

Leadership Board

Tuesday 28 July 2020 at 2.00pm

Meeting to be held virtually via Microsoft Teams

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AGENDA

	Page No
1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting held on 03 March 2020	1-6
For approval as a correct record	
4. Announcements from the Chair	
5. NECA Governance Update	7-8
6. Covid-19 Update	9-10
7. Covid-19 Economic Recovery Update	11-14
8. Budget Process and Timetable 2021/22	15-26

**9. Revenue Budget 2019/20 Outturn and Forecast of Revenue Outturn
2020/21 – Period to 30 June 2020** **27-61**

10. Date and Time of Next Meeting: 14 September 2020 at 2.00pm

Contact Officer: Jonathan Lunness Tel: 0191 4247536
Email: jonathan.lunness@northeastca.gov.uk

3 March 2020

(2.00pm - 2.20pm)

Meeting held at South Shields Town Hall, Westoe Road, South Shields, NE33 2RL

Present:

Councillors: I Malcolm (Chair), M Gannon, M Mordey, C Marshall

Officers: Martin Swales (Chief Executive, South Tyneside), Sheena Ramsey (Chief Executive, Gateshead), Terry Collins (Chief Executive, Durham), Nicola Robason (Deputy Monitoring Officer, NECA), John Hewitt (Chief Finance Officer, NECA), Vince Taylor (Economic Lead Officer, NECA), Gavin Armstrong (Policy and Scrutiny Officer, NECA), Jonathan Lunness (Strategy and Democratic Services Assistant, NECA)

1. APOLOGIES FOR ABSENCE (MEMBERS)

Apologies for absence were received from Patrick Melia, Cllr Henig and Cllr Miller.

2. DECLARATIONS OF INTEREST

None.

3. MINUTES OF THE MEETING HELD ON 04 FEBRUARY 2020

The minutes of the previous meeting held on 04 February 2020 were approved as a correct record.

4. ANNOUNCEMENTS FROM THE CHAIR

The Chair announced that there has been consensus on membership of the NELEP Board. Each Combined Authority (NECA and NTCA) shall nominate three Members to the NELEP Board annually. Each Combined Authority will also nominate a fourth non-voting Member with 'observer' status. The Chair noted that Cllr Miller of Sunderland City Council has agreed to be NECA's first 'observer' Member, after which it will follow an alphabetical rotation (Durham, Gateshead, South Tyneside).

5. CHAIR THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Chair of the NECA Leadership Board (previously circulated and copy attached to the official minutes).

Members considered the report which provided an update on activities within the Chair's portfolio. It was noted that since the previous meeting, work has continued to develop NECA's Strategic Economic Plan, which will be an important foundation to build on in the coming months.

It was noted that since the Climate Change Emergency Declaration by NECA in November 2019, work has progressed and a Task and Finish Group has been established. Members noted that the primary activity of the group is to identify key areas of collaboration and to draft a proposition for the Leadership Board which will identify additional resources and legislation required from Government to support the aims of NECA and its Constituent Authorities in their carbon reduction targets.

The Chair noted that with the upcoming Government Budget, work has continued on NECA's pre-budget submission. This offers the opportunity to express NECA's ambitious plans and key investment opportunities to drive growth and productivity in the NECA area.

It was noted that Sir John Armit, Chair of the National Infrastructure Commission, made contact with NECA seeking support on various proposals which the Commission presented to Government through the National Infrastructure Assessment (NIA). Members noted that the Government intends to publish a National Infrastructure Strategy alongside the Budget on 11 March.

Members noted that NECA contributed to the Commission's initial NIA in late 2018, alongside NTCA, NELEP and the Environment Agency. In that response document, key issues included the challenges the region faces in competing for capital investment and the urgent need to digital infrastructure in the North East. It was noted that these issues and priorities remain relevant currently.

It was noted that NECA's ambitions are aligned with other proposals set out in the NIA. These include decarbonising the regional economy and a drive for investment in renewable energy, the NIA's recognition of the importance of strategic investment in transport infrastructure, as well as the recognition of the requirement for a more long-term approach to infrastructure funding to mitigate flood risks.

The Leadership Board was asked to support the Chair in confirming NECA's support for the recommendations set out in the NIA and to support the proposal that contact be made with appropriate Government Ministers and Department Officials to communicate this support.

It was noted that the agenda for this meeting included a motion for NECA to adopt the IHRA anti-Semitism definition. The Chair expressed his support for this motion.

RESOLVED That:

- i. the report be noted.
- ii. that a letter of support be sent to the appropriate Ministers and Department Officials to confirm NECA's support for the recommendations in the National Infrastructure Assessment.

6. ECONOMIC DEVELOPMENT AND DIGITAL THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Thematic Lead of Economic Development and Digital (previously circulated and copy attached to the official minutes).

Members considered the report which provided an update on activities within the Economic Development and Digital theme. The report was presented by Cllr Mordey in the absence of Thematic Portfolio Lead Cllr Miller.

It was highlighted to Members that in the first three quarters of 2019/20, there has been 24 inward investment projects in the NECA area. This resulted in 801 new jobs. These comprised of 17 FDI projects, creating 494 new jobs and 7 UK projects creating 307 new jobs.

Members also noted that across the wider region (NECA/NTCA), there has been a total of 53 successes, generating 1860 new jobs.

RESOLVED That:

- i. the report be noted.

7. TRANSPORT THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Thematic Lead for Transport (previously circulated and copy attached to the official minutes).

Members considered the report which provided an update on activity and progress under the Transport theme of the Combined Authority. This included updates on the Transforming Cities Fund, the North East Transport Plan, as well as road, rail and metro updates for the area.

RESOLVED That:

- i. the report be noted.

8. FINANCE AND SKILLS AND EMPLOYMENT THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Corporate Director (previously circulated and copy attached to the official minutes).

Members considered the report which provided an update on activities within the Finance and Skills and Employability theme together with the baseline position for a future 'Skills and Employment' ask for the North East Combined Authority. Cllr Marshall presented the report in absence of Thematic Portfolio Lead Cllr Henig.

Members noted that the Fair Funding Review is due out later this calendar year, which will have a significant impact on local constituent authorities.

RESOLVED That:

- i. the report be noted.

9. AMENDMENT TO THE ECONOMIC DEVELOPMENT AND DIGITAL ADVISORY BOARD'S TERMS OF REFERENCE

Submitted: Report of the Deputy Monitoring Officer of NECA (previously circulated and copy attached to the official minutes).

The Deputy Monitoring Officer of NECA presented the report which proposed a change to the Terms of Reference of the Economic Development and Digital Advisory Board (EDDAB) in the NECA Constitution.

Members noted that EDDAB agreed to undertake a review in relation to its role and remit in March 2019. The outcome of the review was presented to EDDAB in November 2019.

It was noted that recommendations included allowing co-opted Members of EDDAB to nominate a substitute to act in their absence. This would require of the Leadership Board to amend Part 3.2 of the NECA Constitution which outlined EDDAB's Terms of Reference.

The Leadership Board accepted the proposed change to the Terms of Reference of EDDAB.

RESOLVED That:

- i. that the amendment to EDDAB's Terms of Reference in Part 3.2 of the NECA Constitution be approved to allow business representatives to nominate a substitute.

10. MOTION RECEIVED UNDER RULES OF PROCEDURE 1.1

Proposed: Motion on the Adoption of the International Anti-Semitism Definition

Recognises:

- 1.1 The leadership already shown by the NECA constituent authorities in addressing anti-Semitism within their areas and their previous acknowledgement of the seriousness of religious or cultural intolerance.
- 1.2 The NECA constituent authorities have already acknowledged the International Holocaust Remembrance Alliance (IHRA) definition of anti-Semitism which is supported by the major representative bodies of the Jewish Community including the Board of Deputies of British Jews, the Jewish Leadership Council and the European Jewish Congress.
- 1.3 That a vast amount of work is taking place across the NECA area to support and celebrate the cultural and religious differences within our communities.

In recognition of the seriousness of anti-Semitism, the North East Combined Authority resolves to:

- i. To adopt the International Holocaust Remembrance Alliance (IHRA) definition of anti-Semitism which reads:
“Antisemitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed towards Jewish or non-Jewish individuals and/or their property, towards Jewish community institutions and religious facilities”;
- ii. Continue to support and celebrate the cultural and religious differences within our communities;
- iii. Working with other partners and stakeholders to take a zero tolerance approach to religious and cultural discrimination within our communities.

Proposer: Councillor I Malcolm

During discussion, it was noted that the IHRA definition of anti-Semitism has been adopted by all four constituent authorities of NECA. Members noted that NECA will continue to support and celebrate cultural and religious differences within our communities and work with a range of partners to ensure a zero tolerance approach to religious and cultural discrimination. The IHRA definition of anti-Semitism has been adopted by both government and non-government agencies.

It was noted that by adopting this motion, NECA would publicly demonstrate that it is committed to combatting anti-Semitism in all forms.

The motion was carried.

11. DATE AND TIME OF NEXT MEETING

Tuesday 9 June 2020 at 2.00pm.

12. EXCLUSION OF PRESS AND PUBLIC

Under section 100A and Schedule 12A Local Government Act 1972, the press and public were excluded from the remainder of the meeting for consideration of Agenda Item 12 (Confidential Minutes of the Previous Meeting held 04 February 2020), because exempt information was likely to be disclosed and the public interest test against disclosure was satisfied.

13. CONFIDENTIAL MINUTES OF THE MEETING HELD 4 FEBRUARY 2020

The confidential minutes of the previous meeting held on 04 February 2020 were approved as a correct record.

Leadership Board

Agenda Item 5

Date: 28 July 2020

Subject: NECA Governance Update

Report to follow

Leadership Board

Agenda Item 6

Date: 28 July 2020

Subject: Covid-19 Update

Report to follow

Leadership Board

Agenda Item 7

Date: 28 July 2020

Subject: Covid-19 Economic Recovery Update

Report of: Patrick Melia (Chief Executive, Sunderland City Council)

Executive Summary

The purpose of this report is to update the Board on the economic recovery work taking place across the NELEP and NECA areas. A presentation will be given on the analysis undertaken and the plans and structures put in place and implications for the NECA area

Recommendations

The Leadership Board is recommended to receive a presentation and take part in a discussion about Covid-19 economic recovery plans.

Leadership Board

1. Purpose of the Report

- 1.1 Since the Board last met, the region, country and many other countries around the world have been navigating the Covid-19 emergency.
- 1.2 The pandemic has brought about unprecedented measures by the Government to impose strict lockdown restrictions to control the spread of the virus.
- 1.3 The implications of lockdown have included the closure of all but essential businesses and services and there have been significant impacts on most aspects of the region's economy, and on residents' lives and livelihoods.

2. Proposals

- 2.1 As well as responding to the emergency, work has been taking place to establish structures and workstreams to support the region's economic recovery.
- 2.2 The presentation to be provided will update the Board on the assessment and analysis undertaken of the challenges and opportunities for the NECA and wider NELEP area, the development of economic recovery plans and the structures put in place to deliver them.

3. Reasons for the Proposals

- 3.1 Covid-19 has created the biggest economic shock of our lifetimes and its impacts, both in the immediate and longer term, will be complex and significant. Existing economic challenges – being addressed through NECA and regional strategies including the NE Strategic Economic Plan – will be exacerbated, and plans and approaches will need to be adapted and refocused. The presentation will update the Board on the economic recovery work undertaken to date, to support a discussion on the key challenges and opportunities for the NECA area.

4. Alternative Options Available

- 4.1 There are no alternative options associated with this report.

5. Next Steps and Timetable for Implementation

- 5.1 A further update will be provided to the Board at subsequent meetings.

Leadership Board

6. Potential Impact on Objectives

6.1 The activities under the recovery plan will support NECA in its aims to promote economic growth, regeneration and wellbeing in the area.

7. Financial and Other Resources Implications

7.1 There are no financial or other resource implications associated with this report.

8. Legal Implications

8.1 There are no legal implications arising from this report.

9. Key Risks

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

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 There are no specific consultation and engagement issues arising from this report.

13. Other Impact of the Proposals

13.1 There are no further impacts arising from the proposals.

14. Appendices

14.1 None.

15. Background Papers

15.1 None.

16. Contact Officers

Leadership Board

- 16.1 Nicola Robason
Head of Corporate & External Affairs (Monitoring Officer)
South Tyneside Council
Telephone: 0191 424 7186

Email: nicola.robason@southtyneside.gov.uk

17. Sign off

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

18. Glossary

- 18.1 None.

Leadership Board

Agenda Item 8

Date: 28 July 2020

Subject: Budget Process and Timetable 2021/22

Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to set out the process and timetable for the preparation, consultation and approval of the 2021/22 budget and indicative three-year medium - term financial strategy for the North East Combined Authority.

To comply with the NECA constitution the budget setting process requires the following steps:

Outline proposals will be developed following discussions with member and officer groups, including Chief Executives, Economic Development Directors and Transport Leads during August and September. Finance Directors across the NECA area will be involved throughout the process.

Initial high-level draft budget proposals for 2021/22 relating to transport budgets will be reported to the Joint Transport Committee on 15 September and for non-transport budgets by the NECA Leadership Board on 14 September.

The proposals will then be further developed and subject to consultation, with updated detailed proposals being brought back to the JTC on 17 November and the Leadership Board on 3 November.

Final proposals will be presented for agreement by the JTC on 19 January and the Leadership Board on 2 February.

The final proposals in relation to NECA's budget must be agreed unanimously. The Joint Transport Committee must approve the final proposals in relation to the North East Transport budget unanimously.

Leadership Board

Recommendations

The Leadership Board is recommended to note the report.

Leadership Board

1. Background Information

- 1.1 In line with the Transport Levying Bodies Regulations, Transport Levies for the North East area must be set by 15 February 2021. It is currently planned that these will be agreed by the North East Joint Transport Committee (JTC) at its meeting on 19 January 2021, and those relating to the NECA areas formally issued by the Leadership Board on 2 February 2021.
- 1.2 Other (non-Transport) aspects of the NECA budget will be agreed by the Leadership Board on 2 February 2021.
- 1.3 While the statutory requirement is for an annual budget and levies to be set for 2021/22, it is good practice to set a budget and in particular a capital programme within the context of a medium-term financial strategy covering a three to five-year period. The budget proposals presented this year will include an updated indicative three-year medium-term financial strategy for NECA.

2. Proposals

- 2.1 Appendix 1 sets out the timetable of when decisions will need to be taken to enable the Transport budget and levy decisions to be taken by the JTC on 19 January 2021 and the NECA budget decisions to be taken on 2 February 2021. The timetable meets the need for consultation on the 2021/22 proposals, as set out in NECA's constitution.
- 2.2 The timetable is challenging and requires updated forecasts and initial high-level considerations to be presented to the JTC at its meeting on 14 September 2020.
- 2.3 Outline budget proposals will highlight the overall level of the capital and revenue budgets for 2021/22 and any service impacts upon which consultation would be required. These will be consulted upon and refined before final proposals are presented for approval.
- 2.4 The NECA constitution sets out the process which must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

(a) Initial proposals

Initial proposals in relation to the transport budget will be produced by the JTC, and by NECA for the non-transport budgets. At least 2 months before the

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calculations on transport levies need to be finalised by the JTC, a report to that Committee will set out initial outline proposals and accompanying information.

The initial proposals and accompanying information will then be referred to the JTC Overview and Scrutiny Committee. The JTC Overview and Scrutiny Committee will at this stage examine the consultation proposals and timetable and make recommendations on these, where it is considered appropriate, to the JTC. It will be the responsibilities of each of the Combined Authorities to examine proposals in accordance with the above timetable.

(b) Initial consideration by the Leadership Board and the Joint Transport Committee

Proposals from the JTC in relation to levies and the distribution of those levies to the Constituted Authorities and Combined Authorities will be considered by the Leadership Board. The Leadership Board will consider the funding necessary to discharge the functions of NECA and make proposals for the funding of NECA taking into account the JTC's proposals or decisions in relation to the levies and the wider transport budget.

(c) Finalising proposals

The Leadership Board will consider the decision and any recommendations made by the JTC and JTC Overview and Scrutiny Committee and, where it is considered appropriate, make representations to the JTC to amend the consultation process and/or timetable accordingly. The Leadership Board will refine its proposals in accordance with the recommendations and decisions made by the JTC and engage with the Overview and Scrutiny Committee.

Once the consultation process has been completed, details of the finalised proposals will be referred to the Overview and Scrutiny Committee together with the relevant background information on which the proposals have been based. It is the responsibilities of the Chair of the Leadership Board and relevant officers to ensure that the Overview and Scrutiny Committee has sufficient background information to enable it to evaluate the proposals against that background information.

The proposals will then be referred back to the Leadership Board, together with any recommendations and/or observations from the Overview and Scrutiny Committee.

(d) Consideration of final proposals

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The final proposals (including consideration of the final proposals and decision of the JTC) will then be considered by the Leadership Board, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committee.

The Leadership Board must agree the final proposals in relation to NECA's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

(e) After the Budget has been agreed

A notice of the decision will be prepared by the Chief Finance Officer and given to each Constituent Authority.

3. Reasons for the Proposals

- 3.1 This report is for information. The proposed timetable has been developed in order to meet the Authority's responsibilities for budget setting in line with regulations and its own constitution.

4. Alternative Options Available

- 4.1 This report is for information.

5. Next Steps and Timetable for Implementation

- 5.1 The budget timetable is set out in Appendix 1.

6. Potential Impact on Objectives

- 6.1 The budget and medium-term financial strategy will be prepared to reflect the objectives of the Authority. Future reports will set out the revenue and capital budget proposals in detail that will help deliver the objectives of the Authority.

7. Financial and Other Resources Implications

- 7.1 This report sets out the timetable and process for agreement of the necessary budgets and funding for the Authority. The Chief Finance Officer will draw on available resources to deliver the budget report and plan. Further details which

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are developed as part of the budget development and consultation process will be identified in the budget reports to the Leadership Board.

8. Legal Implications

- 8.1 There are no legal implications directly arising from this report. The budget must be approved unanimously in accordance with the requirements of the NECA Order and the NECA Constitution.

9. Key Risks

- 9.1 The budget timetable has been developed to manage the risk that the budget is not agreed unanimously by the requisite deadline through early discussion with all constituent authorities. The budget proposals will include an assessment of the risk facing the NECA budget, which will be used to inform the level of reserves which is determined to be prudent.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

- 12.1 The report sets out consultation and engagement which will take place as part of the budget-setting process.

13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from these proposals.

14. Appendices

- 14.1 Appendix 1 – NECA and JTC Budget Timetables

15. Background Papers



North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

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15.1 NECA Constitution <https://northeastca.gov.uk/about-us/neca-order-and-constitution/>

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
eleanor.goodman@northeastca.gov.uk

17. Sign off

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

18. Glossary

JTC – Joint Transport Committee
MTFS – Medium Term Financial Strategy
NECA – North East Combined Authority

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Appendix 1

Appendix 1 – Budget Timetable 2020/21

BUDGET TIMETABLE 2020/21 – NECA

Date	Meeting/Event	Action
28 July 2020	NECA Leadership Board	Report setting out budget process and timetable
14 September 2020	NECA Leadership Board	Updated 2020/21 forecasts and impact on MTFS
3 November 2020	NECA Leadership Board	Report setting out budget proposals for consultation
8 December 2020	NECA Audit & Standards Committee	Consider NECA budget proposals as part of consultation process
15 December 2020	NECA Leadership Board	Consider the decisions and any recommendations made by the JTC and JTC Overview and Scrutiny Committee
17 December 2020	NECA Overview and Scrutiny Committee	Consider NECA budget proposals as part of consultation process
2 February 2021	NECA Leadership Board	Leadership Board consider outcome of consultation on NECA budget proposals Leadership Board formally issue levy agreed by Joint Transport Committee in January. Formal agreement of non-Transport budgets and contributions.
15 February 2021	Levy letters issued to constituent authorities	Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations

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BUDGET TIMETABLE 2020/21 – Joint Transport Committee

Date	Meeting/Event	Action
15 September 2020	North East Joint Transport Committee	Initial budget proposals and 3 year forecasts in relation to JTC/Transport budgets. Consultation requirements to be considered / agreed
1 October 2020	Joint Transport Committee Overview and Scrutiny Committee	Examine initial budget and consultation proposals and make any recommendations to the JTC
17 November 2020	North East Joint Transport Committee	Consider updated draft Transport budget proposals and any feedback from JTC Overview & Scrutiny Committee
5 November 2020	Tyne and Wear Sub-Committee	Consider report on the draft budget proposals with specific reference to Tyne and Wear Transport activity
24 November 2020	NTCA Cabinet Meeting	Consider draft Transport budget proposals developed by JTC and implications regarding Transport Levy for constituent authorities as part of the budget consultation process
9 December 2020	Joint Transport Committee Audit Committee	Consider budget proposals as part of consultation process
15 December 2020	NECA Leadership Board	Consider the decisions and any recommendations made by the JTC and JTC Overview and Scrutiny Committee
17 December 2020	JTC Overview and Scrutiny Committee	Consider (updated) budget proposals as part of consultation process (if necessary)
19 January 2021	North East Joint Transport Committee	Approve Transport Revenue Budget and Transport Levies

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Date	Meeting/Event	Action
26 January 2021	NTCA Cabinet Meeting	Formally agree to issue the Transport Levy to constituent NTCA authorities
2 February 2021	NECA Leadership Board	Leadership Board formally issue levy agreed by Joint Transport Committee in January. Formal agreement of non-Transport budgets and contributions.
15 February 2021	Levy letters issued to constituent authorities	Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations

Leadership Board

Agenda Item 9

Date: 28 July 2020

Subject: 2019/20 Outturn and Update on 2020/21 Forecast

Report of: Chief Finance Officer

Executive Summary

This report provides an update to the Leadership Board on the 2019/20 outturn for the NECA Corporate budget and an update on the forecast for 2020/21, based on the position to the end of June 2020.

Expenditure for 2019/20 totalled circa £453k, which represented an underspend of circa £237k, mainly against the available allocation of Local Authority EU Exit grant from the Ministry of Housing, Communities and Local Government (MHCLG). Some of this expenditure is now forecast to be incurred on the North East Brexit Work Programme in 2020/21.

The NECA Corporate Reserve at 31 March 2020 is circa £595k, including £239k of grants unapplied, of which £127k represents the share due to be returned to Newcastle, North Tyneside and Northumberland Councils in the current year. The remaining balance attributable to NECA is circa £468k, which is considered to be an adequate level.

The transfer of Accountable Body responsibility for the North East LEP to the North of Tyne Combined Authority was completed on 1 April 2020, with the TUPE of staff previously employed by NECA on behalf of the LEP and Invest North East England taking place on the same date.

NECA remains the Accountable Body for the North East Joint Transport Committee. The TUPE to NECA of Transport Strategy Unit staff previously employed by Newcastle City Council and Nexus took place on 1 April 2020.

The 2019/20 outturn and updated 2020/21 forecast for Transport budgets was presented to the JTC on 14 July 2020 and that report is attached as an Appendix to this report for information.

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The forecast for 2020/21 on the NECA Corporate Budget is for expenditure of circa £254k compared with the original budget of circa £193k, an overspend of circa £61k against the original budget. This relates to committed expenditure on the North East Brexit Work Programme which is now due to be incurred in the current financial year. Other areas of the budget such as Employee costs and Service Level Agreements are currently forecast to be in line with the budget.

Recommendations

The Leadership Board is recommended to note the report.

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1. Background Information

- 1.1 The NECA budget for corporate costs is required to support operational costs including those for Employees and Service Level Agreements relating to its activity as a corporate body and its responsibilities as Accountable Body for the North East Joint Transport Committee (JTC). These responsibilities also included oversight of the North East LEP in 2019/20.
- 1.2 The Leadership Board met on 2 February 2020 to agree the 2020/21 budget and the updated revised budget for 2019/20. The revised 2019/20 budget anticipated gross expenditure of circa £690k in year, funded from a combination of government grants and constituent authority contributions.
- 1.3 The 2020/21 budget factored in the transfer of responsibility for oversight of the North East LEP to the North of Tyne Combined Authority on 1 April 2020. The initial budget for 2020/21 therefore anticipated gross expenditure of circa £191k, funded from a combination of government grants and constituent authority contributions.

2. Proposals

- 2.1 The table below summarises outturn expenditure against the revised budget for the year, with more detail on individual variances set out below.

	2019/20 Revised Budget £	2019/20 Outturn £	Variance £
Employees	64,350	58,920	(5,430)
Service Level Agreements	196,260	205,250	8,990
External Support	42,310	40,770	(1,540)
Independent Members' Allowances	7,000	6,020	(980)
Supplies and Services	16,350	16,770	420
Other Grant-Funded Activity	363,640	125,010	(238,630)
Total Expenditure	689,910	452,740	(237,170)

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	2019/20 Revised Budget	2019/20 Outturn	Variance
NECA Corporate Contributions	(91,430)	(91,430)	0
JTC Accountable Body Contributions	(70,000)	(70,000)	0
LEP Accountable Body Contributions	(70,000)	(70,000)	0
Government Grants	(363,640)	(363,640)	0
Interest Income	(95,570)	(112,190)	(16,620)
Total Income	(690,640)	(707,260)	(16,620)
In-year (surplus)/deficit	(730)	(254,520)	(253,790)

- 2.2 The final outturn (circa £453k of expenditure) as below the revised budget in 2019/20. This was primarily due to an underspend against the grant available to fund work relating to Brexit activity, some of which will now take place during 2020/21. This is explained in more detail in paragraph 2.11 below. Excluding this grant funded activity, expenditure was circa £328k, which was in line with the budget of £326k. Interest receivable was c£17k higher than the budget due to higher than forecast cash balances and better rates being received on short term investments and money market funds than originally anticipated.

Employees

- 2.3 In 2019/20 NECA had a small number of employees involved in a range of activity. A proportion of the costs of these employees are charged against the NECA corporate budget, the JTC Accountable Body budget and the LEP Accountable Body budgets, and against JTC and LEP operational budgets as appropriate in line with estimated levels of activity. All other employees on the NECA payroll were employed on behalf of the North East LEP and the Invest North East England team and their costs charged to those budgets. Expenditure to the year end was £59k compared with a revised budget of £64k.

Service Level Agreements

- 2.4 Service Level Agreements for 2019/20 were standardised and agreed by all service providers. The expenditure to the year end was £205k compared with a revised budget of £196k, due to slightly higher levels of activity than forecast on the LEP accountable body roles compared with other areas of activity.

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External support

- 2.5 The services of the former Interim Chief Finance Officer to NECA were retained during 2019/20, primarily to support the North East LEP and to support the closedown of the 2018/19 accounts. The Chief Finance Officer SLA with Durham County Council and LEP budgets were used to fund this support. All costs were charged in line with timesheet recording and the outturn expenditure of £41k was in line with the revised budget of £42k.

Members allowances

- 2.6 Allowances are paid to independent Chairs and Vice Chairs appointed to committees of NECA and the JTC. This includes the Chair and Vice-Chair of the NECA and JTC Overview and Scrutiny committees, the Chair and Vice-Chair of the NECA Audit and Standards committee and the Chair and Vice-Chair of the JTC Audit committee, as well as an allowance paid to the Independent Person under the Standards Regime. Costs associated with the JTC committees are funded from the Transport Levies, and NECA committees are funded from the NECA corporate budget. Expenditure to the year end was £6k, compared with a revised budget of £7k.

Supplies and services

- 2.7 NECA incurs a small amount of costs in relation to meeting room hire, telecoms and banking charges. Professional fees costs are charged to this budget including a proportion of the external audit fee from Mazars and other professional fees for work around the closure of accounts including Aon Hewitt (Pensions) and Arlingclose (Financial Instruments). Costs which were not included in the original budget for 2019/20 which have been paid for in year include expenditure on the NECA website and support to help develop a pipeline of priority projects for the region. Expenditure of £17k was in line with the forecast and revised budget for the year.

Other grant-funded activity

- 2.8 At the end of the 2018/19 financial year, NECA received £91k from the Ministry of Housing, Communities and Local Government (MHCLG) to support veterans who are, or who are at risk of becoming, homeless and sleeping rough. In April 2019 the Leadership Board agreed a proposal to allocate the grant to the four NECA councils on a population basis and set out the proposed use of the funding by each authority. Payments have been made to the four NECA councils to deliver the agreed interventions. Durham County Council are co-ordinating ongoing returns and reporting to MHCLG on behalf of NECA.

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- 2.9 As previously reported to the Leadership Board, NECA received a total of £273k from MHCLG to help 'support its preparations for Brexit'. £95k of this was allocated to support the North East Brexit Work Programme, including Trade Facilitation and Free Zone work and a joint coordinating post with the North East LEP and the North of Tyne Combined Authority. £34k of the amount allocated was claimed by the LEP at the year end.
- 2.10 The remaining NECA grant is available for use in 2020/21, with £61k committed to already agreed work. MHCLG provided confirmation that there were no conditions attached to this grant and so the full amount has been released to the reserves where it will be available to meet expenditure in future years.

Local Authority Contributions

- 2.11 Contributions from the four NECA constituent authorities are £23k per local authority to fund the NECA corporate budget. In addition, all seven local authorities in the Joint Transport Committee area each contributed £10k to meet the costs of the JTC Accountable Body role and £10k to meet the costs of the North East LEP Accountable Body role. Contributions were received in line with the budget for the year.

Interest receipts

- 2.12 NECA receives interest income on funds it holds on behalf of the North East LEP and the JTC, which are allocated to different areas of activity with a proportion retained to help fund the corporate costs of NECA. The revised budget was £96k, with the outturn position totalling £112k, due to slightly higher than forecast rates being received on short term investments and money market funds.

NECA Corporate Reserve

- 2.13 The corporate reserve of NECA was originally set at £350k which was created by a contribution of £50k from each local authority on the establishment of NECA in 2014.
- 2.14 The balance on the Corporate Reserve (including grant income unapplied) at 31 March 2020 was £595k, including £127k which is due to be returned to Newcastle, North Tyneside and Northumberland councils representing their share of reserves at the date of the establishment of the North of Tyne Combined Authority, less their share of costs relating to the devolution work and the closure of the 2018/19

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accounts. The remaining balance attributable to NECA is £468k. This includes grants unapplied and compares to a forecast amount of £182k. Based on current plans of activity this is considered an adequate level of reserves to hold to mitigate against unforeseen financial risks which may arise specifically in relation to this area of the budget.

2020/21 Update

- 2.15 A summary of the NECA budget, including contributions to fulfil its JTC Accountable Body role, is set out below. At this early stage in the year, the forecast is largely in line with the original budget. One revision to the budget relates to the inclusion of the cost of work committed on the North East Brexit Work Programme as outlined earlier.

	2020/21 Original Budget	2020/21 Forecast	Variance
Employees	59,000	59,000	0
Service Level Agreements	120,880	120,880	0
Independent Members' Allowances	7,000	7,000	0
Supplies and Services	5,900	5,900	0
Other Grant-Funded Activity	0	60,900	60,900
Total Expenditure	192,780	253,680	60,900
NECA Corporate Contributions	(91,430)	(91,430)	0
JTC Accountable Body Contributions	(70,000)	(70,000)	0
Government Grants (received in previous years)	0	(60,900)	(60,900)
Interest Income	(30,000)	(40,000)	(10,000)
Total Income	(191,430)	(262,330)	(70,900)
In-year (surplus)/deficit	1,350	(8,650)	(10,000)

Employees

- 2.16 The transfer of Accountable Body responsibility and TUPE transfer of the LEP and Invest North East England employees to NECA took effect on 1 April 2020. On the same date the transfer to NECA of a number of employees previously seconded to or working on behalf of NECA and the North East Joint Transport Committee (and previously employed by Newcastle City Council or Nexus) was also completed.

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Service Level Agreements

- 2.17 A review of all SLAs is currently taking place to inform the 2021/22 budget. Whilst there is now a standard set of SLAs in place for each service provided to NECA, the charges agreed for 2019/20 and 2020/21 are largely in line with historic budgets and are being reviewed to ensure they accurately reflect the time and resources the constituent authorities are providing in support of these SLAs for the services required by NECA, and to reflect any new commitments that are identified. Work is expected to be completed by August 2020 with a report presented to Chief Executives and the Leadership Board in due course.

Interest

- 2.18 It is anticipated that interest receipts will be slightly higher than initially forecast due to higher cash and short-term investments balances being held at the beginning of the financial year. This allows a small contingency to be available in the NECA Corporate budget to meet any costs that may not have been anticipated at the time of setting the budget.

Transport Budgets

- 2.19 The North East Combined Authority is the Accountable Body for the North East Joint Transport Committee (JTC). Attached at Appendix 1 is the report presented to the JTC on 14 July 2020 updating the committee on the outturn for 2019/20 and an initial forecast for 2020/21 against the Transport Revenue budgets.
- 2.20 In summary, expenditure for 2019/20 was within the approved budgets for the year in all areas. For 2020/21, Covid-19 has had a significant and ongoing impact on income on Metro and Bus and Nexus is currently recasting its budget for 2020/21, as it prepares to update its medium-term forecasts. Traffic has also reduced significantly at the Tyne Tunnels, although the structure of the contract with TT2 means the JTC is still forecasting to achieve its budgeted net income. The Transport Strategy Unit budget has been updated to take account of the successful Transforming Cities Fund Tranche 2 bid, which includes an element of grant to support programme management costs.

Statement of Accounts

- 2.21 The NECA Statement of Accounts was signed off by the Chief Finance Officer and published on the NECA website on 30 June, in line with the statutory deadlines which

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have been revised this year to take account of the impact of Covid-19 on local authorities. The audit of the accounts is now underway and it is anticipated that the audited accounts and the report of the external auditor will be reported to the Leadership Board at the next meeting in September. The draft accounts and accompanying documents are available at <https://northeastca.gov.uk/accounts-and-transparency/>.

3. Reasons for the Proposals

3.1 This report is for information.

4. Alternative Options Available

4.1 This report is for information with no decision required.

5. Next Steps and Timetable for Implementation

5.1 The outturn position has been factored into the Statement of Accounts for 2019/20 and performance against the revenue budget for 2020/21 will be monitored and update reports presented to the Leadership Board during the year.

6. Potential Impact on Objectives

6.1 There are no potential impacts on objectives arising from this report which is for information.

7. Financial and Other Resources Implications

7.1 The financial summary is set out in the main body of the report. There are no financial or other resource implications from this report which is for information.

8. Legal Implications

8.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified. There are no legal implications arising from this report, which is for information.

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9. Key Risks

- 9.1 NECA holds reserve to mitigate against financial risks associated with its Corporate functions, and the level of these is considered to be adequate at the year end.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

- 12.1 The budget for 2020/21 was subject to a consultation process including constituent authorities, member and officer groups before being approved by the Leadership Board in February 2020.

13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from these proposals.

14. Appendices

- 14.1 Appendix 1 – Report to North East Joint Transport Committee – Revenue Budget 2019/20 Outturn and Forecast of Revenue Outturn 2020/21 – Period to 31 May 2020

15. Background Papers

- 15.1 Leadership Board 4 February 2020 – Budget 2020/21 and Medium-Term Financial Strategy <https://northeastca.gov.uk/wp-content/uploads/2020/01/Leadership-Board-4-February-2020-Public-Agenda-Pack.pdf>

16. Contact Officers

- 16.1 Eleanor Goodman, NECA Finance Manager,
eleanor.goodman@northeastca.gov.uk

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17. Sign off

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

North East Joint Transport Committee

Date: 14 July 2020

Subject: Revenue Budget 2019/20 Outturn and Forecast of Revenue Outturn 2020/21 – Period to 31 May 2020

Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee with:

- a. information on the outturn position in relation to the 2019/20 Transport Revenue Budget; and
- b. the forecast of outturn for the 2020/21 Transport Revenue Budget, as at the period ending 31 May 2020.

The report covers all areas of the revenue budget including the Transport Levies and grants to Durham, Northumberland and Nexus, and the Tyne Tunnels revenue account.

Regular updates on the Transport Revenue Budget have been provided to the Committee for consideration during the last year and this report sets out the final outturn position at the 2019/20 yearend. The report identifies that expenditure was within the revised budget agreed by the Committee.

Where grants are paid to other organisations for the delivery of transport services (i.e. Durham, Northumberland and Nexus), the grant is fixed for the year, but the report includes details of how the grant was applied by each organisation to the provision of public transport services.

Underspends against the budgets for the three main organisations delivering transport services on behalf of the Joint Transport Committee are retained within the reserves of these organisations and will be considered in the setting of the transport budgets for future years.

There were underspends against the transport grant for Durham and Northumberland as a result of lower than forecast expenditure on concessionary fares reimbursement. Nexus also had an improved position against the previously forecast deficit position, which has been achieved through capitalisation of £3.675m of costs, meaning that the adjusted 2019/20 revenue outturn shows a deficit of £0.283m before exceptional items and taxation. This represents a £0.417m improvement against the 2019/20 budgeted deficit of £0.700m. This decision was taken to maintain revenue reserves to provide additional resilience to meet

operational challenges arising from the COVID-19 outbreak which has had a severe impact on commercial income in the current year.

Total transport reserves (held on behalf of the Joint Transport Committee to manage risk and to fund specific activity in future years) have decreased from £37.997m to £37.547m in year. Most of these reserves are earmarked for specific purposes, such as to meet the local contribution required for the Metro Asset Renewal programme and the new Metro Fleet and to meet costs associated with the Tyne Tunnels.

For 2020/21, the COVID-19 pandemic has had a significant and continuing impact on transport activity, with decreases in income on Metro and the Tyne Tunnels in particular, being experienced.

As reported to the JTC at its last meeting, Durham County Council, Northumberland County Council and Nexus continue to make payments in relation to the English National Concessionary Travel Scheme (ENCTS) and tendered bus services to bus operators at pre-COVID levels, in line with the request from central government.

Durham County Council are currently showing a breakeven position until they have more information on how the COVID-19 pandemic will affect transport services.

Northumberland County Council are forecasting a small overspend due to increased Concessionary Travel reimbursement as a result of increased ticket prices.

For Nexus, commercial income was down 93% against the budget to the end of May. Grant funding from government to support Metro and secured bus services has however been agreed with DfT, which currently covers the period to 4 August 2020. The impact of COVID-19 is profound and Nexus is currently recasting its budget for 2020/21, as it prepares to update its medium-term forecast.

The forecast for the Transport Strategy Unit for an increase in expenditure compared with the original budget as activity which was delayed at the end of 2019/20 will now take place in 2020/21.

Traffic at the Tyne Tunnels reduced significantly in the period from mid-March onwards. However, the structure of the project agreement means that the net position on the JTC Tyne Tunnels budget is forecast to be in line with the budget due to reduced toll income being offset by reduced contract payments to TT2 Ltd.

Recommendations

The North East Joint Transport Committee is recommended to note the report.

1. Background Information

- 1.1 At its meeting held on 20 November 2018, the North East Joint Transport Committee (JTC) received a report setting out the updated forecast outturn for the Transport Budget for 2019/20, which had been agreed by the North East Combined Authority in January 2019. The outturn forecasts were further updated as part of the 2020/21 budget setting report in January 2020. This report sets out the year-end outturn position against the 2019/20 budget.
- 1.2 The JTC meeting held on 21 January 2020 agreed a Transport net revenue budget for 2020/21 of £82.800m. This report presents an update against the original budget with the forecast prepared based on the position at 31 May 2020.

2. Proposals

Transport Revenue Budget 2019/20 Summary

- 2.1 The table below summarises the outturn position against the net Transport Revenue budget (i.e. the net cost to the North East Combined Authority after external income) for 2019/20. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grant was applied by each organisation for the provision of public transport services is set out in more detail in the following sections.

Table 1: Transport Revenue Budget 2019/20 Summary

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Transport Levy	(82.766)	(82.766)	(82.766)	0
Grant to Durham	15.552	15.552	15.552	0
Grant to Northumberland	6.094	6.094	6.094	0
Grant to Nexus	55.667	55.667	55.667	0
Contribution to Metro Fleet Replacement Reserve	3.333	3.333	3.333	0
Retained levy budget	2.120	2.101	1.993	(0.108)
Tyne Tunnels Revenue account	0	0	0	0
Contribution (to)/from NECA Reserves	0	(0.019)	(0.127)	(0.108)

- 2.2 As the transport levies and revenue grants are mainly fixed for the year, there is no change in the levies received or grants paid, and minimal change in the retained levy budget itself.

Any surplus or deficit against the budgets for the three main organisations delivering transport services on behalf of the JTC (i.e. Durham County Council, Northumberland

County Council and Nexus), is retained or managed within the reserves of these organisations. Further details are set out in the sections below.

Durham

2.3 The outturn for 2019/20 shows an underspend of £0.329m, with details shown in the table below. This underspend at the year-end will be retained by Durham County Council. The main reasons for this variance to budget are explained below:

- i. Concessionary Fares – £0.159m under budget – This relates mainly to a lower number of concessionary fares journey than expected taken in the year.
- ii. Subsidised Services - £0.174m under budget – This relates mainly to savings made following changes to the procurement of bus services.
- iii. Bus Stations - £0.027m over budget – This was due to minor variances relating to higher than expected maintenance work and payments to contractors.
- iv. Bus Shelters - £0.012m under budget – This was due to minor variances relating to repairs and maintenance.
- v. Passenger Transport Information - £0.011m under budget – minor variances and efficiencies across a few budget heads.

Table 2: Durham County Council Transport Grant

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Concessionary Fares	12.048	12.048	11.889	(0.159)
Subsidised Services	2.584	2.584	2.410	(0.174)
Bus Stations	0.144	0.144	0.171	0.027
Bus Shelters	0.019	0.019	0.007	(0.012)
Passenger Transport Information	0.089	0.089	0.078	(0.011)
Staffing	0.668	0.668	0.668	0
Share of JTC Transport Costs	0.010	0.010	0.010	0
Net Expenditure	15.562	15.562	15.233	(0.329)

Northumberland

2.4 The outturn position for 2019/20 shows an underspend of £0.235m for Concessionary Fares and Subsidised Bus Services. The main areas of expenditure operated by Northumberland County Council are as follows:

- i. Concessionary Fares – Although claims from operators were received monthly all adjustments to reimbursement rates were made quarterly to ensure that operators were reimbursed with a correct overall rate. The outturn position showed that Concessionary Fares underspent by £0.114m. This was

due to a reduction in patronage numbers and the increase in the fare increases and the age-related qualifying criteria.

- ii. Subsidised Bus Services – The Council supports a range of socially necessary bus services, mainly in the rural North and West areas of the County but also some in the more urban South East. The outturn position showed that the Council underspent by £0.113m at the end of the financial year. There were no new routes added to the network during the year with the underspend being attributable to the retendering exercise that have taken place.

Table 3: Northumberland County Council Transport Grant

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Concessionary Fares	4.690	4.690	4.576	(0.114)
Subsidised Services	1.230	1.230	1.117	(0.113)
Bus Stations	0.024	0.024	0.041	0.017
Passenger Transport Information	0.025	0.025	0	(0.025)
Staffing	0.125	0.125	0.125	0
Share of NECA Transport Costs	0.010	0.010	0.010	0
Net Expenditure	6.104	6.104	5.869	(0.235)

Nexus

- 2.5 In the last report to the JTC on 21 January 2020 the forecast outturn deficit for the year ended 31 March 2020 was reported as £4.400m before taxation. Over the final four periods that position has improved by £0.442m to an outturn deficit of £3.958m.

However, given the COVID-19 pandemic and its impact on the revenue budget, an option to capitalise certain costs in order to protect revenue reserves and provide additional resilience to help cope with the operational challenges that lie ahead was exercised.

Accordingly, £3.675m of costs including internal costs and consultancy support will now be met from capital budgets meaning that the adjusted 2019/20 revenue outturn will show a deficit of £0.283m before exceptional items and taxation. This represents a £0.417m improvement against the 2019/20 budgeted deficit of £0.700m.

- 2.6 The variances against budget for the year are shown in the table overleaf split by service area and are shown after the allocation of indirect costs:

Table 4: Nexus Transport Grant

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
English National Concessionary Travel Scheme (ENCTS)	34.529	35.402	35.242	(0.160)
Discretionary Concessionary Travel (CT)	3.720	2.835	2.714	(0.121)
Metro	1.453	1.443	5.839	4.396
Ferry	1.008	1.004	1.198	0.194
Local Rail	0.189	0.190	0.147	(0.043)
Bus Services	11.731	11.737	10.863	(0.874)
Bus Infrastructure	2.531	2.528	2.456	(0.072)
Public Transport Information	1.206	1.228	1.166	(0.062)
Total Requirement	56.367	56.367	59.625	3.258
JTC Grant (Levy)	(55.667)	(55.667)	(55.667)	0
Deficit before capital adjustments	0.700	0.700	3.958	3.258
Capitalisation Adjustments	0	0	(3.675)	(3.675)
Deficit for the year	0.700	0.700	0.283	(0.417)
Transfer to Fleet Transition Reserve	0	(1.560)	(1.560)	0
Change in Usable Reserves	0.700	(0.860)	(1.277)	(0.417)

2.7 An explanation of the variances across each service areas is detailed below.

i. Statutory and Discretionary Concessionary Travel (CT)

The underspend across both statutory and discretionary elements of the CT budget is a net saving of £0.281m which is as a result of additional income relating to scholars passes and clawback provision in CT agreements.

ii. Metro

The variances in relation to Metro can be summarised as:

Grant Funding

- Additional Metro Rail Grant of £1.026m was received from DfT in support of an estimated 80% of lost revenue during the COVID-19 pandemic, covering the period 17 March to 31 March 2020.
- Additional grant of £0.465m which had previously been treated as capital grant has been reclassified as revenue.

Metro Fare Revenue

Metro fare revenue outturn was £43.514m, which is a shortfall of £3.328m (7.1%) against the original budget of £46.842m. Whilst over the year there has been low business and consumer confidence, fuelling lower retail footfall and less need to travel, the following had a significant impact on revenue generation:

- COVID-19 caused a significant drop in passengers travelling, with revenue in week beginning the 16th March and 23rd March down by 60% and 95% respectively on forecast levels. This equates to a £1,282m shortfall in fare revenue to the end of March 2020.
- The impact of industrial action by train crew, which included an overtime and rest day working ban throughout December along with full strike action on 20th, & 21st December by RMT train crew members.

Metro Services - North East Metro Operations Limited (NEMOL)

At the end of the year Metro Services were £1.778m worse than budget. The cost variations for the financial year can be summarised as:

- Employees £1.129m – additional costs have been recognised in respect of additional overtime, some of which was at enhanced overtime rates paid to provide cover for a lack of available resource within the traincrew. In addition, the impact of the revised traincrew agreement has also been included.
- Emergency overhead line repairs £0.160m – This was in respect of an overhead line failure incident that took place in the early part of the year.
- Cleaning £0.135m – this pressure has arisen following from the award of a new contract and the impact of the living wage.
- Station, depot maintenance and security £0.198m – this overspend arose mainly on traincare maintenance following vandalism, with high levels of graffiti and window damage to trains and additional glazing costs at Northumberland Park station in the year.
- Utility costs £0.076m - Utility bills came in higher than budget.
- Other pressures - £0.080m of other costs arose across a wide range of areas.

Other

Additional cost pressures of £0.781m mainly relating to Transforming Cities which have subsequently been capitalised as part of the £3.675m capital adjustments shown in the table above.

iii. Ferry

Repairs to the Ferry Landings of £0.155m were completed during the year, which also resulted in unbudgeted replacement bus costs and lower fare revenue levels contributing to an overspend of £0.194m.

iv. Local Rail

Local rail was broadly in line with budget, with minor savings due to a reduction in indirect costs.

v. Bus Services

There have been several savings throughout bus services, which total £0.874m. The main variations in year were due to:

- Savings of £0.760m were made on contract renewals of secured services, offset by a reduction in fare revenue of £0.331m;
- Taxi card had a lower take up during the year resulting in a saving of £0.113m; and
- Other cost savings in consultancy and a lower allocation of indirect costs than budget.

vi. Bus Information

Bus information was broadly in line with budget, with minor savings due to a reduction in indirect costs.

Retained Levy Budget

2.12 This budget relates primarily to activity inherited from the former Tyne and Wear Integrated Transport authority (TWITA) as well as some costs such as external audit and the cost of servicing the JTC, which relate to the whole JTC area. Most of the budget relates to financing charges on historic supported borrowing debt. Additionally, there is budget provision to pay for support services, other supplies and services, and a repayment to the Tyne Tunnels account for the use of reserves in 2013/14 to pay off the Tyne and Wear Pension deficit. Expenditure for the year was well within budget with savings against Support Services, Administration and Governance and Financing Charges.

Table 5: Retained Levy Budget

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Support Services/Staffing	0.210	0.210	0.158	(0.052)
Administration and Governance	0.114	0.095	0.076	(0.019)
Financing Charges	1.785	1.785	1.748	(0.037)
Transforming Cities Fund (TCF) bid support	0.011	0.011	0.011	0
Transfer to Earmarked TCF reserve	0	0	0	0
Total Expenditure	2.120	2.101	1.993	(0.108)
Contribution from Levies	(2.120)	(2.120)	(2.120)	0
Contribution (to)/from Reserves	0	(0.019)	(0.127)	(0.108)

2.13 Support Services/Staffing and Administration and Governance was £0.071m under budget. Costs of Service Level Agreements and other support services were charged to budgets in line with activity during the year. There was an underspend of £0.052m

against the revised budget for support services due to reduced activity on this area during the year – principally in relation to financial support where more activity was incurred on Tyne Tunnels and NECA corporate activity so the allocation of charges reflect this.

- 2.14 Financing Charges was £0.037m underspent due to the repayment of Equal Instalment of Principal loans during the year resulting in lower overall borrowing levels.

Tyne Tunnels Revenue Account

- 2.15 The Tyne Tunnels are operated as a ringfenced trading account, so all costs associated with the tunnels are fully met from toll income and Tyne Tunnels reserves, with no call on the levy or other local authority funding.
- 2.16 The outturn position was an improvement compared with the revised budget agreed by the JTC in January 2020 with a net surplus at the end of the year of £0.515m which has been transferred to reserves to help meet costs which may arise in the current and future years. Details are set out in the table below with variances explained in the following sections.

Table 6: Tyne Tunnels Revenue Account

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Tolls Income	(28.090)	(28.160)	(28.481)	(0.321)
TT2 Contract Payment	21.197	21.233	21.123	(0.110)
Employees	0	0.05	0.05	0
Historic Pension Costs	0.052	0.052	0.050	(0.002)
Support Services	0.095	0.145	0.142	(0.003)
Supplies and Services	0.045	0.035	0.037	0.002
Financing Charges	6.966	7.058	6.828	(0.230)
Interest/Miscellaneous Income	(0.050)	(0.128)	(0.168)	(0.040)
Repayment from former TWITA reserves	(0.240)	(0.240)	(0.240)	0
NTC revenue costs	0	0	0.124	0.124
TPCT revenue costs	0	0	0.065	0.065
(Surplus)/Deficit on Tyne Tunnels account	(0.025)	0	(0.515)	(0.515)

- 2.17 Tolls Income
- Until mid-March 2020, traffic levels and corresponding tolls income were strong and had seen a marked improvement since the completion of Highways England works at Silverlink. From March 2020 the impact of the COVID-19 lockdown took effect, however traffic levels for the year overall were ahead of forecast.

2.18 TT2 Contract Payment

The Tunnels are operated under a concessionaire agreement by TT2 Limited. Payments to the concessionaire are calculated with reference to traffic volumes. The payment for March 2020 was around £0.5m less than expected, due to the impact of the COVID-19 lockdown on traffic using the tunnels, although this reduction was partially offset by higher than forecast payments during the previous months as traffic levels had been higher than budgeted.

2.19 Financing Charges were £0.230m below budget as a result of the repayment of Equal Instalment of Principal (EIP) loans during the year meaning that interest payments were lower than forecast.

2.20 Interest/Miscellaneous Income

Additional interest income of £0.040m compared to the revised budget was received due to slightly higher than anticipated rates on short term investments.

Transport Strategy Unit

2.21 Outturn expenditure for the Transport Strategy Unit was well below the previously forecast figure of £1.328m due to delays in completing the work on the Transport Plan (which is now due to take place during this financial year), lower than budgeted requirement for external support for business case assessment and slightly lower than forecast costs on TCF bid support. Costs associated with the move of the team to Gateshead Civic Centre, for example equipment requirements and IT set up support were also deferred as the COVID-19 lockdown meant that this move has not yet taken place. The forecast for 2020/21 will be updated to reflect the fact that this activity will now take place during the current financial year.

Details are set out in the table below.

2.22 **Table 7: Transport Strategy Unit Outturn 2019/20**

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
Gross Expenditure	£m	£m	£m	£m
Employee costs - Managing Director Transport North East and TSU	0.658	0.615	0.629	0.014
Transport Plan and Strategy Work	0.050	0.070	0.015	(0.055)
TSU Research and Development	0.180	0.183	0.068	(0.115)
TSU Travel and Miscellaneous	0.006	0.015	0.009	(0.006)
TSU IT / Equipment / Accommodation	0	0.020	0	(0.020)
TCF Bid Support and Tranche 1 Support	0.433	0.425	0.392	(0.033)
Total Expenditure	1.327	1.328	1.113	(0.215)
Gross Income				
LTP funding - TSU	(0.500)	(0.500)	(0.500)	0
LGF funding - TSU	(0.100)	(0.100)	(0.063)	0.037
LGF funding - TCF	(0.100)	(0.100)	(0.100)	0
LTP/Levy funding - TCF	(0.233)	(0.233)	(0.155)	0.078
Retained Transport Levy	(0.032)	(0.048)	(0.048)	0
External funding for specific posts	(0.139)	(0.178)	(0.178)	0
Total Income	(1.104)	(1.159)	(1.044)	0.115
Use of Reserves				
Regional Transport Team reserves	(0.123)	(0.002)	0	0.002
Go Smarter legacy funds	(0.100)	(0.130)	(0.032)	0.098
Earmarked reserves - TCF	0	(0.037)	(0.037)	0

Reserves

2.23 In its role as accountable body for the JTC, NECA holds reserves in relation to Transport. The majority of these are earmarked to meet specified expenditure which will take place in future years, such as the TCF support, Metro Reinvigoration and Metro Fleet Renewal reserves.

2.24 The Tyne Tunnels reserve is held to manage risk associated with the ownership of these significant assets and is required under the Tyne Tunnels Order to be used only for Tyne Tunnels activity until such time as it can be demonstrated that the debt will be fully paid off.

Table 8: Revenue Reserves Outturn 2019/20

	1 April 2019	31 March 2020	Movement in Year	MEMO – Previously Forecast Position at 31 March 2020
	£m	£m	£m	£m
Tyne Tunnels Reserve	21.150	17.163	(3.987)	16.763
Tyne and Wear Transport Reserve	0.630	0.757	0.127	0.650
Transforming Cities Fund support	0.037	0	(0.037)	0
Metro Reinvigoration Reserve	9.167	9.243	0.076	9.233
Metro Fleet Renewal Reserve	6.694	10.097	3.403	1.487
Go Smarter Legacy (within Grants Unapplied)	0.194	0.162	(0.032)	0.064
Transport Strategy Unit (within Grants Unapplied)	0.125	0.125	0	0.123
Total	37.997	37.547	(0.450)	28.320

2.25

The Tyne Tunnels reserves reduced by £3.987m in the year due to the use of reserves to fund capital expenditure on the cycling and pedestrian tunnels and the repayment of funding swaps with Local Growth Fund and North East Smart Ticketing Initiative grants from previous years.

The Tyne and Wear Transport Reserve increased by £0.127m through underspends on the retained levy budget as described in section 2.12 above.

The earmarked reserve for Transforming Cities Fund bid support was applied to fund expenditure during 2019/20 on the successful Tranche 2 bid and has now been fully utilised.

Transport Strategy Unit balances including the Go Smarter legacy funds were not fully drawn down as a result of underspends on the TSU budget as described in section 2.22 and are available to meet expenditure on the Transport Plan in 2020/21.

The Metro Reinvigoration Reserve is held on behalf of Nexus to help meet the local contribution required to match fund DfT contribution to the Metro Asset Renewal Programme. The reserve increased by £0.076m during the year through the accrual of interest on the balances held.

The Metro Fleet Renewal Reserve increased by £3.403m through the contribution from the Tyne and Wear levy described in section 2.1 above and the accrual of interest. The forecast at March 2020 had been that a proportion of this reserve would be drawn down to meet capital expenditure on the Fleet Renewal project – however slippage on this project due to delays in letting the final contracts with Stadler mean that the draw down wasn't required for 2019/20. Details of the Metro Fleet Renewal project are included in the capital programme report.

3. Forecast of Revenue Outturn 2020/21 – Period to 31 May 2020

Transport Revenue Budget

- 3.1 The table below summarises the forecast outturn position against the net Transport Revenue budget for 2020/21. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grant will be applied by each organisation to the provision of public transport services is set out in more detail in the following sections.

Table 9: Transport Revenue Forecast of Outturn 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Transport Levy	(82.800)	(13.800)	(82.800)	0
Grant to Durham	15.456	2.576	15.456	0
Grant to Northumberland	6.224	1.037	6.224	0
Grant to Nexus	59.000	9.833	59.000	0
Retained levy budget	2.120	0.290	2.120	0
Tyne Tunnels Revenue account	(0.002)	(0.248)	(0.005)	(0.003)
Contribution (to)/from NECA Reserves	(0.002)	(0.312)	(0.005)	(0.003)

Durham

- 3.2 The budget for public transport activity in Durham for 2020/21 is £15.466 million compared to £15.562m for 2019/20. The 2020/21 forecast based on the position to the end of May is in line with the current budget.

Any projected underspend at the year-end will be retained by Durham County Council.

- 3.3 The following table provides a detailed breakdown of expenditure in Durham:

Table 10: Durham Transport Forecast of Outturn 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Concessionary Fares	11.932	0.993	11.932	0
Subsidised Services	2.556	(0.347)	2.556	0
Bus Stations	0.177	0.482	0.177	0
Bus Shelters	0.019	0.095	0.019	0
Passenger Transport Information	0.088	0.005	0.088	0
Staffing	0.684	0.114	0.684	0
Share of JTC Transport Costs	0.010	0	0.010	0
Net Expenditure	15.466	0.352	15.466	0

3.4 Following the COVID-19 outbreak most of the supported services within County Durham continue to operate, albeit for the most part at a reduced frequency. The Council has continued to pay operators at full contracted prices.

3.5 Durham County Council continues to make payments to operators under the Government's English National Concessionary Travel Scheme (ENCTS) which entitles pass holders to free off-peak travel after 9.30 am on local bus services. Patronage under this scheme has been significantly reduced due to the COVID-19 outbreak. The Council is continuing to reimburse operators at pre pandemic levels to ensure the viability of routes and operators is maintained, in line with the Cabinet Office Procurement Policy Note 02/20 – Supplier Relief due to COVID-19, for at least the period of the outbreak to enable the resumption of socially necessary services afterwards.

Northumberland

3.6 The budget for public transport activity in Northumberland for 2020/21 is £6.224 million compared to £6.094 million for 2019/20. The main reason for the increase is due to increasing ticket prices and therefore increased reimbursement levels to operators for concessionary travel. The initial forecast based on the position to 31 May is summarised in the table below:

Table 11: Northumberland Transport Forecast of Outturn 2020/21

	2020/21 Original Budget	Spend to Date (May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Concessionary Fares	4.811	0.037	4.811	0
Subsidised Services	1.230	(0.215)	1.230	0
Bus Stations	0.025	0.006	0.025	0
Passenger Transport Information	0.025	0	0.025	0
Staffing	0.133	0.022	0.133	0
Share of NECA Transport Costs	0.010	0	0.010	0
Total Grant	6.234	(0.150)	6.234	0

- 3.7 Following the COVID-19 outbreak most of the supported services within Northumberland continued to operate, albeit for the most part at a reduced frequency. The Council has continued to pay operators at full contracted prices with the exception of some seasonal services that had been due to commence from 5th April with these services currently suspended until the resolution of the COVID-19 crisis or such point when it is deemed fit to resume. These supported services include instances of services running commercially at popular/peak times, but where support is given to maintain journeys at other times for example early mornings or late evenings.
- 3.8 Northumberland County Council also makes payments to operators under the Government's English National Concessionary Travel Scheme (ENCTS) which entitles pass holders to free off-peak travel after 9.30 am on local bus services. Patronage using the scheme was significantly reduced due to the introduction of the Government's lockdown policy in response to the COVID-19 outbreak. The Council is continuing to reimburse operators at pre pandemic levels to ensure the viability of routes and operators is maintained, in line with the Cabinet Office Procurement Policy Note 02/20 – Supplier Relief due to COVID-19, for at least the period of the outbreak to enable the resumption of socially necessary services afterwards.

Nexus

- 3.9 The current financial year has been dominated by the COVID-19 pandemic, with significant and unprecedented losses of fare and commercial revenues.
- 3.10 External income generated to the end of Period 2 was £0.541m, which is £7.083m down on the budget (93% lower). This is shown in the table below:

Table 12: Nexus income to the end of May 2020

External Income	2020/21 Annual Budget	2020/21 Year to date Budget	2020/21 Year to Date Actual	Variance (Actual vs Year to Date Budget)	Variance (Actual vs Year to Date Budget)
	£m	£m	£m	£m	%
Metro Fare Revenue	47.173	6.850	0.369	(6.481)	-95%
Metro Commercial revenue	1.665	0.242	0.075	(0.167)	-69%
Secured Services fare revenue	2.157	0.313	0.012	(0.301)	-96%
Other (including Ferry)	1.677	0.219	0.085	(0.134)	-61%
Total	52.672	7.624	0.541	(7.083)	-93%

- 3.11 Emergency funding provided by Government through the Coronavirus Bus Services Support Grant (CBSSG) amounted to £8.600m for Metro and £0.494m for secured buses for the period 17 March 2020 to 9 June 2020.
- 3.12 Furthermore, on 23 May 2020 the Government confirmed an additional £7.600m of financial support for Metro, meaning that Government has now committed £16.200m of funding to support Metro and sustain services to 4 August 2020 during the Coronavirus crisis. Of this funding, £1.026m was accounted for in the 2019/20 financial year.
- 3.13 Additional costs incurred in dealing with the pandemic include additional cleaning, PPE, IT equipment and licences and additional signage, total £0.378m. These have been offset by cost savings which mostly relate to traction energy, providing a net saving at the end of May of £0.018m. However, traction energy savings are short term and will cease by early July. It is estimated that that ongoing commitments of between £0.100m and £0.150m per month will need to be accommodated.
- 3.14 As previously highlighted, the estimated losses that Nexus is facing are unprecedented. The estimated range of losses, based on experience to date, the need for social distancing measures on public transport and government advice which is to avoid using public transport unless there is no alternative, is between £30m and £40m in 2020/21. The ability to accommodate such losses depends entirely on ongoing Government support.
- 3.15 In terms of support for buses, when the Secretary of State for Transport announced further support through CBSSG, Government also confirmed that it will continue to pay its regular subsidy to bus operators (called BSOG) at pre-pandemic levels. Government also expects that local authorities will continue to pay Concessionary Travel reimbursement to operators at budgeted levels, and for contracted home-to-school services and secured service contracts that are not operating.

- 3.16 It is unclear at the time of writing whether the Government will continue to pay the local authority version of emergency bus funding, to compensate where secured service contracts have continued to operate during the pandemic, but where the fare income collected by the transport authority (Nexus) has reduced severely.
- 3.17 The payment of Concessionary Travel reimbursement to operators at budgeted levels remains problematic. The rules of Concessionary Travel require bus operators to be “no better, and no worse off” from transporting passengers with a concessionary pass. Given that very few pass-holders are travelling during the pandemic this is manifestly not the case. It is our position, therefore, that this payment amounts to significant new cost to local government and that we cannot demonstrate that it achieves value for money.

Medium Term Financial Forecast

- 3.18 When the JTC approved Nexus 2020/21 budget at its January 2020 meeting, it also considered the medium-term financial forecast, which assuming expenditure commitments remained in line with those being delivered in the current year and with no further growth or reduction in either Metro Rail Grant or the Tyne and Wear transport levy, showed the following:

Table 13: Nexus revenue savings required 2020/21 to 2022/23

	2020/21	2021/22	2022/23
	£m	£m	£m
(Surplus)/Deficit before use of reserves	0	3.700	6.500
Planned use of reserves	0	(3.700)	(3.300)
Estimated Savings Required	0	0	3.200

- 3.19 The financial position before the COVID-19 emergency was challenging. The impact of COVID-19 is adds further uncertainty and challenge to the financial position of Nexus and the Nexus budget is being recast for 2020/21 as part of preparing the update of its medium-term financial forecast.

Retained Levy

- 3.20 This budget relates primarily to activity inherited from the former Tyne and Wear Integrated Transport Authority (TWITA) as well as some costs such as external audit and the cost of servicing the JTC which relate to the whole JTC area. Most of the budget relates to capital financing debt changes on historic supported borrowing. Additionally, there is budget provision to pay for support services, other supplies and services, and a repayment to the Tyne Tunnels account for the use of reserves in 2013/14 to pay off the Tyne and Wear Pension Fund deficit
- 3.21 Expenditure for the year is currently forecast to be in line with the budget of £2.120m with no significant variances.

Table 14: Retained Levy Revenue Forecast 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Support Services/Staffing	0.215	0	0.215	0
Administration and Governance	0.173	0.004	0.173	0
Financing Charges	1.732	0.289	1.732	0
Total Expenditure	2.120	0.293	2.120	0
Contribution from Levies	(2.120)	(0.353)	(2.120)	0
Contribution (to)/from Reserves	0	(0.060)	0	0

Tyne Tunnels Revenue Account

- 3.22 The Tyne Tunnels are jointly owned by the North East Combined Authority (NECA) and the North of Tyne Combined Authority (NTCA). They comprise two vehicle tunnels and the pedestrian and cyclist tunnels. The Tyne Tunnels receive no government or local funding and costs are met from the tolls charged to users of the vehicle tunnels.
- 3.23 TT2 and Transport North East constantly review the traffic flows through the Tyne Tunnels. Normal levels of traffic are approx. 55,000 vehicles per day. As a result of COVID-19 lockdown measures, traffic levels dropped drastically during March and April 2020 to approx. 17,000 vehicles per day which is 30% of normal levels. This is the lowest level of traffic seen during the life of the TT2 contract.
- 3.24 During May and June traffic has been gradually increasing and by mid-June was up to 60% of normal levels. However, this is still significantly below expected traffic levels. Latest forecasts suggest that traffic may not return to expected levels for many months, as many businesses have yet to re-open, many employees are working from home and there are fewer vehicle journeys taking place around the region.
- 3.25 The structure of the project agreement with TT2 means that the JTC retains the first proportion of traffic income per month, with the traffic risk overwhelmingly borne by TT2. This 'Band 0' income represents approximately 30% of journeys, so the JTC is expected to retain the full budgeted income for the year which will enable all costs to be met.
- 3.26 The forecast outturn position for the JTC is in line with the budget as reduced toll income is offset by reduced payments to TT2 under the contract. An increase is forecast in the support services budget as there is likely to be a need for additional engineering advice in relation to the vehicle tunnels and professional advice in relation to the Tyne Pass project during the year.

Table 15: Tyne Tunnels Budget 2020/21

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Budget vs Forecast)
	£m	£m	£m	£m
Tolls Income	(28.441)	(1.928)	(21.495)	6.946
TT2 Contract	21.653	0.561	14.707	(6.946)
Employees	0.062	0.010	0.062	0
Pensions	0.053	0.008	0.050	(0.003)
Support Services	0.100	0.005	0.150	0.050
Supplies & Services	0.045	0	0.045	0
Financing Charges	6.816	1.136	6.816	0
Interest /Other Income	(0.050)	0	(0.050)	0
Repayment from TWITA for temporary use of reserves	(0.240)	(0.040)	(0.240)	0
(Surplus) /Deficit on Tyne Tunnels revenue account	(0.002)	(0.248)	(0.005)	(0.003)

The North East Transport Strategy Unit

3.27 The Transport Strategy Unit (TSU) supports the JTC, providing relevant information to support policy choices and to deliver policies at a regional level. The TSU's activities include developing and maintaining:

- The Transport vision and plan;
- The funding plan and bids for external funding'
- Input into the LEP's strategies and plans on transport, and local business organisations;
- A project pipeline and assurance framework;
- Responses to transport consultations and policy-making opportunities by government and other external agencies;
- Input into Transport for the North (TfN)'s pan-Northern policies and plans; and
- Relationships with other authorities (whether local, combined, national or sub-national) with whom the JTC may share a common interest.

The original budget made no assumptions about funding to be received from the Transforming Cities Fund Tranche 2. Costs of programme management were built into the successful bid to be met from the grant award, and the forecast for 2020/21 has therefore been updated according.

In addition to the significant current activity of developing the Transport Plan and related delivery programmes, some other major upcoming policy developments could potentially include the development of a new bus strategy, the expansion of the Metro and local rail network, developing a model for rail devolution, and growing the

programme to increase the uptake of walking and cycling. Further work is required in considering the scope of these developments, with funding packages to be agreed once requirements are clearer. There are also significant funding opportunities for well-developed bids along with a need for strong delivery programme management.

- 3.28 Forecast expenditure for the Transport Strategy Unit in 2020/21 is estimated to be £1.303m compared with the original budget of £0.927m, primarily as a result of the inclusion of TCF Tranche 2 programme management that were not factored into the original budget as we were awaiting the outcome of the bid.

Expenditure on the Transport Plan particularly around public consultation and launch events has been delayed due to the COVID-19 pandemic and will now take place during the financial year. Funding from 2019/20 which was not used has been carried forward to the current year.

The forecast for expenditure on IT and accommodation has been increased to carry forward unused funding from 2019/20 as a result of the move of the TSU team to Gateshead Civic Centre being delayed due to lockdown.

There is a forecast reduction in the forecast for LGF funding to support programme management of Transport schemes which reflects the stage of the programme, where most Transport schemes are now complete or nearing completion as it is in its final year.

- 3.29 Details are set out in the table below.

Table 16: TSU Revenue Forecast of Outturn 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Gross Expenditure				
Employee costs - Managing Director Transport North East and TSU	0.721	0.094	0.662	(0.059)
TCF Tranche 2 Programme Management	0	0	0.368	0.368
Transport Plan and Strategy Work	0.050	0	0.105	0.055
TSU Research and Development	0.120	0	0.120	0
TSU Travel and Miscellaneous	0.016	0	0.008	(0.008)
TSU IT / Equipment / Accommodation	0.010	0	0.030	0.020
TSU Contingency	0.010	0	0.010	0
Total Expenditure	0.927	0.094	1.303	0.376
Gross Income				
LTP funding - TSU	(0.500)	(0.094)	(0.500)	0
LGF funding - TSU	(0.095)	0	(0.040)	0.055
Retained Transport Levy	(0.129)	0	(0.129)	0
External funding for specific posts	(0.148)	0	(0.160)	(0.012)
TCF Tranche 2	0	0	(0.366)	(0.366)
Total Income	(0.872)	0	(1.195)	(0.323)
Use of Reserves				
Regional Transport Team reserves	(0.005)	0	(0.003)	0.002
Go Smarter legacy funds – Transport Plan	(0.050)	0	(0.105)	(0.055)

4. Reasons for the Proposals

- 4.1 This report is for information, to enable the JTC to fulfil its role of monitoring transport budgets on behalf of the two combined authorities.

5. Alternative Options Available

5.1 This report is for information with no decision required.

6. Next Steps and Timetable for Implementation

6.1 The outturn position has been factored into the Statement of Accounts for 2019/20 and performance against the revenue budget for 2020/21 will be closely monitored and update reports presented to the JTC at regular intervals during the coming year.

7. Potential Impact on Objectives

7.1 There are no potential impacts arising from this report which is for information.

8. Financial and Other Resources Implications

8.1 The financial summary is set out in the main body of the report. There are no financial or other resource implications from this report which is for information.

9. Legal Implications

9.1 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. There are no legal implications arising from this report, which is for information.

10. Key Risks

10.1 Risks associated with the delivery of transport services by the key delivery bodies are factored into the risk management processes of those organisations. The impact of the COVID-19 pandemic is having a significant and continuing impact on transport budgets and the financial consequences will continue to be carefully assessed and monitored. The JTC holds reserves to mitigate against financial risks associated with its transport functions, and the level of these are considered to be adequate at the year end.

11. Equality and Diversity

11.1 There are no equality and diversity implications arising from this report.

12. Crime and Disorder

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

13. Consultation/Engagement

13.1 The revenue budget for 2019/20 and for 2020/21 was subject to consultation with key stakeholders including constituent authorities as part of the budget setting process. Budget holders were consulted on the forecasts included in the report.

14. Other Impact of the Proposals

14.1 There are no other impacts arising from this report which is for information.

15. Appendices

15.1 None

16. Background Papers

16.1 Joint Transport Committee Budget 2019/20 – report to 22 January 2019 meeting.
Joint Transport Committee Budget 2020/21 – report to 21 January 2020 meeting.

17. Contact Officers

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18. Sign off

- 18.1
- The Proper Officer for Transport:
 - Head of Paid Service:
 - Monitoring Officer:

Chief Finance Officer:

19. Glossary

19.1 DfT – Department for Transport
ENCTS – English National Concessionary Travel Scheme
JTC – Joint Transport Committee
NECA – North East Combined Authority
NEMOL – North East Metro Operations Limited
TCF – Transforming Cities Fund
TT2 – Tyne Tunnels 2 Limited