both next year and potentially in future years as well.
- 1.3 Due to uncertainty about external funding, the Leadership Board will set a one year Budget and Transport Levies for 2016/17 at its meeting on 19<sup>th</sup> January 2016. This was explained in the report to the Leadership Board on 17<sup>th</sup> November 2015, which set out draft high level budget proposals for consultation. Following informal consultation with members and councils, an overall Transport budget and Levy for Tyne and Wear for 2016/17 of £65.120m is proposed, which represents a reduction of £2.080m (-3.1%) compared with the current year.
- 1.4 Officers consider that this level of savings can be delivered next year mainly through efficiency savings; use of one off savings achieved in the current year, and use of reserves with minimal impact on service outcomes. However, this will add to the significant underlying budget deficit in Tyne and Wear, which is currently being funded from use of reserves to protect service outcomes in line with the budget strategy agreed by members in previous years. This will mean that service budgets will need to be reduced from 2017 in order to achieve a balanced budget over the medium term.
- 1.5 Once the outcome of the 2015 Spending Review is known, and the impact on funding for Tyne and Wear councils can be assessed, this information will be considered by NECA and its constituent Councils as part of Strategic Review

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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in the first half of 2016 that will seek to identify:-

1. the estimated level of resource available through the Levy for Transport services over the next four years, taking into account competing service priorities;
  2. how the money that is available is to be used to best achieve the Transport Objectives of NECA and in Tyne and Wear;
  3. What changes in transport services are needed and how the impact on service users can be minimised.
- 1.6 The options and proposals that emerge from this review will form the basis for consultation before decisions are taken next year about the budget for 2017/18 and future years.
- 1.7 This report gives members the opportunity to shape the detailed budget proposals for 2016/17 that will form part of the Budget Report to the Leaders Board on 19<sup>th</sup> January 2016, after consideration of the views received from consultation.

### **2 Transport Net Revenue Budget and Levy 2016/17**

- 2.1 The proposal for Tyne and Wear would see the Transport Budget and Levy for Tyne and Wear being set at £65.120m, assuming no significant reduction in the Metro Rail Grant. This is a reduction of £2.080m on the Levy in 2015/16, achieved by efficiency and other cost savings in the former ITA and Nexus Budgets and the use of reserves. This will maintain service outcomes next year, while further improving the value for money provided to districts and help them to meet national funding cuts.
- 2.2 The distribution of the Levy within Tyne and Wear is based upon population and the levy will reflect changes in population as well as the cut in the overall amount. The share of a £65.120m Transport Levy for 2016/17 for each of the Tyne and Wear districts is shown below.

**Table 1: Share of Transport Levy between Districts**

<b>District</b>	<b>Population (2014 Mid Year Estimates)</b>	<b>2016/17 Levy</b>	<b>Saving compared to 2015/16</b>
	People	£	£
Gateshead	200,505	11,671,345	(397,749)
Newcastle	289,835	16,871,122	(437,299)
North Tyneside	202,744	11,801,677	(397,403)
South Tyneside	148,740	8,658,118	(304,843)
Sunderland	276,889	16,091,813	(568,531)
<b>Total</b>	<b>1,118,713</b>	<b>65,120,000</b>	<b>(2,080,000)</b>

# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

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- 2.3 This latest Levy reduction would bring the overall reduction in the annual transport levy since 2010 to £13m, achieved through efficiency savings and use of reserves, whilst protecting service outcomes to date. This level of saving while protecting service outcomes is a significant achievement, particularly in the light of the cost pressures in respect of Concessionary Travel and outcomes in other regions around the country where there have been some significant cuts in services. However in order to set a balanced budget in the medium term, it is clear that cuts in service budgets will need to be implemented from 2017.
- 2.4 The levy is used to fund NECA transport costs (formally the Tyne and Wear ITA) as well as providing a grant to Nexus to fund transport services. The allocation of the levy is proposed as follows.

**Table 2: Allocation of Transport Levy**

	2015/16 £	2016/17 £	Change £	%
NECA Transport Costs	2,700,000	2,620,000	- 80,000	- 3.0%
Grant to Nexus	64,500,000	62,500,000	- 2,000,000	- 3.1%
Total Levy	67,200,000	65,120,000	- 2,080,000	- 3.1%

- 2.5 Savings on the former ITA element of the NECA budget include savings in capital financing costs, a reduction in support costs and some use of reserves. The Nexus savings will be achieved by efficiency savings and use of reserves and budget cuts, which minimise the impact on service outcomes in 2016/17. The use of one off savings in 2015/16 of up to £1m will help to temporarily fund the cut in the levy in 2016/17.
- 2.6 The Nexus Budget is balanced by planned use of reserves pending the delivery of further savings in future years, which will be subject to a Strategic Review of Transport funding next year. This will identify the level of the Levy that Councils can afford and the cuts in discretionary services that would be needed to set a balanced budget, for consultation next year.

### **NECA – Centrally Held Tyne and Wear Transport Budget**

- 2.7 This budget relates to activity inherited from the former Tyne and Wear ITA. The vast majority (89%) relates to financing charges on historic debt. Additionally, there is budget provision to pay for support services/Transport SLAs, other supplies and services, the external audit fee and a repayment to the Tyne Tunnels for use of reserves in 2013/14 to pay off the pension deficit.
- 2.8 It is proposed that this Budget for 2016/17 be reduced from £2.700m to £2.620m with a saving of £80,000 (3%). Since 2005/06 this budget has reduced by over 40% from £4.499m to its proposed level. The indicative budget for



# North East Combined Authority

## Transport North East (Tyne and Wear) Sub-Committee

2016/17 is summarised in the table below.

**Table 3: Centrally Held Transport Budget**

	2015/16 Revised Estimate	2016/17 Estimate	Change
	£000	£000	£000
Support Service / staffing	250	245	-5
Administration and Governance	43	43	0
Financing Charges	2,394	2,333	-61
Contingency / Devolution	110	110	0
<b>Total Spending</b>	<b>2,797</b>	<b>2,731</b>	<b>-66</b>
Use of Transport Reserve	-97	-111	-14
<b>Contribution From LEVY</b>	<b>2,700</b>	<b>2,620</b>	<b>-80</b>

- 2.9 The Contingency/devolution budget are one-off items in the budget funded from savings in 2013/14, which increased the level of the transport reserve transferred to NECA. They are funded from the use of the Transport reserve. The base budget excluding these items is a balanced budget. The Tyne and Wear (former ITA) Transport Revenue reserves are estimated to reduce from £0.588m at the start of 2015/16 to £0.380m at the year end. It is possible that the costs relating to Devolution workstreams may be incurred in the current year rather than next year, which would reduce the reserve earlier.

### Grant to NEXUS to Provide Transport Services

- 2.10 A summary of the draft Nexus budget for 2016/17 and the use of the Grant from Nexus is set out below, with further details given in Appendix A.

**Table 4: Summary of the Nexus Net Budget**

	Gross Expenditure	Gross Grants and Income	Net Expenditure
	£000	£000	£000
<b>Grant to Nexus</b>			
Concessionary Travel	49,065	(1,461)	47,604
Metro	93,128	(75,718)	17,410
Ferry	1,556	(556)	1,000
Rail	213	(240)	(27)
Subsidised Bus Services	17,445	(6,134)	11,311
Bus Infrastructure	2,450	(585)	1,865
Retail and Information	4,388	(661)	3,727
Corporate planning	3185	(1,130)	2,055
<b>Sub Total Operations</b>	<b>171,430</b>	<b>(86,485)</b>	<b>84,945</b>
Net Movement in Capital Financing Reserve		(20,801)	(20,801)
Capital Financing	2,349		2,349
<b>Total Nexus Budget</b>	<b>173,779</b>	<b>107,286</b>	<b>66,493</b>
Planned Use of Reserves			3,993

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<b>Transport Grant</b>			<b>62,500</b>
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- 2.11 The operations budgets include capital financing costs, in particular the Metro Budget. There is a net movement of the capital financing reserve of £20.801m, which reduces net operational expenditure. After taking into account the reimbursement of revenue forgone from the Concessionary Travel budget for the carriage of Gold Card holders, this would bring the net expenditure on Metro into a small surplus.
- 2.12 Nexus will draw £3.993m from its revenue reserves, which are estimated to be £12.2m at the start of next year (based on Nexus' Period 6 financial monitoring report for the current year, considered elsewhere on this agenda).
- 2.13 Without the possibility of generating £5m of savings from implementing the Bus Quality Contracts Scheme in 2017/18, and having had its grant from the NECA reduced by £2m in 2016/17, Nexus' budget deficit will grow to an estimated £7m in 2017/18, if action to address the budget imbalance is not taken. Therefore, in order to deliver a balanced budget in the medium term, cuts in services will need to be implemented from 2017. This will be considered as part of a Strategic Review in 2016, which will identify options for reductions in service budgets for consultation during 2016 and implementation from 2017 onwards.
- 2.14 More detailed information about the Nexus budget for 2016/17 is set out in Appendix A.
- 2.15 The discretionary spending within the 2016/17 budget that will be part of the Strategic Review and may be at risk from 2017 includes: –

	<b>£m</b>
Secured Bus Services	11.3
Bus infrastructure	1.7
Retail, Info & Customer Services	4.4
Shields Ferry	0.8
Discretionary Concessionary Fares	11.8
Capital Financing	2.3
	<u>32.3</u>

- 2.16 The two major items of Nexus' gross expenditure that are excluded from the above table are the ENCTS and Metro (save for part the discretionary concessionary fares budget which funds 'revenue forgone' for the carriage of Gold Card holders and Under 16's on Metro). Funding the ENCTS is a statutory obligation placed on Nexus and as already highlighted in paragraph 2.11, Metro generates a small surplus once income it receives from the concessionary fares budget is taken into account.

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- 2.17 After a planned use of reserves of £3.993m in 2016/17 it is estimated that Nexus' revenue reserves would be £8.2m as at 31 March 2017 (based on the 2016/17 indicative budget and the budget deficit as per Nexus' Period 6 financial monitoring report for the current year, considered elsewhere on this agenda). Nexus estimates that it needs to retain a core reserve of £5m to manage uncertainties, cost pressure and other unexpected calls on its revenue budget. In addition, Nexus holds capital reserves, currently forecast to be circa £21m at 31 March 2016 which are earmarked to fund capital investment in Metro.

### Tyne Tunnels

- 2.18 The Tyne Tunnels are accounted for as a ringfenced trading account within the accounts of NECA, meaning that it is wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy or government funding at all.
- 2.19 In 2015/16 the original budget for the Tunnels account had a planned deficit of £1.4m to be funded from the Tunnel Reserve Account. Increased traffic flow in year resulted in increased income. With savings in financing costs, the net outturn for the Account in 2015/16 is estimated to be a reduced deficit of £0.383m. A summary of the Tyne Tunnels account is set out below.

**Table 5: Tyne Tunnels Budget**

	<b>2015/16 Revised</b>	<b>2016/17</b>
	£	£
Tolls Income	(27,456,700)	(29,243,000)
Contract Payments to TT2	21,658,100	22,277,300
Employees	36,000	36,800
Pensions	55,700	57,600
Support Services	100,000	90,000
Supplies & Services	35,000	35,000
NTC Community Fund	10,000	5,000
Financing Charges	6,419,100	7,465,200
Interest Income	(200,000)	(200,000)
Miscellaneous Income	(34,000)	0
Repayment from ITA for use of reserves	(240,000)	(240,000)
<b>(Surplus)/Deficit on Tyne Tunnels Account</b>	<b>383,200</b>	<b>283,900</b>
<b>Tyne Tunnels Reserves b/f</b>	<b>(28,173,800)</b>	<b>(23,790,600)</b>
NESTI Expenditure	1,000,000	1,000,000
Capital Expenditure funded from Revenue	3,000,000	750,000
Tyne Tunnels Reserves c/f	(23,790,600)	(21,756,600)
(Of which earmarked for NESTI)	2,614,000	1,614,000
<b>Tunnel Reserves at Year end (excluding NESTI)</b>	<b>(21,176,600)</b>	<b>(20,426,600)</b>

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- 2.20 Tyne and Wear Sub Committee will consider the scheduled toll increase of 10p for cars and 20p for HGVs, with effect from a revised date of 1 April 2016 (as opposed to 1 January 2016) or from 1 June 2016, subject to the increase in the RPI Index enabling the increase to occur. The increase in the level of the Shadow Toll paid to the operator TT2 has already taken place and came into effect from 1 January 2015. The increase in tolls is needed to maintain the tolls in real terms and keep the budget deficit on the Account in 2016/17 down to around £0.284m. An increase with effect from 1<sup>st</sup> April 2016 has been assumed in the Budget estimates, which would generate income of £1.6m. An increase from 1<sup>st</sup> June 2016 would generate income of £1.4m, increasing the deficit by around £0.2m. The annual budget deficit will be funded from the Tyne Tunnel Reserves, which are there to meet annual deficits, fund capital expenditure on the tunnels and to help pay off the tunnel debt.

### **3 Next Steps**

- 3.1 Further consultation on the 2016/17 budget proposals will be taking place during December. The Leadership Board will meet to agree the 2016/17 NECA Budget and Transport Levies on 19<sup>th</sup> January, taking into account the recommendation from this committee as well as any comments made during the consultation process.

### **4 Potential Impact on Objectives**

- 4.1 The report sets out the proposed transport finance and resourcing of the Combined Authority to support the delivery of its objectives. For 2016/17 the proposals are aimed at minimising any impact on service outcomes and should have no adverse impact on the delivery of Transport Outcomes. However, the reduction of the levy will potentially have adverse effects from 2017 onwards, which will be identified and consulted upon in 2016.

### **5. Finance and Other Resources**

- 5.1 The finance implications are set out in detail in the body of the report. The reserves identified in the report are considered to be appropriate to manage risks relating to transport activities of NECA.

### **6 Legal**

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

6.2 The treatment of transport costs and their funding through levies are set out in the NE Combined Authority Order and in the Transport Levying Bodies (amendment) Regulations 2014.

### **7 Other Considerations**

#### **7.1 Consultation/Community Engagement**

The budget proposals for 2016/17 are currently subject to a period of consultation which includes the North East Leadership Board, Treasurers/Finance Directors meetings, Chief Executives meetings, meetings with individual Councils to discuss detailed budget points, consultation with the North East Chamber of Commerce; budget consultation by constituent councils and consideration by Overview and Scrutiny Committee.

#### **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.

#### **7.4 Risk Management**

Financial risks associated with the authority's transport activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the Combined Authority. A key issue is the uncertainty of the impact of Austerity Measures on grants that Nexus and the Councils receive. This will be taken into account at the January Leaders Board. Reserves will be set to help manage risk and will take into account potential risks.

#### **7.5 Crime and Disorder**

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

#### **7.6 Environment and Sustainability**

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

### **8 Background Documents**

- 8.1 Leadership Board 20 January 2015 - Budget Report 2015/16  
Leadership Board 17 November 2015 - Draft Budget Report 2016/17

### **9 Links to Plans in the Policy Framework**

- 9.1 This report has links to the delivery of the Transport plans in the Policy Framework.

### **10 Appendices**

Appendix A : Information relating to Nexus Budget

### **11 Contact Officers**

- 11.1 Paul Woods, Chief Finance Officer, paul.woods@northeastca.gov.uk  
07446936840

### **12 Sign off**

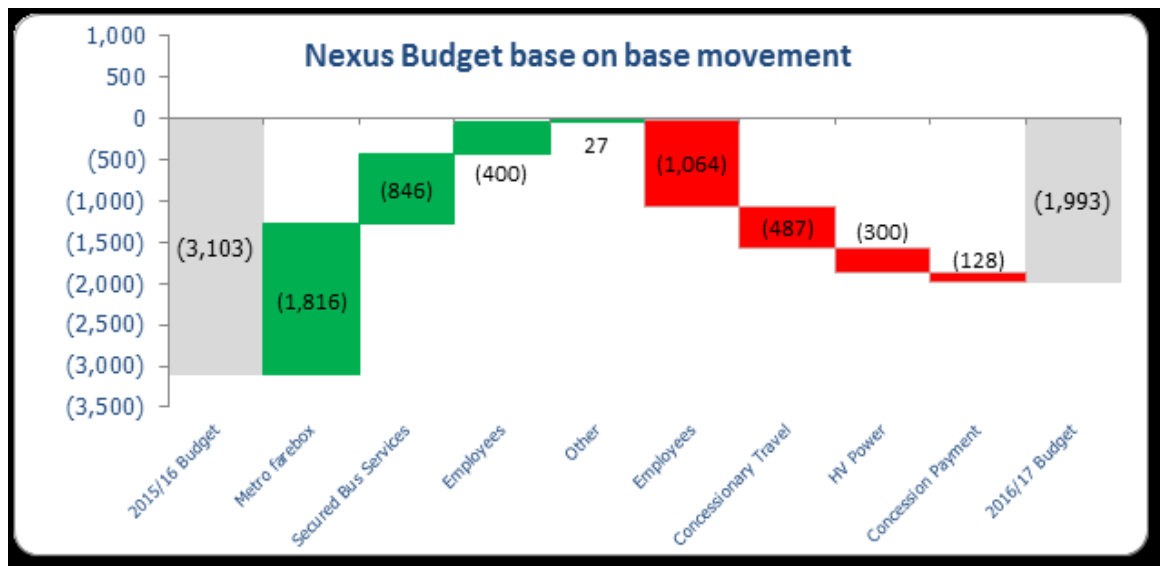
- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

### APPENDIX A

#### Nexus Indicative Budget 2016/17

Nexus' indicative budget for 2016/17 was prepared before the outcome of the QCS Board was known and therefore, is currently predicated on a 'standstill' basis i.e. service outcomes will be protected, growth and other cost pressures will be contained and headroom has also been made to reduce the inherent deficit by £1m when compared to the base deficit set for the current year.

The graph below shows the movement 'base on base'.



The cost pressures, shown in red relate to:-

- Employees – reflecting the impact of recent changes in employer national insurance contributions for employers offering 'contracted out' pension schemes; a 1% provision for pay inflation (as per the Chancellors summer 2015 budget announcement) and pay progression for employees on APT&C grades
- Concessionary Travel – a small uplift in costs is required for ENCTS payments due to bus operators as part of the two year negotiated settlements previously reported to the Sub-Committee; however, the majority of this budget pressure relates to the creation of a provision to take account of potential reductions in the sale of scholars passes to local authorities
- High Voltage Power – despite recent reductions in energy consumption, the cost of HV Power continues to increase, putting an estimated cost pressure of £0.3m on the 2016/17 budget

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- Concession Payment – this reflects the contractual obligation Nexus has to increase the cost of payments made to DBTW under the terms of the Metro Operating Concession. At this stage, it is assumed that Metro Rail Grant (revenue) will be in line with previous projections based on the long term funding agreement with the Department for Transport dated 2 February 2010

The areas where Nexus is able to generate additional revenues and/or make savings (at standstill) are shown in green and relate to:-

- Metro Farebox – where growth in passenger numbers and revenues earned in the current year are expected to continue into 2016/17 which together with marketing campaigns and the fares proposal being considered elsewhere on this agenda are expected to increase Metro's income by £1.8m when compared to the 2015/16 base estimate
- Secured Bus Services – where the base estimate for 2016/17 is effectively being adjusted, taking into account efficiencies made in this area since 2014/15
- Employees – the financial impact of Nexus' senior management restructure, implemented between January and April 2015 did not feature in the 2015/16 base budget. The savings generated are a permanent feature of the base moving forward and have been accounted for in the 2016/17 budget

Paragraph 2.13 of the covering report indicates that without the possibility of generating £5m of savings from implementing the Bus Quality Contracts Scheme in 2017/18, and having had its grant from the NECA reduced by £2m in 2016/17, Nexus' budget deficit will grow to an estimated £7m in 2017/18, if action to address the budget imbalance is not taken. Therefore, in order to deliver a balanced budget in the medium term, cuts in services will need to be implemented from 2017. This will be considered as part of a Strategic Review in 2016, which will identify options for reductions in service budgets for consultation during 2016 and implementation from 2017 onwards.

As highlighted in the table at paragraph 2.15 of the covering report, included within the 2016/17 indicative budget are a range of service areas, all of which the NECA has some discretion in directing Nexus to provide.

It should be recognised however, that some areas of expenditure would be difficult or impractical to curtail immediately e.g. the amount expended on paying off Nexus' pension deficit, unfunded depreciation (which is a proxy for loan redemption payments which feature as the Minimum Revenue Provision (MRP) in local authorities' budgets), office accommodation at Nexus House etc.



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In the context of up to £7m of budget cuts needing to be found by 2016/17, it should be recognised that this represents around 22% of Nexus' current levels of discretionary expenditure.

Despite Nexus maintaining service outcomes since it embarked on its pursuit of the Bus Quality Contracts Scheme in 2011, it is important that members of the Sub-Committee understand that a 22% cut in discretionary expenditure will be additional to a range of efficiency savings already achieved by Nexus. Examples include cutting its staffing establishment by over 20% since 2011; reviewing areas of its business in order to identify and remove inefficiencies; the achievement of procurement efficiencies in some of its contract terms and the consolidation of a range of budgets with investment in new technologies and the upgrade of the Nexus asset base driving additional efficiencies.

Further commentary in relation to what is contained within these areas of discretionary expenditure is detailed below:-

- Secured Bus Services - £11.3m, comprising the following types of secured bus services:-
  - i. All day services
  - ii. Scholars services
  - iii. Works / Early Morning services
  - iv. Evenings and weekend extensions
  - v. Route diversions
  - vi. Taxibus and Community Transport
- Bus Infrastructure - £1.7m, comprising staffing, cleaning, maintenance and security of bus interchanges, stations and shelters.
- Retail, Information and Customer Services - £4.4m, comprising staffing, cleaning, ticketing, publicity, information and customer contact services.
- Shields Ferry - £0.8m, comprising staffing, fuel, maintenance, cleaning and security.
- Discretionary concessions and fares - £11.8m, comprising the Gold Card Scheme, the Child Scheme, Teen Travel and ENCTS payments for the carriage of pass holders on Nexus Secured Bus Services. In addition, the indicative budget proposal for 2016/17 also recommends a freeze in the fares currently levied on both the Gold Card Scheme and the Child Scheme; the Sub-Committee are being provided with further options which will be considered as part of the fares proposal for 2016 on a separate agenda item. In addition, there are discretionary elements of the ENCTS which could be withdrawn or curtailed e.g. the companion pass, post 23:00 hour boardings and boardings pre 09:30 hours for the purposes of attending medical appointments.

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- Capital Financing - £2.3m, comprising unfunded depreciation and pension deficit payments (both of which are included in the cost of services outlined above as well as forming part of Metro's gross expenditure requirement) and revenue contributions to capital which has in recent years been used to fund the delivery of the Bus Strategy as well as providing match funding for investment in smart ticketing and other initiatives e.g. local contributions to LTP and LSTF funded projects.
- Metro Fares – the indicative budget proposal for 2016/17 contains a 0.4% weighted average fares increase against a backdrop of July 2015 RPI of 1.0% (and is being considered on a separate agenda item); however, the NECA has discretion to increase fares at a higher rate if it so desired.
- Support Services – all of Nexus' services (including Metro) are underpinned (and include) nearly £7.0m of expenditure on a range of support services e.g. Corporate Planning, Estates, Marketing, Finance, Internal Audit, Human Resources, ICT, Legal, Health and Safety etc.

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