

## North East Joint Transport Committee

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**Date:** 17 September 2019  
**Subject:** Capital Programme Monitoring Report 2019/20  
**Report of:** Chief Finance Officer

### Executive Summary

The purpose of this report is to provide the Joint Transport Committee with details of the 2019/20 capital programme with expenditure and forecasts based on the position at the end of July / August 2019.

The report identifies that total capital expenditure on Transport schemes of £92.303m is forecast against the revised programme budget of £93.778m. The revised programme takes account of the 2018/19 outturn and new grant approvals made since the original capital programme was set in January 2019. Expenditure to date totals £20.543m.

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.

Expenditure of £5.891m is forecast on Local Growth Fund Transport schemes. Most of the Transport schemes in the programme are coming to an end now it is in its fifth year, but significant grants will be paid to Nexus for the Metro Skills Centre (£2.792m), North Tyneside Council for the A19 North Bank of Tyne (£1.232m) and Durham County Council for Horden Rail Station (£1.278m) in 2019/20.

£9.102m is forecast for the year for Tranche 1 of the Transforming Cities Fund programme. The bid for Tranche 2 funding was submitted in June 2019 and work is underway on the final bid, responding to feedback from Department for Transport (DfT), which will be submitted in November 2019.

The Go Ultra Low project continues during 2019/20 to install the rapid charging clusters, following the opening of the Electric Vehicle Filling station which became operational in April 2019. Capital expenditure of £1.083m is forecast for the year.

2019/20 is the tenth year of the Metro Asset Renewal Plan programme which runs from 2010 to 2021. Expenditure in year is forecast to be £33.036m which is within the minimum and maximum levels set for the year by the Department for Transport.

The Metro Fleet Replacement project is forecast to spend £30.200m during 2019/20 as the procurement to award the Fleet Replacement contract continues. The evaluation process to identify the successful tenderer is expected to conclude in Autumn 2019.

The Nexus non-Metro capital programme includes work to develop schemes for inclusion in the Transforming Cities Fund bid, expenditure on Digital Assets and works on the Shields Ferry, and expenditure is forecast to be £3.568m at the year end.

The Tyne Pedestrian and Cyclist Tunnels have now reopened to the public from 6am to 8pm. Completion of the inclined lift installation has been delayed and once this work is complete and the inclined lifts are fully operational, the tunnels will be open full time.

£13.949m of Local Transport Plan Integrated Transport Block grant will be received by NECA on behalf of the Joint Transport Committee, most of which will be paid to constituent authorities on a quarterly basis to support their capital programmes.

The majority of the capital works during the year will be funded through government grants, with elements of the Nexus capital programme the Tyne Pedestrian and Cyclist Tunnels works funded by grants held specifically for this purpose.

## **Recommendations**

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

## 1. Background Information

1.1 This report provides an update on the Transport capital programme for 2019/20 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements.

1.2 In January 2019, a base capital programme was agreed by the Joint Transport Committee (JTC) totalling £81.944m, including an element of over-programming, with a forecast likely outturn of £75.187m. The programme was revised following the outturn for 2018/19 and the outcome of the successful Transforming Cities Fund Tranche 1 bid announced in March 2019, and the latest approved programme now totals £93.778. Expenditure at this stage in the year totals £20.543m which is in line with expectations. The forecast outturn is estimated to be £92.303m.

## 2. Proposals

2.1 A summary of the Transport capital programme for 2019/20 is set out in the table below, with further details provided in the following sections.

	2019/20 Original	2019/20 Revised	2019/20 Forecast	Expenditure to date
	£m	£m	£m	£m
Local Growth Fund Transport Schemes <sup>1</sup>	3.784	3.445	3.116	0.739
Transforming Cities Fund Tranche 1	0.000	9.102	9.102	0.000
Go Ultra Low	0.995	1.083	1.083	0.294
Metro Asset Renewal Plan	33.987	33.987	33.036	11.976
Metro Fleet Replacement	30.200	30.200	30.200	2.034
Nexus non-Metro Programme	1.486	3.568	3.568	0.252
Tyne Tunnels	0.260	0.854	0.854	0.562
Local Transport Plan <sup>2</sup>	11.232	11.539	11.344	4.686
<b>Total Capital Programme</b>	<b>81.944</b>	<b>93.778</b>	<b>92.303</b>	<b>20.543</b>

### Local Growth Fund Transport schemes

2.2 2019/20 is the fifth year of the Local Growth Fund (LGF) programme, which covers Economic Assets, Innovation, Transport and Skills themed projects. Many of the transport

<sup>1</sup> Excluding amounts for Metro Skills Centre at South Shields, shown within Nexus capital programme lines

<sup>2</sup> Excluding amounts for local contribution to Metro ARP, shown within Nexus capital programme lines

schemes within this element of the capital programme have almost completed the drawdown of the LGF elements of their funding and the programme is therefore smaller than it has been in recent years. Expenditure to the end of July totalled £0.739m, and the forecast for the year based on the first quarterly monitoring returns from schemes totals £5.891m. This includes the following key projects:

- £2.792m forecast for the Metro Skills Centre at South Shields. This is included within the totals for the Nexus Capital Programme section at 2.11 onwards so is not included in the LGF total in the table at 2.2 to avoid double-counting..
- £1.278m forecast for payment to Durham County Council for the Horden Rail Station scheme, of a total £3.34m LGF approval. The scheme involves the construction of a new station on the Durham Coast Line to provide improved public transport access to the people and businesses of Horden and Peterlee, including the adjacent communities of East Durham. The target date for the opening of the station is summer 2020.
- £1.232m forecast for payment to North Tyneside Council for the A19 North Bank of Tyne (Swans) Stage 2 scheme which involves improvements to roundabouts and approach roads, improvements to other junctions and improved cycling and walking facilities in the area.
- Smaller payments are forecast to be made in year to other local authority schemes including the Northern Access Corridor Phase 2 and 3 (Newcastle City Council), Traffic Movements along A185/A194/A19 (The Arches) (South Tyneside Council) and A1056-A189 Weetslade Roundabout improvements (North Tyneside Council).

2.3 The LGF capital programme continues to be managed in accordance with the North East Local Enterprise Plan (North East LEP) Assurance Framework, which is subject to annual review by the North East LEP Board and updated where required to meet latest best practice guidance.

### **Transforming Cities Fund**

2.4 The Transforming Cities Fund represents a significant opportunity for the region to source capital funding for public transport and sustainable transport infrastructure. The Fund has already yielded an initial £10m allocation for the region from Tranche 1, which was announced and received in March 2019. Works are now under way to construct the schemes funded by this award.

2.5 Grant Funding Agreements for all Tranche 1 projects have now been sealed by NECA on behalf of the JTC and issued to promoters for them to seal. First claims will be submitted in October 2019, and it is expected that a large proportion of the funding will be paid to scheme promoters once these are authorised.

2.6 A second much larger bid for drawing down from the Fund will be submitted to Government in November 2019, following a draft submission in June 2019. The draft submission has been well received, and feedback has been provided by Government. Work is underway with officials from the Department for Transport (DfT) to address the points raised in this feedback. This final bid is likely to amount to some £380m of Government funding, backed by £70m of local match funding, which would deliver major investments in our urban rail, bus and sustainable transport networks across the region.

Much of this funding is likely to be devolved to the region and an assurance framework to manage delivery of the funded schemes is being developed, learning from past experience with other funds and building on the processes being put in place for the Tranche 1 schemes.

2.7 The forecast to the end of 2019/20 for Tranche 1 schemes is £9.102m (£0.898m was accrued in 2018/19) which will represent full utilisation of the grant funding.

### Go Ultra Low

2.8 The Go Ultra Low project has been the subject of previous reports to the Joint Transport Committee. The project is jointly funded through funding from Office for Low Emission Vehicles (OLEV) and European Regional Development Funding (ERDF) 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. The electric vehicle filling station in Sunderland became operational in April this year with an official opening in June, and it has been positively received. The 11 EV charging hubs which are also funded through the Go Ultra Low North East programme are being delivered through the summer and autumn 2019 are installed at strategic locations around the region.

2.9 Expenditure to the end of July 2019 was £0.294m. The project is due to complete during the 2019/20 financial year, with forecast expenditure to the year-end being £1.083m, which takes into account slippage from 2018/19.

### Nexus Capital Programme

2.10 In January 2019 the JTC approved the Nexus capital programme for 2019/20 totalling £65.673m. Following the out-turn for 2018/19 and various project approvals considered by Nexus' Senior Leadership Team, the revised programme is now £67.638. The updated summary position is as follows:

Asset Category	Approved 2019/20 Programme	Revised 2019/20 Programme	Spend to 31 August	Projected Outturn 2019/20	Reasons for Major Variations
	£m	£m	£m	£m	
<b>Metro ARP</b>					
Civils	1.079	1.365	0.937	1.476	Re-profiling from 2018/19
Permanent Way	6.441	6.965	4.646	6.297	
Overhead Line	3.651	3.018	0.941	2.808	Re-profiling to 2020/21
Stations	5.675	4.285	1.832	3.965	Re-profiling to future years
Signalling	2.897	2.961	0.499	2.448	
Metro Cars (Old)	3.410	3.197	1.178	3.415	

Programme Management & Risk Contingency	4.359	2.616	0.000	3.167	Reassessment of risks/ allocation to projects
<b>Asset Category</b>	<b>Approved 2019/20 Programme</b>	<b>Revised 2019/20 Programme</b>	<b>Spend to 31 August</b>	<b>Projected Outturn 2019/20</b>	<b>Reasons for Major Variations</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Communications, Plant, Power, Mechanical & Electrical etc.	2.013	4.337	1.017	3.648	Inclusion of Fleet Reliability Improvement Plan
Nexus Learning Centre	4.462	5.126	0.926	5.812	Re-profiling from 2018/19 and additional costs
<b>Total Metro ARP</b>	<b>33.987</b>	<b>33.870</b>	<b>11.976</b>	<b>33.036</b>	
<b>Fleet Replacement</b>	<b>30.200</b>	<b>30.200</b>	<b>2.034</b>	<b>30.200</b>	
<b>Digital Asset Renewal Programme and Other Capital Investment</b>	<b>1.486</b>	<b>3.568</b>	<b>0.252</b>	<b>3.568</b>	Re-profiling from 2018/19 and inclusion of Transforming Cities
<b>Total Nexus Capital Programme</b>	<b>65.673</b>	<b>67.638</b>	<b>14.262</b>	<b>66.804</b>	

### **Metro Asset Renewal Plan (ARP)**

- 2.11 This is the tenth year of the eleven year ARP programme. The requirement from DfT is that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2019/20 were set at £20.651m and £29.948m respectively). The 2019/20 capital budget therefore included an initial level of over-programming of 35%. The reasons for this is that it allows Nexus the ability to actively manage, schedule and deliver projects to drive efficiencies without a risk of falling below minimum expenditure levels.
- 2.12 Expenditure as at the end of August 2019 is £11.976m. This represents 58% of the £20.651m minimum expenditure level required by DfT for this financial year.
- 2.13 The latest forecast to the year end is now £33.036m; lower than budgeted, largely because of reduced expenditure forecasts in the phasing of works relating to a number of projects, including the Stations' Design projects.
- 2.14 An evaluation of remaining risks in the programme together with several options to undertake managed re-profiling of expenditure will ensure that the final outturn falls within

the DfT's prescribed funding tolerance.

2.15 At this stage any variation in expenditure against the budget that is not forecast to be incurred in the current year will be carried forward into the 2020/21 programme.

2.16 As at the end of August, the following key projects are progressing:

- Planning for the next phases of track work is underway with re-railing in the tunnels between the QEII Bridge and Gateshead Stadium planned for Autumn 2019 and full renewal between Heworth and Pelaw planned for Summer 2020.
- Construction of the Nexus Learning Centre is progressing in line with the planned completion date of March 2020. Structural sleekwork is complete and with cladding and flooring now underway.
- Repair works to the Cross Gates viaduct at South Shields were completed in July during the planned line closure for the new interchange.
- Refurbishment of the Halt Stations at Monkseaton, West Monkseaton, Cullercoats, Shiremoor, Palmersville, Benton and Longbenton is continuing. Installation of vitrified enamel (VE) and wayfinding panels is underway with new accessible hand railing to follow.
- The South Shields Interchange was successfully opened on 4 August following a 4 week closure in which the final track and signalling changes were completed.
- Railway Traffic Management System (RTMS): The supplier is continuing to progress the resolution of the remaining issues. A further software release took place on 20<sup>th</sup> July – simultaneously with the South Shields interchange system updates.
- Overhead Line Equipment Renewal: this continues with wire runs undertaken approximately every 3 weeks with other components being renewed overnight without impacting Metro Services.
- The programme to replace critical point motors with modern and more reliable equipment is underway with 7 of the planned 32 installed and operational.
- Commissioning of all 54 new multifunctional relays in the power supply system is now complete. This provides improved resilience in fault conditions.

2.17 Over the next three months, the Metro ARP cost loaded programme shows the following expenditure profile.

	<b>Year to date</b>	<b>September Forecast</b>	<b>October Forecast</b>	<b>November Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>In period spend</b>	11.97	1.70	1.99	1.98
<b>Cumulative spend</b>	11.97	13.67	15.66	17.64

2.18 Forecast expenditure for 2019/20 is funded as follows:

	<b>Approved Funding 2019/20</b>	<b>Project Funding 2019/20</b>
	<b>£m</b>	<b>£m</b>
<b>ARP</b>		
Metro Rail Grant	21.000	22.754
Local Contribution 10% - Local Transport Plan (LTP)	2.333	2.528
Over-programming	8.208	4.284
<b>Total ARP</b>	<b>31.541</b>	<b>29.566</b>
<b>Other Schemes</b>		
LGF	2.446	2.775 <sup>3</sup>
Reserves	0.000	0.695 <sup>4</sup>
<b>Total – Other Schemes</b>	<b>2.446</b>	<b>3.470</b>
<b>Total</b>	<b>33.987</b>	<b>33.036</b>

#### **Metro Fleet Replacement**

2.19 The approved budget for 2019/20 is £30.200m, with the latest forecast expenditure unchanged at £30.200m, as the procurement to award the Fleet Replacement contract continues.

2.20 Expenditure as at the end of August is £2.034m, in respect of the commencement of the contract to construct the Howdon Satellite Depot element of the Fleet Replacement project

2.21 The following table sets out how the Fleet Replacement programme for 2019/20 which will be revised to reflect the delivery programme of the successful tenderer following the conclusion of the evaluation process in Autumn 2019:

	<b>Approved Funding 2019/20</b>	<b>Projected Funding 2019/20</b>
	<b>£m</b>	<b>£m</b>
Fleet Capital Grant	21.600	21.600
Fleet Local Contribution	8.600	8.600
<b>Total</b>	<b>30.200</b>	<b>30.200</b>

<sup>3</sup> Including Re-profiling from 2018/19

<sup>4</sup> Fleet Reliability Improvement Plan

## Nexus Digital Asset Renewal Programme and Other Capital Investment

2.22 The approved budget for 2019/20 is £1.486m, with forecast expenditure of £3.568m, as set out below:

<b>Nexus Non-Metro Programme</b>	<b>Approved Budget 2019/20 £m</b>	<b>Spend to 31 August 2019/20 £m</b>	<b>Projected Outturn 2019/20 £m</b>
Transforming Cities <sup>5</sup>	0.000	0.092	1.194
Ferry Works	0.368	0.023	0.368
Digital Assets	1.118	0.113	1.415
Ticketing and Gating	0.000	0.018	0.521
North East Smart Ticketing Initiative	0.000	0.006	0.070
<b>Total Nexus Non Metro</b>	<b>1.486</b>	<b>0.252</b>	<b>3.568</b>

2.23 The Non-Metro capital spend forecast for 2019/20 indicates an overspend against the approved budget of £2.082m, as detailed below:

- Transforming Cities additional budget approval of £1.194m to progress bids to secure Transforming Cities capital grant funding. Nexus have identified and is developing three schemes: South Tyneside Metro Flow, Digital Car Parking and Follingsby/Callerton Park and Ride sites; and
- Re-profiling approved budgets from 2018/19 to 2019/20 for Digital Assets, Ticketing and Gating and North East Smart Ticketing Initiative totalling £0.888m.

2.24 Expenditure as at the end August is £0.252m, with key projects progressing as follows:

- The Transforming Cities expenditure to date relates to developing the three relevant projects to outline business case stage and submitting to the Regional Transport Team in advance of the full DfT bid submission in November 2019.
- The Ferry works require initial additional survey and minor overhaul works to the vessels. The majority of the vessel upgrades and refurbishment is planned to be undertaken following the peak summer season. This will include Pride engine mount modifications, engine overhauls, port ramp refurbishments and external corrosion rectification.
- Within the Digital Asset Renewal Programme (DARP) additional to server

<sup>5</sup> One off exceptional cost in developing bid highlighted in revenue report

infrastructure and security upgrades there are a number of significant projects due to be delivered in 2019/20. This includes a new Finance system, Bus Contracts systems and IT Telephony replacement. These projects are all currently progressing to tender stage and are due to be delivered in 2019/20.

- Within Ticketing and Gating (T&G) recent security enhancements will allow upgrades to the ticket machine, gating and back office interface which will follow further testing and sign off.
- North East Smart Ticketing Initiative (NESTI) has developed its smart card next generation app and host card emulation facility, which will allow customers to use a mobile smart phone to purchase tickets and validate travel. Work is continuing to ensure contracts are appropriate whilst also giving protection to customer personal information.

2.25 The following table sets out how the Nexus non-Metro capital programme for 2019/20 will be funded:

	<b>Approved Funding 2019/20 £m</b>	<b>Projected Funding 2019/20 £m</b>
Local Transport Plan (LTP)	0.077	0.077
Reserves	1.409	3.491
<b>Total</b>	<b>1.486</b>	<b>3.568</b>

### **Tyne Tunnels capital programme**

2.26 The Tyne Pedestrian and Cyclist Tunnels reopened to the public in August 2019 after their closure for significant refurbishment and improvement. Visitors can once again cycle or walk from one side of the River Tyne to the other and experience the unique structure which has been a key link for the people of Tyneside since 1951 and which form part of the National Cycle Network. The Tunnels will be open seven days a week from 6am to 8pm until further notice, when they will be open 24 hours a day. The restricted opening hours are the result of continued delays to the installation of the new inclined lifts. Once their installation is complete, the free-to-use Tunnels will be open 24 hours a day, 7 days a week.

2.27 Expenditure to the end of July was £0.562m, with the forecast to the year-end of £0.854m for the full completion of the project.

### **Local Transport Plan**

2.28 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 Regional Transport Team, which supports the delivery of the Local Transport Plan. Quarter 1 and 2

payments have been made to constituent authorities which total £4.686m and the forecast for the year is for the full grant available of £13.949m to be utilised.

### **Capital Programme Financing**

2.29 Forecast capital expenditure in 2018/19 will be financed as set out in the table below:

	<b>2019/20 £m</b>
Government Grants	79.358
Borrowing	0.000
Reserves	12.945
<b>Total Funding</b>	<b>92.303</b>

### **3. Reasons for the Proposals**

3.1 The information contained within this report is provided to the Committee to enable it to fulfil its function of monitoring the Transport Capital Programme.

### **4. Alternative Options Available**

4.1 The report is for information with no decision required.

### **5. Next Steps and Timetable for Implementation**

5.1 The transport capital programme will be monitored for the remainder of the financial year and the outturn position reported following the year end.

### **6. Potential Impact on Objectives**

6.1 Successful delivery of the various transport schemes and investment proposals outlined in this document will assist the JTC in declaring its objective to maximise the region's opportunities and potential.

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

### **9. Key Risks**

9.1 Risks associated with the delivery of transport schemes by the key delivery bodies are factored into the risk management processes of those organisations.

**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 capital programme for 2019/20 is comprised of previously approved schemes which have been subject to consultation before being signed off. Individual schemes (for example LGF funded schemes) are subject to consultation at a local level appropriate to the specific project.

**13. Other Impact of the Proposals**

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

**14. Appendices**

14.1 None

**15. Background Papers**

15.1 JTC report 22 January 2019 – Transport Capital Programme 2019/20

**16. Contact Officers**

16.1 Eleanor Goodman, Principal Accountant, [Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 277 7518

**17. Sign off**

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

**18. Glossary**

ARP – Asset Renewal Plan  
DfT – Department for Transport  
GUL – Go Ultra Low  
LGF – Local Growth Fund  
LTP – Local Transport Plan  
NESTI – North East Smart Ticketing Initiative  
TCF – Transforming Cities Fund