

Leadership Board

Tuesday 20 July 2021 at 2.00pm

Meeting to be held at: Reception Room, South Shields Town Hall,
Westoe Road, South Shields, NE33 2RL

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AGENDA

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1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate. Please also remember to leave the meeting where any personal interest requires this	
3. Minutes of the Previous Meeting held on 8 June 2021	1-8
For approval as a correct record.	
4. Announcements from the Chair and/or the Head of Paid Service	
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9. Budget Process and Timetable 2022/23 **41-48**

10. Finance Update – 2020/21 Outturn and 2021/22 Forecast **49-99**

11. Date and Time of Next Meeting: 14 September 2021 at 2.00pm

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Leadership Board

DRAFT MINUTES TO BE APPROVED

8 June 2021

(2.00pm – 2.40pm)

Meeting held in the Council Chamber, Sunderland Civic Centre

Present:

Councillors Graeme Miller (Chair), Tracey Dixon, Martin Gannon and Amanda Hopgood.

Officers Ged Morton (representing the Monitoring Officer - Core NECA), John Hewitt (Interim Chief Executive, Durham County Council), George Mansbridge (Corporate Director Regeneration and Environment, South Tyneside), Sheena Ramsey (Chief Executive, Gateshead Council), Patrick Melia (Chief Executive, Sunderland City Council), Paul Darby (Chief Finance Officer, NECA), Gavin Armstrong (Policy and Scrutiny Officer, NECA) and Gillian Kelly (Principal Governance Services Officer)

1 **APOLOGIES FOR ABSENCE (MEMBERS)**

Apologies for absence were received from Lucy Winskill and Gillian Hall.

2 **DECLARATIONS OF INTEREST**

None.

3 **MEMBERSHIP OF THE LEADERSHIP BOARD**

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

George Mansbridge presented the report which invited the Leadership Board to confirm its membership for the municipal year 2021/2022, appoint its Chair and Vice-Chair, appoint thematic leads and to confirm the appointment of the current representative and substitute member from the North East Local Enterprise Partnership.

Councillor Hopgood was welcomed to her first meeting of the Leadership Board.

RESOLVED that: -

- i. the membership of the Leadership Board for the municipal year 2021/2022 as set out in Appendix A be confirmed;
- ii. Councillors Graeme Miller and Tracey Dixon be appointed as Chair and Vice-Chair for the municipal year 2021/2022;
- iii. the continued appointment of Ms Lucy Winskill as the non-voting Member of the Leadership Board representing the North East Local Enterprise Partnership during the municipal year 2021/2022 be confirmed;
- iv. the continued appointment of Ms Gillian Hall as the Substitute for the Member of the Leadership Board representing the North East Local Enterprise Partnership during the municipal year 2021/2022 be confirmed; and
- v. the Thematic Leads be appointed as follows: -
 - Chair's Thematic Portfolio – Councillor Graeme Miller
 - Economic Development and Digital – Councillor Tracey Dixon
 - Finance and Skills and Employability – Councillor Amanda Hopgood
 - Transport – Councillor Martin Gannon.

4 MINUTES OF THE PREVIOUS MEETING HELD ON 2 FEBRUARY 2021

The minutes of the previous meeting held on 2 February 2021 were approved as a correct record.

5 ANNOUNCEMENTS FROM THE CHAIR AND/OR HEAD OF PAID SERVICE

There were no announcements from the Chair or Head of Paid Service.

6 APPOINTMENT OF COMMITTEES, AGREEMENT OF MEMBERSHIP, APPOINTMENT OF CHAIRS AND VICE-CHAIRS, APPOINTMENT OF MEMBERS TO OUTSIDE BODIES

Submitted: Report of the Monitoring Officer (circulated at the meeting and copy attached to the official minutes).

George Mansbridge presented the report which sought agreement to the continued establishment of the committees of the North East Combined Authority (NECA), appointment of Members, including Chairs and Vice-Chairs, to NECA's committees. The report also sought appointment of Members to outside bodies, including the appointment of Members to the

North East Joint Transport committees and Transport for the North committees. The Board were also asked to agree to the continued appointment of the Independent Person for the purpose of the Standards Regime and to note information on the continued appointment of the External Auditor.

Members were advised that an additional recommendation was proposed to delegate authority to the Head of Paid Service to make any further amendments to the appointments in consultation with the Chair of the Leadership Board.

RESOLVED that: -

- i. the committees for the municipal year 2021/2022, as set out in Appendix A (Parts A to D) be appointed;
- ii. the nominations for the membership of the committee and sub-committees, which have been received from the constituent local authorities for the municipal year 2021/2022, as set out in Appendix A (parts A to D) be accepted;
- iii. the term of office of the Independent Members of the Audit and Standards Committee, and its Chair and Vice-Chair respectively, Mr Mark Scrimshaw and Mr George Clark, be extended for a further one-year term.
- iv. the term of office of the Independent Person for the purpose of the Standards Regime, Ms Stella Gardener, be extended for a further one-year term;
- v. the term of office of the Independent Members of the Overview and Scrutiny Committee, and its Chair and Vice-Chair respectively, Mr David Taylor-Gooby and Mr Simon Hart be extended for a further one-year term;
- vi. the continued appointment of Chairs and Vice-Chairs of the committees for the municipal year 2021/2022 be confirmed or, in the absence of an appointment, it be agreed to delegate the appointment to the relevant committees where appropriate;
- vii. Members and substitute Members be appointed to the North East Joint Transport Committee as set out in Appendix A (Part E);
- viii. Members and substitute Members be nominated to the committees and sub-committees of the North East Joint Transport Committee, for consideration by the Joint Transport Committee as set out in Appendix A (Part F to H);
- ix. a Member and substitute Member be appointed and a Member and substitute Member be nominated to represent NECA on the Transport

for the North Board and Scrutiny Committee respectively, as set out in Appendix A (Part I);

- x. the position be noted in relation to the continued appointment of Mazars as the External Auditor for 2021/2022; and
- xi. the Head of Paid Service, in consultation with the Chair of the Leadership Board, be authorised to make further amendments to appointments where appropriate and in accordance with the requirements for achieving political balance.

7 **PROGRAMME OF COMMITTEE MEETINGS**

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

Members received a report inviting them to agree a programme of committee meetings for the Municipal Year 2021/2022, starting from the Annual Meeting of the North East Combined Authority (NECA).

The programme had been developed in consultation with the constituent local authorities and, to discharge its functions effectively, NECA and its committees were advised to meet according to the programme set out in Appendix A of the report.

RESOLVED that: -

- i. the proposed programme of committee meetings, as set out in Appendix A be agreed; and
- ii. the proposed programme of Joint Transport Committee meetings which will be considered for approval at the Annual Meeting of the Joint Transport Committee on 15 June 2021 be noted.

8 **REVIEW OF CONSTITUTION**

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

George Mansbridge presented the report which invited the Leadership Board to agree amendments to the North East Combined Authority's (NECA) Constitution proposed following the Monitoring Officer's routine annual review of the Constitution.

Members were advised that the annual review had provided the opportunity to update the name of the thematic lead areas and to amend the delegations to the Proper Officer for Transport to support effective delivery of the Joint Transport Committee's functions. An additional recommendation was

proposed to allow appointments to committees and outside bodies to be delegated to the Head of Paid Service in consultation with the Chair.

RESOLVED that: -

- i. the changes to the NECA Constitution (as detailed in the report) and in the form set out in the Appendix be approved with immediate effect: -
 - a. to amend the Thematic Lead areas as discussed in 2.1 of the report as previously agreed by the Board in March 2020;
 - b. to amend the Delegations for the Proper Officer for Transport as discussed in 2.2 of the report and previously agreed by the Joint Transport Committee in June 2020; and
 - c. to amend the Delegations for the Head of Paid Service to enable them to make or amend appointments to committees and outside bodies, in consultation with the Chair of the Leadership Board.
- ii. it be noted that this Constitution supersedes the previous Constitution for NECA;
- iii. authority be delegated to the Monitoring Officer to:
 - a. finalise the wording of amendments to the Constitution to give effect to the changes agreed by the Leadership Board; and
 - b. approve and publish the Constitution containing those changes.
- iv. it be noted that the Constitution will be published on the NECA website.

9

CHAIR'S THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Chair of the North East Combined Authority (previously circulated and copy attached to the official minutes).

Councillor Miller presented the report which provided a summary of the key issues for the Leadership Board to be sighted on at the current time and over the coming year.

The potential economic growth and recovery opportunities set out in the Queens Speech were highlighted, including Levelling Up, the Skills and Post-16 Education Bill, Research and Development, Advanced Research and Invention Agency Bill and the UK Infrastructure Bank.

The Levelling Up Fund would see an investment of £4.8billion to support town centre and high street regeneration, local transport projects and cultural and heritage assets. All four NECA local authorities had been placed in priority category 1 as places with the highest level of identified need. Round 1 bids to the fund were to be submitted by 18 June 2021 with successful authorities receiving confirmation in Autumn 2021.

Councillor Miller also emphasised the importance of the Skills and Post-16 Education Bill and how critical it was to attract more and better jobs to the region in the post-Brexit, post-Covid world. The UK Infrastructure Bank would also have a vital role in securing economic growth and supporting vital projects across the NECA area.

The Board noted that the scale of economic and social problems which were being faced were huge and, whilst the Levelling Up Fund was welcomed, this was only a starting point. The Board highlighted that further funding was needed to support the 'catch-up' agenda for children and young people in education.

RESOLVED that: -

- i. the report be noted.

10 **ECONOMIC DEVELOPMENT AND DIGITAL THEMATIC PORTFOLIO UPDATE**

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

Councillor Dixon presented the report which provided an update on activity and progress under the Economic Development and Digital theme of NECA.

The Board noted that Invest North East had reported a significant decrease in inward investment activity over the Covid-19 pandemic, however the provision full year success figures for the North East LEP area for 2020/21 showed a total of 68 inward investment projects resulting in 2,935 jobs. Of these, 53 were foreign direct investment projects leading to 2,713 jobs and the remainder were new UK companies locating in the North East.

The outlook for 2021/2022 was more promising with a number of big projects opening or shortly to be announced. Invest North East England (INEE) continued to work on very significant new projects and would have a particular focus this coming year on priorities such as developing a Northshoring campaign, attracting energy sector projects and strengthening relationships with key overseas DIT posts.

The impact of the pandemic continued to be felt on the national and regional economy but there were some positive developments with the North East unemployment rate and NECA claimant count slowly falling and vacancy

rates reaching close to pre-pandemic levels. However youth unemployment and was high and there were rising number of long term unemployed.

The UK Community Renewal Fund had been launched at the March 2021 Budget to help areas to prepare for the UK Shared Prosperity Funds and the Levelling Up Fund would support capital projects of up to £20m.

There had been some excellent collaboration through the Digital Durham programme and over 87,000 premises in the NECA are could now access superfast broadband as a result. Coverage was ahead of the national average but behind on connectivity so there was a risk that the area could fall behind other areas and this would impact on competitiveness. The Board noted the importance of continuing to work collaboratively on this agenda.

RESOLVED that: -

- i. the report be noted.

11 **FINANCE AND SKILLS AND EMPLOYABILITY THEMATIC PORTFOLIO UPDATE**

Submitted: Report of the Finance and Skills and Employability Thematic Lead (previously circulated and copy attached to the official minutes).

Councillor Hopgood presented the report which provided an update on current Finance, Skills and Employability portfolio activity and the baseline position for a future 'Skills & Employment' ask for NECA.

It was noted that this was Councillor Hopgood's first meeting as the Finance, Skills and Employability Portfolio Lead.

The Board noted that Local Government financing remained an issue for careful review and that the publication of the Comprehensive Spending Review had been delayed until at least December 2021. The uncertainties around the Government's strategy to redress public finances built in significant risk and uncertainty to medium financial planning across the sector.

Skills and employment considerations would build on the wide-ranging activity already underway and provided an excellent opportunity for NECA to take a lead on Employment and Skills services in the coming years.

RESOLVED that: -

- i. the report be noted.

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TRANSPORT THEMATIC UPDATE

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

Councillor Gannon presented the report which provided an update on the Transport theme of NECA.

The National Bus Strategy had been published in March 2021 and included commitments to extensive future funding. The North East Joint Transport Committee would need to publish a Bus Service Improvement Plan by the end of October 2021 and have a formal Enhanced Partnership with operators in place by April 2022. There was confidence that the region could achieve its preferred outcomes from a partnership rather than a franchise scheme and it was noted that an Enhanced Partnership would be likely to require increased commitment from local authorities.

A new public body 'Great British Railways' would be set up as part of a major restructure of the way the rail network operated. Publication of the Government's Integrated Rail Plan was awaited and this would give greater clarity on future priorities for investment in key connections such as the East Coast Main Line.

It was noted that a programme board had been established to develop the business case for re-opening of the Leamside Line and funding had been awarded to carry out feasibility studies in relation to this.

The North East Joint Transport Committee had approved a new Transport Plan for the North East in March 2021. The plan would build on the current work taking place and outline the need for further investment in future to create a transport system that would support a green, healthy, dynamic and thriving North East.

RESOLVED that: -

- i. the report be noted.

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DATE AND TIME OF NEXT MEETING

Tuesday 20 July 2021 at 2.00pm

Leadership Board

Agenda Item 5

Date: 20 July 2021

Subject: Chair's Update

Report of: Chair of the North East Combined Authority

Executive Summary

This report provides a summary of the key issues for the Leadership Board at the current time.

Recommendations

The Leadership Board is requested to receive the update and comment on the issues outlined.

Leadership Board

1.	Purpose of the report
1.1	<p>This report provides a summary of the key issues for the Leadership Board at the current time.</p> <p>The Leadership Board is requested to receive the update and comment on the issues outlined.</p>
2.	Economic Growth and Recovery
2.1	A summary of the content in the Queen’s speech (11 May 2021) relating to economic growth and recovery, was provided at the previous meeting.
2.2	Within the summary, forthcoming Government policy and initiatives were highlighted around the themes of levelling-up, and growth of the green and digital economies.
2.3	While the update of the Economic Development and Digital Thematic Lead will provide the detail of recent investment projects, it is worth noting in this update, the massive confidence being shown in the NECA area’s ability to lead the UK on all of these fronts.
2.4	This includes the Nissan EV36Zero announcement made on 1 July, vindicating South Tyneside and Sunderland Councils’ bold ambitions for the International Advanced Manufacturing Park (IAMP), supported by the other NECA and North of Tyne (NTCA) authorities and the North East Local Enterprise Partnership (NELEP).
2.5	This £1billion investment by the private sector and Government, set to deliver jobs and prosperity for the area’s residents, will see the creation of a flagship Electric Vehicle Hub complete with supporting infrastructure, including a trailblazing Microgrid that aims to deliver a 100% renewable electricity power source, saving 55,000 tonnes of carbon annually.
2.6	This ground-breaking project is the first of its kind, and cements the NECA area’s reputation as a place committed to carbon neutrality, to the ongoing growth of our world-leading manufacturing sector, and to the use of ground breaking technology to enable economic success.

Leadership Board

2.7	To be recognised as the region driving the global, electric revolution, shaping how people around the world will travel in future, is a significant step forward in the area's economic recovery from Covid-19 and in thriving in a post-Brexit economy.
2.8	Complementing all the other significant regeneration projects taking place across the area, the tone has been set and the conditions created for industry to thrive here, now, and long into the future, helping create significant opportunities for our communities.
3.	Devolution
3.1	In the previous update, it was confirmed that the forthcoming Levelling-up White Paper will contain the Government's proposals for further, regional devolution.
3.2	During the pandemic, the LA7 local authorities (NECA and NTCA) have been discussing what is needed to help the region make a strong economic recovery.
3.3	At the current time, these discussions are ongoing with a view to forming joint proposals on what asks could potentially be made of Government in terms of devolved funding and powers to further aid growth and recovery.
3.4	Further updates will be provided as discussions and proposals develop.
4.	Proposal
4.1	To receive an update on and comment on current and future, potential opportunities for the NECA area in terms of Government policy and funding schemes.
5.	Reasons for the Proposal
5.1	To support a discussion by the Leadership Board on current and future, potential opportunities for the NECA area in terms of Government policy and funding schemes.
6.	Alternative Options Available
6.1	There are no alternative options associated with this report.
7.	Next Steps and Timetable for Implementation

Leadership Board

7.1	Following consideration of the issues outlined in this report, further updates and items for discussion will be presented by the Chair at subsequent meetings of the Leadership Board.
8.	Potential Impact on Objectives
8.1	There is no potential impact on objectives associated with this report.
9.	Financial and Other Resources Implications
9.1	There are no financial or other resource implications associated with this report.
10.	Legal Implications
10.1	There are no legal implications arising from this report.
11.	Key Risks
11.1	There are no specific risk management issues arising from this report.
12.	Equality and Diversity
12.1	There are no specific equality and diversity issues arising from this report.
13.	Crime and Disorder
13.1	There are no specific crime and disorder issues arising from this report.
14.	Consultation/Engagement
14.1	There are no specific consultation and engagement issues arising from this report.
15.	Other Impact of the Proposals
15.1	There are no further impacts arising from the proposals.
16.	Appendices
16.1	None.
17.	Background Papers
17.1	None.

Leadership Board

18.	Contact Officers
18.1	Beverley Poulter, Lead Policy Officer, Sunderland City Council, beverley.poulter@sunderland.gov.uk
19.	Sign off
19.1	<ul style="list-style-type: none">• Head of Paid Service: ✓• Monitoring Officer: ✓• Chief Finance Officer: ✓
20.	Glossary
20.1	None.

NECA Leadership Board

Agenda Item 6

Date: 20 July 2021

Subject: Economic Development and Digital Theme Update

Report of: Economic Development and Digital Thematic Lead

Executive Summary

This report provides an update on activity and progress under the Economic Development and Digital theme of the Combined Authority.

The report provides updates on economic recovery, funding and digital. It describes, firstly, the emerging recovery across the NECA area from the unprecedented economic shock of COVID-19 and its implications for our businesses, labour market and wider economy.

Local authority support has been vital and this update describes the levels of assistance given to businesses, along with funding streams (such as Levelling Up and Community Renewal) that Councils have bid into. It also provides an overview of the Government's recently-published replacement for EU State Aid.

Finally, the report concludes with an overview of digital infrastructure (which is ever more important for our businesses and residents) across the NECA area and finds that levels of superfast and ultrafast broadband are above the national average, but that we lag significantly behind when compared to the UK.

Recommendations

The Leadership Board is recommended to note the contents of the report.

NECA Leadership Board

1.0 Background Information

1.1 This report provides an update on activity and progress under the Economic Development and Digital theme of the Combined Authority, specifically:

- Economic recovery
- Funding
- Digital

2.0 Economic Recovery

2.1 *Impact of the pandemic*

2.1.1 It is clear that the pandemic has had a profound economic impact with NECA hit hard given the high proportion of jobs across the area in at-risk sectors (particularly hospitality, retail, visitor economy and travel). Town and city centres were hit by the major drop in footfall and national retailer restructuring and store closures, while manufacturers, particularly automotive, experienced supply chain issues. Many firms exhausted reserves and cash flows, with real concerns about survival, while, more recently, manufacturers and construction firms have experiencing significant supply chain and material issues.

2.1.2 The impact on the labour market was also significant, with a rise in total unemployment since March 2020 (up from 6% in March 2020 to 6.8% in Dec 2020 and above the national average) and the unemployment claimant count in the NECA area up from 5% in March 2020 to 7.2% in May 2021, particularly amongst 18-24s and the over 50s. However, the claimant count has fallen steadily since the peaks seen in Summer/Autumn 2020.

	Claimant Count % March 2020	Claimant Count % May 2021
Durham	4.0%	5.8%
Gateshead	4.6%	7.0%
South Tyneside	6.2%	8.5%
Sunderland	5.1%	7.3%

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- 2.1.3 The rate has flatlined since the Autumn with Furlough keeping this down; 37,300 workers (8% of workforce) were on Furlough at the end of May 2021 (down from the highs of Summer/Autumn 2020 and the 64,300 on Furlough at the end of December – 13% of the workforce).

	Furlough numbers (and % of workforce) Dec 2020	Furlough numbers (and % of workforce) May 2021
Durham	28,500 (13%)	15,200 (7%)
Gateshead	12,800 (15%)	6,600 (8%)
South Tyneside	8,200 (13%)	5,000 (8%)
Sunderland	14,800 (13%)	10,500 (10%)

2.2. *Looking forward*

- 2.2.1 Encouragingly, the North East unemployment rate and NECA claimant count are both slowly falling which, combined with vacancy levels getting closer to pre-pandemic levels (growth in construction, logistics, manufacturing, health and social care), suggests a nascent economic recovery.
- 2.2.2 Much of this is dependent upon the Government’s Roadmap, consumer confidence and the ability of our economy to adapt to the new reality. Business confidence measures (from the Chamber of Commerce, FSB, CBI and others) suggest firms are confident about the future, with hospitality and tourism boosted by reopening. Some sectors, such as digital, professional services, low-carbon and construction, continue to do well.
- 2.2.3 Yet vacancies are still not back to pre-pandemic levels (particularly in retail, indicating a restructuring of the economy) and there are worrying signs of long-term labour market scarring, especially; the high rates of youth unemployment, record levels of 18-24 economic inactivity; and rising numbers of those unemployed for over 6 months.
- 2.2.4 The squeeze on company cash flow as rents and loan repayments re-emerge (the two flagship Government loan schemes – CBILS and Bounce Back – have offered over £863m in the NECA area through 22,000 loans), the potential for delays to the Roadmap (and the subsequent impact on consumer spending) and the end of the Furlough scheme coming into view are all factors which are likely to have an adverse impact.

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2.2.5 The Office for Budget Responsibility predict that national unemployment will rise and peak at 6.5% (compared to 4.8% presently) at the end of year as a result, while there are reports of skills shortages and vacancies in hospitality and leisure in particular.

2.2.6 In summary, the outlook for our local economy is likely to be dependent upon a range of factors (as highlighted above), but major worries remain about the future of the residents on Furlough, our lowest-skilled workers and those just entering (or furthest away from) the jobs market.

2.3 *NECA response*

2.3.1 The four Local Authorities have supported businesses throughout the pandemic, including:

- Restart Grants
- Open, Closed & Sector Local Restriction Support Grant schemes
- Additional Restrictions Grants
- Christmas Support Payments for Wet-led Pubs
- Helping businesses to access Government loans
- Signposting to support (particularly on import/export re EU Exit)
- Coordinating Kickstart six-month placements
- Accessing Getting Building Funds to accelerate key projects

2.3.2 Thousands of businesses have been supported across NECA area, vital assistance to support our companies through the pandemic. Total funding of over £500m distributed across the NECA area (to March 2021):

Scheme	Funding across the NECA area
Small Business Rates Relief (SBRR) – Spring/Summer 2020	£145,890,000
Rates Relief (retail, hospitality and nurseries) – Spring/Summer 2020	£161,120,267
Retail, Hospitality and Leisure (RHL) Grants – Spring/Summer 2020	£61,080,000

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Discretionary Grant schemes – Spring/Summer 2020	£10,637,065
Local Restrictions Support Grant (Open and Closed and Wet-led Pub grants) – Autumn 2020/Spring 2021	£104,760,646
Additional Restrictions Grants (ARG) - Autumn 2020/Spring & Summer 2021	£16,668,333

2.3.3 Local Authorities continue to focus upon town and city centres given impact of reduced footfall, changed business models and national retailer restructuring. The Government £56m Welcome Back Fund has distributed funding across the NECA Local Authorities:

- Durham £569k
- Gateshead £178k
- South Tyneside £198k
- Sunderland £309k

2.3.4 A range of activities including comms and marketing, signage and temporary public realm, boosting safe visitor experience and looking at plans to help medium-term impact (particularly on the high street). Money has to be spent by the end of March 2022

2.4 **Next steps**

2.4.1 The Local Authorities continue to roll out grant support to businesses and help residents' access new jobs, monitoring the impact of the pandemic upon the NECA economy and focussing on economic recovery.

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3.0 Funding

3.1 *Successor to European Structural and Investment Funds*

3.1.1 The £220m UK Community Renewal Fund launched at the March 2021 Budget to help areas prepare for UK Shared Prosperity Funds (UKSPF) – likely to come into force in 2022, but no further details as yet – and pilot new approaches.

3.1.2 Run through Local Authorities, the UKSPF named South Tyneside, Gateshead and Durham as priority places (but not Sunderland due to an assessment framework which looked particularly at productivity where Sunderland performed above the threshold, largely due to the presence of Nissan).

3.1.3 The aim of the Government fund is to better target places “in need,” such as ex-industrial, coastal communities, rural areas and deprived towns, “and for people most in need of additional support.” It is a competitive process with “no pre-set eligibility” and where Local Authorities will put together a shortlist of up to £3m of local projects for Government to then decide which projects are successful.

3.1.4 The predominately-revenue based Fund aims to provide finance for innovative, impactful programmes in skills (particularly upskilling, digital and green), employment (helping people into jobs), business support (particularly innovation, decarbonising and start-up) and communities and place (especially culture and green spaces).

3.1.5 Local Authorities have submitted a shortlist of projects to Government (each met the Government deadline of 18 June), with an expectation that Government then decide and announce successful projects in late July or early August. Projects are just for delivery in 2021/22 so all spending has to be completed by March 2022.

3.2 *Levelling Up Fund*

3.2.1 In addition to the above, Local Authorities have submitted applications for the Levelling Up Fund, launched by the Government in March 2021.

3.2.2 The Levelling Up Fund is a £4.8bn competitive fund for capital projects to deliver on the Government’s ‘Levelling Up’ ambition. The Fund is managed jointly between DfT, MHCLG and Treasury. The first round of the Fund has now closed (18 June) with information on future rounds yet to be published.

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- 3.2.3 The focus of the first round is upon projects of up to £20m that invest in transport improvements (such as public transport, bridge repairs, structural maintenance and local road enhancements), regeneration and town centres (including upgrading eyesore buildings and regenerating brownfield sites) and/or culture (for example, maintaining or repurposing visitor attractions and heritage assets).
- 3.2.4 Bids must gain the support of the local MP through a letter of support (MPs can only support one project) and areas are allowed to submit one bid per MP.
- 3.2.5 In addition, Combined Authorities are allowed to submit one transport scheme in the first round. The North East Transport Strategy Board recommended that there should not be a bid for the first round given the short timescales, lack of clarity from Government on whether a regional or two separate Combined Authority bids were allowed and the lack of capacity funding to work up a proposal.
- 3.2.6 All bids will be judged by Government on their ability to meet key Government aims (on Levelling Up and Net Zero in particular), deliver on local priorities, spend some funding by March 2022, garner MP and community support, provide an element of match funding and have a positive value for money assessment and benefit cost ratio. The Government will announce the successful projects in Autumn (most likely around October).
- 3.3 Subsidy Control regime**
- 3.3.1 On a related note, Government have published draft legislation for the successor to EU State Aid, UK Subsidy Control, to cover the awarding of subsidies.
- 3.3.2 The subsidy control rules aim to enable quicker, more flexible support to businesses by moving away from need to seek European Commission approval or look for block exemptions with a presumption that subsidies are permitted if they follow UK wide principles (as set out in the consultation earlier in the year).
- 3.3.3 Expectation that the “great majority” of subsidies can be granted as long as they can demonstrate compliance via one of two self-assessment routes. That is either by undertaking a proportionate assessment of compliance against the main subsidy control principles (of which Government have set out 7 so case of light touch check against those) or through streamlined routes (Government say they will create streamlined routes for subsidies at low risk of distorting competition, trade and investment).

NECA Leadership Board

- 3.3.4 Subsidies that have a higher likelihood of having distortive effects on UK competition and investment and international trade ('Subsidies of Interest') will be encouraged to carry out more extensive analysis as part of their assessment of compliance. A very small number of subsidies with the highest likelihood of having distortive effects ('Subsidies of Particular Interest') will be required to have this assessment of compliance reviewed by the new UK Subsidy Advice Unit before their subsidy can be granted.
- 3.3.5 There is no mention of an Assisted Areas map, although Government say guidance will be produced for Local Authorities once the Bill goes through Parliament (consultation response says that the guidance "will promote considerations intrinsic to the levelling up agenda and set out the criteria for promoting economic development of relatively disadvantaged areas").
- 3.3.6 In addition, the so-called 'de-minimus' level at which firms do be granted subsidies over three years has been set at £315,000 (up from the previous EU level of 200,000euros).
- 3.3.7 The new system is to be implemented (subject to parliamentary approval) in 2022.

4.0 Digital

4.1 *Importance of Digital Connectivity*

- 4.1.1 Fast, resilient and affordable broadband and mobile coverage is vital for our residents, businesses, visitors and investors.
- 4.1.2 Better digital connectivity can boost productivity, help businesses to grow and export, allow residents to access training and public services and is a key requirement of visitors and investors. The economic impact of better broadband is considerable (£20 in net economic impact for every £1 of spending according to DCMS as better broadband makes firms and workers more productive).
- 4.1.3 Superfast speeds of 30 megabits per second (mbps) are considered the minimum for good connectivity, with Government now focussing upon future-proofed connectivity of 1gigabit (1GB), also described as gigabit capable or full fibre.

4.2 *Current picture*

NECA Leadership Board

- 4.2.1 There has been excellent collaboration across the NECA area through the Digital Durham programme to boost superfast broadband (30mpbs) across the NECA area. Digital Durham allows subsidised (through Government and Local Authority funding) rollout to areas which would not have been commercially viable.
- 4.2.2 Subsequently, over 87,000 premises in the NECA area can now access superfast broadband as a result:
- Durham: Over 63,700 (with some delivery left to complete)
 - Gateshead: Over 14,100
 - South Tyneside: Over 4,600
 - Sunderland: Over 4,600
- 4.2.3 Current broadband coverage in the NECA area is ahead of the national average for superfast and ultrafast, but behind on gigabit-capable connectivity. The latter means that there is a real risk that we fall behind other areas, impacting our competitiveness.

	Superfast	Ultrafast	Gigabit-capable
NECA average	98.0%	61.6%	6.8%
UK average	96.0%	52.3%	27.0%
Durham	96.5%	27.5%	15.3%
Gateshead	97.9%	74.8%	4.1%
South Tyneside	99.1%	79.5%	1.0%
Sunderland	98.3%	64.5%	6.9%

- 4.2.4 Mobile coverage is good overall, but with significant gaps. All 4 Local Authorities are engaging with major providers on commercial rollout, while joint working and discussion is taking place across the area on the approach to wayleaves (particularly for social housing) and permits, defects and reinstatement (particularly through the North East Highways and Utilities Committee).

4.3 **Gaps and Government Plans**

- 4.3.1 It is evident that commercial rollout will not get everywhere and the Government's Future Telecoms Infrastructure Strategy identified 20% of the country which would be unlikely to see commercially deployment given it would not be financially viable.

NECA Leadership Board

- 4.3.2 The Government's ambition of 85% of homes having gigabit-capable broadband by 2025 means that they are focussing on delivering to hard to reach areas through the UK Gigabit Programme (£5bn funding over 5 years). The programme prioritises delivery to premises without superfast access.
- 4.3.3 A Government consultation closed in February 2021. This described potential procurement starting for those hard to reach areas 2021. Digital Durham are currently working with DCMS and have undertaken an Open Market Review (which they are currently analysing while there is a further one month consultation closing in late July) to ask providers about their commercial plans. This information will be used to define where the hard to reach areas across the NECA area, and wider North East, are.
- 4.3.4 Meanwhile, engagement is also underway with NELEP on support for digital businesses, digital adaptation for non-digital firms and digital skills provision, as well as an action plan to deliver the North East Digital Strategy. Digital is a key part of the North East Recovery & Renewal Deal (submitted to Government) with a call for £100m investment in digital connectivity every year.
- 4.3.5 Alongside the need for better infrastructure, there is also an issue around digital inclusion.
- 4.3.6 There are currently high rates of digital exclusion across NECA and the North East which have been highlighted by the pandemic and barriers include broadband coverage, access to devices and access to skills.

4.4 Next steps

- 4.4.1 In summary, there has been excellent progress on broadband coverage following Digital Durham collaboration and the attraction of commercial rollout. There is now a need collaborate further with the private sector and Government to drive gigabit-capable coverage or risk being left behind.
- 4.4.2 It is also essential to work across NECA and NELEP on digital skills so residents and businesses can maximise opportunities from the digital economy. There are opportunities to look at projects and programmes coming through the new UK Community Renewal Fund and continue to focus on digital within the Economic Development and Digital Advisory Board.

5.0 Reasons for the Proposals

NECA Leadership Board

This report provides an update on Economic Development and Digital theme.

6.0 Alternative Options Available

There are no alternative options associated with this report.

7.0 Next Steps and Timetable for Implementation

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

8.0 Potential Impact on Objectives

The activities under the Economic Development and Digital theme will support NECA in its aims to promote economic growth and regeneration in the area.

9. Financial and Other Resources Implications

There are no financial or other resource implications directly associated with this report as it is for information only.

10. Legal Implications

There are no legal implications arising from this report.

11. Key Risks

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

12. Equality and Diversity

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

13. Crime and Disorder

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

14. Consultation/Engagement

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

NECA Leadership Board

15. Other Impact of the Proposals

There are no further impacts arising from the proposals.

16. Appendices

None

17. Background Papers

None.

18. Contact Officers

John Scott, Head of Economic Growth, South Tyneside Council
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Sign off

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

Glossary

None.

Leadership Board

Agenda Item 7

Date: 20 July 2021

Subject: Finance, Skills & Employability- Thematic Update

Executive Summary

This report seeks to provide an update on current Finance, Skills and Employability portfolio activity and the baseline position for a future 'Skills & Employment' ask for the North East Combined Authority.

The future outlook for Local Government finance remains an issue for careful review. The delay in the publication of the Comprehensive Spending Review to at least December 2021, the uncertainties and delay in the implementation of the Fair Funding Review, and the uncertainties over the Shared Prosperity Fund plus the unknowns with regards to the Governments strategy to redress the public finances, builds in significant risk and uncertainty to medium financial planning across the sector.

Skills and Employment considerations builds on the wide-ranging activity already underway and provides an opportunity for the Combined Authority to take a lead of Employment & Skills services in the coming years.

Central to the Skills and Employability agenda are the issues of funding, particularly the reliance on external funding as we approach the final stages of the current European Structural Investment Fund programme with little detail as yet as to the operation of the UK Shared Prosperity fund after the current Community Renewal Fund pilot exercise, alongside ensuring the ongoing development of good partnership and inter authority working arrangements that have been developed.

Recommendations

The Leadership Board is recommended to receive this report for information.

Leadership Board

1. Background Information

- 1.1 Further to the agreed portfolio leads and the update provided to the Leadership Board in December, activity continues to progress all aspects of the Finance, Skills and Employment needs and opportunities across NECA. Identification of the main issues and progress being made under each element is as follows:

2. Finance Theme

- 2.1 It is vital that the functions that NECA oversees as accountable body are properly resourced. Budgets for NECA and the Joint Transport Committee were agreed in January / February for 2021/22, with indicative budgets set out for future years.
- 2.2 The delay in the publication of the Comprehensive Spending Review to at least December 2021, the delay in the implementation of the Fair Funding Review and the uncertainties over the Shared Prosperity Fund plus the unknowns with regards to the Government's strategy to redress the public finances, builds in significant risk and uncertainty to medium financial planning across the sector.
- 2.3 Work continues through the Joint Transport Committee to lobby government for fair funding for transport across the North East and for capital investment that will improve transport infrastructure. The Transport Plan approved by the JTC in March 2021 includes a live programme of around 243 schemes totalling £6.8bn required to meet its vision of "moving to a green, healthy, dynamic and thriving North East". Delivery of this ambitious programme is reliant on access to new and additional government funding.
- 2.4 Since the last update a number of transport grants which were subject to DfT confirmation, particularly the Local Transport Plan Integrated Transport Block grant and Highways Maintenance allocations have been confirmed. The Coronavirus Bus Services Support Grant, Light Rail Revenue Restart Grant funding was continued through to 5 July. On 6 July, 2021, the DfT confirmed that the Coronavirus Bus Services Support Grant would be replaced with a new Bus Recovery Grant, which will provide fixed subsidies based on key metrics (yet to be published) until 31 March 2022. Significant work is required to prepare for and implement an Enhanced Bus Partnership, to address government requirements with regards to bus services beyond April 2022, where funding risks exist should these partnerships not be put in place. The JTC have considered these risks and put in place the resources to develop and prepare for the new required Enhanced Bus Partnership. Additional Dedicated Home to School and College Transport funding will continue to the end of the summer term, in line with the Government's continuing advice to socially distance on public transport until at least 19 July.

Leadership Board

- 2.5 The Budget on Wednesday 3 March 2021 set out the next phase of the plan to tackle the Coronavirus pandemic and protect jobs and was published alongside the latest forecasts from the Office for Budget Responsibility (OBR). Subsequently details of the Levelling Up and Community Renewal Fund, which are competitive bidding rounds, were announced, with phase one bids to be submitted by 18 June. The first round of the Levelling Up Fund, for schemes where work was ready to start immediately, is £600 million available nationally out of funding worth £4 billion for the entire fund. One bid per parliamentary constituency is allowed under the scheme which must be delivered by March 2021. First-round bids were submitted by councils in the NECA area including Durham for the Bishop Auckland constituency, for projects for the south west Durham area, and South Tyneside Council for the project to move South Tyneside College to South Shields town centre.
- 2.6 Combined Authorities have the ability to submit bids for transport projects for up to £50 million. Given the challenging submission deadline for bids in the first-round of the Fund and the necessity for continued detailed consultation and collaboration with partners to identify an appropriate bid which would be capable of maximising regional benefit whilst also meeting the objectives of the Fund, it was decided not to submit a Joint Transport Committee bid in the first round. Development of a second-round bid will be progressed which will be reflective of the scale of the region and its ambitions, aiming to draw down the maximum level of funding offered by the Fund within the £20 million - £50 million bracket. It is proposed that a scheme which best meets the criteria of the fund and the regional ambition is drawn from within the North East Transport Plan and progressed towards submission. Any prospective submission will be subject to final approval from the Joint Transport Committee.
3. **Skills Theme**
- 3.1 **Further Education Reform White Paper**
- 3.1.1 Areas of interest / focus currently being examined by member authorities as part of the development of improved Employment & Skills working across the Combined Authority area:
- **Strategic Development Funding** to foster College-LA collaboration
 - Create a further **Institute of Technology** (based around digital or green growth) and/or widen sector focus of current North East IoT at New College Durham
 - Pilot a sector-specific **Skills Bootcamp** linked to the National Retraining Strategy in a skills shortage area (i.e. manufacturing)
 - Marketing push from Gov on **Lifetime Skills Guarantee** across LA7 (and potentially piloting something similar for higher level technical skills)

Leadership Board

- Offer to be a pilot are for the new **Skills and Productivity Board** to look at employment projections and labour market needs analysis (with a real focus on reskilling and progression)
- Dedicated **College Business Centres** linked to key business sites
- Prioritise North East bids to **FE Capital Transformation Fund**
- **AEB devolution** across whole area LA7 so ensuring the whole of the North East can shape provision (with ability to tailor Skills Guarantee)
- **DfE** to work in partnership to ensure coherent place-based offer (by devolving Traineeship funds too)
- Raise 25% **apprenticeship levy** transfer threshold to 50% (and recycle levy underspend)
- Funding for more trained and qualified **careers guidance** specialists in schools and communities (pilot more locally-based activity with the aim of reducing NEET levels)
- Creation of an **Adult Education Maintenance Allowance** to meet living costs (if UC changes allowing people to train full time covers training costs)
- Strengthened partnership with **National Careers Service** (beyond the new website being created) to realise their aim of an all-age careers system
- Further support for **Furloughed employees** who will need to change jobs/retraining

Leadership Board

4 Employment Theme

4.1. Spending Review (CR) Nov 2020

4.1.1 As part of the Spending Round announcements in November 2020 an additional £3.7 billion was allocated to support frontline services and to enable DWP to deliver on July's Plan for Jobs to support people back into work. This includes:

- A new Restart programme to provide intensive and tailored support to over 1 million unemployed people and to help them find work in England and Wales. This is approximately £400million investment in 2021-22. The first step in a £2.9 billion three-year programme.
- Investing £1.4billion to build on the Plan for Jobs commitment to increase capacity in Job Centre Plus and double the number of work coaches in Great Britain.
- Additional investments in Plan for Jobs measures including the Job Entry: Targeted Support and Job Finding Support schemes and the Youth Offer in Great Britain, as well as Sector-based Work Academy Programme placements in England and Scotland.
- This settlement also confirms a total package of £2 billion, with £1.6billion in 21/22 to continue creating up to 250,000 government-subsidised jobs through the Kickstart Scheme in Great Britain.

4.2 Restart Programme

4.2.1 £2.9 billion has been made available for the new Restart Scheme, which will give Universal Credit claimants who have been out of work for between 12 to 18 months enhanced support to find jobs. The Restart Scheme will break down employment barriers that could be holding them back from finding work. Providers will work with employers, local government and other partners to deliver tailored support for individuals.

4.2.2 Referrals will be made over a 3-year period and the Restart Scheme will benefit more than 1 million Universal Credit claimants who are expected to look for and be available for work but have no sustained earnings. The scheme will provide up to 12 months of tailored support for each participant. Early access can be considered on a case by case basis where conversations with a work coach suggest this is the most appropriate route for the individual.

4.2.3 Commissioned by the Department for Work and Pensions (DWP), the Restart Scheme will be delivered across England and Wales in 12 different Contract Package Areas (CPA). Providers on Tier 1 of DWP's Commercial Agreement for Employment and Health Related Services framework (CAEHRS) were invited to

Leadership Board

bid. These providers were selected to join the framework in September 2020 following an open competition. The providers and their delivery partners, including specialist charities and small and medium-sized enterprises, will complement the vital work of Jobcentre Plus with extra expertise, investment, innovation and additional capacity for tailored support.

4.2.4 The programme is being delivered by Reed in Partnership across the North East and Humberside. DWP have started conversations with claimants from 28 June 2021, with referrals to commencing 12 July 2021. Discussions at an individual authority level have sought to ensure effective referral into and from the Restart Contract as part of the extensive packages of employment support currently available.

4.3 Kickstart

4.3.1 Announced in July 2020 and implemented from September, the £2 billion Kickstart Scheme provides funding to create new job placements for 16-to-24-year olds on Universal Credit who are at risk of long-term unemployment. Employers of all sizes can apply for funding which covers:

- 100% of the National Minimum Wage (or the National Living Wage depending on the age of the participant) for 25 hours per week for a total of 6 months
- associated employer National Insurance contributions
- employer minimum automatic enrolment contributions

4.3.2 A collective of employers and employment support organisations, brought together as a Kickstart Community Forum by ERSA - the Employment Related Services Association - states that young people are being recruited into meaningful jobs through Kickstart and has urged Chancellor Rishi Sunak to announce an extension to the scheme on or before the government's next spending review.

4.3.3 Government figures show nationally an average of 400 young people a day started work in May, with over 200,000 new high-quality jobs created via the Scheme.

4.3.4 ERSA's Kickstart Forum comprises almost 800 people from more than 470 organisations and is a community of good practice, committed to realising the benefits of the Kickstart scheme for young workers.

4.3.5 The creation of varied roles across a wide range of sectors is being reported. Many of the industries benefitting most from young Kickstart talent are those adversely affected by the pandemic such as the creative and arts industries; and enterprises delivering social good to communities. These industries are embracing young people's creative skills, talents and interests in an ever-more-digital working world.

Leadership Board

Feedback on new recruits from Kickstart employers is overwhelmingly positive, while the role of Kickstart Gateways in helping the right employers and the right young people find each other is proving a substantial factor in driving up successful outcomes.

4.4 Job Retention Scheme (Furlough)

4.4.1 The Coronavirus Job Retention Scheme has been in place since March 2020 and extended several times. The scheme runs until 30 September 2021, with the level of grant available to employers under the scheme staying the same until 30 June 2021.

4.4.2 From 1 July 2021, the level of grant available reduced and employers asked to contribute more towards the cost of furloughed employees' wages. To be eligible for the grant employers must continue to pay furloughed employees 80% of their wages, up to a cap of £2,500 per month for the time they spend on furlough.

4.4.3 Employers can continue to choose to top up employees' wages above the 80% total and £2,500 cap for the hours not worked at their own expense.

4.4.4 Current rates of furlough take up across local authority areas are set out in the table below: (Source HMRC)

- Across the North East the figure was **1,058,600** employments eligible for Furlough an estimated **7.6%** of eligible employments in the North East,
- Across England the estimate was **1.9 million** employments out of an estimated **23.8 million** eligible employments. Around **8%** of all eligible employments in England,

Area	Total employments furloughed at 31 July 2020	Total employments furloughed 31 May 2021
County Durham	32,400	82,200
Gateshead	14,300	34,600
South Tyneside	9,100	24,200
Sunderland	16,800	45,900
NECA	72,600	186,900
North East	166,100	414,200
England	4,234,200	9,582,900

Leadership Board

4.5 Covid Recovery

- 4.5.1 The COVID-19 pandemic has impacted heavily on the economy and specific sectors, including hospitality, leisure and non-supermarket retail. There is little sign that those who have lost jobs in these sectors are reallocating to less-affected sectors. It is most likely that they are looking for employment in the same sectors or administrative positions.
- 4.5.2 Self-employed workers have continued to face a significant loss of income and the impact has been across a much broader sectors than that of employees.
- 4.5.3 There are skills shortages in several areas with the UK and a large percentage of the working population will lack the skills required by 2030, including the digital sector. Packages of support to bridge the skills gaps and providing opportunities for adults to retrain and upskill are being developed and this will be an ongoing local area of focus.
- 4.5.4 Packages of support to bridge the skills gaps and providing opportunities for adults to retrain and upskill are being developed and this will be an ongoing local area of focus.

4.6 JETS (Job Entry Targeted Support)

- 4.6.1 Job Entry Targeted Support (JETS) was launched from 5th October 2020 across Britain. JETS is aimed at supporting those Universal Credit claimants in the all work related requirements group and New Style Jobseeker's Allowance claimants who find themselves unemployed for 13 weeks or longer as a result of COVID-19 and is expected to boost the prospects of more than a quarter of a million people across Britain.
- 4.6.2 On average, nearly 500 jobseekers a day across Great Britain have started on the government's £238 million scheme over the last seven months. With just under 13,000 already having returned to work after securing new roles through JETS.
- 4.6.3 With opportunities opening up as the country proceeds carefully along the roadmap to Covid-recovery, it means the Department for Work and Pensions is well on the way to hitting its target of helping 250,000 by September.
- 4.6.4 The support helps people out of work for three months by giving them access to the tailored, flexible support needed to move back into work quickly. That includes specialist advice on how they can utilise existing or build new skills to move into growing sectors where jobs are available, such as green energy and construction, as well as CV and interview guidance.
- 4.6.5 The announcement follows new employment figures released in early July that showed the unemployment rate had fallen for a third month to 4.8% – with government continuing to ramp up support to get people back into work.

Leadership Board

4.6.6 Once enrolled the tailored programme also gives job hunters the boost they need to return to employment through an action plan agreed with their personal adviser, peer support and signposting to opportunities to build vital skills.

4.6.7 JETS is a key pillar of the government's Plan for Jobs, which is helping people of all ages into work. To help deliver the Plan, the DWP has recruited an additional 13,500 Work Coaches to protect, support and create jobs across the country, providing one-to-one support tailored to individual claimants and local jobs markets.

4.7 ESF Resources

4.7.1 As the ESF programme draws to an end, the DWP as Managing Authority are currently appraising applications against the remaining allocations held in the reserve fund, with the aim of committing all reserve funds by September 2021.

4.7.2 Across the North East the following have been identified as priority areas for support and project sponsors have submitted proposals to support new initiatives and enhancements to provision across a number of existing projects:

- Young People
- Older Workers (50 plus)
- Self Employed
- Job Creation Projects (for people excluded from national programmes such as Kickstart)
- Skills and Digital Skills Training

4.8 Community Renewal Fund

4.8.1 The UK government is providing an additional £220 million funding through the UK Community Renewal Fund to help local areas prepare for the launch of the UK Shared Prosperity Fund in 2022. This Fund aims to support people and communities most in need across the UK to pilot programmes and new approaches and will invest in skills, community and place, local business, and supporting people into employment. All places across the UK are eligible for pilot funding.

4.8.2 The Fund will also provide capacity funding to help places prepare for the introduction of the UK Shared Prosperity Fund.

4.8.3 The UK Community Renewal Fund prospectus sets out how the Fund will operate across the UK including a focus on;

Leadership Board

- **Quicker delivery of funding** including providing £220 million to spend in 2021-22 to help local areas transition away from EU structural funds.
- **Better targeting** for places in need, for example ex-industrial communities, coastal communities, rural areas and deprived towns, and for people most in need of additional support.
- **Better alignment with domestic priorities** moving away from a focus on overly prescriptive, siloed priority axes and instead enabling more holistic, joined-up investment based on local insight.
- **Cutting burdensome EU bureaucracy** including nurturing innovative proposals and reducing forms and targets that have created an unsustainable burden and led to a focus on outputs not outcomes.

4.8.4 To nurture innovative thinking and offer flexibility, projects may align with one, or deliver across several, of the following investment priorities:

- Investment in skills
- Investment for local business
- Investment in communities and place
- Supporting people into employment

4.8.5 Lead authorities have invited project proposals from a range of local applicants, including, voluntary and community sector organisations and local education providers including universities. These projects have been appraised and a shortlist of projects submitted to UK government. Successful projects will be selected in line with published criteria from late July onwards and will be detailed in a future Thematic update

5. Next Steps and Timetable for Implementation

5.1 Employment & Skills issues and opportunities for development remain under development through meetings of the Skills and Employment Working Group.

6. Potential Impact on Objectives

6.1 This report is for information only.

7. Financial and Other Resources Implications

7.1 There are no additional financial implications as this report is for information only.

Leadership Board

8. Legal Implications

8.1 There are no specific legal implications arising from this report.

9. Key Risks

9.1 This report is for information.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 Economic Directors have been fully consulted on the contents of this paper

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report

14. Appendices

14.1 None

15. Background Papers.

15.1 Thematic Portfolio Update January 2021

16. Contact Officers

16.1 Amy Harhoff, Corporate Director Regeneration Economy & Growth,
Amy.Harhoff@durham.gov.uk Tel: 03000 267330

17. Sign off.

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

Leadership Board

18. Glossary

18.1	CAEHRS	Commercial Agreement for Employment and Health Related Services
	CJRS	Coronavirus Job Retention Scheme
	CRF	Community Renewal Fund
	DWP	Department for work and Pensions
	ERSA	Employment Related Services Association
	ESFA	Education and Skills Funding Agency
	JETS	Job Entry Targeted Support
	JSA	Job Seekers Allowance
	UKSPF	UK Shared Prosperity Fund

Leadership Board

Agenda Item 8

Date: 20 July 2021
Subject: Transport Thematic Portfolio Update
Report of: Transport Thematic Lead

TO BE TABLED

TO BE TABLED

Date: 20 July 2021

Agenda Item 9

Subject: Budget Process and Timetable 2022/23

Report of: Chief Finance Officer

Executive Summary

This report sets out the process and timetable for the preparation, consultation and approval of the 2022/23 budget and medium-term financial strategy for the North East Combined Authority (NECA) and the North East Joint Transport Committee (JTC).

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 July, August and September. Finance Directors will be involved throughout the process.
- Initial high-level draft budget proposals for 2022/23 relating to transport budgets will be reported to the JTC on 21 September and for non-transport budgets to 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 16 November and to the Leadership Board on 2 November.
- Final proposals in relation to NECA's budget must be agreed unanimously and will be considered at the Leadership Board on 1 February 2022. The JTC must approve the final proposals in relation to the North East Transport budget unanimously and will be considered at a meeting of the JTC on 18 January 2022.

Recommendations

The Leadership Board is recommended to note the report.

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 2022. It is currently planned that these will be agreed by the JTC at its meeting on 18 January 2022, and those relating to the NECA areas will be formally issued by the Leadership Board on 1 February 2022.
- 1.2 Other (non-Transport) aspects of the NECA budget will be agreed by the Leadership Board on 1 February 2022.
- 1.3 While the statutory requirement is for an annual budget and levies to be set for 2022/23, 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 to be presented this year will include an updated indicative three-year medium-term financial strategy for NECA, building on the strategy agreed in February 2020.

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 18 January 2022 and the NECA budget decisions to be taken on 1 February 2022. The timetable meets the need for consultation on the 2022/23 budget proposals, as set out in NECA's constitution.
- 2.2 The timetable is particularly challenging this year due to the delay in the commencement of the external audit of the 2020/21 Statement of Accounts. It requires updated forecasts and initial high-level considerations to be presented to the JTC at its meeting on 21 September 2021.
- 2.3 Outline budget proposals will highlight the overall level of the capital and revenue budgets for 2022/23 and any service impacts upon which consultation would be required. These will be consulted upon and refined before final proposals are presented for consideration and 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 for the JTC and for NECA for the non-transport budgets. At least 2 months before the 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 responsibility 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 Constituent 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 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 responsibility 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

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.

2.5 In previous years, although not a requirement set out in the Constitution, budget proposals have also been presented to the NECA Audit & Standards Committee and JTC Audit Committee. The opportunity has been taken to streamline the number of reports required in line with best practice at constituent local authorities and other combined authorities, to remove the reporting to the two Audit and Standards Committees from the budget setting process. The focus of these committees will be on considering the budget setting process as part of internal audit work on financial arrangements, rather than receiving the budget proposals as part of the consultation process.

3. Reasons for the Proposals

3.1 NECA must agree its budgets before the start of the financial year. The two Combined Authorities in the JTC area are required to set the Transport Levies before 15 February 2022 to enable their constituent councils to take the levies and other contributions into account in setting their own budgets.

4. Alternative Options Available

4.1 This report is for information. No alternative options are considered necessary.

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 and feedback from constituent authorities. 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 for 2022/23 and potential future budget requirements as part of the updated medium term financial strategy. The Chief Finance Officer will draw on available resources to deliver the budget report and plan, though the delay in the commencement of the external audit of the 2020/21 Statement of Accounts will pose an addition challenge this year. Further details which 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 arising from this report. The proposed timetable is in accordance with the requirements of the NECA constitution. 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.

- 9.2 The delay in the commencement of the 2020/21 final accounts audit process will be problematic this year and requires careful management of resources as officer time to support audit queries will fall into the periods usually dominated by work to support budget preparation. Developing the budget proposals requires input from colleagues across Nexus, Durham and Northumberland to support the development of the budget. Nexus is also challenged by the delay in the commencement of the external audit of their 2020/21 Statement of Accounts.

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 NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The draft proposals will be subject to consultation with the Leadership Board, Overview and Scrutiny Committee and officer groups. In its accountable body role for the JTC, Transport proposals will be subject to consultation with the JTC Overview and Scrutiny Committee, the JTC Tyne and Wear Sub Committee and constituent councils. Comments raised as part of the consultation process will be taken into account in the preparation of the final reports.

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

15.1 NECA Constitution

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
Eleanor.goodman@northeastca.gov.uk, 0191 433 3860

17. Sign Off

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

Appendix 1 – Budget Timetable 2022/23

**Agenda Item 9 -
Appendix 1**

Budget Timetable 2022/23 – NECA

Date	Meeting/Event	Action
20 July 2021	Leadership Board	Report setting out budget process and timetable
14 September 2021	Leadership Board	Report setting out the updated 2021/22 forecasts and impact on MTFS
2 November 2021	Leadership Board	Report setting out detailed budget proposals for consultation
14 December 2021	Leadership Board	Report to consider the decisions and any recommendations made by the JTC and JTC Overview and Scrutiny Committee on the draft budget proposals
16 December 2021	Overview and Scrutiny Committee	Consider NECA budget proposals as part of consultation process
1 February 2022	Leadership Board	Leadership Board consider outcome of consultation on NECA budget proposals Leadership Board formally issue levy agreed by JTC in January Formal agreement of non-transport budgets and contributions
15 February 2022	Levy letters issued to constituent authorities	Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations

Budget Timetable 2022/23 – Joint Transport Committee

Date	Meeting/Event	Action
21 September 2021	JTC	Initial budget proposals in relation to JTC/Transport budgets. Consultation requirements to be considered/agreed
14 October 2021	JTC Overview & Scrutiny Committee	Examine initial budget and consultation proposals and make any recommendations to the JTC
4 November 2021	TWSC	Consider report on the draft budget proposals with specific reference to Tyne and Wear Transport activity
16 November 2021	JTC	Consider updated draft Transport budget proposals and any feedback from JTC Overview & Scrutiny Committee
30 Nov 2021	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
14 Dec 2021	Leadership Board	Consider the decisions and any recommendations made by the JTC and JTC Overview & Scrutiny Committee
16 December 2021	JTC Overview & Scrutiny Committee	Consider updated budget proposals as part of consultation process (if necessary)
18 January 2022	JTC	Approve Transport Revenue Budget and Transport Levies
25 January 2022	NTCA Cabinet Meeting	Formally agree to issue the Transport Levy to NTCA constituent authorities
1 February 2022	Leadership Board	Leadership Board formally issue levy agreed by JTC in January. Formal agreement of non-Transport budgets and contributions
15 February 2022	Levy letters issued to constituent authorities	Date by which Transport levies must be issued in line with the Transport Levying Bodies Regulations

Date: 20 July 2021

Subject: Finance Update – 2020/21 Outturn and 2021/22 Forecast

Report of: Chief Finance Officer

This report provides the Leadership Board with the 2020/21 outturn for the NECA Corporate budget and an update on the forecast for 2021/22, based on the position at the end of May 2021.

The report also includes a copy of the 2020/21 outturn report and 2021/22 budget forecasts for the Transport budgets, which were considered by JTC on 13 July, 2021, and an update on the 2020/21 Final Accounts closedown.

In terms of the NECA corporate budget, expenditure for 2020/21 totalled £260,162, which represented an underspend of £5,568 compared to the revised budget, with additional supplies and services costs being more than offset by reduced expenditure on employees and service level agreements. Income received totalled £279,371, which was in excess of the revised budgeted income by £27,071 due to higher interest income received during 2020/21. The net outturn was an underspend of £19,209 which has been transferred to reserves and compares with a revised budget position of an anticipated net draw on reserves of £13,400.

At 31 March 2021 the NECA corporate reserve totalled £426k, which compares to the position at 31 March 2020 of £468k (which included £61k grants unapplied earmarked to support the Brexit work programme). This reflects a general balance and is not earmarked for specific purposes at this point in time.

For 2021/22, at this early stage in the year, expenditure is forecast to be in line with the budget agreed by the Leadership Board in February 2021.

The 2020/21 outturn and 2021/22 forecast for Transport budgets was presented to the JTC on 13 July 2021 and are appended to this report for information.

In summary, transport related expenditure for 2020/21 was within the approved revised budgets for the year in all areas. Covid-19 had a significant and ongoing impact on patronage and income on Metro and Buses, on usage of the tunnels, but these pressures were offset by the significant government support that was received to mitigate the impacts last year, though there remains uncertainty with regards to support going forward and whether and when patronage will return to pre-Covid levels. There was a circa £12m underspend against the revised transport capital programme budgets, principally relating to slippage in the delivery of the Nexus Capital programme.

The transport budgets for 2021/22 have been updated to reflect the increased scope of work required on the Enhanced Bus Partnership project, and the capital programme for the year has been updated to reflect the slippage outlined in the 2020/21 outturn and for new approvals received since the budgets were set.

Finally, the report highlights that the draft Statement of Accounts for 2020/21 was published on the NECA website on 30 June 2021. At the meeting of the NECA Audit and Standards Committee on 22 June, 2021 the external auditors Mazars advised that the audit will not begin until the end of September, with the delay being due to staffing and recruitment issues and a backlog of work. This will mean that NECA will not be able to achieve sign off of its accounts until at least November or potentially December this year.

Recommendations

The Leadership Board is recommended to note the report.

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).
- 1.2 The Leadership Board met on 2 February 2021 to agree the 2021/22 budget and the updated revised budget for 2020/21. The revised 2020/21 budget anticipated gross expenditure of circa £265,730 in year, funded from a combination of government grants, investment income 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.

	2020/21 Revised Budget	2020/21 Outturn	Variance
	£	£	£
Employees	60,240	51,568	(8,672)
Service Level Agreements	124,440	120,836	(3,604)
Independent Members Allowances	6,000	6,000	0
Supplies and Services	14,150	20,858	6,708
Other Grant Funded Activity	60,900	60,900	0
Total Expenditure	265,730	260,162	(5,568)
NECA Corporate Contributions	(91,430)	(91,428)	2
JTC Accountable Body Contributions	(70,000)	(70,000)	0
Government Grants	(60,900)	(60,900)	0
Interest Income	(30,000)	(57,043)	(27,041)
Total Income	(252,330)	(279,371)	(27,041)
Net deficit/(surplus)	13,400	(19,209)	(32,609)

- 2.2 The final outturn shows expenditure of £260,162 against the revised budget of £265,730, and income of £279,371 against the revised budget of £252,330. This results in a surplus taken to reserves of £19,209, compared to a revised budget of a £13,400 anticipated draw on reserves in year.

Employees

- 2.3 In 2020/21 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 and JTC Accountable Body budgets, and against JTC operational budgets as appropriate in line with estimated levels of activity. Expenditure to the year end was £52k compared with a revised budget of £60k, with a small underspend due to a post being vacant for part of the year.

Service Level Agreements

- 2.4 Service Level Agreements for 2020/21 were standardised and agreed by all service providers. Expenditure to the year end was £121k compared with a revised budget of £124k, with a very small underspend due to slightly lower levels of activity than forecast on NECA Corporate roles compared with other areas of activity.

Members Allowances

- 2.5 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. 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, in line with the budget.

Supplies and Services

- 2.6 NECA incurs a small amount of costs in relation to telecoms, website hosting, banking charges and professional fees, including a proportion of the external audit fee from Mazars, charges from Aon Hewitt (Pensions) and Link (Financial Instruments). Expenditure was £21k against the budget of £14k due to higher costs for the production of the IAS19 pension reports and an additional fee in relation to the 2019/20 audit.

Other Grant Funded Activity

- 2.7 As set out in previous reports, funds were allocated to support the North East Brexit Work Programme, including Trade Facilitation and Free Port work and a joint coordinating post with the North East LEP and North of Tyne Combined Authority. This was not fully claimed during 2019/20, so the 2020/21 budget included a commitment of £61k to already agreed work, which was claimed by the LEP during 2020/21. This was funded from grants received by NECA from MHCLG during 2019/20 to support its preparations for Brexit.

Local Authority Contributions

- 2.8 Contributions from the four NECA constituent authorities were £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. Contributions were received in line with the budget for the year.

Interest Income

- 2.9 NECA receives interest income on funds it holds on behalf of the JTC and its own cash balances, which are allocated to different areas of activity with a proportion retained to help fund the corporate costs of NECA. The revised budget was £30k with the outturn position totalling £57k due to higher level of cash balances being held throughout the year and slightly higher than forecast rates being received on short term investments that were placed during the previous financial year when rates were at a higher level than those currently available.

2021/22 Update

- 2.10 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 in line with the original budget with no unexpected costs having been incurred to date.

	2021/22 Original Budget	2021/22 Forecast	Expenditure to 31 May 2021
	£	£	£
Employees	61,605	61,605	5,528
Service Level Agreements	128,400	128,400	0
Independent Members Allowances	7,000	7,000	1,000
Supplies and Services	5,935	5,935	1,399
Total Expenditure	202,940	202,940	7,927
NECA Corporate Contributions	(100,000)	(100,000)	0
JTC Accountable Body Contributions	(70,000)	(70,000)	0
Interest Income	(32,940)	(32,940)	0
Total Income	(202,940)	(202,940)	0
Net deficit/(surplus)	0	0	7,927

Transport Budgets

- 2.11 NECA is the Accountable Body for the JTC. Attached at Appendix 1 is the report presented to the JTC on 13 July 2021 updating the committee on the outturn for 2020/21 and Appendix 2 shows the forecast of outturn for 2021/22 against the Transport Revenue budgets and capital programme.

- 2.12 In summary, transport related expenditure for 2020/21 was within the approved revised budgets for the year in all areas. Covid-19 had a significant and ongoing impact on patronage and income on Metro and Buses, on usage of the tunnels, but these pressures were offset by the significant government support that was received to mitigate the impacts last year, though there remains uncertainty with regards to support going forward and whether and when patronage will return to pre-Covid levels. There was a circa £12m underspend against the revised transport capital programme budgets, principally relating to slippage in the delivery of the Nexus Capital programme.
- 2.13 The transport budgets for 2021/22 have been updated to reflect the increased scope of work required on the Enhanced Bus Partnership project, and the capital programme for the year has been updated to reflect the slippage outlined in the 2020/21 outturn and for new approvals received since the budgets were set.

Statement of Accounts

- 2.14 The NECA Statement of Accounts was signed by the Chief Finance Officer and published on the NECA website on 30 June, in line with the statutory deadlines which have once again been revised this year to take account of the impact of Covid-19 on local authorities. The draft accounts and accompanying documents are available at <https://northeastca.gov.uk/accounts-and-transparency/>.
- 2.15 At the meeting of the Audit and Standards Committee on 22 June 2021 the external auditors Mazars advised that they will be unable to meet the end of September timetable for the audit due to a backlog of work, resource difficulties, the departure of staff and difficulties with recruitment and retention. They now plan to undertake the audit from late September at the earliest, with completion anticipated by the end of November. The difficulties Mazars are experiencing reflect the significant challenges in the local audit sector which has meant delays for many local authority audits with less than half of 2019/20 audits being completed by the 30 November 2020 deadline last year. This will mean that whilst NECA will not be able to achieve sign off of its accounts until at least November or potentially December this year.

NECA Reserves

- 2.16 At 31 March 2021 the NECA corporate reserve totalled £426k, which compares to the position at 31 March 2020 of £468k (which included £61k grants unapplied earmarked to support the Brexit work programme). This reflects a general balance and is not earmarked for specific purposes at this point in time.

Further reserves are held by NECA on behalf of the Joint Transport Committee. These are specifically to support JTC activity and of the balance at 31 March 2021 of £31.058m, £30.457m is earmarked for specific purposes with a general reserve of £601k.

3. Reasons for the Proposals

3.1 This report is for information.

4. Alternative Options Available

4.1 This report is for information.

5. Next Steps and Timetable for Implementation

5.1 The outturn position has been factored into the Statement of Accounts for 2020/21 and performance against the revenue budget for 2021/22 will be monitored and update reports presented to the Leadership Board during the year.

6. Potential Impact on Objectives

6.1 There are no 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.

9. Key Risks

9.1 NECA holds reserves 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. The Statement of Accounts is subject to a public inspection period which runs from 1 July to 11 August.

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 – 2020/21 Revenue Budget and Capital Programme Outturn

Appendix 2 – Report to North East Joint Transport Committee – 2021/22 Revenue Budget and Capital Programme Update

15. Background Papers

15.1 Leadership Board 2 February 2021 – Budget 2021/22 and Medium-Term Financial Strategy [Leadership-Board-2-February-2021-Agenda-Pack.pdf \(northeastca.gov.uk\)](#)

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
Eleanor.goodman@northeastca.gov.uk, 0191 433 3860

17. Sign Off

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

North East Joint Transport Committee

Agenda Item 10
- Appendix 1

Date: 13 July 2021

Subject: 2020/21 Revenue Budget and Capital Programme Outturn

Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee (JTC) with the outturn position in relation to the 2020/21 Transport Revenue Budget and Transport Capital Programme.

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

The outturn position shows that expenditure was within the revised budgets approved by the JTC. Where grants are paid to other organisations for the delivery of transport service (i.e. Durham, Northumberland and Nexus), the grant is fixed for the year but the report provides details of how the grant has been applied by each organisation to the provision of public transport services.

Durham County Council, Northumberland County Council and Nexus all reported surpluses against the grant paid from the JTC, which will be retained within their own reserves.

The Tyne Tunnels account outturn was a small surplus of £0.023m, which has been retained in the Tyne Tunnels reserves.

The Transport Strategy Unit outturn was a small underspend against the budget for the year which meant that there was a lower than budgeted use of reserves required to support expenditure in year. Additional unbudgeted income was received at the year end from Nexus to support work on local rail studies and the Bus Partnership programme. These funds will be held in reserves for use to fund expenditure in 2021/22 and future years.

The Transport capital programme encompasses a wide range of capital schemes, mainly delivered by constituent local authorities and Nexus, but also investment in the Combined Authorities' own assets, including the Tyne Tunnels.

The report identifies that total capital expenditure incurred on Transport schemes was £83.449m during 2020/21 against the revised programme budget of £95.612m, an underspend of £12.163m.

The revised capital programme included £2.725m for Tranche 1 of the Transforming Cities Fund, with outturn spend of £1.932m as a small number of schemes will now complete during 2021/22.

Tranche 2 of the Transforming Cities Fund programme totalling £198.484m was awarded to the JTC by the DfT in March 2020. £0.726m of expenditure was incurred during 2020/21, primarily on payments to support project sponsors' work on developing detailed business cases for full approval. Expenditure of £1.142m for the Nexus Metro Flow project is outlined within the sections on the Metro capital programme. This was £0.560m underspent against the revised programme budget of £1.702m due to savings on the procurement of the main contractor for the works.

Investment on electric vehicle infrastructure was supported during 2020/21 with the Go Ultra Low project now largely complete and expenditure of £0.426m incurred during the year. £0.419m was incurred on the Low Emission taxis project to deliver dedicated chargers for the taxi and private hire industry.

Expenditure in the year on the Metro Asset Renewal Plan programme totalled £20.990m against a revised programme budget of £24.635m and is within the minimum and maximum levels set for the year by the Department for Transport (DfT).

The Metro Fleet Replacement project outturn for the year was £43.689m against revised budget of £48.605m, due to a delay in the commencement of construction works at Gosforth Depot which is not expected to cause a delay in the overall programme timetable.

Expenditure on Nexus Other Capital Projects was £0.770m against the revised programme budget of £2.074m, largely due to delays to the commencement of works to refurbish the North Shields Ferry Landing.

In terms of the Tyne Pedestrian and Cycle Tunnels there is still outstanding work to complete on the commissioning of the inclined lifts to enable the operation of the tunnels to be handed over to TT2. The tunnels have been operating well during 2020/21 with access via the vertical lifts.

Most of the capital works during the year have been funded through government grants awarded (£80.603m) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels works funded by reserves (£2.846m) held specifically for this purpose.

Recommendations

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

1. Background Information

- 1.1 At its meeting held on 21 January 2020, the JTC agreed a Transport levy budget for 2020/21 of £82.800m, with regular updates, including a forecast outturn position being reported to JTC over the last twelve months. This report presents the final outturn position for the 2020/21 financial year.
- 1.2 In January 2020, the Joint Transport Committee (JTC) also approved the initial 2020/21 capital programme totalling £81.566m. The capital programme was then updated to take account of adjustments for slippage from 2019/20 and for new grant approvals made after the original capital programme was agreed, particularly in relation to Transforming Cities Fund Tranche 2 – which was reported at the meeting in July. The programme was subsequently updated in reports to the JTC in October, November 2020 and January 2021.

2. Proposals

2.1 Transport Revenue Budget Summary

The table below summarises the outturn position against the net Transport Levy budget (i.e. the net cost to the JTC after external income) for 2020/21. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grant were applied by each organisation to the provision of public transport services is set out in more detail in the following sections. Expenditure on the Retained Transport Levy budget was below the revised budget with a variance of £0.084m due to lower financing charges on historic debt inherited from the Tyne and Wear Integrated Transport Authority.

Table 1: Transport Levy Budget 2020/21

	Original Budget	Revised Budget	Outturn	Variance
	£m	£m	£m	£m
Total Transport Levies				
Grant to Durham	15.456	15.456	15.456	0.000
Grant to Northumberland	6.224	6.224	6.224	0.000
Grant to Nexus	59.000	59.000	59.000	0.000
Retained Transport Levy Budget	2.120	2.120	2.036	(0.084)
NET	82.800	82.800	82.716	(0.084)
Contribution (to)/from JTC reserves	0.000	0.000	(0.084)	(0.084)

Durham

2.2 The following table provides a detailed breakdown of expenditure for Durham:

Table 2: Durham County Council

	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Concessionary Fares	11.932	11.932	11.680	(0.252)
Subsidised Services	2.556	2.564	2.479	(0.085)
Bus Stations	0.177	0.159	0.178	0.019
Bus Shelters	0.019	0.082	0.115	0.033
Passenger Transport Information	0.088	0.061	0.102	0.041
Staffing	0.684	0.685	0.668	(0.017)
Share of JTC Transport Costs	0.010	0.010	0.010	0.000
Net Expenditure	15.466	15.493	15.232	(0.261)
JTC Levy	(15.466)	(15.466)	(15.466)	0.000
(Surplus) / Deficit for the year	0.000	0.027	(0.234)	(0.261)

2.3 Expenditure for Durham County Council was £0.261m below the revised budget for the year, which represents an underspend against the transport grant of £0.234m. This was mainly due to savings on Concessionary Fares arising from a change in government guidance from January 2021 which allowed reimbursement to be reduced by an equivalent to the reduction in services operated by bus companies during the third national lockdown.

Subsidised Services were £0.085m under budget relating to minor variances across the bus network. Bus Shelters were £0.033m over budget due to additional repairs to and provision of bus shelters in County Durham. Expenditure on Passenger Transport Information was £0.041m over budget relating to additional expenditure on IT services.

The underspend against the levy grant will be retained by Durham County Council reserves.

Northumberland

2.4 The following table provides a detailed breakdown of expenditure in Northumberland:

Table 3: Northumberland County Council

	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Concessionary Fares	4.812	4.772	4.618	(0.154)
Subsidised Services	1.230	1.230	1.170	(0.060)
Bus Services	0.024	0.024	0.036	0.012
Passenger Transport Information	0.025	0.025	0.00	(0.025)
Staffing	0.133	0.133	0.133	0.000
Share of JTC Transport Costs	0.010	0.010	0.010	0.000
Net Expenditure	6.234	6.194	5.967	(0.227)
JTC Levy	(6.234)	(6.234)	(6.234)	0.000
(Surplus) / Deficit for the year	0.000	(0.040)	(0.267)	(0.227)

2.5 The outturn position was £0.227m underspent against the revised budget, primarily relating to underspends on both Concessionary Fares and Subsidised Bus Services. Following the Covid-19 outbreak the majority of supported services within Northumberland continued to operate, albeit for the most part at a reduced frequency. The Council continued to pay operators at full contracted prices with the exception of some seasonal services that had been due to commence from 5 April 2020 when these services were suspended until the resolution of the Covid-19 crisis or at such point when it was deemed fit to resume. Some of these services have now commenced operating. 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.

2.6 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 9:30am 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 has continued 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.

Tyne and Wear - Nexus

2.7 In the most recent report to the JTC on 16 March 2021 (which covered the period up to 2 January 2021), the forecast outturn for the year ended 31 March 2021 was

reported as a deficit of £0.170m before taxation. Since that date, due to changes in government legislation regarding Concessionary Travel payments to commercial operators, along with savings in support services this position has improved. The final outturn position for the financial year is a surplus of £2.318m.

2.8 Usable reserves reduced by £0.520m year on year as £2.838m was used to finance capital expenditure during 2020/21 not funded by government grant, as set out in the capital report at section 2.38.

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

Table 4: Nexus Outturn 2020/21

	2020/21 Budget	2020/21 Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m
ENCTS & Discretionary CT	38.536	37.041	(1.495)
Metro	3.299	3.299	-
Bus Services	12.602	12.348	(0.254)
Other	4.563	4.094	(0.469)
Total Requirement	59.000	56.782	(2.218)
NEMOL adjustments	-	(0.100)	(0.100)
Levy/NECA grant	(59.000)	(59.000)	-
Surplus before capital adjustments	-	(2.318)	(2.318)

2.10 As previously reported the Covid-19 pandemic has significantly impacted the financial position of Nexus. The outturn includes £35.150m of emergency government funding, which represents 66% of the original fare and commercial revenue budget for Nexus for 2020/21.

2.11 **English National Concessionary Travel Scheme (ENCTS) and Discretionary Concessionary Travel (CT)**

The under spend across both statutory and discretionary elements of the CT budget is a net saving of £1.495m.

In line with Government guidance Nexus reimbursed bus operators in respect of Concessionary fares at pre-Covid budgeted levels to 6 January 2021 and due to a change in government guidance, at an average of 80% of pre-Covid budgeted levels during national lockdown 3 (based on the level of service being operated by the bus companies during the period through to early April). The saving generated by reducing payments from this date in 2020/21 was £1.037m.

Of the £33.708m statutory ENCTS payments made over the year, it is estimated that £21.326m, or 63%, is effectively an overpayment for which Nexus placed reliance on Public Procurement Notices issued by the Cabinet Office and more latterly, a Statutory Instrument that was laid before parliament in March 2021.

The remaining savings of £0.458m are due to higher than budgeted income of £0.115m and £0.343m of savings across support services.

2.12 **Metro**

Over the course of the financial year the Covid-19 pandemic had a significant adverse effect on patronage and Metro fare revenue. Metro fares and commercial revenue was £15.652m, which is £33.895m less than budget. Whilst Government (DfT) had previously committed up to £38.000m of LRRRG for 2020/21 Metro's fare and commercial revenue losses have averaged at 68% as opposed to the forecast at the beginning of the pandemic (which was just below 80%).

Metro also attracted £0.316m in Coronavirus Job Retention Support funding from Government for a limited number of furloughed staff.

Additional costs amounting to £1.046m attributable to Covid-19 e.g. PPE, deep cleaning, additional signage etc have been more than offset by savings which mostly relate to a reduction in traction energy.

At the year end, the call on the Tyne and Wear transport levy for Metro services remained at £3.299m.

2.13 **Bus Services**

Bus commercial revenue was £0.822m, which was £1.335m less than budget (62% down).

Additional secured services costs in relation to the Covid-19 pandemic are £0.400m and includes £0.136m for additional services to the Nightingale vaccination centre. The costs have been partially offset by cost savings of £0.317m in relation to support services.

The overall net losses for bus services was £1.418m which was 100% funded from LACBSSG.

The Department of Education confirmed that the region will receive £5.5m of grant funding to provide additional bus and special needs services to allow for social distancing. Nexus costs in respect of additional scholars' services provided to the end of the financial year are £1.358m and will be met in full from this grant.

The take up of the taxi card scheme has been significantly lower this year which has resulted in an overall cost saving to Nexus of £0.254m. This has not been factored into the determination of LACBSSG as it does not form part of the secured bus services budget.

2.14 **Other**

Other includes Ferry, Local Rail, Bus Information and Passenger Transport Information.

Other revenue losses for the year total £0.469m, comprising £0.270m of lost Ferry income, £0.091m of revenue in relation to replacement Metro passes and £0.136m

of lost retail sales commission. These losses have been claimed from MHCLG. The funding is calculated on a percentage basis and it is anticipated to cover £0.308m (62%) of such losses.

The £0.188m net loss in other income has been offset by savings of £0.656m across a wide range of headings, the majority of which relates to indirect overheads/support services.

The combined outturn position for all other service areas is a surplus of £0.468m.

2.15 North East Metro Operations Limited (NEMOL)

At entity level, NEMOL has made a small surplus of £0.100m which is due to the release of Research and Development tax credits for prior years of £0.070m and the release of an unused provision of £0.030m relating to 2019/20.

NEMOL has effectively been wound up because it no longer employs any staff and its pension deficit has transferred to Stadler Rail Services (in regards active employees) and Nexus (in regards deferred pensioners and pensioners in payment).

Tyne Tunnels

2.16 The Tyne Tunnels are operated as a ringfenced 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 public funding. The outturn position for the year is in line with the updated position reported to the March 2021 JTC meeting and shows the payment of support to TT2 for the introduction of the Tyne Pass Scheme which will be repaid with interest by TT2 over the life of the concession to 2037. Details are set out in the table below:

2.17 *Table 5: Tyne Tunnels Revenue Account*

	2020/21 Original budget	2020/21 Revised budget	2020/21 Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Tolls Income	(28.441)	(18.714)	(20.443)	(1.729)
TT2 Contract Payment	21.653	11.900	12.717	0.817
TT2 Advance (Tyne Pass)	0.000	6.670	6.670	0.000
Employees	0.062	0.069	0.069	0.000
Historic Pension Costs	0.053	0.050	0.050	0.000
Premises	0.000	0.015	0.001	(0.014)
Support Services	0.100	0.113	0.189	0.076
Supplies and Services	0.045	0.042	0.047	0.005
Financing Charges	6.816	6.815	7.668	0.853

Interest/Misc. Income	(0.050)	(0.050)	(0.081)	(0.031)
Repayment from former TWITA reserves	(0.240)	(0.240)	(0.240)	0.000
(Surplus)/Deficit on Tyne Tunnels account	(0.002)	6.670	6.647	(0.023)

2.18 Major variances against the revised budget are accounted for as follows:

- (i) Tolls income recovered more strongly during the early months of 2021 than previously anticipated when the revised budget for the year was prepared. There has been a corresponding overspend against the revised budget for contract payments to TT2, which are determined with reference to traffic levels and which are offset by additional tolls income.
- (ii) Overall traffic levels for the 2020/21 were significantly below normal levels, dropping to as low as 30% of normal levels during March and April 2020, the lowest level of traffic seen during the life of the TT2 contract. During the summer months of 2020 traffic increased and by the end of August was almost 85% of normal levels. However local Covid-19 restrictions put in place from mid-September onwards saw usage levels drop off again. Traffic during the November national lockdown was 73% of normal levels. During the early months of 2021 traffic dropped again to 65% under the January national lockdown restrictions and has remained around 70-75% of normal levels during March.
- (iii) Higher than budgeted financing charges are shown in the outturn, due to a Voluntary Additional Revenue Provision for the repayment of debt being made during the year.

2.19 The final outturn position was a small surplus of £0.023m which has been taken to reserves.

Transport Strategy Unit (TSU)

2.20 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 Plan, coordinating and preparing bids for external funding, providing input to the LEP's strategies and plans on transport, maintaining a project pipeline and assurance framework, preparing responses to transport consultations and policy-making opportunities by government and other external agencies, providing input into Transport for the North (TfN) pan-Northern policies and plans and managing relationships with other authorities (whether local, combined, national or sub-national) with whom the JTC may share a common interest.

2.21 The TSU is funded through a top slice of the Local Transport Plan (LTP) Integrated Transport Block grant which is awarded to the JTC plus contributions from the

Transport Levies which are retained to support JTC activity centrally and external contributions to fund specific posts and activities. A series of studies looking at the feasibility of various local rail expansion proposals was commenced by Nexus in early 2020. The lead responsibility for these studies has now transferred to Transport North East (TNE), contracts have been novated to facilitate this and the budget established by Nexus has been transferred to TNE to fund completion of this work (£0.754m in 2020/21 and £1.187m in 2021/22), and will be held in reserves to fund expenditure in future years. A further contribution £0.500m has been made by Nexus to support work on the development of the bus partnership which will be held in reserves and will reduce contributions required from Tyne and Wear councils to support this work during 2021/22.

2.22 The outturn for the year shows expenditure of £15.070m against a revised budget of £16.850m. This includes payments of Covid-19 grants to local authorities which were lower than the budget by £1.647m resulting from lower than originally anticipated costs claimed by the local authorities and Nexus on supported bus services (reimbursed by LACBSSG grant from DfT) and Home to School transport (reimbursed by grant from DfE). Any unused grants have been rolled forward to be used in the 2021/22 financial year or returned to the relevant awarding body where not required.

2.23 The outturn position is summarised in the table below:

Table 6: Transport Strategy Unit

	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Gross Expenditure				
Employees	0.721	0.684	0.694	0.010
Transport Plan and Strategy Work	0.050	0.108	0.074	(0.034)
TSU Research and Development	0.120	0.091	0.059	(0.032)
TSU Travel and Miscellaneous	0.016	0.003	0.009	0.006
TSU IT / Equipment / Accommodation	0.010	0.019	0.017	(0.002)
TSU Contingency	0.010	0.000	0.000	0.000
Go Ultra Low – Revenue	0.000	0.156	0.079	(0.077)
TCF Tranche 1 and Tranche 2 Programme Management	0.000	0.194	0.262	0.068
Covid –19 grants	0.000	15.515	13.868	(1.647)
Bus Covid Recovery Project	0.000	0.080	0.008	(0.072)
Total Expenditure	0.927	16.850	15.070	(1.780)

	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Gross Income				
LTP funding - TSU	(0.500)	(0.500)	(0.500)	0.000
LGF funding - TSU	(0.095)	(0.056)	(0.025)	0.031
Retained Transport Levy	(0.129)	(0.129)	(0.129)	0.000
External funding for specific posts	(0.148)	(0.168)	(0.165)	0.003
ERDF grant – Go Ultra Low – Revenue	0.000	(0.156)	(0.079)	0.077
TCF Grant income	0.000	(0.194)	(0.262)	(0.068)
Covid-19 grants	0.000	(15.515)	(13.868)	1.647
Budget transfer from Nexus – Metro and Rail Studies	0.000	0.000	(0.754)	(0.754)
Budget transfer from Nexus – Bus Partnership	0.000	0.000	(0.500)	(0.500)
Total Income	(0.872)	(16.718)	(16.282)	0.436
Net	0.055	0.132	(1.212)	(1.344)
(Use of) / Transfers to Reserves				
JTC Unallocated reserve	0.000	(0.080)	(0.008)	0.072
Regional Transport Team Reserves	(0.005)	(0.002)	0.016	0.018
Go Smarter legacy funds - Other	(0.050)	(0.050)	(0.050)	0.000
Earmarked Reserve – Metro and Rail Studies	0.000	0.000	0.754	0.754
Earmarked Reserve – Bus Partnership	0.000	0.000	0.500	0.500

Transport Capital Programme 2020/21 Outturn

2.24 A summary of the Transport capital programme for 2020/21 is set out in the table below, with further details provided in the following sections.

Table 7: Transport Capital Programme Outturn 2020/21

	2020/21 Revised	2020/21 Outturn	Variance
	£m	£m	£m
Transforming Cities Fund Tranche 1	2.725	1.932	(0.793)
Transforming Cities Fund Tranche 2 (Excluding Metro Flow)	1.517	0.726	(0.791)
Go Ultra Low	0.384	0.426	0.042
Go Ultra Low Taxi Project	0.497	0.419	(0.078)
Metro Asset Renewal Plan	24.635	20.990	(3.645)
Metro Fleet Replacement	48.605	43.689	(4.916)
Nexus Other Capital Projects	2.074	0.770	(1.304)
Metro Flow	1.702	1.142	(0.560)
Tyne Tunnels	1.007	0.952	(0.055)
Local Transport Plan ¹	11.309	11.246	(0.063)
Active Travel Fund (capital elements)	1.157	1.157	0.000
Total Capital Programme	95.612	83.449	(12.163)

Transforming Cities Fund

2.25 The North East has been awarded £208m grant from the Transforming Cities Fund (TCF), of which £10m was for Tranche 1 and £198m was for Tranche 2. Within the Tranche 2 schemes, £104m is for schemes where the decision making on funding is devolved to the region, and the remaining £94m is for the Metro Flow scheme managed by Nexus, where the decision-making on the funding is retained by the Department for Transport (DfT).

2.26 Outturn expenditure on the Tranche 1 schemes, some of which saw delays due to the Covid-19 pandemic, is £1.932m against the revised programme budget of £2.725m. The majority of Tranche 1 schemes have now reached final completion. Tranche 1 funding that was initially allocated to two schemes in Newcastle has been refocused to achieve similar outcomes at different locations in the City Centre and its approaches and will complete during 2021/22.

¹ Excluding amounts for local contribution to Metro ARP, shown within Nexus capital programme lines

2.27 Following agreement from the JTC at its last meeting, funds were released to cover spend for development and design work in 2020/21 for a number of TCF Tranche 2 schemes. Outturn expenditure for these claims and programme management costs totalled £0.726m against the revised forecast of £0.249m, with the additional spend being on claims from projects for development and design work.

Go Ultra Low

2.28 The Go Ultra Low project is jointly funded through funding from Office for Low Emission Vehicles (OLEV) and European Regional Development Funding (ERDF) resources and includes the construction of one of the UK's first Electric Vehicle (EV) filling stations at West Wear Street in Sunderland city centre, along with the installation of a number of rapid charging clusters across the region.

2.29 The GULNE project ended on 30 May 2021. With the exception of one out of the eleven new Electric Vehicle hubs which has yet to be commissioned, all the project deliverables are in place including SME engagement and the Sunderland EV filling station.

2.30 Expenditure to the end of the year was £0.426m against a revised programme budget of £0.384m.

Go Ultra Low taxi project

2.31 Eight of the ten dedicated chargers for the taxi and private hire industry (funded by the Office of Zero Emission Vehicles) are now connected and operational with one available in every North East local authority. The final two chargers at sites in Newcastle and North Tyneside will be connected as soon as the sites become available.

2.32 Outturn expenditure for 2020/21 was £0.419m against a revised programme budget of £0.497m with the remaining works on the project to be completed in 2021/22.

Nexus Capital Programme

2.33 The JTC approved the Nexus Capital Programme for 2020/21 in January 2020 totalling £74.0m. The Capital Outturn for 2020/21 was £66.591m, against a revised budget of £77.006m.

Table 8: Nexus Capital Outturn 2020/21

	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	Variance
	£m	£m	£m	£m
Metro Asset Renewal Programme	23.666	24.635	20.990	(3.645)
Fleet Replacement Programme	46.086	48.605	43.689	(4.916)
Other Capital Projects	1.552	2.074	0.770	(1.304)
Metro Flow	2.658	1.702	1.142	(0.560)
	73.962	77.016	66.591	(10.425)

Metro Asset Renewal Plan (ARP)

- 2.34 The 2020/21 outturn for the Metro ARP Capital Programme is £3.645m lower than the revised budget. The difference largely resulting from delayed Track Works (Heworth to Pelaw) and reduced spend on Development Projects, curtailed as grant funding for the 2021/22 programme is now confirmed at £20.0m as opposed to the £40.0m initially approved by DfT.

Metro Fleet Replacement

- 2.35 The underspend of £4.916m against the revised budget for the Fleet Replacement Programme was due to a delay in the commencement of construction works at Gosforth Depot but importantly, at this point in time, this will not impact on the overall project delivery date.

Nexus Other Capital Projects

- 2.36 Other Capital Projects show an underspend of £1.304m. Approximately half of the underspend relates to the delayed progress on the North Shields Ferry Landing Relocation project and Covid-19 related delays to Ferry Vessel works. There is also reduced spend on both TCF funded car park projects, which will now be delivered in 2021/22.

Metro Flow

- 2.37 There was a £0.560m underspend as the cost associated with the procurement of the Metro Flow main contractor was less than anticipated.
- 2.38 The 2020/21 Nexus Capital Programme is funded by:

Table 9: Nexus Capital Programme 2020/21 - Funding

	Original Budget	Revised Budget	Actual Outturn	Variance
	£m	£m	£m	£m
Metro Rail Grant (DfT)	20.000	20.000	20.000	0.000
Metro Rail Grant (DfT) b/fwd into 2019/20	0.000	(0.396)	(0.396)	0.000
Metro Rail Grant (DfT) b/fwd 21/22	0.000	4.000	4.000	0.000
Fleet Replacement Grant (DfT)	29.800	29.800	35.800	6.000
Transforming Cities Grant (DfT)	3.221	2.190	1.225	(0.965)
LTP Grant	2.299	2.299	2.980	0.681
LEP Grant	0.000	0.504	0.141	(0.363)
Fleet Reserves	16.286	16.583	2.372	(14.211)
NESTI	0.000	0.030	0.030	0.000
Nexus Reserves	2.356	0.975	0.439	(0.536)
Over Programming	0.000	1.031	0.000	(1.031)
	73.962	77.016	66.591	(10.425)

2.39 Highlights of the Capital Programme in 2020/21 include:

- Felling to Heworth track renewal works
- Continuation of the Overhead Line Replacement project, which included the renewal of central corridor infrastructure in 2020/21
- Renewal of track circuits
- Continuation of Platform Compliance Works
- Opening of the Nexus Learning Centre in South Shields
- Opening of the Benton Square maintenance facility
- Completion of the procurement for the main contractor works to the Metro Flow project and contract award to Buckingham Group
- Completion and opening of the Howdon Satellite Depot facility
- Commencement of the replacement Gosforth Depot project. Clearing the site for the new facility and partial demolition of the existing depot
- Continuation of the Fleet Replacement Programme with initial design phase achieved and work towards the final design milestone almost complete
- Driver cab mockup delivered and consultation largely complete. Saloon consultation also largely completed.

Tyne Tunnels

2.40 It was anticipated at the time of setting the 2020/21 budget that the works would be fully completed, and the Tyne Pedestrian and Cycle Tunnels would be handed over to the operation of TT2 in year. However, due to further contractor delays related to Covid-19 travel restrictions, the new inclined lifts have not yet been completed and put into operation during 2020 as planned.

2.41 Until the lifts are operational the Tunnels cannot be handed back to TT2 and will continue to incur costs if they are to remain open to the public. Costs including onsite security, maintenance contracts, cleaning and utilities are being incurred. There is also further expenditure required on lift parts, engineers and testers to complete the inclined lifts. An update report on the refurbishment and the inclined lift works was provided to JTC Audit Committee in December 2020 and regular updates on the works are being taken to the Tyne and Wear Sub Committee.

2.42 Outturn capital expenditure for the year was £0.952m against a revised programme budget of £1.007m. In line with approval given at the last JTC meeting, capital works were funded from temporary grant funding provided by the North East LEP, to enable them to maximise usage of their Local Growth Fund grant in year. Payment will be made of the equivalent amount from the Tyne Tunnels reserves in 2021/22, in line with the original funding approval for the scheme.

Local Transport Plan

2.43 Local Transport Plan (LTP) Integrated Transport Block funding is made available by the DfT to the whole JTC area. This block is allocated between the JTC constituent authorities on a locally agreed basis with an allocation to Nexus (mainly used to provide the match funding needed for the Metro ARP capital programme). The LTP

block allocation is also used to contribute to the costs of the Transport Strategy Unit and, in Tyne and Wear, to the Urban Traffic Management and Control (UTMC) centre. Expenditure to the year end (excluding amounts paid to Nexus which are reported within the Metro ARP capital programme) was £11.246m against the programme of £11.309m.

Active Travel Fund (ATF) (Capital Elements)

- 2.44 The region successfully secured £2.262m of the ATF in July 2020, which was made up of £1.157m capital grant and £1.105m revenue grant, for temporary measures to reallocate road space to pedestrians and cyclists in order to make these travel modes safer and more convenient. The capital grants were paid to JTC constituent local authorities in full during 2020/21.

Capital Programme Financing

- 2.45 Capital expenditure for the year has been financed as follows:

Table 10: Financing of Capital Expenditure 2020/21

	2020/21 Revised Programme	2020/21 Outturn	Variance
	£m	£m	£m
Government Grants	77.047	80.603	3.556
Borrowing	0.000	0.000	0.000
Earmarked Reserves	18.565	2.846	(15.719)
Total Funding	95.612	83.449	(12.163)

3. Reasons for the Proposals

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

4. Alternative Options Available

- 4.1 This report is for information.

5. Next Steps and Timetable for Implementation

- 5.1 The impact of the outturn position has been reflected in the revised forecasts for 2021/22 which are the subject of a separate report elsewhere on this agenda.

6. Potential Impact on Objectives

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

7. Financial and Other Resources Implications

7.1 The financial implications are set out in detail within the body of the report. The report is for information and provides the Joint Transport Committee with a summary of outturn expenditure budget and capital programme approved in January 2020 and revised in January 2021. There are no financial decisions arising from this report.

8. Legal Implications

8.1 There are no specific legal implications arising from this report which is for information.

9. Key Risks

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

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 Revenue Budget for 2020/21 was subject to a period of consultation and engagement as part of the approval process. Detailed budget proposals are subject to consultation as appropriate, which is organised by the relevant delivery body.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 None

15. Background Papers

15.1 JTC Revenue Budget report January 2020 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 21/01/2020 14:00 \(northeastca.gov.uk\)](#)

JTC Revenue Budget report January 2021 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 19/01/2021 14:30 \(northeastca.gov.uk\)](#)

JTC Capital Programme report January 2020 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 21/01/2020 14:00 \(northeastca.gov.uk\)](#)

JTC Capital Programme report January 2021 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 19/01/2021 14:30 \(northeastca.gov.uk\)](#)

16. Contact Officers

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17. Sign off

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

18. Glossary

DfE – Department for Education

DfT – Department for Transport

ENCTS – English National Concessionary Travel Scheme

JTC – Joint Transport Committee

LRRRG – Light Rail Revenue Restart Grant

MHCLG – Ministry of Housing, Communities and Local Government

TWITA – Tyne and Wear Integrated Transport Authority

North East Joint Transport Committee

Agenda Item 10
- Appendix 2

Date: 13 July 2021

Subject: 2021/22 Revenue Budget and Capital Programme Update

Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee with the forecast of outturn for the 2021/22 Transport Revenue and Capital Budget, based on the position as at the period ending 31 May 2021 and factoring in the outturn position for 2020/21.

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

Any under or overspends 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.

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

For Nexus, the 2021/22 budget was set using pre-Covid service levels on the basis that government support would continue in the form of Local Rail Revenue Restart Grant (LRRRG) and Local Authority Coronavirus Bus Services Support Grant (LACBSSG). As a result of social distancing restrictions continuing, it is estimated that further government support of £3.800m will be required in addition to the £21.944m budgeted for 2021/22. Continued support beyond 19 July is still subject to discussion with government officials and HM Treasury approval.

The forecast for the Transport Strategy Unit is an increase in expenditure compared with the original budget as a result of the Enhanced Bus Partnerships and Active Travel initiatives and a continuance of grants to authorities due to Covid-19 restrictions.

Traffic at the Tyne Tunnels reduced significantly in the period from mid-March 2020 onwards before recovering as the year progressed but continues to be below normal levels. 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.

This report also provides the Joint Transport Committee with details of the 2021/22 capital programme plans, together with expenditure and forecasts of the outturn position based on the position at the end of May 2021. Included in the revised budgets is the impact of the 2020/21 outturn position where a number of schemes underspent last year and for which the budget has been reprofiled into the current year.

The report identifies that total capital expenditure on Transport schemes of £168.241m is forecast against the revised programme budget of £162.337m, an outturn forecast overspend of £5.904m. The revised programme also takes into account new grant approvals. Expenditure to the end of May 2021 totalled £22.479m – 13% of the forecast total capital expenditure for the year.

The Transport capital programme encompasses a wide range of capital schemes, mainly delivered by constituent local authorities and Nexus, but also investment in the Combined Authorities' own assets, including the Tyne Tunnels.

Most of the capital works during the year will be funded through government grants awarded (£147.055m forecast) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels works funded by reserves (£21.186m forecast) held specifically for this purpose.

Recommendations

The North East Joint Transport Committee is recommended to:

- i. Note the report.
- ii. Agree the extension of the Metro and Local Rail Extensions studies budget period for a further two years to 31 March 2024, to be funded by the budget transferred from Nexus as set out in section 2.30-2.33.
- iii. Agree the £0.300m increase in the budget for the Tyne Pedestrian and Cycle Tunnels refurbishment project as set out in section 3.36.

1. Background Information

- 1.1 The JTC meeting held on 19 January 2021 agreed a Transport net revenue budget for 2021/22 of £82.895m and a Transport net capital budget of £152.674m. This report presents an update against the original budget with the forecast prepared based on the position at 31 May 2021.

2. Forecast of Revenue Outturn 2021/22 – Period to 31 May 2021

Transport Revenue Budget

- 2.1 The table below summarises the forecast outturn position against the net Transport Revenue budget for 2021/22. 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 1: Transport Revenue Forecast of Outturn 2021/22 to 31 May 2021

	2021/22 Original Budget	Spend to date 31 May 21	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Total Transport Levies				
Grant to Durham	15.457	2.579	15.457	0.000
Grant to Northumberland	6.318	1.053	6.318	0.000
Grant to Nexus	57.813	9.636	57.813	0.000
Nexus contribution to Metro Futures Planning Studies budget (2021/22 only)	1.187	0.198	1.187	0.000
Retained Transport levy budget (to meet central costs)	2.120	0.530	2.120	0.000
Net	82.895	13.996	82.895	0.000
Contribution (to)/from NECA Reserves	0.000	0.000	0.000	0.000

- 2.2 Durham County Council, Nexus and Northumberland County Council continue 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 using the scheme was significantly reduced due to the introduction of the Government's lockdown policy in response to the Covid-19 outbreak. Transport Authorities continue 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.

Durham

- 2.2 The budget for public transport activity in Durham for 2021/22 is £15.467m compared to £15.466m for 2020/21. The 2021/22 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.

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

Table 2: Durham Transport Forecast of Outturn 2021/22 to 31 May 2021

	2021/22 Original Budget	Spend to Date (to 31 May 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Concessionary Fares	11.932	1.329	11.932	0.000
Subsidised Services	2.556	0.908	2.556	0.000
Bus Stations	0.177	0.717	0.177	0.000
Bus Shelters	0.019	0.115	0.019	0.000
Passenger Transport Information	0.088	0.028	0.088	0.000
Staffing	0.685	0.114	0.685	0.000
Share of JTC Transport Costs	0.010	0.000	0.010	0.000
Net Expenditure	15.467	3.211	15.467	0.000

- 2.4 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 at this time. Further guidance is awaited from the Department for Transport on ongoing payments to operators at pre-pandemic levels and if any post Covid-19 recovery funding will be made available to both operators and local transport authorities.

Northumberland

- 2.5 The budget for public transport activity in Northumberland for 2021/22 is £6.328m compared to £6.224m for 2020/21. 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 3: Northumberland Transport Forecast of Outturn 2021/22 to 31 May 2021

	2021/22 Original Budget	Spend to Date (to 31 May 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Concessionary Fares	4.902	0.323	4.902	0.000
Subsidised Services	1.231	0.255	1.231	0.000
Bus Stations	0.026	(0.001)	0.026	0.000
Passenger Transport Information	0.025	0.000	0.025	0.000
Staffing	0.134	0.022	0.134	0.000
Share of NECA Transport Costs	0.010	0.000	0.010	0.000
Total Grant	6.328	0.599	6.328	0.000

- 2.6 The forecast outturn position for 2021/22 is uncertain at this stage as further guidance is awaited from the Department for Transport on ongoing payments to operators at pre-pandemic levels and if any post Covid-19 recovery funding will be made available to both operators and local transport authorities.

Nexus

Budget 2021/22

- 2.7 The 2021/22 budget was set using pre-Covid service levels on the basis that government support would continue in the form of LRRRG and LACBSSG. The budget includes £21.944m of Covid support with the remaining shortfall between income and expenditure of £2.680m being funded from Nexus reserves.
- 2.8 At the time of budget setting, it was assumed that social distancing would end by 1 April 2021. However due to continued Covid restrictions and the end of social distancing delayed until 19 July 2021, all things being equal, it is estimated that further government support of £3.800m will be required in addition to the £21.944m budgeted for 2021/22, taking the total Covid support to £25.744m.
- 2.9 Continued support beyond 19 July is still subject to discussion with government officials and HM Treasury approval and a further update will be provided within the next revenue monitoring report.

Period 2 Revenue Monitoring 2021/22

- 2.10 Metro revenue to the end of P2 is £3.817m which is a reduction of £0.388m (9%) against budget. In percentage terms, this denotes a loss against pre-Covid expected revenues on Metro of 52% cumulatively to the end of May.
- 2.11 In addition, there was a shortfall in investment income of £0.020m and other Covid related costs of £0.068m to the end of P2.

- 2.12 This brings the total LRRRG required to support Metro to £4.493m which is £0.476m higher than the budget of £4.017m.

Concessionary Travel

- 2.13 In line with government supplementary guidance, Nexus reimbursed bus companies for concessionary fares during 'National Lockdown 3' based on the number of services operating rather than at budgeted levels. This has provided a saving of £0.192m to date. Nexus is also considering whether, in the context of operators not restoring services to 100% of pre-Covid levels, further savings in this budget are possible.

Bus Services

- 2.14 Bus commercial revenue to the end of P2 is £0.355m which is £0.134m higher against budget. This is a significantly stronger than expected recovery for fare revenue and is 90% of pre-Covid revenue levels.
- 2.15 The bus shuttle service continues to run to the Nightingale vaccination centre in the Sunderland area. The costs to the end of period 2 are £0.078m and as this service is a direct result of Covid-19 the costs will be claimed from LACBSSG.
- 2.16 In addition, costs of £0.258m have been added to the claim on behalf of small operators who do not have access to LACBSSG funding.
- 2.17 This brings the total LACBSSG required to support Bus Services to £0.395m which is £0.202m higher than the budget of £0.193m
- 2.18 Additional scholar's services for the summer term (April to July) are estimated as costing £0.851m. This is currently based on duplicate services continuing for the full summer term to take account of social distancing. The costs of the additional scholar's services require 100% funding from the Department for Education, without which they cannot continue to be provided unless savings from elsewhere can be found.

Other

- 2.19 Ferry revenue to the end of period 2 is £0.041m which is £0.006m higher than budget but remains £0.017m (29%) lower than pre-Covid levels. We expect £0.011m of these losses to be funded by MHCLG, subject to the scheme continuing this current financial year.

Summary

- 2.20 To the end of Period 2, all of Metro's Covid related losses have been met by DfT grant. The same position applies to Secured bus services and a small saving of £0.192m has accrued in connection with concessionary fares reimbursement.

Table 4: Nexus Forecast of Outturn 2021/22

	2021/22 Original Budget	Spend to date (to P2)	2021/22 Forecast Outturn at P2	2021/22 Forecast Variance
	£m	£m	£m	£m
Concessionary Travel	38.604	6.048	38.412	(0.192)
Subsidised Bus Services	14.833	5.000	14.833	0
Metro	24.103	2.825	27.903	3.800
Other	4.897	0.824	4.897	0
Projected Covid-19 support	(21.944)	(9.345)	(25.744)	(3.800)
Transport Levy Grant	(57.813)	(5.125)	(57.813)	0
	2.680	0.227	2.488	(0.192)
Reserves	(2.860)	(0.227)	(2.488)	0.192

Retained Levy

- 2.21 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
- 2.22 Expenditure for the year is currently forecast to be in line with the budget of £2.120m with no significant variances.

Table 5: Retained Levy Revenue Forecast of Outturn 2021/22 to 31 May 2021

	2021/22 Original Budget	Spend to date (to 31 May 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Support Services/Staffing	0.151	0.005	0.151	0.000
Administration and Governance	0.232	0.036	0.232	0.000
Financing Charges	1.737	0.240	1.737	0.000
Total Expenditure	2.120	0.281	2.120	0.000
Contribution from Levies	(2.120)	(0.281)	(2.120)	0.000
Contribution (to)/from Reserves	0.000	0.000	0.000	0.000

Tyne Tunnels Revenue Account

- 2.23 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.
- 2.24 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.
- 2.25 Covid-19 effects continued throughout 2020 and into 2021 as traffic numbers were affected by lockdown measures. Traffic during the second lockdown was approximately 65-75% of normal expected traffic. Currently traffic in May 2021 was up to 90% of normal activity but this still shows a shortfall in toll income. Whilst there have been significant effects on traffic and toll income, all the financial risk has been borne by TT2 Ltd, the concessionaire and operator of the tunnels.
- 2.26 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.
- 2.27 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 6: Tyne Tunnels Revenue Forecast of Outturn 2021/22 to 31 May 2021

	2021/22 Original Budget	Spend to date (to 31 May 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Tolls Income	(30.004)	(4.861)	(29.795)	0.209
TT2 Contract	21.707	2.997	21.498	(0.209)
Employees	0.093	0.011	0.093	0.000
Pensions	0.054	0.008	0.054	0.000
Premises	0.021	0.000	0.021	0.000
Support Services	0.129	0.000	0.129	0.000
Supplies & Services	0.095	0.021	0.095	0.000

	2021/22 Original Budget	Spend to date (to 31 May 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
Financing Charges	8.195	0.000	8.195	0.000
Interest /Other Income	(0.050)	(0.008)	(0.050)	0.000
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000
(Surplus) /Deficit on Tyne Tunnels revenue account	0.000	(2.072)	0.000	0.000

The North East Transport Strategy Unit

2.28 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.

2.29 In addition to the significant current activity of developing the Transport Plan and related delivery programmes, other major policy developments include the development of a new bus enhanced partnership 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. There are also significant funding opportunities for well-developed bids along with a need for strong delivery programme management.

2.30 Forecast expenditure for the Transport Strategy Unit in 2021/22 is estimated to be £9.394m compared with the original budget of £2.660m, primarily as a result of the additional costs of the Enhanced Bus Partnerships scheme (£1.517m), Covid-19 costs due to the extension of restrictions (£2.738m) and additional Active Travel funding from the government (£2.477m).

2.31 Expenditure has been delayed due to the COVID-19 pandemic and will now take place during the financial year. Funding from 2020/21 which was not used has been carried forward to the current year.

Metro and Local Rail Studies

- 2.32 A series of studies looking at the feasibility of various local rail expansion proposals was commenced by Nexus in early 2020, with a total budget agreed by the JTC of £2.4m. The work was planned to run until 31 March 2022. The lead responsibility for these studies has now transferred to Transport North East (TNE), contracts have been novated to facilitate this and the remaining budget established by Nexus has been transferred to TNE to fund completion of this work (£0.754m transferred in 2020/21, £1.187m transferred in 2021/22).
- 2.33 The Covid-19 pandemic impacted on the delivery programme as resources were channelled to dealing with the consequences on both Metro and Heavy Rail services. Preparation of the 'Restoring Your Railways' (RYP) bids and the pursuit of an umbrella business case for Leamside have drawn resources away from the management of the Extension programme. Similarly, the starting of drafting work on the North East Rail and Metro Strategy has also used the same resource initially identified for the extensions work. Staff turnover including TUPE transfers from Nexus to NECA has also held up progress at certain points.
- 2.34 If successful with one, two or three of the RYP bids, work will need to be procured to develop the business case(s) to a level acceptable for submission during the current year. Should the bids not be successful the region may wish to pursue the strategic outline business case development independently.
- 2.35 It is therefore recommended that the period for the use of the funding transferred be extended from 31 March 2022 to 31 March 2024 to deliver the remaining studies and any further work that may arise from the North East Rail and Metro Strategy.

Table 7: TSU Revenue Forecast of Outturn 2021/22 to 31 May 2021

	2021/22 Original Budget	Spend to date (to 31 May 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Gross Expenditure				
Employee costs - Managing Director Transport North East and TSU	0.758	0.133	0.758	0.000
Transport Plan and Strategy Work	0.070	0.000	0.070	0.000
TSU Research and Development	0.100	0.002	0.100	0.000
TSU Travel and Miscellaneous	0.013	0.000	0.013	0.000
TSU IT / Equipment / Accommodation	0.001	0.000	0.001	0.000
TSU Contingency	0.010	0.000	0.010	0.000
Go Ultra Low – Revenue	0.000	0.002	0.002	0.002
TCF Tranche programme management	0.361	0.012	0.361	0.000
Covid-19 grants	0.000	1.400	2.738	2.738
Active Travel Planning	0.000	0.000	2.477	2.477

	2021/22 Original Budget	Spend to date (31 May 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Metro Futures Planning Studies	1.187	0.010	1.316	0.129
Enhanced Bus Service Partnership	0.160	0.015	1.677	1.517
Total Expenditure	2.660	1.574	9.523	6.863
Gross Income				
LTP funding - TSU	(0.500)	(0.083)	(0.500)	0.000
Retained Transport Levy	(0.187)	(0.038)	(0.187)	0.000
External funding for specific posts	(0.216)	(0.031)	(0.216)	0.000
ERDF grant - Go Ultra Low - Revenue	(0.000)	(0.002)	(0.002)	(0.002)
TCF Tranche income	(0.361)	(0.012)	(0.361)	0.000
Covid-19 grants	(0.000)	(1.400)	(2.738)	(2.738)
Government grants – other	(0.000)	(0.000)	(2.477)	(2.477)
Enhanced Bus Partnerships funding – LA's	(0.000)	(0.000)	(0.844)	(0.844)
Enhanced Bus Partnerships funding – DfT	(0.000)	(0.000)	(0.100)	(0.100)
Metro Futures Planning Studies – funded by Nexus contribution from Levy	(1.187)	(1.187)	(1.187)	(0.000)
Total Income	(2.451)	(2.753)	(8.612)	(6.161)
Net Expenditure to be funded from Reserves	0.209	(1.179)	0.911	0.702
Use of Reserves				
JTC unallocated reserves	(0.160)	0.000	(0.233)	(0.073)
Metro and Local Rail Studies reserve	0.000	0.000	(0.129)	(0.129)
Regional Transport Team reserves	(0.005)	0.000	(0.005)	(0.000)
Enhanced Bus Partnerships Funding – Nexus	0.000	0.000	(0.500)	(0.500)
Go Smarter legacy funds – Transport Plan	(0.044)	0.000	(0.044)	(0.000)

3. Capital Outturn 2021/22 – Based on Period to 31 May 2021

- 3.1 In January 2021, the JTC approved the initial 2021/22 capital programme of £152.674m. The capital programme was updated to take account of adjustments for slippage in the 2020/21 outturn and the revised budget is £162.127m.
- 3.2 A summary of the Transport capital programme for 2021/22, together with an initial forecast outturn position and details of actual expenditure to 31 May is set out in the table below, with further details provided in the sections that follow.

Table 8: Capital Forecast of Outturn 2021/22 to 31 May 2021

	2021/22 Original Budget	2021/22 Revised budget	2021/22 Initial Forecast	2021/22 Forecast Variance	Actual Expenditure to 31 May 2021
	£m	£m	£m	£m	£m
Transforming Cities Fund Tranche 1	0.248	1.046	0.931	(0.115)	0.000
Transforming Cities Fund Tranche 2 (Excluding Metro Flow)	34.735	30.180	30.180	0.000	0.001
Active Travel Fund – Tranche 2	7.239	6.977	6.977	0.000	0.000
Go Ultra-Low	0.000	0.127	0.127	0.000	0.000
Ultra-Low Emission Vehicles – Taxi Project	0.000	0.033	0.033	0.000	0.000
Metro Asset Renewal Plan	19.222	23.609	23.609	0.000	1.673
Metro Fleet Replacement	63.069	64.215	70.197	5.982	18.565
Nexus non-Metro Programme	8.252	3.379	3.379	0.000	0.145
Metro Flow	8.100	20.632	20.669	0.037	0.186
Tyne Tunnels	0.500	0.800	0.800	0.000	0.017
Local Transport Plan(1)	11.309	11.339	11.339	0.000	1.892
Total Capital Programme	152.674	162.337	168.241	5.904	22.479

(1) Excludes amounts for local contribution to Metro ARP, shown within Nexus capital programme lines

Transforming Cities Fund (TCF) – Tranche 1 and Tranche 2

- 3.3 The North East has been awarded £208m grant from the Transforming Cities Fund (TCF), of which £10m was for Tranche 1 and £198m was for Tranche 2. Within the Tranche 2 schemes, £104m is for schemes where the decision making on funding is devolved to the region, and the remaining £94m is for the Metro Flow scheme managed by Nexus, where the decision making on the funding is retained by the Department for Transport (DfT).
- 3.4 The Tranche 1 schemes, which saw delays due to the Covid-19 pandemic are progressing well. Claims for quarter 1 of 2021/22 are currently being processed. 14 of the 19 schemes have reached financial completion and it is anticipated that the remaining 5 schemes will complete by the end of 2021/22 with details set out in the table below:

Table 9: Capital Forecast of Outturn 2021/22 – TCF Tranche 1 to 31 May 2021

Theme Name	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Initial Forecast	2021/22 Forecast Variance	Actual Expenditure to 31 May 2021
	£m	£m	£m	£m	£m
Theme 1: Cycling Links to Key Employment Sites	0.000	0.125	0.052	(0.073)	0.000
Theme 2: Cycling Links to Newcastle City Centre	0.248	0.248	0.248	0.000	0.000
Theme 3: Cycling links to Sunderland City Centre	0.000	0.000	0.000	0.000	Complete
Theme 4: Public Transport Reliability Upgrades	0.000	0.274	0.237	(0.037)	0.000
Theme 5: Transport Improvements at Barras Bridge	0.000	0.359	0.359	0.000	0.000
Additional Theme 1: Bowes Railway Path Improvements	0.000	0.037	0.032	(0.005)	0.032
Additional Theme 2: Horden Rail Station Links (North)	0.000	0.000	0.000	0.000	Complete
Total	0.248	1.043	0.928	0.115	0.032

- 3.5 For the Tranche 2 schemes, regular four-weekly meetings with the scheme promoters started in November 2020 and are being used to monitor progress. These meetings have allowed the TCF team to be made aware of any risks involved with the schemes, to work with the scheme promoters to mitigate these risks and to gather up to date information to inform the Programme Board. The Transport Programme Board meet monthly to review progress on the Programme and to decide on recommendations to present to the JTC.
- 3.6 Independent reviews of Appraisal Specification Reports (ASRs) and outline Business Cases (OBCs) are well under way for the majority of schemes, however, it should be noted that some delays are being experienced due to capacity issues in the Local Authorities, particularly on highway design. These delays are not anticipated to impact negatively on the deliverability of the schemes. It is anticipated that 5 schemes will come forward for approval at the November JTC meeting. This represents £22.8m of TCF funds, which as a proportion of the overall programme

represents 11.5%. This is additional to the funding associated with Sunderland Station, which represents a further 8.2% of the overall programme.

3.7 The schemes to be delivered using the TCF Devolved Pot retain a considerable degree of over-programming (£18.150m - 8.3%) and the TCF team is working with scheme promoters to understand opportunities for how this can be managed.

3.8 One scheme (Durham Bus Station) is now in the delivery phase, with a rapid acceleration of the programme anticipated based on programmes of expenditure in OBCs or milestones for approvals in the assurance phase. Two schemes have also progressed to the next state of assurance, Newcastle Streets for People and Sunderland Station.

3.9 *Table 10: Capital Forecast of Outturn 2021/22 – TCF Tranche 2 to 31 May 2021*

TCF Tranche 2	2021/22 Revised Budget	2022/23 Revised Budget	Total Forecast Expenditure Budget
	£m	£m	£m
Devolved Programme Level	30.180	72.892	103.072
Nexus Metro Flow (reported with Nexus Capital Programme)	20.632	74.068	94.700
All Programmes	50.812	146.960	197.772

Active Travel Fund – Tranche 2

3.10 In November 2020, the North East region was allocated £9.049m of grant funding from Tranche 2 of the Active Travel Fund (ATF) (£7.239m capital and £1.810m revenue). £0.262m of the capital funding was used in 2020/21.

3.11 Funding is intended to support the delivery of ambitious new cycling and walking infrastructure schemes, forming part of the Governments £2 billion commitment set out in ‘Gear Change’ to deliver a step change in the provision of high-quality schemes that deliver better streets for everyone.

3.12 Ten Active Travel schemes across the seven Local Authorities have been allocated £6.808m from the slippage from 2020-21. The remaining £0.170m is currently unallocated, however a strategy for this is being developed which may include the introduction of new schemes if these emerge. The table below shows details of the schemes:

3.13 *Table 11: Capital Forecast of Outturn 2021/22 – ATF Tranche 2 to 31 May 2021*

Scheme Name	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Initial Forecast	2021/22 Forecast Variance	Actual Expenditure to 31 May 2021
	£m	£m	£m	£m	£m
Great North Cycleway	0.000	0.520	0.520	0.000	0.000
Gateshead Town Centre	0.000	0.361	0.361	0.000	0.000
Grey Street	0.000	1.961	1.961	0.000	0.000
RVI Active Travel Access Improvements	0.000	0.825	0.825	0.000	0.000
Strategic Corridors	0.000	1.260	1.260	0.000	0.000
A183 Whitburn Road Cycleway	0.000	0.900	0.900	0.000	0.000
Waterloo Road / Renwick Road Cycle Improvements	0.000	0.269	0.269	0.000	0.000
Four Active Travel Corridors	0.000	0.432	0.432	0.000	0.000
Regional Opinion Survey	0.000	0.032	0.032	0.000	0.000
Active Travel Campaign	0.000	0.249	0.249	0.000	0.000
Unallocated	6.978	0.170	0.170	0.000	0.000
Total	6.978	6.978	6.978	0.000	0.000

Go Ultra-Low

3.14 The Go Ultra -project is jointly funded through funding from the Office for Low Emission Vehicles (OLEV) and the European Regional Development Fund (ERDF) resources and includes the construction of one of the UK's first Electric Vehicle (EV) filling stations at West Wear Street in Sunderland City Centre, along with the installation of a number of rapid charging clusters across the region.

3.15 The Go Ultra-Low North East Programme has been extended until May 2021 by the Ministry of Housing, Communities and Local Government. This extension is primarily so that the remaining EV rapid hubs can be installed as this had to be paused due to the furlough of staff as a result of the Covid-19 lockdown. Work in 2021/22 is on bring the remainder of the rapid charging clusters into operation.

Ultra-Low Emission Vehicles – Taxi Project

3.16 The North East was awarded a grant of £500,750 from the Office of Low Emission Vehicles, Ultra Low Taxi Infrastructure scheme to deliver 10 chargers dedicated to the Taxi and Private Hire trade across 9 sites. All chargers were expected to be

completed in 2020/21, however one site was delayed owing to it being inaccessible (used as a Covid testing centre). 9 charges are now live. The final charger will be completed in this financial year.

3.17 Forecast Capital expenditure to 31 March 2022 is £0.033m.

Nexus Capital Programme

3.18 The JTC approved Nexus' Capital Programme for 2021/22 to 2023/24 in January 2021. The programme was approved at £98.643m and is sub-divided into the following sections:

- i. Metro Asset Renewal Programme (MARP)
- ii. Fleet Replacement Programme (FRP)
- iii. Other Capital Project (OCP); and
- iv. Metro Flow (MFL)

Total Nexus Capital Programme Summary

3.19 Nexus' revised capital programme for 2021/22 provides for gross expenditure of £111.835m. The main reasons for the increase are as follows:

- £9.9m net slippage from the 2020/21 programme
 - £3.6m relates to the MARP where a number of development projects were deferred as a result of the reduction in grant funding in 2021/22;
 - £4.9m relates to the FRP although it should be recognised that the programme was keeping to time and to budget at the end of 2020/21;
 - The remainder relates to MFL and other TCF projects.
- £1.2m net increase in existing project budgets and/or additional projects:
 - The increase (£0.9m) in is mainly in respect of platform compliance works at various Metro stations, necessary to accommodate the new fleet;
 - Additional projects include urgent repairs to the rail tamping machine and new software for back office systems;
- £2.0m net acceleration of projects originally planned for 2022/23:
 - £12.0m has been added to the programme in connection with MFL, necessary to accommodate the payment milestones now that the principal contractor has been appointed;
 - £5.7m in connection with the north ferry landing relocation has slipped into 2022/23 because of delays with the development of this project;
 - £3.9m in connection with the FRP has slipped into 2021/22

At the end of period 2 the total programme spend was £20.569m, against the budgeted spend of £21.916m.

3.20 The 2021/22 forecast outturn is £117.854m against a budget of £111.835m. The £6.019m net overspend is detailed below.

Table 12: Nexus Capital Programme Forecast 2021/22

	Original Budget £m	Current Budget £m	Actual / Forecast £m	Variance £m
Cumulative to Period 2				
Metro Asset Renewal Programme		1.688	1.673	(0.015)
Fleet Replacement Programme		19.492	18.565	(0.927)
Other Capital Projects		0.518	0.145	(0.373)
Metro Flow		0.217	0.186	(0.031)
		21.916	20.569	(1.346)
Forecast Outturn				
Metro Asset Renewal Programme	19.222	23.607	23.607	0.000
Fleet Replacement Programme	63.069	64.215	70.197	5.982
Other Capital Projects	8.252	3.379	3.379	0.000
Metro Flow	8.100	20.632	20.669	0.037
	98.643	111.833	117.852	6.019

3.21 At the end of period 2, £20.656m of capital grant has been claimed from the Department for Transport (DfT). This includes both the MARP and the FRP. The actual amount claimed in total was 98.2% of forecast and therefore within DfT tolerance levels of +/- 5%.

Metro Asset Renewal Programme (MARP)

3.22 Cumulative actual spend at the end of Period 2 was £1.673m against the baseline budget of £1.688m, resulting in a small £0.015m difference.

3.23 Forecast outturn for 2021/22 is £23.607m against a baseline budget of £23.607m. In the context funding from DfT not approved beyond 2021/22, the forecast outturn continues to be under review with, in particular, the estimated cost of project delivery and risk contingencies included within the current forecast being examined further.

3.24 The May grant claim was £0.665m, compared to the forecast £0.700m and therefore within the +/- 5% DfT target.

3.25 Total grant claimed to date is £2.091m and Metro Rail Grant (MRG) capital grant of £16.000m is forecast to be received, against a minimum grant level of £16.000m.

3.26 The remaining £7.609m of forecast spend will be funded from £4.836m of local funding (LTP and Fleet Reserves), plus £1.000m Highways Challenge Fund grant for Tanners Bank. There is also over programming with a value of £1.773m within the forecast programme.

Fleet Replacement Programme (FRP)

- 3.27 Cumulative actual spend at the end of Period 2 was £18.565m against the baseline budget of £19.492m. The majority of the £0.927m underspend relates to delays in the receipt of designs for the Gosforth Depot and construction activities have been reprogrammed as a consequence. However, sub-contractors have been appointed and mobilisation of the civils contractor has been brought forward. None of these changes to programme are expected to delay the depot completion date.
- 3.28 Forecast outturn for 2021/22 is £70.197m against a baseline budget of £64.215m. The £5.982m increase in the forecast relates to the manufacture and supply of the new trains where an assessment of work in progress currently indicates that the programme is slightly ahead of schedule. All things being equal, this will require an in-year increase in the grant required from DfT, something that is being discussed with officials. It should be noted that this does not represent an increase in the total grant required for the programme which remains at £337m.

Other Capital Projects (OCP)

- 3.29 In 2021/22 Other Capital Projects have a budget of £3.379m comprising of:

Table 13: Nexus Other Capital Projects 2021/22

	Current Budget £m
Callerton Car Park	0.330
Digital Car Parking	0.992
HCE PAYG Development	0.030
Bus Contracts	0.235
PCI DSS	0.045
Drivers Sign On	0.006
Ferry North Landing Relocation	1.226
Ferry Vessels and Infrastructure	0.515
	3.379

- 3.30 Cumulative actual spend at end of period 2 was £0.145m against an expected target of £0.518m. The £0.373m underspend relates to a delay in receiving external consultancy advice in respect of the Ferry Vessels project.
- 3.31 Forecast outturn for 2021/22 remains £3.379m against an approved budget of £3.379m.

Metro Flow (MFL)

- 3.32 Cumulative actual spend at the end of Period 2 was £0.186m against an expected cumulative spend of £0.217m.
- 3.33 Forecast outturn for 2021/22 is £20.669m against a baseline budget of £20.632m, The project is expected to be 100% TCF capital grant funded in 2021/22 with funding approval expected in Summer 2021.

Tyne Tunnels Capital Programme

- 3.34 It was anticipated at the time of setting the 2021/22 budget that works would be completed by September 2021, and that the Tyne Pedestrian and Cycle Tunnels would be handed over to the operation of TT2 in year. However, due to further contractor delays related to Covid-19 travel restrictions it is anticipated that this will now be delayed until December 2021.
- 3.35 Until the works are completed, additional costs will be incurred if the Tunnels are to remain open to the public. Costs including onsite security, maintenance contracts, cleaning and utilities are being incurred. There is also further expenditure required on lift parts, engineers and testers to complete the inclined lifts. Regular updates on the works will continue to be provided to the Tyne & Wear Sub Committee from July onwards.
- 3.36 An increase in the budget of up to £0.300m is requested to enable completion of the inclined lifts and all works to enable handover to TT2. This will be funded from the Tyne Tunnels reserve which totalled £9.222m at 31 March 2021. Should the additional amount required reduce following negotiations with contractors, the requirement from the Tunnels reserve will be reduced. Capital expenditure to 31 May is £0.017m. Forecast capital expenditure to the year-end is expected to be up to £0.800m compared with the original budget of £0.500m.

Local Transport Plan

- 3.37 Local Transport Plan (LTP) Integrated Transport Block funding is made available by the DfT to the whole JTC area. This block is allocated between the JTC constituent authorities on a locally agreed basis with an allocation to Nexus (mainly used to provide the match funding needed for the Metro ARP capital programme. The LTP block allocation is also used to contribute to the costs of the Transport Strategy Unit (TSU) and, in Tyne and Wear, to the Urban Traffic Management and Control (UTMC) centre. Quarter one payments have been made to the authorities following receipt of the grant from DfT and expenditure to 31 May 2021 is £1.892m.
- 3.38 The table below sets out the proposed allocation of the grant awarded to the JTC. The contributions to the Transport Strategy Unit and the UTMC have not been changed since the amounts previously agreed by the JTC.

Table 14: Capital Forecast of Outturn 2021/22 – LTP to 31 May 2021

	2021/22 Gross Allocation	2021/22 Topslice for TSU & UTMC	2021/22 Net Allocation	Actual Expenditure to 31 May 2021
	£m	£m	£m	£m
Durham	2.811	(0.063)	2.748	0.640
Gateshead	1.339	(0.142)	1.197	0.193
Newcastle	1.662	(0.178)	1.485	0.238
North Tyneside	1.097	(0.142)	0.955	0.132
Northumberland	1.708	(0.063)	1.646	0.365
South Tyneside	0.849	(0.121)	0.728	0.091
Sunderland	1.618	(0.172)	1.447	0.233
Nexus / Public Transport Allocation	2.973	(0.063)	2.910	0.000
Total	14.057	(0.944)	13.116	1.892
Nexus ARP	2.718			
Total excluding Nexus ARP	11.339			

Overall Capital Programme Financing

3.39 Forecast Capital Expenditure for the year will be financed as follows:

Table 15: Capital Programme Financing 2021/22

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Revised Forecast	2021/22 Variance Revised Forecast vs Revised Budget
	£m	£m	£m	£m
Government grants	147.174	147.133	147.055	(0.078)
Earmarked Reserves	5.500	15.204	21.186	5.982
Total Funding	152.674	162.337	162.241	5.904

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 Performance against the revenue budget for 2021/22 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 2021/22 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 Appendix 1: Nexus Capital Programme 2021/22

16. Background Papers

16.1 Joint Transport Committee Budget 2021/22 – report to 19 January 2021 meeting.

17. Contact Officers

17.1 Eleanor Goodman, Finance Manager, eleanor.goodman@northeastca.gov.uk,
0191 433 3860

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

Appendix 1: Nexus Capital Programme 2021/22

Metro Asset Renewal Programme

	Original Budget £m	Current Budget £m	Actual / Forecast £m	Variance £m
Cumulative to Period 2		1.688	1.673	(0.015)
Outturn				
Civils	1.150	1.369	1.369	0.000
Permanent Way	3.550	4.126	4.126	0.000
Overhead Line	3.321	3.046	3.046	0.000
Stations	0.031	1.336	1.336	0.000
Signalling	1.850	2.605	2.605	0.000
Metro Cars (Old)	3.223	3.223	3.223	0.000
Programme Management & Risk Contingency	2.910	2.826	2.826	0.000
Comms, Plant, Power, Mechanical & Electrical etc.	1.605	2.800	2.800	0.000
Business Applications	0.233	0.774	0.774	0.000
IT Infrastructure/Hardware	1.349	1.502	1.502	0.000
	19.222	23.607	23.607	0.000
Funded by:				
Metro Rail Grant (DfT)	20.000	20.000	20.000	0.000
Metro Rail Grant (DfT) b/fwd into 2020/21	(4.000)	(4.000)	(4.000)	0.000
Metro Rail Grant (D fT) b/fwd from 2022/23				0.000
LTP Grant	2.222	2.222	2.222	0.000
Highways Challenge Fund	1.000	1.000	1.000	0.000
Fleet Reserves		2.614	2.614	0.000
Over Programming		1.771	1.771	0.000
	19.222	23.607	23.607	0.000

Fleet Replacement Programme

	Original Budget £m	Current Budget £m	Actual / Forecast £m	Variance £m
Cumulative to Period 2		19.492	18.565	(0.927)
Outturn				
MSA	25.300	25.300	31.394	6.094
DCC	30.696	31.203	31.243	0.040
Howdon Depot		0.122	0.113	(0.009)
Project Delivery	1.997	2.066	2.075	0.009
Project Contingency	5.076	5.524	5.372	(0.152)
	63.069	64.215	70.197	5.982
Funded by:				
Fleet Replacement Grant (DfT)	59.666	54.100	54.100	0.000
Fleet Reserves	3.403	10.115	16.097	5.982
				0.000
				0.000
	63.069	64.215	70.197	5.982

Other Capital Projects

	Original Budget £m	Current Budget £m	Actual / Forecast £m	Variance £m
Cumulative to Period 2		0.518	0.145	(0.373)
Outturn				
Callerton Car Park	0.876	0.330	0.330	0.000
Digital Car Park	0.506	0.992	0.992	0.000
HCE PAYG Development	0.023	0.030	0.030	0.000
Bus Contracts		0.235	0.235	0.000
PCI DSS		0.045	0.045	0.000
Drivers Sign On		0.006	0.006	0.000
Ferry North Landing Relocation	6.569	1.226	1.226	0.000
Ferry	0.278	0.515	0.515	0.000
	8.252	3.379	3.379	0.000
Funded by:				
Transforming Cities Grant (DfT)	1.382	1.322	1.322	0.000
LTP Grant	0.382	0.382	0.382	0.000
LEP Grant	5.181	0.000	0.000	0.000
Nexus Reserves	1.307	1.675	1.675	0.000
	8.252	3.379	3.379	0.000

Metro Flow

	Original Budget £m	Current Budget £m	Actual / Forecast £m	Variance £m
Cumulative to Period 2		0.217	0.186	(0.031)
Outturn				
Metro Flow	8.100	20.632	20.669	0.037
	8.100	20.632	20.669	0.037
Funded by:				
Transforming Cities Grant (DfT)	8.100	20.632	20.632	0.000
Metro Rail Grant (DfT)			0.037	0.037
	8.100	20.632	20.669	0.037

Total Nexus Capital Programme

	Original Budget £m	Current Budget £m	Actual / Forecast £m	Variance £m
Cumulative to Period 2				
Metro Asset Renewal Programme		1.688	1.673	(0.015)
Fleet Replacement Programme		19.492	18.565	(0.927)
Other Capital Projects		0.518	0.145	(0.373)
Metro Flow		0.217	0.186	(0.031)
		21.915	20.569	(1.346)
Outturn				
Metro Asset Renewal Programme	19.222	23.609	23.609	0.000
Fleet Replacement Programme	63.069	64.215	70.197	5.982
Other Capital Projects	8.252	3.379	3.379	0.000
Metro Flow	8.100	20.632	20.669	0.037
	98.643	111.835	117.854	6.019
Funded by:				
Metro Rail Grant (DfT)	20.000	20.000	20.037	0.037
Metro Rail Grant (DfT) b/fwd into 2019/20	(4.000)	(4.000)	(4.000)	0.000
Metro Rail Grant (DfT) b/fwd from 2021/22	0.000	0.000	0.000	0.000
Fleet Replacement Grant (DfT)	59.666	54.100	54.100	0.000
Transforming Cities Grant (DfT)	9.482	21.954	21.954	0.000
LTP Grant	2.604	2.604	2.604	0.000
LEP Grant	5.181	0.000	0.000	0.000
Fleet Reserves	3.403	12.729	18.711	5.982
Highways Challenge Fund	1.000	1.000	1.000	0.000
Nexus Reserves	1.307	1.675	1.675	0.000
Over Programming	0.000	1.773	1.773	0.000
	98.643	111.835	117.854	6.019