

Transport for the North Board Agenda

Date of Meeting	Wednesday 30 March 2022
Time of Meeting	11.00 am
Venue	Hilton Leeds City, Neville Street, Leeds, LS1 4BX

Filming and broadcast of the meeting

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Item No.	Agenda Item	Page
1.0	<p>Welcome & Apologies (3 mins)</p> <p>The Chair to welcome Members and the public to the meeting.</p> <p>Lead: Chair</p>	
2.0	<p>Declarations of Interest (2 mins)</p> <p>Members are required to declare any personal, prejudicial or disclosable pecuniary interest they may have relating to items on the agenda and state the nature of such interest.</p> <p>Lead: Chair</p>	
3.0	<p>Minutes of the Previous Meeting (5 mins)</p> <p>To approve the minutes of the meetings held on 25 January 2022 and 23 February 2022 (including updates on agreed matters as appropriate).</p> <p>Lead: Chair</p>	5 - 22
4.0	<p>2022/23 Budget and Business Planning (20 mins)</p> <p>To consider and approve the interim budget for 2022/23: to</p>	23 - 68

	<p>note the process for preparing the full budget for 2022/23</p> <p>Lead: Paul Kelly</p>	
5.0	<p>Integrated Rail Plan Update (20 mins)</p> <p>To consider the progress update on the IRP technical report, TfN's independent assessment of the economic impact of the IRP and an update on local contributions.</p> <p>Lead: Tim Foster</p>	69 - 76
6.0	<p>Approval of the Freight and Logistics Strategy (15 mins)</p> <p>To consider and approve the Freight and Logistics Strategy.</p> <p>Lead: Tim Foster/Lucy Hudson</p>	77 - 168
7.0	<p>A Northern Digital Mobility Strategy (15 mins)</p> <p>To consider and agree to the scope and objectives of the Northern Digital Mobility Strategy.</p> <p>Lead: Matt Smallwood</p>	169 - 190
8.0	<p>Rail North Committee Update (15 mins)</p> <p>For Board to be updated on the key discussions following the Rail North Committee on 9 March 2022.</p> <p>Lead: David Hoggarth</p>	191 - 194
9.0	<p>Electric Vehicle Charging Infrastructure (EVCI) (10 mins)</p> <p>To consider and approve TfN's EV Charging Infrastructure Framework evidence.</p> <p>Lead: Simon McGlone</p>	195 - 218
10.0	<p>Governance Report (5 mins)</p> <p>To consider the Governance report.</p> <p>Lead: Julie Openshaw</p>	219 - 222

Transport for the North Board Minutes

Meeting Date

25 January 2022

Meeting Location

Holiday Inn Manchester

Present:**Attendee**

CLlr Louise Gittins (Chair)
CLlr Phil Riley
CLlr Craig Browne
Mayor Andy Burnham

CLlr Daren Hale
CLlr Charles Edwards
CLlr Liam Robinson
CLlr Martin Gannon
CLlr Stewart Swinburn
Mayor Dan Jarvis

CLlr Heather Scott
CLlr Hans Mundry
Mayor Tracy Brabin

Local Authority

Cheshire West & Chester;
Blackburn with Darwen;
Cheshire East;
Greater Manchester Combined
Authority;
Hull;
Lancashire;
Liverpool City Region;
North East Combined Authority
North East Lincolnshire;
South Yorkshire Mayoral Combined
Authority
Tees Valley;
Warrington;
West Yorkshire Combined Authority;

Rail North Authorities Attendees

CLlr Tom Smith

Lincolnshire;

Local Enterprise Partnership (LEP) Attendees

Annette McDonald
Justin Kelly
Mark Rawstron
Mark Roberts
Peter Kennan

Cheshire & Warrington LEP
Greater Manchester LEP
Lancashire LEP
Leeds LEP
South Yorkshire Mayoral Combined
Authority
LEP

Partners in Attendance:

Nick Bisson
Ben Smith

Department for Transport
Department for Transport

Officers in Attendance:

Name	Job Title
Martin Tugwell	Chief Executive
Gary Rich	Democratic Services Officer
Iain Craven	Finance Director
Paul Kelly	Financial Controller
Tim Foster	Interim Strategy & Programme Director
Julie Openshaw	Head of Legal
Peter Molyneux	Major Roads Director
Tim Wood	Northern Powerhouse Rail Director
David Hoggarth	Strategic Rail Director

Item No:

1. Welcome & Apologies (3 mins)

1.1 The Chair welcomed Members and apologies were noted from Cllr Lynn Williams, Cllr Brookes, Cllr Little, Cllr Owen, Cllr Tucker, Mayor Driscoll, Cllr Miller, Cllr Les, Cllr Mackenzie, Cllr Waltham, Cllr Hannigan Cllr Aspden, Cllr D'Agorne and Steve Curl.

2. Declarations of Interest (2 mins)

2.1 There were no Declarations of Interest.

3. Minutes of the Previous Meeting (5 mins)

3.1 Mr Peter Kennan requested that the minutes of the previous meeting reflect the views expressed by the LEPs with regards to the IRP: in particular the concern of the business community that the IRP was a missed opportunity and support for retaining the ambition that underpins the TfN Board's preferred NPR network.

3.2 The minutes of the meeting of the Transport for the North Board held on 24 November 2021 were considered. The minutes were proposed by Mayor Jarvis and seconded by Cllr Hale.

3.3 The Chief Executive updated Members on matters arising from the previous minutes:

- The Decarbonisation Strategy and Major Roads Report were published in December and were positively received.
- TfN had been awarded an additional £336,000 in response to the opportunity to secure additional 'in-year' funding. The Chief Executive explained that this will be allocated as part of the Business Planning process.
- The first meeting of the General Purposes Committee is being organised and a meeting date will be sent out shortly.

Resolved:

That the minutes of the Transport for the North Board held on 24 November 2021 be approved as a correct record subject to the inclusion of the view and support of the LEPs for the response to the IRP.

4. TfN Appointments (10 mins)

- 4.1 Members received the report from the Chief Executive.
- 4.2 The Chair explained the process the Appointment Panel had undertaken in order to make a recommendation to the Board for the role of Chair.
- 4.3 Board Members thanked the elected Members who had sat on the Panel and the Interim Chair for their hard work and were supportive of the proposed appointment of Lord Patrick McLoughlin as the new Chair of the Board and Partnership Board. Members believed it to be the right appointment at the right time.
- 4.4 Mayor Brabin requested information detailing the steps which led from two candidates to the final preferred candidate. She also asked for the probationary objectives to be shared with Members.
- 4.5 The appointment of Lord Patrick McLoughlin was proposed by Cllr Hale and seconded by Cllr Edwards.
- 4.6 Members unanimously voted in favour of the appointment of Lord Patrick McLoughlin as the new Chair of the Transport for the North Board and Partnership Board.

Resolved:

- 1) That the Board approves the appointment of Lord McLoughlin, the Appointment Panel's recommended candidate, as the Chair of the TfN Partnership Board from 26 January 2022;
- 2) That the Board notes that in approving this candidate, Lord McLoughlin is by operation of the Sub-national Transport Body (Transport for the North) Regulations 2018 co-opted to the TfN Board;
- 3) That the Board approves the appointment of Lord McLoughlin, the Appointment Panel's recommended candidate, as the Chair of the TfN Board from 26 January 2022;
- 4) That the Board notes the formal start date for the Chair and support to be provided by TfN officers;
- 5) That the Board approves that the Vice Chairs with the support of TfN's CEO agree Lord McLoughlin's probationary objectives and monitor performance.

- 4.7 The Chief Executive informed Members that Mr. Iain Craven (the current Finance Director and S151 Officer) is leaving Transport for the North in March. He took the opportunity to thank him for all his hard work on behalf of TfN, highlighting the key role that Mr. Craven had played in establishing TfN. In addition, he expressed a personal thank you for the support he had received from Mr. Craven since joining TfN last August.

He explained that having considered the requirements of the role it was clear that the current Finance Controller Mr. Paul Kelly has the requisite experience, skills and qualifications to fulfil the role. It was on this basis that Mr. Kelly was recommended as Interim Finance Director for an initial 6 months. This arrangement would help with continuity during the transition post-IRP. Subject to the Board agreeing the recommendation, arrangements were in hand to ensure that the Financial Controller post is to be back-filled.

- 4.8 Members echoed the sentiments of the Chief Executive and thanked the Finance Director for all his help hard work and support.
- 4.9 The appointment of Mr. Paul Kelly as Interim Finance Director (S151 Officer) was proposed by Cllr Mundry and seconded by Cllr Swinburn.
- 4.10 The Board voted unanimously to appoint Mr. Paul Kelly.

Resolved:

That the Board approves the appointment of Paul Kelly, as Interim Finance Director (S151 Officer) from 17 March 2022.

5. Integrated Rail Plan (25 mins)

- 5.1 Members received the report from the Strategy and Programme Director.
- 5.2 The Chair informed Members that the Department had published the day before a document setting out the technical evidence that it had used in determining the IRP.
- 5.3 The Chief Executive highlighted to the Board that he was proposing an additional recommendation to the report that would confirm his authority to use his delegated powers to enable an orderly transition on those areas of work identified as needing to transfer to the Department for Transport. He drew the Board's attention to the fact that he would be engaging with the Department to ensure the roles and rights of staff affected by the transition are protected: this would be secured through the application of TUPE. He also highlighted that he had received a request from the Department for two secondments and that he was progressing those with a view to enabling them to happen.

- 5.4 He restated the point made at the previous meeting that the Department has been clear throughout the process that Transport for the North's role and functions as a statutory Subnational Transport Authority are not affected by the change in NPR working arrangements.
- 5.5 Before outlining the key points within the report, the Strategy and Programme Director gave Members his initial views on the technical annex released by the DfT. He explained that the information that had been provided was less detailed than had been anticipated and that TfN would be requesting the Department to confirm whether there is more technical detail that can be shared for a full assessment to take place.
- He explained that the information in the technical evidence had not taken into account the wider economic and social aspects of the investment. He advised that a more substantive assessment of the technical annex evidence would be provided to Board in March.
- 5.6 The Chair asked Members to focus their comments on the draft submission to the Transport Select Committee, a draft of which had been included in the papers and which needed to be submitted in the next couple of days. She expressed her disappointment at the lack of detail in the information that the DfT had provided and highlighted the fact that the Board's advice has always been evidence driven.
- 5.7 Members echoed the disappointment of the Chair at the lack of detail in the information that had been released by the DfT. A common concern was that decisions had been narrowly focused on costs and that wider considerations of economic, social and environmental benefits had not been taken into account: Board members observed that this seem to be a missed opportunity given the context of the forthcoming Levelling Up White Paper.
- 5.8 Members suggested a number of additions that would strengthen the submission to the Select Committee. The Board stressed the importance of focusing on the need for additional capacity, to accommodate additional demand (both passenger and freight). On this issue Cllr Hale specifically raised the importance of electrification of the lines into the ports of Hull and Immingham (global gateways for the UK) and how this would help with the decarbonisation agenda.
- 5.9 Mayor Brabin expressed concern around the potential for timetable conflict that would arise from accelerating some trains, noting that this would have implications for local stopping trains. She suggested that TfN submit a late paper to the Select Committee that underscores Members concerns: the Chief Executive assured Board members that their concerns could be picked up in the main submission.
- 5.10 Mayor Jarvis and Mr. Mark Rawstron highlighted the importance of ensuring that TfN's submission was clear in its key messages. Mayor

Jarvis highlighted the importance of continuing to provide stakeholders across the North of England with considered advice on the key issues.

Mr. Rawstron suggested that within the submission to the Select Committee there should be an Executive Summary. He also stressed the importance of the submission highlighting the cross-party support of the submission and the support of the business community. He stated that these messages need to be constantly reiterated.

- 5.11 Mayor Burnham stated that TfN should encourage the Select Committee to unpick the evidence base on which the IRP decisions had been made and restated the importance of looking at value for money in the round. He emphasised the importance of encouraging the Select Committee to consider the issues of disruption arising from the IRP proposals. He reminded the Board that they had previously raised the importance of examining the contribution of uplift in land values.
- 5.12 Cllr Edwards raised the need for clarity on the Co-sponsorship role and encouraged TfN to be proactive in setting out what it sees as being required. The Chief Executive noted that the paper started to do this and that he was continuing to push for more details so as to be able to bring it to the Board for its consideration.
- 5.13 Mr. Justin Kelly highlighted that the business community remained concerned about the IRP: in particular he highlighted the importance of seeing improved connectivity as a means of addressing the issue of productivity and being able to move people around so they can easily access their work locations.
- 5.14 The Chief Executive thanked Members for their input which he explained would be built into the presentation to the Select Committee.

On the Co-Sponsorship role, he highlighted that he had drawn to the Department's attention the Rail North Partnership model as a positive example of collaborative partnership and how this model can be built upon.

- 5.15 Mr. Peter Kennan flagged the importance of ensuring the business voice feeds into TfN's input as co-sponsor.

The Chief Executive explained that once the principles of the co-sponsorship role had been agreed by both the TfN Board and Ministers then he would look to the General Purposes Committee to consider in more detail how it would fit within TfN's governance arrangements.

Resolved:

- 1) That Board notes the progress outlined in section 3 of the report and the update on transition arrangements and implications in section 4.

- 2) That Board agrees the proposed approach to the Transport Select Committee inquiry in section 5, subject to the points raised in discussion.
- 3) That Board supports the section on co-sponsorship (section 6) including the principles outlined in Appendix 3 and the CEO's future vision for TfN (Appendix 4).

That the Board confirms that the Chief Executive has delegated authority to undertake such discussions as required to affect the orderly transition of functions activities and staff in accordance with the requirements of TUPE that arise in consequence of the changes in NPR working arrangements announced by the Department for Transport.

6. Budget and Business Planning (25 mins)

- 6.1 Members received the report of the Finance Director who highlighted the key elements of the report.
- 6.2 The Chair expressed concern that the TfN has not yet received a funding settlement and the impact that this is having on the lives of Officers.
- 6.3 The Chief Executive noted that the DfT has restated that TfN's role as a statutory body and the duties that the organisation needs to fulfil remain the same; however, the funding has not yet been allocated to reflect this commitment.

He also expressed concern as to the impact that this uncertainty is having on the ability of TfN to deliver its agreed work programme, as well as the impact it is having on the health and well-being of the staff. With this in mind he proposed an additional recommendation to the paper: namely that the Chair write to the Secretary of state requesting an urgent meeting be set up so this issue can be addressed. [A draft of the letter had been tabled prior to the meeting.]

- 6.4 Members expressed their support for the staff and their increasing concern about the impact the uncertainty was having. In addition, they flagged their concern about the potential loss of knowledge should they move on due to the lack of certainty.

Members suggested that they would raise their concerns during upcoming individual meetings with the Secretary of State.

- 6.5 Mr. Ben Smith stated that the Department understands the need for the funding situation to be resolved as soon as possible and that this has also been made clear to Ministers. He explained that the Secretary of State was keen to meet with the new Chair and understood that the issue of funding would be discussed at this meeting. He also confirmed that none of the Sub National Transport bodies had received notification of their funding: the meeting noted that unlike other STBs, TfN as a

statutory body has to set a funded budget before the end of the financial year.

Resolved:

- 1) That the current uncertainty in relation to TfN's financial position and the steps taken in mitigation be noted;
- 2) That the commencement and completion of the required TUPE process with the DfT in relation to posts funded through Transport Development fund be approved;
- 3) That the financial performance in the nine-month period to December 2021 be noted and that the Revision 3 Budget be approved;
- 4) That the current risk position be noted and the deferral of the Corporate Risk Register report until the Board meeting in June 2022 be approved.
- 5) That the Interim Chair write to the Secretary of State seeking an urgent meeting to resolve the uncertainty regarding TFN's core funding.

7. Rail Investment Planning Update (10 mins)

- 7.1 Members received the report from the Strategic Rail Director who outlined the key points in the report.
- 7.2 Members discussed a variety of issues including the East Coast Mainline, Liverpool Central station and the Skipton to Colne link.

In relation to the East Coast Mainline Mr. Peter Kennan highlighted the importance of services that are currently suspended due to Covid continuing to be treated as part of the substantive timetable. He stressed the importance of not assuming that because a service had been suspended it was necessarily of a lower value than those services kept running. He accepted that there was a need to review services overall in light of the changes in circumstances, but this needed to be based on the substantive timetable.

The Chief Executive noted that any review of the timetable needed to take into account shifts in demand that had taken place as a result of wider changes post-pandemic: it was not necessarily the case that what was had before was needed moving forward.

Resolved:

- 1) That the progress with development of the case for capacity upgrades to the East Coast Main Line, impact of the Integrated Rail Plan and pending update of the Rail Network Enhancements Pipeline be noted;
- 2) That Board supports the proposal to create a collaborative working model for development of the infrastructure for the East Coast Main Line north of York, on the same model successfully being used in Manchester including a 'Blueprint' to identify a co-ordinated long-term service and infrastructure solution to deliver the capacity and connectivity required across the North

and to advise the Department for Transport and Network Rail that this is our view;

- 3) That Board supports the need for the study identified in the IRP in relation to connectivity between Sheffield and Leeds to be taken forward at pace;

8. Rail Business Planning (10 mins)

8.1 Members received the report from the Strategic Rail Director who outlined the points in the report.

8.2 During the discussion of this item the meeting became inquorate.

8.3 Mayor Burnham expressed concern about elements of the report which he took as indicating the need for further reductions in services (compared with the base-line timetable) in subsequent financial years (years 2 and 3 of the current business planning round).

Concern was also expressed as what the requirement for workforce modernisation might mean in terms of the customer experience: both he and Members are worried about the potential for changes to impact on public confidence including the sense of safety as a result of this.

8.4 Mayor Brabin supported Mayor Burnham's comments: in doing so she flagged the strength of the rail recovery in the North post-pandemic, noting that the recovery was consistently stronger and faster than the national average.

8.5 Mr. Peter Kennan requested that the scope of the paper be made wider and that all partners involved in TfN are engaged with and not just those in the Rail North Partnership.

8.6 When looking at the need for efficiencies Cllr Robinson suggested that it was appropriate to consider the scope for reforms to the rolling stock leasing industry as an opportunity that needed to be explored. He suggested that Officers should do a piece of work on this matter. In noting the point made by Cllr Robinson the Chief Executive asked for the Board to bear in mind the current situation and the implications this has on committing to additional work in the short term.

8.7 Cllr Mundry raised the issue of lack of infrastructure investment, and in particular highlighting the importance of having a degree of certainty in the short/medium term: this would provide local partners (and potential investors) with greater confidence to plan their own investment

Resolved:

- 1) That the Board welcomes the strong recovery in rail passenger numbers in the North, noting that this is significantly higher than the national average;

- 2) That the Board supports the argument that the strength of the North's rail market should be a key consideration for Government when considering the allocation of future funding to support growth in rail patronage;
- 3) The Board welcomes the work of the Rail North Committee in supporting the Rail North Partnership through the business planning process as a means of enabling the North's priorities to be taken into account;
- 4) That officers undertake work on the way rolling stock is leased and financed with a view to identifying alternative savings the industry could make;
- 5) That Board would oppose future reductions in services and staffing levels given the service reductions already applied in the December 22 timetable and the need for a growing railway in the north to support the recovery and TfN's objectives.

9. Union Connectivity Review (15 mins)

- 9.1 Members received the report from the Strategy and Programme Director who took the report as read.
- 9.2 Mayor Burnham noted that the HS2 Phase 2B Bill had recently been deposited in Parliament and expressed his concern that the Union Connectivity Review undermines the HS2 Bill in relation to the Goldborne Link. He requested that the Chief Executive seek clarity on this issue. Cllr Edwards was in agreement on this issue and welcomed any clarity that could be obtained.

Resolved:

- 1) That Board welcomes the publication of the Union Connectivity Review;
- 2) That Board agrees to use the Strategic Transport Plan and its supporting evidence base as the basis for engaging with the Department for Transport as the Government develops its response;
- 3) That an early discussion be sought with Transport Scotland with a view to identifying how both organisations work on improving strategic connectivity;
- 4) That an early discussion be sought with Transport for Wales with a view to identifying how both organisations might build on joint working through the West and Wales partnership to improve strategic connectivity.

10. Strategic Transport Plan Policy Development (10 mins)

- 10.1 This item was deferred until the Board Consultation call on 23 February 2022.

Transport for the North Board Minutes

**23 February 2022
Virtual**

Present:

Lord Patrick McLoughlin (Chair)

Attendee

Cllr Phil Riley
Cllr Craig Browne
Cllr Louise Gittins
Cllr Keith Little
Cllr Claire Holmes
Mayor Andy Burnham

Cllr Daren Hale
Cllr Charles Edwards
Cllr Martin Gannon
Mayor Jamie Driscoll
Cllr Don Mackenzie
Cllr Heather Scott
Cllr Hans Mundry
Mayor Tracy Brabin
Cllr Andy D'Agorne

Local Authority

Blackburn with Darwen;
Cheshire East;
Cheshire West & Chester;
Cumbria;
East Riding of Yorkshire;
Greater Manchester Combined
Authority;
Hull;
Lancashire;
North East Combined Authority;
North of Tyne Combined Authority;
North Yorkshire;
Tees Valley;
Warrington;
West Yorkshire Combined Authority;
York;

Rail North Authorities Attendees

Councillor Rosemary Healy

Nottingham

Local Enterprise Partnership (LEP) Attendees

Annette McDonald
Steve Curl
Tony Kirby
Mark Rawstron
Mark Roberts
Peter Kennan

Cheshire & Warrington LEP
Cumbria LEP
Hull and East Yorkshire LEP
Lancashire LEP
Leeds LEP
Sheffield City Region LEP

Partners in Attendance:

Rob McIntosh
Nick Bisson

Network Rail
DfT

Officers in Attendance:

Name	Job Title
Lucy Jacques	Acting Head of Policy and Strategy
Martin Tugwell	Chief Executive
Dawn Madin	Director of Business Capabilities
Paul Kelly	Financial Controller
Iain Craven	Finance Director
Tim Foster	Interim Strategy & Programme Director
Julie Openshaw	Head of Legal
Tim Wood	Northern Powerhouse Rail Director
David Hoggarth	Strategic Rail Director

Item No:

1. Welcome & Apologies

- 1.1 The Chair welcomed Members to the consultation call and apologies were noted from Cllrs Swinburn, Jackson, Waltham, Hannigan, Read, Lucy Winskell, Nick Harris and Michael Bradley.

2. Declarations of Interest

- 2.1 There were no Declarations of Interest.

3. Minutes of the Previous Meeting

- 3.1 The minutes of the meeting of the Transport for the North Board held on 25 January 2022 were considered.
- 3.2 The Chief Executive updated Members on actions following the meeting. Regarding the TUPE of staff as a result of the change from co-client to co-sponsor on the NPR project, he explained that this process is under way with a transfer date for those staff being 31 March. Members were informed that this is being done in consultation with Unison and affects 16 Officers.

Resolved:

That the minutes of the Transport for the North Board held on 25 January 2022 be approved as a correct record.

4. Funding, Business Planning and Budget Update

- 4.1 Members received the paper of the Financial Controller. Before he highlighted the key points in the report to Members the Chief Executive provided an overview. Members were reminded that TfN is required to set a budget by the end of March and that this report and subsequent

discussion provides an interim step towards doing this prior to the Board meeting at the end of March.

He asked Members to focus on the recommendations in the report specifically, the objectives set out in the paper (including the annex) that will be used as part of the business planning process. He explained that the 'Golden Thread' around the outcomes and objectives remain relevant and drew the Board's attention to the Framework set out in the annex that will guide the future operating model.

Members were then provided with an update on developments following the last meeting. The Chief Executive explained that following the letter from the Interim Chair to the Secretary of State there had been 2 meetings with the Chair, himself and the Secretary of State. He then outlined the steps taken following the receipt of the funding letter on 14 February, he stated that staff were briefed the following day as well as a letter being sent to Members. Unison have also been kept informed of developments.

He highlighted that the funding settlement has had a negative impact on staff morale, impacting on the ability to deliver the work programme as well as health and wellbeing. He stressed the importance of moving forward quickly in order to provide certainty to staff as well as helping with the retention of key officers.

He explained that TfN will be a smaller organisation going forward and advised the Board that in order to protect staff, vacancies have been being managed since the summer. He also outlined the process for the reduction in the workforce explaining that staff can apply for voluntary redundancy, however there is also the likelihood that compulsory redundancy will be required, though he will try to keep this to a minimum. He further explained that he will look to retain as many staff as possible and strike a balance between this and services that the organisation will commission.

Members were informed that a draft letter to the Secretary of State has been circulated for members' consideration: this being in response to the Funding Letter.

- 4.2 The Financial Controller explained that whilst the core funding allocation for 2022/23 is not dissimilar to the 2021/22 allocation he explained that mitigations used in the current financial year in preparing the budget were no longer available.

He further explained that due to time constraints an interim budget will be tabled at the March Board and a full budget will be ready during the first quarter.

On the issue of cost control he requested that the Board approves cost control measures that will see the Chief Executive and the S151 Officer

to review new commitments in order to ensure they align with the business plan for next year.

- 4.3 Members were supportive of TfN and their staff and were keen to look at how the organisation could refocus in order to continue to represent the views of the people of the North.
- 4.4 Mayor Driscoll suggested that some SMART goals be set once the budget has been set to help improve staff morale. By setting these targets he hoped that both Officers and Members can see where progress is being made. He emphasized the fact that TfN is the voice of the united North.
- 4.5 Members discussed the use of more reserves to mitigate against reduction in staff.

The Financial Controller explained that the expected reduction in the workforce will have a financial cost which will need to be covered by reserves. He further explained that using £500k per annum from reserves for the next three years would take TfN close to the minimum reserve level it should hold. He noted that as the organisation shrinks then this smaller reserve level would be appropriate.

- 4.6 Cllr Gittins enquired about the timelines with regards to potential staffing cuts, she also asked if other ways of generating income had been explored.
- 4.7 Cllr Hale and Mayor Burnham expressed concerns about similar possible future cuts to the TfN budget in future years.

In response the Chief Executive explained that he is looking to demonstrate TfN's added value and to develop a proposition to take to the Secretary of State in the autumn which will set out how TfN can build on its role as a regional centre of excellence. He explained that the business planning process would help identify such opportunities for consideration by the Board.

The Chair agreed with Mayor Burnham and explained that he wants to work with the constituent authorities in order get certainty for the next three years.

- 4.8 The Chief Executive explained that the key is to get TfN on to a sustainable footing as an organisation within the funding envelope. He also brought to Members attention the draft letter that was circulated to Members for comment prior to the meeting. He requested that should Members have any comments that these be submitted by the end of the week.

Resolved:

- 1) That the funding position for 2022/23 and the impact that that will have on TfN's ability to undertake its intended programme of activity be noted.
- 2) That the Board approves the objectives set out in paragraphs 4.3 – 4.8 of the report as the basis for business planning.
- 3) That the Board notes the process by which TfN will proceed to a business plan and budget for 2022/23, in particular the intention to adopt an Interim Budget on 30 March.
- 4) That the Board approve the cost control measures proposed to safeguard TfN reserves until such time as the objectives for 2022/23, and the Interim Budget are approved.

5. Integrated Rail Plan Update

- 5.1 Members received the report from the Interim Strategy and Programme Director who highlighted the key elements of the report.
- 5.2 Mayor Brabin raised the issue of the Manchester to Leeds line via Bradford and requested that Members continue to make the case that this should remain a key part of the Board's ambition for the North, both for connectivity and resilience purposes.
- 5.3 Mayor Burnham looked for re-assurance that the Board's long term vision remains on the table. He highlighted that the IRP had not been prepared with the benefit of an assessment by the Government as to how it relates to the levelling up 'missions' and suggested that the Board request that a levelling up assessment be made on the Board's preferred report and the IRP.
- 5.4 Mr. Rob Macintosh stated that TfN are right to keep the long-term vision of NPR alive, whilst highlighting that the IRP is also key to unlocking annualised funding of immediate budgets for various projects: TfN continues to have a key role to play in unlocking such funding. On the issue of funding mechanism he believes that TfN and the Board should continue to explore different funding mechanisms and offered Network Rails help in facilitating this.
- 5.5 Mayor Driscoll suggested starting work on those things mentioned in the IRP in order that they don't drift.
- 5.6 Mr. Mark Rawstrone raised the issue of the economic benefits and impacts and suggested focusing on the economic benefit messaging.
- 5.7 The Chair suggested that some of the issues raised by Members be included in a follow up letter to the Transport Select Committee.

Resolved:

That Board notes the contents of the report and endorse the proposed next steps outlined in Section 4.

6. Strategic Transport Plan Policy Development

- 6.1 Members received the report of the Acting Head of Policy and Strategy who highlighted the key areas of Active Travel and Multi Modal Hubs.
- 6.2 On the issue of Active Travel Members were keen that there should be a consistent approach to Active Travel across the North on the basis that this improves the proposition for users. TfN's work is therefore helpful in enabling joint working with local authorities on this issue.
- 6.3 Mayor Burnham suggested inviting Chris Boardman to a future TfN Board meeting. He was supportive of Pan Northern Schemes but highlighted the lack of joined up thinking when works take place and encourages TfN to consider how it might help improve co-ordination between organisations such as National Highways, Network Rail, canals and Rivers Trust so to improve the provision made for active travel when undertaking major investments.

The Chief Executive suggested that a future meeting of the Partnership Board could be used to explore this issue further.

Mayor Burnham further suggested that National Highways bring schemes to the Board prior to them starting in order for local knowledge to be inputted in to them.

- 6.4 On the issue of Multi Modal Hubs Mr. Mark Rawstrone suggested that the policy should provide an opportunity to focus in on the benefits of freight in a multi modal way.
- 6.5 Mayor Burnham suggested that regional modal hubs should be included.

Resolved:

That the Board agree the draft policy position statements.

7. Governance Report

- 7.1 Members received the report from the Head of Legal Services who highlighted the key points in the report.

Resolved:

- 1) That Board supports the Calendar of Meetings set out in Appendix 1 of the report.

- 2) That Board supports, subject to ratification at the next in-person Board meeting, to allow two Members on the General Purposes Committee for the Humber region, one for the north of the Humber and one for the south of the Humber in order to mirror the position on Rail North Committee, and to delegate authority to the Monitoring Officer to make the consequential changes to the Constitution and receives nominations for the remaining seats on General Purposes Committee.

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Meeting: Transport for North Board
Subject: Budget and Business Planning 2022/23
Authors: Paul Kelly (Interim Finance Director)
Sponsor: Martin Tugwell (CEO)
Meeting Date: Wednesday 30 March 2022

1. Purpose of the Report:

1.1 This report sets out the current position with regard to Transport for the North's (TfN) funding position for 2022/23, and the consequential impacts on business planning, budgeting, and the organisation more broadly.

2. Recommendations:

2.1 **Approve** the interim budget as detailed in section 5.

2.2 **Approve** the proposed use of reserves which includes:

- £0.1m of activity slipped from 2021/22 to 2022/23
- £0.125m in quarter one 2022/23 to support operating costs. This representing 25% of the previously proposed annual allocation of £0.5m.
- cost of transition to a new structure anticipated to be incurred in the quarter.

2.3 **Note** the processes by which TfN is following to prepare the business plan and full budget for 2022/23 for consideration by the Board at its June meeting.

2.4 **Delegate authority** for the Chief Executive to initiate any time critical activity within the proposed annual budget if it falls within the annualised funding envelope of £7.1m (including 2021/22 slippage and excluding transition costs).

2.5 TfN Board notes the Outturn report included at Appendix 4.1

2.6 TfN approves the Annual Treasury Management Strategy as detailed in Appendices 4.2 and 4.3

3. Background

3.1 As reported at the CEO consultation call on 23 February, TfN received a funding allocation ("The Funding Letter") from the department on 14 February. This included:

- £6.5m Core allocation which includes an additional £0.4m to cover the DfT's estimate of the cost of TfN undertaking its new role of NPR Co-sponsor. The balance of £6.1m represents a 1.6% increase in nominal terms on current-year funding (although this will be offset by the effect of inflation year-on-year), although it is a significant shortfall on the CSR submission.
- DfT confirming that it would like TfN to continue to provide analytical support to the NPR programme. The Funding Letter sets out that TfN will be provided with an £1.5m to support the finalisation of the NPR Strategic Outline Business Case (SOBC) and wider analytical work for the next steps of the Integrated Rail Plan (IRP). This funding will secure the capability of the function and will be supplemented by external procurement to support specific work programmes requested by DfT
- Confirmation that the Rail North Partnership Grant will remain at current levels, subject to indexation and confirmation from DfT regarding any additional posts.

TfN will also continue to receive Rail Administration Grant to resource Rail North Partnership and Strategic Rail activity.

- Confirmation that DfT will fund NPR wind down costs that fall into 2022/23. This, when considered alongside the previous discussions with DfT which confirmed that the Grant Funding Agreement for 2021/22 will cover the in-year costs, means that TfN will have full cover for the costs of closing down the NPR programme.

- 3.2 In January TfN received confirmation that it had secured an in-year allocation of £336,000, although the bulk of this grant will be expended in 2022/23. This grant is to be used in support of six areas of activity, contingent on them being consistent with the TfN Business Plan.
- 3.3 TfN funding has been granted on a single-year basis. The Funding Letter states that "future years funding will be adjusted appropriately depending on TfN's performance in the coming financial year".
- 3.4 Whilst the clarity provided by the funding letter is welcomed, the timing is such that it has not been possible to conclude our budgeting and business planning processes in time for this meeting to consider.
- 3.5 As previously noted, the 40% cut to Core funding that was received in January 2021 was mitigated, with the assistance of DfT, by £1.5m of recharges into the NPR programme and by the release of £2.5m of reserves. Neither of these is now possible given the change in working arrangements post-IRP. As a consequence, and as set out in the CEO consultation call of 23 February, the full impact of the FY2021/22 funding cuts will now flow through into the organisation and require a material reduction in activity and expenditure from previous years.
- 3.6 The reduction in activity as a result of closing down the NPR programme will significantly reduce the level of activity the TfN's support services are required to manage. This will in turn reduce the level of resourcing required, notwithstanding the base level of organisational infrastructure required to deliver ongoing activity.
- 3.7 The reserve release in 2022/23 will be dependent upon the level of transition costs incurred in moving to a sustainable organisational structure. The projected retained reserve of £2.9m at 2024/25 (from £0.5m release per year for three years from a base of £4.4m) is therefore overstated to the extent of those costs
- 3.8 As noted above, the NPR grant funding agreement allows for the Q4 and final close down costs of the NPR programme to be met from TDF funding. This interpretation has been confirmed by the department. The department has also confirmed in the Funding Letter that this will include relevant costs that emerge after the year end. TUPE consultation is on-going, with 17 posts previously TDF funded posts identified to transfer to DfT. The transfer date is now confirmed as 1 April 2022.

Instead of directly TUPE transferring the TAME service, the DfT has instead identified those TAME posts supporting the evidence base for NPR and wider IRP remain within TfN and agreed a service level agreement with TfN to deliver these services for 2022/23 on their behalf. The funding for this DfT Service sits outside of the core funding as this is not a TfN service.

In summary 17 FTE posts have been directly transferred to DfT and we have 24 FTE posts ringfenced to deliver a dedicated service to DfT. Therefore, to date TfN's core people establishment has reduced by a total of 41 FTE as a direct consequence of the IRP.

DfT have confirmed that if the service is not continued beyond 2022/23, it will fund any transition costs relating to these roles.

- 3.9 The reduction in Core funding, in combination with the changes in working arrangements post publication of the IRP, requires organisation change of TfN. As identified in the CEO consultation call of 23 February this is likely to result in redundancies amongst TfN's workforce. Aligned to TfN's Security of Employment policy and a request from UNISON as reported to TfN Board previously we have opened up our Voluntary Redundancy policy on the 21 March.
- 3.10 The CEO/HR are continuing to communicate with the staff, employee forum and trade union representatives to keep them informed of progress in relation to setting the Budget and Business Planning.

4. Business Planning

- 4.1 TfN's statutory function and responsibilities remain unchanged. This serves to emphasise the importance of ensuring that TfN's top level target outcomes and objectives are grounded in its work in relation to the Strategic Transport Plan. It also emphasises the importance of ensuring the Business Plan has identifiable 'SMART' targets against which progress can be measured and which can inform future discussions with the DfT on funding.
- 4.2 The Department has indicated in the Funding Letter that it is "keen for TfN to focus on development of the revised Strategic Transport Plan for the North, and to focus activity on supporting key Departmental priorities, such as decarbonisation and helping to build local authority capability".
- 4.3 Given the continuation of TfN's statutory responsibilities, the discussion at the CEO consultation call of 23 February reaffirmed that TfN's current targeted outcomes remain relevant, and these are being used as the basis for business planning:
- Transformed economic performance
 - Improved productivity
 - Enhanced inclusivity, health, and access to opportunities for all
 - Better quality of life.
- 4.4 Similarly, the same discussion reaffirmed that the key NTC objectives adopted during last year's business planning process also remain relevant, and these are being carried forward into 2022/23:
- Championing an inclusive and sustainable North
 - Leading Strategic transport delivery
 - A long-term northern funding settlement
 - Putting Passengers first
- 4.5 Whilst the overarching Golden Thread remains consistent, the business planning work now under way needs to prioritise activities moving forward so as to place the organisation on a sustainable financial footing. For the consultation call held on 23 February the CEO set out the framework that is being used to shape the business planning work now underway.
- 4.6 Explicit to the way forward is the central role that investment in the North's transport system (both infrastructure and services) has to play. Specifically, there is a need for:
- A Strategy: an outcome focused long-term strategic plan for the development of the North's transport system, this will need to include:
 - Commissioning work to review and update the Independent Economic Review
 - Reviewing and updating the Regional Evidence Base
 - Reviewing the current Strategic Transport Plan and preparing a draft of the revised Plan.

- An Investment Programme - a prioritised programme that provides the context for the development and delivery of detailed proposals as a co-ordinated programme focused on delivering the agreed outcomes, this will need to include:
 - Using the analytical capability within TfN to work with partners to identify future investment requirements
 - Working with partners to prioritise future investment requirements and to ensure these are taken into account within the investment programmes of national bodies – e.g. National Highways, Network Rail
 - Working with Government and partners to improve the delivery of agreed priorities
 - Implementation – investing in the capacity and capability required to develop and then accelerate implementation of the Strategy and its Investment Programme, this will need to include
 - Continuing to work with DfT through the Rail North Partnership to ensure the delivery of rail services reflects the North’s priorities
 - Strengthening the working relationships with national bodies – such as National Highways, Network Rail, GBR Transition Team – using them to ensure TfN’s work on the Strategic Transport Plan is shaped by their input
 - Working with partners to identify opportunities to apply the knowledge and capabilities held by TfN in support of the delivery of agreed regional priorities.
- 4.7 In this way TfN’s work on the Strategic Transport Plan will be user centred, place-based and outcome focused.
- 4.8 It will also enable TfN continues to provide added value by being a:
- Centre of technical excellence for the North – holding and collating information and analytical tools that are available to and can support all TfN partners
 - Source of trusted information – commissioning technical work, the outputs of which are available to TfN partners, and which is then used to shape and inform debate in the North and nationally
 - Strategic thought leader:
 - Sector specific – for example freight and logistics, ev-charging infrastructure
 - Systems thinking – helping to align policy activity in the transport sector with that in digital connectivity and energy systems in order to achieve agreed strategic outcomes
 - Enabler of accelerated delivery – supporting the preparation of business cases and making the case for managing delivery as a managed programme (seeking a simplification of, and reduction in processes).
- 4.9 The transition to the new operating model will require a redesign of TfN organisation and a reduction in the overall number staff.
- 4.10 It is important that the transition to the new model is achieved quickly and that we reduce our level of our ongoing expenditure. Undue delay will mean exposing TfN to month-on-month expenditure that is in excess of our available funding and therefore risk exhausting our reserves. The timeline being pursued will ensure that TfN’s commitments and responsibilities in respect of its HR policies and procedures will be complied with.
- 4.11 The key steps and timings to deliver the business plan and budget are:
- Establish Business Plan priorities – March/April 2022
 - Seek informal steer from Board members –April 2022
 - Complete cost and resource Business Plan – April/May 2022
 - Confirm affordability of the Business Plan – April/May 2022

- Seek formal approval of 2022/23 Budget – June 2022

5. Interim Budget

- 5.1 The Business Planning process now under way is being driven by the approach outlined above consistent with the golden thread and the framework endorsed by the Board during the consultation call on 23 February. This will enable the development of a proposed reorganisation of TfN upon which consultation with the staff will take place. To the extent that this is a reduction from the current organisational structure, this process will enable the cost of the transition to be identified: e.g. notice and redundancy costs. These costs, whilst currently unknown, will need to be funded from TfN reserves.
- 5.2 This transition cost is assumed to be incurred in Q1 but, as it is intrinsically linked to the size and mix of headcount reduction (which is as yet unknown), it has not been possible to assign a budgetary value. However, it is anticipated that the reserves currently held will be sufficient to cover the transition costs.
- 5.3 Whilst work to prepare the Budget for the full year continues it is necessary for the Board to agree a Q1 interim budget in order to enable TfN to continue to operate. The total Q1 budget is £3.90m as detailed below. The programme budgets are indicative for the year and are funded by ring fenced budgets.

Budget	22/23 Q1 £m	22/23 Q2 £m	22/23 Q3 £m	22/23 Q4 £m	22/23 Total £m
Programmes:					
Northern Powerhouse Rail	0.20	0.07	0.07	0.07	0.41
NPR Analytical Support	1.42	1.41	1.41	1.41	5.66
Development projects	0.00	0.34	0.00	0.00	0.34
	1.62	1.83	1.49	1.48	6.41
Rail Operations	0.58	0.56	0.56	0.56	2.27
Operational Areas	1.71	1.42	1.42	1.46	6.00
Total	3.90	3.81	3.47	3.50	14.68

Northern Powerhouse Rail

- 5.4 The provision of £0.41m (£0.2m for Q1) represents the estimated costs associated to closing the NPR programme that would have been incurred in the year to 2022/23. It includes:
- £0.2m for accommodation costs (underwritten by the DfT) for the period to March 2023 but does not include the period to December 2023 (as per the underwrite). This will be included in the 2023/24 budget with any closure and dilapidation costs associated with the termination of the lease.
 - Estimated costs of £0.1m for the salaries and transition costs of roles that had been dedicated to the programme but were not transferred under TUPE.
 - £0.1m for contracted costs that TfN is unable to mitigate as a consequence of the transfer of the NPR programme to DfT.
 - We are currently concluding when these funds will be remitted but DfT have confirmed all costs relating to the closure of the NPR programme will be funded from TDF or reimbursed via the sponsorship team.

NPR Analytical Support

- 5.5 The total estimated budget of £5.66m (£1.42m for Q1) represents the costs associated to delivering the TAME solution to the NPR programme. It includes:
- £1.5m for staff / resource / support based costs.
 - £4.2m to deliver the externally procured services required to meet DfT specified service. At the date of writing this grant allocation had not been formally confirmed. Commitments against this estimated costs will be specified and agreed in advance for each quarter and have a confirmed funding allocation.

Development Projects

- 5.6 The total budget of £0.34m (£nil for Q1) represents the costs associated to delivering the schemes funded under a ring-fenced allocation confirmed in January 2022. These include:
- Clean mobility visions project
 - Northern hydrogen transport networks
 - Reducing the barriers to bus travel across LTA boundaries
 - Analytical support on BSIP implementation
 - Digital mobility hub pilot
 - Extension of TfN infrastructure charging project

The Business Planning process currently underway will be used to confirm that these projects remain priorities for TfN moving forward.

Rail Operations / Operational Areas / Core funded budgets

- 5.7 The core funded budgets are detailed below.

	22/23 Q1 £m
Cost breakdown:	
Salaries	1.37
Non-discretionary	0.36
Discretionary	0.12
Total	1.85

- 5.8 The salaries budget of £1.37m for quarter 1 consists of 66 roles, costed for the full three months of the quarter, as detailed below.

Budget Q1 22/23 Core Headcount	Staff £m	Int'ms £m
Major Roads	6.00	0.00
Leadership	3.00	0.00
Finance	5.00	3.00
Business Capabilities	23.00	3.00
Strategy & Policy	18.00	0.00
Strategic Rail	5.00	0.00
Total	60.00	6.00

- 5.9 Non-discretionary spend of £0.36m represents costs that will be incurred independently to business plan objectives such as office accommodation and business support costs such as licences, internal audit, insurance etc.

- 5.10 The discretionary spend currently represents anticipated slippage from 2021/22 of £0.1m and a limited budget of £0.1m for high priority commissioned professional services that support the finalised business plan objectives. This budget will meet the Q1 proportion of prioritised spend. The remaining quarters and any other discretionary spend, to the extent they are relevant, are anticipated to be funded from savings made from the restructure.

6. Funding

Funding	Q1 22/23 Budget £m
Core Grant	1.625
Development Grant	0.00
NPR Grants:	1.61
<i>Transition/closure</i>	<i>0.20</i>
<i>Analytical Support</i>	<i>0.38</i>
<i>Analytical External Contracts</i>	<i>1.04</i>
Rail Operations Grants:	0.44
<i>Esk Valley</i>	<i>0.02</i>
<i>DfT Grant</i>	<i>0.20</i>
<i>Local Contributions</i>	<i>0.16</i>
<i>Network Rail (TRU)</i>	<i>0.06</i>
Total In-Year Grant	3.68
Use of Reserves	0.222
Total Resource	3.90

- 6.1 Core funded activities would require funding of £1.85m made up of £1.63m / 25% of in year funding and £0.2m of reserves of which £0.1m represents slippage from 2021/22.
- 6.2 The NPR grants totalling £1.61m in Q1 are ring fenced grants that will be reimbursed if expenditure levels are lower than budgeted.
- 6.3 Rail operation grants are anticipated to reoccur at levels similar to previous years.
- 6.4 Transition costs incurred in moving to a sustainable organisational structure, which are as yet unknown, will be met from reserves.

7. Cost Control

- 7.1 During the Business Planning period we will continue the scrutiny of activities to ensure that where work is taken forward it is of the highest priority. This is consistent with the approach outlined during the consultation call on 23 February.
- 7.2 The organisational restructure is planned to be implemented from end of Q1 (i.e. end of June 2022). If the restructuring, or elements of it, can be implemented in advance of this date, there would be budget capacity to accelerate activities scheduled outside the quarter whilst staying within the funding envelope.

8. Future Year Budgeting

- 8.1 Once the business plan for 2022/23 has been finalised, resourced, costed and deemed affordable, a full year budget will be compiled.
- 8.2 On the assumption the full year budget can be accommodated within the core funding envelope of £7.1m (£6.5m 2022/23 in year funding, £0.5m of reserve release and £0.1m of slippage from 2021/22), to ensure will minimise delivery risk, we would seek

a delegation to initiate the adoption of this budget in advance of the June board meeting and then seek formal approval at the June board meeting.

- 8.3 As referenced above, it is envisioned that any transition costs will need to be funded from the forecast general reserve at 31 March 2022 of £4.4m. The annual budget will need to reconsider TfN's reserve strategy (taking into account the costs of transition, the appetite for year-on-year releases and the target balance at the end of the CSR period) for approval by the Board.
- 8.4 If the structural reorganisation were not implemented by 30 June 2022, significant reductions in business plan activity would need to be implemented to maintain appropriate reserves to the current year and future year's budgets.

9. Corporate Considerations:

Financial Implications

- 9.1 The financial implications are included within the report.

Resource Implications

- 9.2 As detailed above, TfN's core funding settlement and changes to working practices aligned to the IRP this have to date resulted in a core people establishment reduction of approx 41 posts FTE (circa 30%), with further workforce reductions (redundancies) considered likely to be identified through the business planning process.

Full and proper consultation will be undertaken with UNISON and affected employees in relation any required Downsizing and Redundancy programme.

Given this will be the second year of workforce reductions across the organisation (approx. 41% establishment reduction to date over the last two years) and only a one-year budget allocated this will impact on future attraction/recruitment and workforce retention levels.

We will sight members of the actual core people establishment reductions over the two year period at the end of the Business planning process.

Legal Implications

- 9.3 The legal implications are covered within this report.

Risk Management and Key Issues

- 9.4 The risk implications are included within the report.

Environmental Implications

- 9.5 There are no environmental implications.

Equality and Diversity

- 9.6 There are no equality and diversity matters.

Consultations

- 9.7 No consultation is required.

10. Appendices

- 10.1 Appendix 1 – Forecast Financial Outturn 2021/22
- 10.2 Appendix 2 – Treasury Management Strategy Cover paper
- 10.3 Appendix 3 – Treasury Management Strategy

Meeting: Transport for the North Board
Subject: Appendix 5.2: Forecast Financial Position at 2021/22 Outturn
Author: David Spilsbury, Interim Financial Controller
Sponsor: Paul Kelly, Interim Finance Director
Meeting Date: Wednesday 30 March 2022

1. Purpose of the Report:

1.1 This appendix provides a summary of the forecast financial position of TfN as at the outturn of financial year 2021/22.

2. Executive Summary:

2.1 TfN forecasts that over the course of financial year 2021/22 it will incur expenditure of £53.12m against an opening committed budget (i.e. excl. contingency) of £60.18m, representing a £7.06m underspend.

2.2 The majority of this underspend is within the NPR programme which is funded by ring-fenced TDF grant. A small element relates to core funded activities. As a result, the Core Grant reserves carried forward into 2022/23 are forecast to be £4.41m, £0.41m higher than planned in the budget.

3. Budget Summary:

3.1 TfN’s gross budget for financial year 2021/22 was £78.70m, of which £18.52m was contingency. TfN monitors financial performance against the net budget – that is, the budget excluding contingency. The net budget for 2021/22 was £60.18m.

3.2 Over the course of the year TfN has formally revised its budget three times, after quarters 1, 2 and 3 as shown in the following table.

	Base	Forecast 1	Forecast 2	Forecast 3	Outturn
	£m	£m	£m	£m	£m
Northern Powerhouse Rail	48.48	48.48	45.62	45.62	42.08
IPBA	0.89	0.89	0.86	0.86	0.86
Integrated & Smart Ticketing	1.52	1.52	1.23	1.23	1.14
Programmes Total	50.89	50.89	47.71	47.71	44.08
Rail Operations	3.16	3.19	3.10	3.04	2.99
Operational Areas	6.13	6.10	6.22	6.27	6.05
Net total (excl contingency)	60.18	60.18	57.03	57.02	53.12
Contingency	18.52	4.09	0.00	0.00	0.00
Total	78.70	64.27	57.03	57.02	53.12

3.3 TfN is constituted, and is required to function, as a standalone statutory entity. As members will be aware, TfN has no revenue raising powers, and is almost entirely funded by grants from DfT. Prior to the funding letter that was received on 14 February 2022, TfN experienced significant uncertainty about its funding for the 2022/23 budget year, which limited the ability to plan and commit expenditure that could impact upon the year ahead. This impacted particularly on core funded activity, where TfN has maintained a regime of cost control which reined back on commitments that ran into next year. In addition, a vacancy management process has been in place with c.18% of TfN posts being vacant by the end of the year.

3.4 The estimated net outturn of £53.12m is a shortfall of £7.06m compared to the original budget. This was driven by underspend in programme areas: NPR

(£6.40m), IST (£0.38m) and IBPA (£0.03m). There was also an underspend in Rail Operations (£0.17m). Underspend in Operational Areas was minimised through a budget virement process, reallocating underspends, and savings to fund new opportunities identified as supportive of the business plan. Marginal underspend (£0.08m) is due to activity already underway where completion has slipped into the beginning of the next financial year.

- 3.5 Only minor changes occurred between Revisions 2 and 3. The further gross reduction of £3.90m between the Revision 3 and forecast Outturn of £53.12m was largely driven by NPR where there was a £3.54m reduction as work was delayed by the uncertainty and then transfer of the programme to DfT. The remaining £0.36m underspend arose in Operational Areas (£0.22m), IST (£0.09m) and Rail Operations (£0.05m).
- 3.6 Changes to expenditure forecasts affect TfN's funding position. In most cases, where TfN underspends against its budget its funding position is simply corrected by drawing down on less government grant. However, when underspend was due to be funded from TfN's Core Grant underspend will flow through to reserves. These reserves are then available for future deployment, being matched against slipped activity or deployed to meet anticipated shortfalls between core expenditure (net of recharge to programmes) and funding allocations.

4.0 Periods 1-11 Financial Performance

- 4.1 TfN's financial performance up to the end of February, measured against the Revised Budget 3 year to date, is detailed below:

	Actuals	Revision 3 YTD	Variance	Variance
	£m	£m	£m	%
Northern Powerhouse Rail	36.34	36.46	(0.12)	(0%)
IPBA	0.85	0.85	0.00	0%
Integrated & Smart Ticketing	1.13	1.15	(0.02)	(2%)
Programmes	38.32	38.46	(0.14)	(0%)
Rail Operations	2.68	2.67	0.01	0%
Operational Areas	5.45	5.59	(0.14)	(3%)
	46.45	46.72	(0.27)	(1%)

- 4.2 Over the year to-date a range of issues have been evident, including:
- Underspend on the NPR programme connected to the Integrated Rail Plan.
 - Throughout the year savings in core funded activities have been redeployed to deliver new activities supportive of the business plan.
 - The delayed notification of 2022/23 funding and the challenges posed by the allocation has led to some activity being paused.

5.0 Forecast Financial Position to Outturn

- 5.1 TfN forecasts that it will incur expenditure totalling £53.12m to the end of the financial year 2021/22 as shown in the following table.

	Outturn	Base	Variance	Variance
	£m	£m	£m	%
Northern Powerhouse Rail	42.08	48.48	(6.40)	(13%)
IPBA	0.86	0.89	(0.03)	(3%)
Integrated & Smart Ticketing	1.14	1.52	(0.38)	(25%)
	44.08	50.89	(6.81)	(13%)
Rail Operations	2.99	3.16	(0.17)	(5%)
Operational Areas	6.05	6.13	(0.08)	(1%)
Total	53.12	60.18	(7.06)	(12%)

- 5.2 Set against the opening base net budget, exclusive of contingency, this represents an underspend of £7.06m.

Integrated and Smart Ticketing Programme

5.3

Integrated & Smart Ticketing	Outturn £m	Base £m	Variance £m	Variance %
Phase 1	0.29	0.48	(0.19)	(40%)
Phase 2	0.14	0.20	(0.06)	(30%)
Programme costs	0.71	0.84	(0.13)	(15%)
	1.14	1.52	(0.38)	(25%)

- 5.4 To meet the costs relating to the closure of the programme, the IST budget was £1.52m. The forecast outturn is £1.14m, generating a saving of £0.38m. This was a ring-fenced budget and will be repaid to DfT post year end.

NPR Programme

5.5

Northern Powerhouse Rail	Outturn £m	Base £m	Variance £m	Variance %
Rail Studies	25.37	27.60	(2.23)	(8%)
Programme Development	7.77	11.85	(4.07)	(34%)
Modelling & Economic Appraisal	3.24	3.20	0.04	1%
Programme Support	5.70	5.83	(0.13)	(2%)
	42.08	48.48	(6.40)	(13%)

- 5.6 The NPR Programme started the year with a total allocation of £67.00m, which included a base budget of £48.48m, supplemented with additional uncommitted contingency of £18.52m, to respond to emerging priorities post IRP publication. The outturn forecast indicates that the programme will incur total expenditure of £42.08m, generating an underspend of £6.40m against base budget, with no use of the contingency envelope.
- 5.7 Delays to the publication of the IRP, initially anticipated in the first quarter of the financial year, have had an impact on the run-rate of the programme throughout the year, generating underspends against the base budget. A lack of clarity on the timing and content of the IRP, led TfN to maintain the committed budget at Revision 1, reducing the contingency envelope.
- 5.8 At Revision 2, the base budget was reduced to reflect accumulated underspends in the first half of the year and releasing the remaining contingency envelope.
- 5.9 Following the publication of the IRP, new NPR governance arrangements were announced, which will see the closure of the NPR programme within TfN. The NPR budget was maintained between revision 2 and 3 allowing for capacity to absorb any additional costs that may be incurred because of the programme closure.
- 5.10 The forecast outturn position of £42.08m reflects agreed remit on the programme to the end of the financial year. Residual programme closure costs likely to be incurred in the next financial year continue to be discussed with the department and are included in the 2022/23 interim budget.
- 5.11 TfN has continued to communicate revised NPR forecasts to DfT through quarterly funding letters allowing surplus funding to be redeployed at the Department's discretion in-year.

Investment Programme Benefits Analysis

- 5.12 The IPBA programme is expected to complete below the original budget, reflecting a partial saving on the allocated contingency.

Rail Operations

	Outturn	Base	Variance	Variance
Rail Operations	£m	£m	£m	%
Strategic Rail Team	1.72	1.80	(0.08)	(4%)
Rail North Partnership Team	1.27	1.36	(0.09)	(6%)
	2.99	3.16	(0.17)	(5%)

5.14 The reduced outturn position in Rail Operations results from vacancy savings. A small number of roles have remained vacant for a large part of the year due to funding uncertainties, the saving partially offset by use of contractor resource.

Operational Areas

	Outturn	Base	Variance	Variance
Operational Areas	£m	£m	£m	%
Leadership	0.30	0.31	(0.01)	(3%)
Finance & Business Systems	0.88	1.01	(0.13)	(13%)
Business Capabilities	2.88	3.09	(0.21)	(7%)
Programme Management Office	0.14	0.14	0.00	0%
Strategy & Policy	2.50	2.36	0.14	6%
Major Roads	0.89	0.76	0.13	17%
Total Expenditure	7.59	7.67	(0.08)	(1%)
Costs apportioned to NPR	(1.54)	(1.54)	0.00	0%
Net Expenditure	6.05	6.13	(0.08)	(1%)

5.16 TfN's core operations areas cover the back, front, and middle office teams familiar to any public body. They include the teams that allow TfN to discharge on its statutory obligations in relation to good governance and the sound-stewardship of public funds, along with the policy and strategy teams that help shape TfN's activity and its commitment to evidence-based decision making, and the communications and engagement teams that allow TfN to speak with one voice on behalf of the North.

5.17 The opening base budget for these teams stood at £7.67m gross, £6.13m net for the year after the apportionment of costs into the NPR programme of £1.54m.

5.18 The underspend in Core operational areas predominantly relates to slipped activity. TfN has operated a budget virement process this year whereby underspend in some areas of the business areas has been repurposed elsewhere for emerging opportunities during the year. This has predominantly involved additional budget being allocated to Strategy & Policy and Major Roads.

6.0 Funding

6.1 TfN will resource its forecast expenditure of £53.12m from a mixture of grant, contributions, contracted income and reserves as shown in the following table.

	Outturn	Base	Variance	Variance
Funding	£m	£m	£m	%
IST Grant	1.14	1.52	(0.38)	(25%)
TDF Grant (NPR)	42.08	48.48	(6.40)	(13%)
Core Grant	6.00	6.00	0.00	0%
Rail North Grant & Contribution	1.38	1.32	0.06	5%
Contracted Income	0.26	0.32	(0.06)	(19%)
Total In-Year Grant	50.86	57.64	(6.78)	(12%)
Use of Reserves	2.26	2.54	(0.28)	(11%)
Total Resource	53.12	60.18	(7.06)	(12%)

- 6.2 Variances between the planned use of resources compared to forecast outturn partly reflects the variances in expenditure. However, the reduction in Core funding and wind down of NPR activities has also impacted on expenditure.
- 6.3 The implications of underspend against grant envelopes varies by funding stream are as follows:
- IST grant will be used to fund the wind down of the programme and any unutilised grant will be returned to the department.
 - TDF grant is made available on an annual basis and awarded on a “need” basis with unused allocations being redeployed at the Department’s discretion in-year.
 - Rail North grant is received in full by TfN each year with unused amount held for future use as grant unapplied.
 - Core grant is received in full by TfN each year with unused resource flowing through to the Core Grant Reserve.

6.4 The budgeted and actual movements in TfN’s Core reserves in year are as follows with underspends described above:

	Outturn	Base	Variance
Core Grant Reserves	£m	£m	£m
Reserve b/f	6.67	6.54	0.13
Draw	(2.26)	(2.54)	0.28
Contribution	0.00	0.00	0.00
Reserve c/f	4.41	4.00	0.41

6.5 The year-end Core cash reserve is forecast to be £4.41m, an increase of £0.41m against base position. This is due to a combination of the higher than forecast opening position (£0.13m) and a reduced draw on reserves for 2021/22 of £0.28m (due to higher than anticipated rail grants and some slipped activity).

7.0 Recommendation:

7.1 That the TfN Board notes the estimated outturn position for 2021/22.

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Meeting:	Transport for the North Board
Subject:	Appendix 2: Treasury Management Strategy 2022/23
Author:	David Spilsbury, Interim Financial Controller
Sponsor:	Paul Kelly, Interim Finance Director
Meeting Date:	Wednesday 30 March 2022

1. Executive Summary:

- 1.1 Under section 21 of the Local Government Act 2003, Local Authorities (including TfN) are required to have regard to the CIPFA Code of Practice - Treasury Management in the Public Services 2017 edition and to adopt a Treasury Management Strategy (TMS). The parameters within which this strategy is developed are informed by operational practicalities and statutory obligations.
- 1.2 The TfN TMS is appended. This document is inherently technical, so a summary of the considerations underpinning the strategy and its key features are set out in section 3 below.
- 1.3 The 2022/23 Treasury Management Strategy report was considered and approved by the TfN Audit & Governance Committee at its meeting on 25 February 2022.

2. Recommendation:

- 2.1 To approve the proposed Treasury Management Strategy for 2022/23.

3. Issues:

- 3.1 Whilst the concept of a TMS that governs approaches to investments and debt management will be familiar to northern partners, the circumstances of TfN's operating environment may not be.
- 3.2 TfN cannot access external credit, whether this be in the form of bank overdrafts to manage short-term cash-flow fluctuations or capital loans to support long-term investment aspirations.
- 3.3 This removes TfN's need for a policy towards debt management but does shape the requirements of a cash-management (investment) strategy. Such a strategy is further informed by the way in which TfN is funded.
- 3.4 Without access to revenue raising powers, TfN is reliant upon grant received from the DfT to resource its activity. This grant comes in the form of an annual 'core' grant over which TfN has discretion, and discrete grants for programme and development activity. The latter grants require pre-approval from the Department and are paid to TfN as required.
- 3.5 Accordingly, TfN's operating environment exposes it to insolvency risk which cannot be mitigated through the normal options open to a local or combined authority: cash-flow loans, and the effective underwrite which access to a local tax-base provides.
- 3.6 Instead, TfN must mitigate its risk by managing its cash-flows in a particularly prudent manner. This factor promotes the dovetailing of a managed risk-culture within TfN, with a prudent reserve strategy, and an effective approach to cash-management. These strategies would be underpinned by the basic operating assertion that TfN must always have access to an appropriate balance of accessible cash on any given day to guard against financial shock.

- 3.7 A managed risk culture involves TfN working collaboratively with other organisations (including DfT, northern partners, national agencies, and suppliers) to structure contracts and financial relationships to ensure that its exposure to financial risk is proportionate to its ability to manage that risk.
- 3.8 A reserve strategy was proposed as part of TfN's 2021/22 budget that supported risk mitigation by, at any point in time, holding *no less than* £2m of cash in reserve. Such cash would be held on deposit in an appropriate bank or other financial institution, serving as a cash-buffer against financial shock. This reserve strategy will be reviewed as part of the 2022/23 budget and business planning cycle.
- 3.9 Finally, a cash management strategy must deliver upon the most basic requirement: that TfN will always have comfort that cash held on deposit is invested with only the most secure of counterparties and is accessible in a timely manner.
- 3.10 This approach aligns with the priorities common to public-sector bodies that cash investment decisions must be made with due regard to the following hierarchy of considerations:
- a) Security of the investment partner (creditworthiness).
 - b) Liquidity of the investment (accessibility).
 - c) Yield of the investment (financial return).

Annual Investment Strategy

- 3.11 CIPFA defines treasury management as:
- "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 3.12 The extent of TfN's treasury management activity will be limited to its cash management. This covers its banking arrangements, and its policies towards the safeguarding of its cash balances.
- 3.13 TfN will report on its cash management strategy throughout the year. This will come in the form of a Treasury Management Strategy document which is proposed for adoption on an annual basis; a mid-year review of performance against this strategy; and an annual Treasury Management Report at the end of the year which highlights overall performance and offers lessons learnt.
- 3.14 Noting the serious risks around cash-management, TfN is required to adequately resource this activity through the provision of internal capacity supplemented by expert and independent third-party support.
- 3.15 Consistent with the approach adopted by northern partners, TfN has procured a Treasury Advisor – Link Treasury Services. The Treasury Advisor assists TfN in maintaining market intelligence and ensuring that the cash-management strategy remains appropriate throughout the year.
- 3.16 TfN recognises, however, that it cannot place undue reliance on external support, and must maintain internal skills and capacity.
- 3.17 Treasury Management activity will fall under the operating purview of the Finance Director and the Financial Controller.
- 3.18 Finance officers and those members charged with oversight of TfN's affairs will also be offered both internal and external training where appropriate.

Core Funds and Expected Investment Balances

- 3.19 TfN receives its funding from the Department for Transport (DfT) in the form of grant allocations. This grant can be differentiated between discrete funding for pre-

approved programme activity, and general 'core' grant over which TfN has discretion – subject to the parameters set by TfN's objectives and TfN-DfT funding agreements.

- 3.20 How TfN is funded shapes the level of cash balances to be held. There are two principal factors:
- a) Discrete funding is awarded on a 'need' basis, generally meaning that DfT will release cash to TfN in advance of need; and TfN requires cash in hand at sufficient levels to guard against financial shock, noting its inability to access overdrafts, or raise revenues from a local tax base.
 - b) Being funded on a 'need' basis means that generally the programmes operate on a cash-neutral basis. That is, the cash outflows associated with payments will always be met by the cash inflows associated with the grant received.
- 3.21 To that end (and subject to TfN receiving appropriate assurances from DfT prior to entering into long term financial commitments), the cash flow implication of receiving grant in this manner is simply associated with the timing differences between receiving grant and spending it. As programme grant is generally awarded monthly or quarterly, this will generally mean that those variances will be corrected at worst within three months.
- 3.22 Similarly, being funded on a need basis means that TfN should not build up cash balances when its activity associated with core grant falls below forecast generating underspend. When such underspends do occur, they will be treated in the context of the proposed reserve strategy.
- 3.23 TfN's current reserve strategy ensures that over a rolling three-year period cash balances held in reserve will not fall below £2m. However, cash balances may be higher than this in any given year if there is an agreed plan to draw down upon that cash to support the business plan. This position will be reviewed as part of the 2022/23 budget and business planning cycle, as the transition of responsibility for delivery of the NPR programme into DfT will result in a c80% reduction in TfN's expenditure and a consequential reduction in the extent of the cash flow risk to which it is exposed.
- 3.24 The current reserve strategy affords TfN a degree of flexibility in that it can use cash balances over its minimum threshold to support expenditure plans that are higher than the in-year available resource. That is, TfN can supplement its annual grant from draws on available reserves where it is prudent to do so.
- 3.25 The reserve strategy also allows the DfT to fund TfN in an efficient manner. Working to a target reserve cash balance means that DfT does not unnecessarily draw down on funds from HM Treasury before they are required by TfN.
- 3.26 Although cash balances will likely fluctuate in-year as timing differences arise between cash being received and payments being made, it is expected that TfN's underlying cash position will reduce in the coming year, reflecting the removal of NPR Programme working capital from TfN's considerations. This will further reduce the opportunity for meaningful investment income to be generated from TfN's cash reserves.
- 3.27 TfN's funding allocation, received on 14 February 2022, implies a significant reduction in expenditure across the organisation. Treasury Management Practices will be revisited once clarity has been achieved regarding TfN's future operating model.

Investment Policy

- 3.28 The intention of the investment strategy is to provide security of investment and minimisation of risk. This ensures TfN will not chase yield at the expense of the

security of investments, and not prejudice TfN's risk mitigation priorities. The strategy also enables TfN to operate a diversified investment portfolio to avoid an over concentration of risk. With the low yield environment, in some cases marginally negative, TfN has chosen to position the majority of its excess funds with DMADF which has a lowest downside risk profile. This will be reconsidered if interest rises mean that investing in Money Market Funds again becomes worthwhile.

- 3.29 TfN's investment policy has regard to the government's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 3.30 In accordance with the above guidance from MHCLG and CIPFA, and in order to minimise the risk to investments, TfN will only invest with the most creditworthy of counterparties, and for durations that reflect TfN's need for timely access to its cash. TfN will also limit its overall exposure to individual institutions by adopting limits to the amount of cash it will place with any one bank or fund.
- 3.31 TfN has adjusted its investment strategy, particularly around creditworthiness following the adoption of the Link Asset Services system.
- 3.32 The Link Asset Services system ensures that TfN does not place too much reliance on aged information provided by credit rating agencies. Instead, whilst using the credit ratings from the three main agencies the system also uses credit watches and credit outlooks to ensure it is informed of future forecasts, whilst also using real-time market opinion in the form of credit-default swaps (the cost that the market places on insuring transactions with counterparties). These factors are entered into a weighted scoring system which gives an indication on the relative creditworthiness of counterparties.
- 3.33 **Length of Investments**
TfN will favour short-term liquid investments which give it ready access to its cash:
a) Individual investments will not be placed for longer-than 3 months.
At any point, at least £1m will be held in same-day access funds or accounts.
- 3.34 **Counterparty Credit Ratings**
TfN will use the Link Asset Services creditworthiness system. This system uses a variety of data sources to make real time dynamic judgements on a counterparty's relative creditworthiness. Typically, TfN will not invest with counterparties with a long-term Fitch rating of less than 'A-'.
3.35 **Country Sovereign Ratings**
Recognising the support that individual nations and central banks offer to banking institutions, TfN will invest with counterparties from countries with a minimum sovereign credit rating of 'AA-' from Fitch.
- 3.36 **Investment Classes**
TfN will limit investments to the following Sterling denominated classes:
a) Term deposits with financial institutions and public bodies.
Redeemable share purchases in same-day access AAA rated constant and low volatility net-asset value money market funds.
- 3.37 **Investment Values**
TfN will limit its exposure to individual institutions by:
a) Investing no more than £5m in individual institutions and funds.

The sole caveats to this are necessary investments with TfN's own bank and investments with the DMADF.

3.38 **Investment Returns**

Noting the relative considerations and requirement for liquidity, TfN will benchmark its investment returns against 7-day LIBID.

4. Options Considered:

4.1 This report proposes a Treasury Management Strategy that is designed to support TfN's approach to cash management risk. This Strategy is supported by the Link Asset Services approach to creditworthiness.

5. Considerations:

5.1 This report is formed from considerations around cash management risk.

6. Preferred Option:

6.1 This paper proposes a Treasury Management Strategy for adoption.

7. Corporate Considerations

Financial Implications

7.1 The financial implications are contained within the report

Resource Implications

7.2 There are no resource implications within this report.

Legal Implications

7.3 Legal implications are contained within the report.

Risk Management and Key Issues

7.4 There are no material risks to be considered within this report.

Environmental Implications

7.5 A full impact assessment has not been conducted because it is not necessary for this report.

Equality and Diversity

7.6 A full impact assessment has not been conducted because it is not necessary for this report.

Consultations

7.7 A consultation has not been conducted because it is not necessary for this report.

8. Background Papers

8.1 Item 4, Budget & Business Planning Report

Glossary of terms, abbreviations and acronyms used (if applicable)

Please include any technical abbreviations and acronyms used in the report in this section. (Please see examples below.) This will provide an easy reference point for the reader for any abbreviations and acronyms that are used in the report.

- | | |
|----------|---|
| a) TMS | Treasury Management Strategy |
| b) CIPFA | Chartered Institute of Public Finance and Accountancy |
| c) LIBID | London Interbank Bid Rate |

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Treasury Management Strategy Statement

Annual Investment Strategy

2022/23

1.INTRODUCTION

1.1Background

Transport for the North is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with Transport for the North's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of Transport for the North's capital plans. As Transport for the North does not have the power to raise short or long-term credit, this activity is limited to ensuring grant drawdowns are aligned to expenditure plans.

The contribution the treasury management function makes to Transport for the North is critical to ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to Transport for the North.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Transport for the North has not engaged in any commercial investments and has no non-treasury investments.

1.2 Reporting requirements

1.2.1 Capital Strategy

A capital strategy report is designed to show how local authorities will finance and fund long-term investment plans. They are designed to evidence that investment plans are both affordable in the short-term and sustainable in the long-term.

Transport for the North has no powers to enter into credit liabilities, so cannot borrow to finance investment. Transport for the North also owns no assets which could be disposed of to generate capital receipts. Finally, Transport for the North has no revenue raising powers, which could be used to raise cash for capital investment.

Instead, Transport for the North is an entirely grant funded organisation. All capital investments are grant funded, with no additional financing or funding issues.

Transport for the North's capital expenditure profiles are outlined later in this appendix.

1.2.2 Treasury Management reporting

Transport for the North Board is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers the aspects relevant to Transport for the North – notably management of cash and investments:
 - the capital plans, (including prudential indicators);
 - the treasury management strategy, (how the investments are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision
- c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The following bodies within TfN's governance receive Treasury Management Reporting:

- The Scrutiny Committee;
- The Audit & Governance Committee;
- The Executive Board; and,
- The TfN Board.

1.1 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of Transport for the North;
- prospects for interest rates;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.2 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Transport for the North will review training requirements for members in the new financial year.

The training needs of finance officers involved in treasury management are periodically reviewed.

1.3 Treasury management consultants

Transport for the North uses Link Treasury Services, Treasury solutions as its external treasury management advisors.

Transport for the North recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. Transport for the North will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2023/24

Regulation requires Transport for the North to present its capital prudential indicators. This reflects that, for most authorities, capital expenditure plans are a key driver of treasury management activity. This is principally because those plans will be underpinned by financing strategies that use debt or cash balances to finance activity.

Transport for the North's statutory position means that it is not able to raise credit, and its funding environment means that it is unlikely to generate significant long-term cash surpluses. Instead, Transport for the North's capital investment plans will be funded from grant awards.

These factors mean the capital prudential indicators are largely insignificant, though they do reflect the parameters in which Transport for the North operates.

2.1 Capital expenditure

This is a summary of Transport for the North's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Total	£6.95m	£4.45m	£0.00m	£0.00m	£0.00m

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources.

Financing of capital expenditure £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Grants	£6.95m	£4.45m	£0.00m	£0.00m	£0.00m
Net financing need for the year	£0m	£0m	£0m	£0m	£0m

The reduction in capital expenditure reflects movements in TfN's Integrated and Smart Ticketing programme.

2.2 Core funds and expected investment balances

Transport for the North's cash balances are largely determined by its reserve strategy and working capital fluctuations. Transport for the North is funded on a needs basis, so only draws upon grant it requires to meet its expenditure plans. It does, however, hold cash in reserve to guard against financial shock. In the table below working capital is assumed at £0m on a prudent basis, though it is likely that cash owed to creditors will be held from one accounting period to the next. The estimated reserve balances are indicative as budget and business planning for 2022/23 has yet to be finalised:

Year End Resources £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Fund balances / reserves	£5.89m	£4.59m	£4.00m	£3.50	£3.00m
Total core funds	£5.89m	£4.59m	£4.00m	£3.50	£3.00m
Working capital*	£4.11m	£0m	£0	£0m	£0m

Expected investments	£10.00m	£4.59m	£4.00m	£3.50	£3.00m
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*Working capital balances shown are estimated year-end; these may be higher mid-year

2.3 Prospects for interest rates

TfN has appointed Link Treasury Services as its treasury advisor in part to assist in formulating a view on interest rates. The following table gives Link's central view.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

3 ANNUAL INVESTMENT STRATEGY

3.1 Investment policy – management of risk

Transport for the North's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

Transport for the North's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. Transport for the North has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration Transport for the North will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. Transport for the North has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 4.3 under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Transport for the North will not use these investment categories.
5. **Non-specified investments limit.** Transport for the North has determined that it will not invest in any non-specified investment categories.
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 3.3.
7. **Transaction limits** are set for each type of investment in paragraph 3.3.

8. Transport for the North will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 3.5).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 3.4).
10. Transport for the North has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of Transport for the North in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23 under **IFRS 9**, Transport for the North will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

However, Transport for the North will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 3.5). Regular monitoring of investment performance will be carried out during the year.

3.2 Changes in risk management policy from last year.

The above criteria are unchanged from last year

Transport for the North continues to engage treasury management advisors to shape its investment strategy. It currently uses Link Treasury Services creditworthiness service to choose investment counterparties.

3.3 Creditworthiness policy

Transport for the North applies the creditworthiness service provided by Link Treasury Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by Transport for the North to determine the suggested duration for investments.

This approach is then tempered by Transport for the North's funding environment, and in particular its funding relationship with the Department for Transport. This environment sees

Transport for the North directly funded every quarter for activity, and thus negates the need for, and the possibility of, running up significant cash balances over a long duration.

Transport for the North will therefore use counterparties within the following durational bands:

- Yellow 3 months
- Dark pink 3 months
- Light pink 3 months
- Purple 3 months
- Blue 3 months
- Orange 3 months
- Red 3 months
- Green 1 month
- No colour not to be used

The Link Treasury Services creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Before consideration of underlying sovereign rating, typically the minimum credit ratings criteria Transport for the North use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. Transport for the North is alerted to changes to ratings of all three agencies through its use of the Link Treasury Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting Transport for the North's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings Transport for the North will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Treasury Services. Extreme market movements may result in downgrade of an institution or removal from Transport for the North's lending list.

Sole reliance will not be placed on the use of this external service. In addition Transport for the North will also use market data and market information, information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

<i>See Appendix 4.7 for an indicative counterparty list</i>	Colour (and long term rating where applicable)	Money and/or % Limit	Transaction limit	Time Limit
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Banks *	yellow	100%	£5m	3 months
Banks	purple	100%	£5m	3 months
Banks	orange	100%	£5m	3 months
Banks – part nationalised	blue	100%	£5m	3 months
Banks	red	100%	£5m	3 months
Banks	green	100%	£5m	1 month
Banks	No colour	Not to be used	£0m	-
Limit 3 category – TfN’s banker^	n/a	100%	n/a	3 days
DMADF	UK sovereign rating	unlimited	n/a	3 months
Local authorities	n/a	100%	£5m	3 months
	Fund rating	Money and/or % Limit		Time Limit
Money Market Funds CNAV	AAA	100%	£5m	liquid
Money Market Funds LVNAV	AAA	100%	£5bm	liquid

** Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt*

^ Transport for the North retains the ability to directly invest its cash surpluses with its own bank above the defined transaction limit where necessary. This includes managing unexpected cash flows, dealing with urgent matters, or where other options are not available to.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. Transport for the North will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

3.4 Country limits

Due care will be taken to consider the exposure of Transport for the North's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified investment limit.** Transport for the North has determined that it will not use non-specified investment products.
- b) **Country limit.** Transport for the North has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 4.4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

3.5 Investment strategy

Investment Durations

Transport for the North's approach to investments is influenced by its funding environment. Transport for the North has no revenue raising powers, nor ability to raise credit. This limits its ability to raise surplus cash unilaterally, and also obviates the need for retaining significant amounts of cash to pay down debt obligations.

Transport for the North is funded on a needs basis from the Department for Transport, receiving periodical grants to meet its cash requirements. This funding arrangement is supplemented by a reserve strategy that enables Transport for the North to retain cash balances from its flexible Core Grant to mitigate against financial shock.

These arrangements mean that it is unlikely Transport for the North will have significant amounts of surplus cash that does not have a short-term call upon it. This in turn engenders a short-term view on investments, with the primacy of consideration being on security and liquidity.

Transport for the North considers that it will not invest for time-periods beyond 3 months.

Investment returns expectations.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Later years	2.00%

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to Transport for the North's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. Transport for the North's funding environment is such that it will limit itself to investments of periods not greater than 3 months.

Transport for the North is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£0m	£0m	£0m
Current investments as at 15.01.22 in excess of 1 year maturing in each year	£0m	£0m	£0m

3.6 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security – Transport for the North has opted for a particularly prudent approach to security
Liquidity – in respect of this area Transport for the North seeks to maintain:

- Liquid short-term deposits of at least £1m available with a day's notice in its own bank.
- Weighted average life benchmark is expected to be no greater than 3 months.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7-day LIBID rate

3.7 End of year investment report

At the end of the financial year, Transport for the North will report on its investment activity as part of its Annual Treasury Report.

4 APPENDICES

1. Prudential and treasury indicators and MRP statement
2. Economic background and interest rate forecasts
3. Treasury management practice 1 – credit and counterparty risk management (option 1)
4. Treasury management practice 1 – credit and counterparty risk management
Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer
7. Indicative counterparty list

4.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

Transport for the North's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

4.1.1 Capital expenditure

Capital expenditure £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Integrated & Smart Ticketing Programme	£6.95m	£4.45m	£0.00m	£0.00m	£0.00m
Total	£6.95m	£4.45m	£0.00m	£0.00m	£0.00m

4.1.2 Affordability prudential indicators

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream. Transport for the North does not have powers to raise credit, so has no costs of capital.

%	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Total	0%	0%	0%	0%	0%

4.2 ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the 'pingdemic' in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.

- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16th DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of

itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.
- On the other hand, it did also comment that “**the Omicron variant is likely to weigh on near-term activity**”. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time**, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a **“modest tightening”** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November’s statement that Bank Rate would be raised “in the coming months”. That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- **The MPC’s forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:
 -
 - Raising Bank Rate as “the active instrument in most circumstances”.
 - Raising Bank Rate to 0.50% before starting on reducing its holdings.
 - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed’s 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed’s meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3rd meeting, was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the

chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow roll out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November’s inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB’s target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post.

However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where

there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

4.3 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT OPTION 1

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 3 months**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. Transport for the North will not use investment classes that fall under this category.

	Minimum credit criteria / colour band	Max % of total investments/	Max. maturity period
DMADF – UK Government	UK sovereign rating	100%	3 months
UK Government gilts	UK sovereign rating	100%	3 months
UK Government Treasury bills	UK sovereign rating	100%	3 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	100%	3 months
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LNAV	AAA	100%	Liquid
Local authorities	N/A	100%	3 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour		3 months 3 months 3 months 1 month Not for use

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by Transport for the North. To ensure that Transport for the North is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

4.4 APPROVED COUNTRIES FOR INVESTMENTS

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

4.5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Transport for the North Board

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

(ii) Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iii) Audit and Governance Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

4.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer (Transport for the North Finance Director)

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

4.7 INDICATIVE COUNTERPARTY LIST

List of Suggested Counterparties for Lending for Transport for the North
 Any values highlighted in yellow have undergone a change in the past 14 days

Country	Entity Name	Euro Denom		GBP Denom		USD Denom		ISDA	ISDA Adjusted	Maturity List	Duration	Notes
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term					
Australia	ANZ Banking Group	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Commonwealth Bank of Australia	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Macquarie Bank Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Westpac Banking Corp	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Queensland	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
Canada	Bank of Montreal	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Nova Scotia	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Canadian Imperial Bank of Commerce	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Royal Bank of Canada	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
Denmark	Danske Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Swedish Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
France	BNP Paribas	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Crédit Agricole Corporate and Investment Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
Germany	Commerzbank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Deutsche Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
United Arab Emirates	Emirates NBD Bank PJSC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	First Abu Dhabi Bank PJSC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
United Kingdom	Barclays Bank PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of England	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Ireland PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Scotland PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales & Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Yorkshire and Lincolnshire PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	United States	Bank of America	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months
JP Morgan Chase		20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	

Country	Entity Name	Euro Denom		GBP Denom		USD Denom		ISDA	ISDA Adjusted	Maturity List	Duration	Notes
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term					
Australia	ANZ Banking Group	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Commonwealth Bank of Australia	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
Canada	Bank of Montreal	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Nova Scotia	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Canadian Imperial Bank of Commerce	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Royal Bank of Canada	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
Denmark	Danske Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Swedish Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
France	BNP Paribas	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Crédit Agricole Corporate and Investment Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
Germany	Commerzbank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Deutsche Bank	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
United Kingdom	Barclays Bank PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of England	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Ireland PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Scotland PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales & Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Yorkshire and Lincolnshire PLC	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	Bank of Wales Finance Ltd	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	
	United States	Bank of America	20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months
JP Morgan Chase		20	AAA	20	AAA	20	AAA	20	AAA	0-12 (m)	3Months	

Meeting:	Transport for the North Board
Subject:	Integrated Rail Plan: TfN Co-Sponsorship.
Author:	Tim Foster, Interim Strategy and Programme Director
Sponsor:	Martin Tugwell, Chief Executive
Meeting Date:	Wednesday 30 March 2022

1. Purpose of the Report:

- 1.1 Following the publication of the Integrated Rail Plan (IRP) in November, DfT communicated a number of changes to the governance and working arrangements for the delivery of Northern Powerhouse Rail (NPR). These changes comprise:
- a) The transfer of the NPR programme to DfT from the existing co-cliented programme arrangements hosted by TfN.
 - b) A new set of arrangements for co-sponsorship of NPR through a new joint Sponsor Board and a TfN NPR sponsorship function as part of the Executive.
 - c) TfN will continue to provide analytical services to the NPR programme and wider IRP related activity and support the co-sponsorship of NPR.
- 1.2 This paper presents the new arrangements to Board and seeks approval for TfN activities in relation to NPR from the new financial year 2022/23.

2. Recommendations:

- 2.1 Members are asked to **agree** the co-sponsorship arrangements (Section 4) and **agree** the key priorities for TfN in 2022/23 as outlined in Section 6.
- 2.2 Members are asked to **note** the arrangements being agreed for continued analytical support to be provided by TfN to the NPR Programme.

3. Main Issues:

- 3.1 Following the publication of the Integrated Rail Plan, DfT confirmed that the NPR programme will transfer to DfT from the 31 March 2022. This will see the TUPE transfer 17 posts to the DfT from 1 April 2022.
- 3.2 The Government has also set out the continued need for TfN to play an active role in the development of NPR and associated schemes through a new joint sponsor board. The Secretary of State in the TfN funding letter confirmed his intention to fund TfN in order to fulfil the co-sponsorship function and also provide funding for TfN to continue to provide analytical services to DfT. Discussions with DfT officials on the technical detail have resulted in the proposals covered in this paper in Section 4.
- 3.3 Additionally, the TfN Executive have continued to undertake an assessment of the IRP as directed by the Board in November 2021. Following the publication of the technical annex in January 2022, officers have undertaken further assessment of the implications for the economy, environment, freight and local economic plans.
- 3.4 It is clear that the level of connectivity offered by the IRP proposals fall short of the connectivity, capacity and reliability offered by the combined HS2/NPR solution put forward by this Board. The technical annex to the IRP published by DfT in January confirms that of the options considered in the IRP, the TfN

preferred network would have delivered the highest level of performance and capacity but was not considered affordable by government.

- 3.5 Based on the initial technical work undertaken by TfN as part of the business case for NPR, we would fully expect that the wider economic value including land value uplift to significantly higher than under the more limited proposals in the IRP. TfN's role as co-sponsor offers it the opportunity to ensure such considerations are included in the development of the detailed proposals required to secure formal Treasury approval for investment. It also offers TfN the opportunity to work with the DfT to identify further opportunities that may be considered as part of the 'adaptive pipeline' approach.

4. Co-sponsorship arrangements:

- 4.1 DfT has presented proposals for how TfN will transition to programme 'co-sponsor' for NPR, continuing to provide strategic advice and direction to the programme in line with its core statutory function as set out in the Sub-National Transport Body (Transport for the North) Regulations 2018. The co-sponsor role will feature a new joint sponsor Board being created for NPR with the following objectives:
- a) Monitor whether the strategic objectives for the NPR programme are being met and advise where there is a need for change.
 - b) Provide advice to the Department in respect of progress in delivering the overall programme.
 - c) Provide comment on the NPR Strategic Outline Business Case (SOBC) and advise whether the strategic objectives are being met.
 - d) Engage with, and provide, advice to other major transport project sponsor boards (or equivalent) in order to support delivery of a whole-network approach.

The terms of reference are attached at Appendix 1.

- 4.2 The co-Sponsor Board is expected to meet on a quarterly basis. As with the current Rail North Partnership arrangements, officers will represent the interests of the TfN Board on the joint Sponsor Board itself. New arrangements for engagement with partner authorities will be required to replace the existing NPR engagement activity and TfN will put arrangements in place to enable officers from the Executive to seek member and officer input on key issues, along the lines of the existing Rail North Committee arrangements. The Department has said that it will continue with wider engagement with local authorities including through local and station boards.
- 4.3 In addition, it is clear that TfN will have a key role to play with each of the individual Programme Boards taking forward elements of IRP. In this the Department is looking to TfN to work with local partners to ensure there is a strong dialogue with partners as work on individual elements is taken forward. The need to make provision for this role liaising with local partners is being included as part of TfN's Business Planning process. The TfN Executive is mindful of the importance attached by local partners to the level of engagement that has been a feature of the work on NPR to date.
- 4.4 The Sponsor Board will not have decision making powers, but its role will be to challenge programme delivery and provide advice to the Secretary of State as the funder of NPR. Where TfN's view differs from that of the Department, the Northern view will be reflected in the Department's advice to Ministers. In addition to being able to feed into the Department's advice TfN will continue to have the ability to submit statutory advice to Government out with the Sponsor Board arrangement. The Board will thus continue to have a way of communicating its views with one voice directly to Ministers.

- 4.5 The Terms of Reference for the Sponsor Board will be underpinned by a Sponsorship Agreement, to be drafted and agreed by the co-sponsors to replace the NPR DfT/TfN Memorandum of Understanding (MoU). TfN will, through the business planning process, create a small sponsorship team to manage TfN's input into the programme, coordinate sponsorship activity, engage with individual Programme Boards and undertake engagement with partners in advance of the Sponsor Board. These arrangements will also need to be integrated with the new TRU stakeholder forum which TfN will chair, as well as the wider TfN governance mechanisms for officer and member engagement.
- 4.6 The co-sponsor proposals do offer the potential for a meaningful support and challenge role for TfN moving forward. In particular:
- a) The key role of the Sponsor Board in reviewing progress against the agreed objectives of NPR, as well as the input to the business case, will allow TfN to continue to challenge NPR to be planned, agreed and delivered in a manner that maximises the social, economic and decarbonisation.
 - b) TfN will be responsible for consolidating feedback from TfN partner organisations on issues being considered by the Sponsor Board. So, we will continue to speak clearly with one voice on behalf of the North.
 - c) Our unique skills and capabilities that have helped NPR develop into clear set of evidence-based proposals will continue to be deployed in support of NPR and wider scheme development.
 - d) Statutory advice and our core statutory functions will continue and provide a back stop level of independent advice to Government outside of the formal governance process.
- 4.7 These arrangements offer a clear opportunity now to influence and support the next stages of development, accelerate delivery of committed investment within NPR and the IRP and ensure that investment in rail is integrated into the wider plans within the north for modernising and decarbonising our transport system. We therefore recommend the Board agree these proposals.

5. Provision of analytical services to the NPR programme:

- 5.1 Instead of TUPE transferring the analytical staff (circa 24 FTE posts) currently supporting the NPR programme, the funding letter from the Secretary of State provides additional funding to TfN for the provision of analytical services in support of the NPR programme, the development of the business case and related IRP studies. The process through which services will be funded, managed and delivered is being finalised so as to be in place from the start of the new financial year. The NPR analytical services funding will be ringfenced (i.e. sits outside of TfN's core funding and regarded as a separate service to DfT) and the work programme will require additional management, assurance and additional governance arrangements to be established. We have been clear that we are providing an analytical service to DfT who will specify what is required via an agreed service level agreement, and we are not supplying evidence as TfN.
- 5.2 Providing analytical support using TfN's unique analytical capabilities will ensure that the NPR business case can fully reflect the wider social, environmental and economic benefits of NPR interventions, as well as ensuring consistency with wider TfN work on the Strategic Transport Plan (STP) and long-term rail strategy, as well as the proposed IRP studies and in support of the sponsorship function.

6. Next steps – future TfN activities:

- 6.1 The Board has been clear as to the critical need to transform the North's rail system as a foundation for realising the potential identified in the Independent Economic Review. Through the sponsorship arrangements TfN has the opportunity to work with Government to ensure that the current commitments to

parts of the NPR network are delivered as quickly as possible thereby enabling the benefits for residents and businesses to be realised. In doing those activities, we will build on the expertise, credibility and local knowledge of the Executive and Board to maximise the value of TfN to Government.

- 6.2 The sponsorship arrangements also allow TfN the opportunity to work with Government to identify additional investment for consideration as part of the 'adaptive pipeline'.
- 6.3 This should include the future phases of NPR to deliver a coherent North network, developing affordable and deliverable plans for getting HS2 services to serve Leeds, and wider enhancements including electrification of the network and freight capacity through the Rail Network Enhancements Pipeline (RNEP). TfN will:
- a) Both as statutory body and co-sponsor of NPR, continue to set out the case for the long-term ambition for the preferred NPR and HS2 network in support of realising the potential identified in the Independent Economic Review, thereby delivering wider outcomes for the whole of the North and the UK.
 - b) Continue to provide constructive challenge on design, cost and integration issues, building on the capability already demonstrated by TfN. This will include continuing to challenge costs and scope in NPR phase 1, underpinned by the principle that savings identified within NPR are retained for additional investment within the North.
 - c) Work closely with Network Rail to enhance existing proposals and bring forward new schemes for consideration, both through the individual Programmes Boards and our role in the North of England Programme Board.
 - d) In the new STP currently being scoped, set out a clear vision of the North's preferred end state and outcomes for rail, as well as working with Network Rail on immediate priority areas for investment, including unresolved NPR corridors and key network pinch points, including long term strategic planning for Manchester and Leeds hubs.
 - e) Through TfN statutory advice, continuing to re-state the strategic case for a fully integrated transformational, decarbonised and integrated rail network.
- 6.4 The TfN Executive is continuing to explore opportunities to enhance or add to the agreed investments in NPR Phase 1, either through local contributions or private sector led investment. In this we are working with the Northern Powerhouse Partnership and the working group established to support that activity. We have held positive discussions with DfT and are exploring a number of areas jointly and will report back on progress at the June Board meeting.
- 6.5 It is envisaged that TfN's role in supporting partners and local authorities to realise the full potential of rail investment for places and communities represents an opportunity to apply the principles of the Levelling Up White Paper. We see this as a key role for the sponsorship function, both through governance and in active partnerships with LTAs, building on our work with Bradford on the new station proposals and opportunities for regeneration.
- 6.6 As co-sponsor of NPR, TfN has the opportunity of working with DfT to ensure that investment decisions within Government fully reflect the wider economic benefits. This is where TfN's industry leading analytics can continue to support NPR development and help accelerate the implementation of the new Green Book approach. As a starting point, TfN will work with Government to ensure that the levelling up assessment of the IRP forms part of the business case for NPR.

7. Corporate Considerations

7.1 Financial Implications

The wide-ranging changes outlined in this report have significant financial implications. These are being evaluated through the business planning process and the financial impact will be summarised in the forthcoming budget for 2022/23.

7.2 Resource Implications

In summary 17 FTE posts will TUPE transfer to DfT as a result of the transfer of the NPR Programme, with a further 24 FTE posts ringfenced to deliver dedicated analytical services to DfT from FY2022/23. Therefore, to date TfN's core people establishment has reduced by a total of 41 FTE (circa 30%) as a direct consequence of the IRP.

Further workforce reductions (redundancies) are considered likely as a result of changes to working practices aligned to the IRP. Any such changes will be identified through TfN's on-going business planning process.

7.3 Legal Implications

The legal implications are covered within this report.

7.4 Risk Management and Key Issues

Risks are currently being assessed in relation to co-sponsorship.

7.5 Environmental Implications

All proposed infrastructure developments, included within the IRP, will be subject to screening for the need for EIA by the relevant development authority as part of the design development and consenting process.

7.6 Equality and Diversity

An impact assessment is not required as the report provides an update on the TfN's role in relation to NPR and IRP. Maintaining and improving access to public transport, including rail, is key to addressing existing Transport Related Social Exclusion in the North. Rail remains an essential service for many who experience TRSE.

7.7 Consultations

A consultation has not been undertaken at this stage.

8. Background Papers

8.1 None

9. Appendices

9.1 DfT proposals for NPR Sponsor Board Terms of Reference

Glossary of terms, abbreviations and acronyms used (if applicable)

Please include any technical abbreviations and acronyms used in the report in this section. (Please see examples below.) This will provide an easy reference point for the reader for any abbreviations and acronyms that are used in the report.

- | | |
|---------|---|
| a) NPR | Northern Powerhouse Rail |
| b) DfT | Department for Transport |
| c) NR | Northern Rail |
| d) NTAC | Northern Transport Acceleration Council |
| e) IRP | Integrated Rail Plan |

Appendix 1:

Terms of Reference: Northern Powerhouse Rail (NPR) Co-sponsors' Board (Draft)

1. Purpose

1. The purpose of the co-Sponsors' Board is to advise on the delivery of Northern Powerhouse Rail so that is delivered in a timely and cost-efficient manner.
2. The Board shall ensure that the strategic objectives for the NPR programme are realised through the work of the programme board(s) tasked with delivering individual elements of that programme.
3. The Board shall review and deliberate on issues that have either been escalated by individual programme board(s) and/or raised for consideration by either of the co-sponsors.
4. The Department may ask the Board to provide advice in respect of any aspect of the NPR programme as they may determine. Where that advice is provided by the Board, the funder shall take it into consideration in determining the way forward.
5. The Board may consider, where appropriate, how the strategic objectives for the NPR programme need to influence and shape the development of other major transport projects.

2. Objectives

The co-Sponsors Board will:

- a. Monitor whether the strategic objectives for the NPR programme Board are being met through the work of the individual programme board(s).
- b. Advise the Department where there is a need for change to the strategic objectives and provide advice on the nature of the change required.
- c. Where the Department determines the need for a change in the strategic objectives, the Sponsor Board will advise how can be incorporated in the work of individual programme board(s).
- d. Provide advice to the Department in respect of progress in delivering the overall programme.
- e. Provide comment on the NPR Strategic Outline Business Case (SOBC) and advise whether the strategic objectives are being met.
- f. Engage with, and provide, advice to other major transport project sponsor boards (or equivalent) in order to support delivery of a whole-network approach.

3. Membership

1. The partners comprising the Board shall be the Department for Transport (the funder) and Transport for the North (the Sub-national Transport Body).
2. Both partners shall nominate three representatives who shall comprise the Sponsors' Board. Representatives shall be officials employed by the two organisations.
3. Representatives from other bodies may be invited to attend meetings of the Board in order to support its work: invitations may be extended to delivery bodies, specialist technical advisors and/or representatives from other Governmental Departments.

4. Ways of Working

1. The Board will support delivery of the overall programme by providing critical, constructive challenge that ensures delivery is timely, cost-efficient, and effective.
2. The Board will have visibility of the progress with the development and implementation of individual elements of the overall programme: processes will be agreed to enable the sharing of information between the Sponsors' Board members to ensure members are fully informed.
3. The Board shall prepare its advice having given due consideration to all the information placed before it.
4. The Board shall in its advice to the Department, set out where there is agreement on the issue(s) considered. Where there is not agreement, the Board's advice shall set this out to the Department, including the reasons why agreement has not been possible.
5. The primary output of the Sponsor Board will be a formal record of deliberations.
6. Membership of the co-Sponsors' Board does not limit either partner from discharging their duties.

5. Organisation and Administration

1. The co-Sponsors' Board will be chaired by the Department for Transport.
2. Meetings of the co-Sponsors' Board will be held quarterly. Both partners commit to an on-going and open dialogue between meetings of the Board.
3. The agenda for each meeting of the Board will be jointly agreed by the parties.
4. The secretariat for the co-Sponsors' Board shall be provided by the Department for Transport.
5. Meetings of the co-Sponsors' Board will be held on a rotational basis between Department of Transport (London/Birmingham/Leeds) and Transport for the North (Manchester).
6. Papers prepared for the co-Sponsors' Board will not be public documents on the basis that the Board's role is to advise on the development of proposals that will in due course be the subject of public consideration.
7. A note of the discussions held by the co-Sponsors' Board will be maintained by the secretariat: a draft note will be circulated 10 working days after each meeting of the Board for agreement.
8. These Terms of Reference will be kept under review, and where necessary and agreed by both partners, will be updated in order to ensure the Board delivers added value in support of delivery of the overall programme.

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Meeting:	Transport for the North Board
Subject:	Approval of the Freight and Logistics Strategy
Author:	Lucy Hudson, Principal Policy Officer Freight and Logistics
Sponsor:	Tim Foster, Interim Strategy and Programme Director
Meeting Date:	Wednesday 30 March 2022

1. Purpose of the Report:

1.1 To adopt the TfN Freight and Logistics Strategy following the consultation.

2. Recommendations:

2.1 That the Board note the progress to date, including the outcome of the consultation and the comments from Scrutiny Committee and that it formally adopt the Freight and Logistics Strategy (Annex 1).

3. Main Issues:

- 3.1 The TfN Board approved the draft Freight and Logistics Strategy for consultation in September, with the consultation taking place in January using an innovative online virtual engagement environment and supplemented with a series of workshops, 1:1s with key stakeholders and wider communications activity.
- 3.2 Over 200 people responded via the virtual consultation room and a further 30 by email to TfN Engagement or directly to the consultation team. There were over 500 separate comments submitted in total.
- 3.3 The main focus of the responses was overwhelmingly related to decarbonisation. This has led to a refocusing of the recommendations and objectives set out in the Strategy which strengthens the importance of decarbonising freight movements and encourages modal shift where appropriate from road to rail. Other contributions focused on the need to consider inland waterway options, port accessibility and resilience, lorry parking and HGV driver recruitment and retention. Changes have been made to the strategy to enhance the content and draw out key, focused priorities. It should be noted that the responses were overwhelmingly positive. Many highlighted the need for such a strategy and shared pointers around innovative ideas and technologies. Many respondents also highlighted the risks and opportunities for freight arising from the publication of the Integrated Rail Plan.

Objectives

- 3.4 The objectives of the Freight and Logistics Strategy have been revised in response to the consultation. They now focus on making networks more efficient to reduce the delays incurred by logistics companies on the road network, delays that increase carbon emissions. They are as follows:
- Reduce the number of incidences of unplanned closures of Major Road Network routes leading to severe journey delay;
 - Prioritise measures that tackle journey reliability and congestion;
 - Support less polluting and more energy efficient movement of goods on the transport network;

- Maximise the utilisation of rail, inland waterways and local distribution hubs to improve efficiency and support the modal shift of goods from road to rail and water;
- Improve the multi-modal North-South and East-West connectivity across the North;
- Optimise efficient flow of goods on the MRN and railway through improved flow of traffic and supported by technology;
- Maximise the economic development opportunities through a range of areas, including the clean growth opportunity flowing out of freeports, clean industrial clusters and the first mile freight that flows out of ports;
- Support the planning and development of well-connected warehousing and consolidation sites;
- Exploring the benefits of regional freight consolidation and distribution networks;
- Reduce the impact of air pollution from freight movements on the health of local communities;
- Reduce the impact noise from freight movements on the health of local communities;
- Increase electrification of the rail network; and
- Decarbonise road haulage through increased usage of zero carbon and low emission fuels.

Revisions to the recommendations

3.5 The recommendations in the strategy have also been revised in response to the consultation. The revised recommendations are as follows:

Decarbonisation

- Ensure the requirements of freight and logistics are fully accounted for in the Strategic and Economic Cases supporting investment proposals. TfN is continuing to improve methods for appraising user and non-user benefits that freight brings to the economy.
- To work with the private sector to ensure the freight and logistics demand forecasts are included within the business case for the Trans Pennine Route Upgrade;
- To work with Network Rail, freight operating companies and train operating companies to:
 - Make the case for incremental electrification of rail freight corridors;
 - Support the case for a rolling programme of electrification (inc. freight paths and the need to electrify from origin through to destination);
 - Support the ongoing development of alternative low carbon technology for freight movements;
- Facilitate and develop partnerships to achieve port to port zero-carbon multimodal corridors, with a focus on maximising the economic potential of freeport status to ports and their hinterlands, as well as the potential to produce and use green fuels in our ports including HGVs, rail and maritime. TfN will work to support industry as it develops the best business model for realising this opportunity.
- Underpinned by detailed analysis from the TAME activity, develop a suite of policy tools relating to air quality, impacts of urban delivery on consolidation/distribution centre locations, overnight lorry parking provision, detailed understanding of road freight movements including vans, heavy and light good vehicles and Smart Motorways, micro-consolidation, green shipping options, multimodal hubs, freight efficiency and use of e-cargo bikes

and future uses of infrastructure. This will support and further the Northern element of the DfT's Future of Freight work.

Supporting and enhancing the rail freight market

- To ensure that on the key rail freight corridors, TfN works with DfT, NR and GBR to support the existing freight traffic and enhances capacity and capability for existing freight and freight growth. This should focus on those route sections where capacity is likely to be constrained which includes the West Coast Mainline north of Golborne, Midland Mainline through Sheffield area, East Coast mainline 2 track section via Durham and the routes across Manchester. This may require the development of alternative freight priority routes which would need to be examined closely with industry once the Northern Powerhouse Rail routes are agreed to ensure existing rights remain unaffected.

Multi-modal connected warehousing

- TfN should support the development of new strategic freight warehouse location clusters in the North by:
 - Working with national and local partners to identify the need for additional strategically located rail connected warehousing;
 - Supporting the planning and delivery of strategic clusters in an integrated way, including parking and rest facilities for road haulage and the provision of appropriate refuelling networks as required to meet net zero carbon.

Capability building

- TfN should work with the Department for Transport and delivery bodies to enhance the scope and availability of freight related data and analytical tools, building on the TAME analytical capability for freight and logistics. Improving the availability of data will strengthen business case development and support more efficient strategic planning, increase freight efficiency and support industry efforts to reduce emissions.
- TfN should continue to work with the sector and DfT to understand and communicate future demand and identify likely trends, building on the work undertaken for the TfN Future Travel Scenarios. This should include the implications for freight movements on an East-West and North-South basis, demand for and access to ports changes and potential change in uses of freight terminals including distribution centres. This should then be utilised in business case development and the refreshed TfN Strategic Transport Plan.

3.6 Once agreed by the Board, the recommendations will form the basis of TfN's forward work plan on freight and logistics, subject to the agreement of the TfN business plan. TfN will use the strategy to inform the revision of the Strategic Transport Plan (STP). Policy positions concerning different aspects of freight and logistics will be developed. The areas which will be considered are:

- Air quality impacts arising from emissions from HGVs;
- Impacts of urban delivery on consolidation/distribution centre locations;
- Overnight lorry parking provision;
- Micro-consolidation;
- Green shipping options;
- Freight efficiency and for example use of e-cargo bikes;
- Future uses of infrastructure;
- Express logistics;

- Rail connected warehousing (and multi modal hubs).

3.7 In conclusion, the consultation process was successful with good levels of both interest and engagement and the strategy has been revised and strengthened as a result. TfN will present the final draft of the strategy to TfN Board on 30 March 2022 for consideration and approval.

4. Corporate Considerations

4.1 *Financial Implications*

There are no direct financial implications arising from this report.

4.2 *Resource Implications*

The resources required to deliver the work plan which will follow the approval of the strategy will be worked through and considered as part of business and resource planning for the 2022/23 financial year.

4.3 *Legal Implications*

There are no apparent new legal implications arising from this report.

4.4 *Risk Management and Key Issues*

There are no risk implications arising from this report and thus a risk assessment is not required.

4.5 *Environmental Implications*

This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore doesn't stimulate the need for SEA or EIA. Environmental impacts have been considered within the strategy itself and any proposed infrastructure developments related to freight will be subject to screening for the need for EIA by the relevant development authority as part of the design development and consenting process.

Shifting road freight to rail, increasing road freight efficiency and decarbonising HGVs are all essential to achieving our decarbonisation objectives within TfN's Decarbonisation Strategy.

4.6 *Equality and Diversity*

Not required.

4.7 *Consultations*

A consultation was undertaken in January 2022 and the results included in the paper.

4.8 *Scrutiny Considerations*

Scrutiny considered the Freight and Logistics Strategy on 16 March 2022 at the Consultation Call at 10am. This was held online as there was not sufficient time to consider the item at the previous in person meeting. There were a series of eight themed areas to consider whilst pulling the work programme together. These are alongside a letter to Network Rail and Local Planning Authorities to urge them to ensure rail connected warehousing was both a key consideration in Local Plan development and Development Management activity in relation to new planning applications whether at pre or full application stage.

The Scrutiny Committee raised the following points:

- Since the publication of the Integrated Rail Plan Board should note that it did not contain enough investment to see the growth in rail freight activity that the North has ambitions to achieve;
- TfN should continue to advocate for the right rail gauge in the right place and seek to achieve investment to W12 levels where possible;

- TfN should ensure that the clarity on the alternative fuelling networks whether hydrogen or electric is planned and communicated carefully. Then industry needs clarity on delivery timescales so it is clear when investments in fleets would see most benefit;
- Investment in rail networks should include both line speed improvements and considerations of weak bridges so maximum tonnage trains can run across the whole network;
- TfN need to work with industry and partners to maximise the access to the rail network to ensure the right trains run at the right time and maximise rail capacity;
- Freight and Logistics should form part of regular meetings with relevant representative membership bodies and Local Enterprise Partnerships;
- Understand the need for Trafford Park to Newcastle intermodal traffic and investment opportunities; and
- Carefully consider the issue of reopening the Penistone Line railway.

5. Background Papers

5.1 September 2021 Scrutiny Report

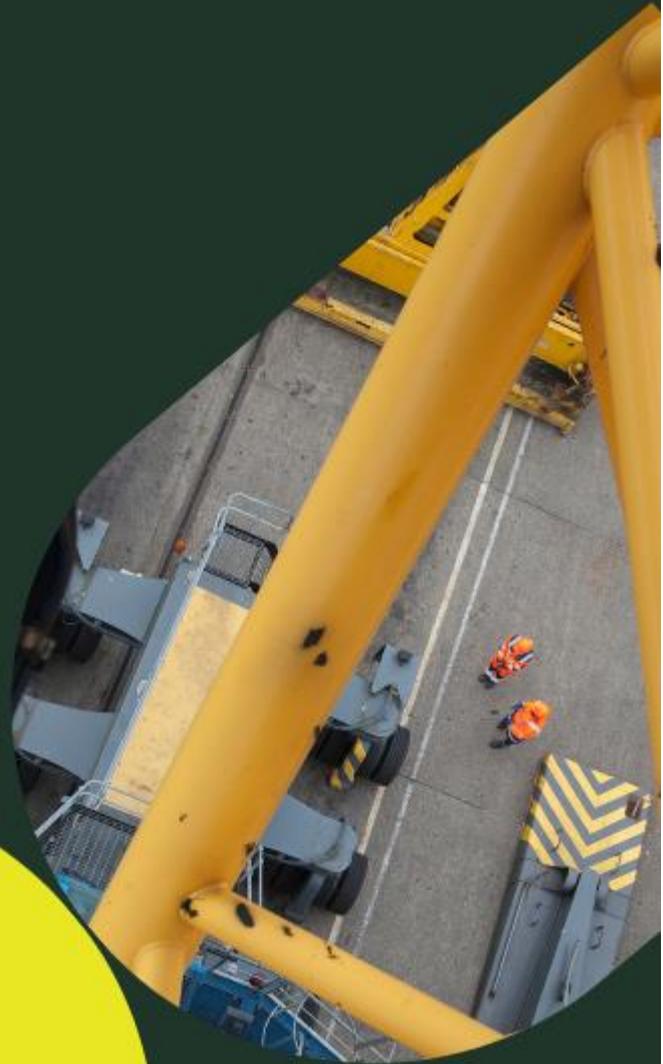
6. Appendices

6.1 Draft post consultation version: Transport for the North Freight and Logistics Strategy February 2022.

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Draft Freight and Logistics

Consultation version



December 2021



Executive summary

The freight and logistics sector is a key part of the North of England's economy, both today and in the future. By 2050 it could be worth more than £30bn and employ more than 500,000 people, providing the backbone for economic growth across a range of sectors.

The sector represents a huge opportunity for the region, given that more than 33% of goods enter through the Northern ports, 25% of GB freight starts in the North, and the same proportion of journeys end in the North.

We need to ensure we maintain an efficient multimodal freight network by improving gaps in connectivity. It should be integrated across all modes and is key to delivering our objectives and meeting the needs of industry, the economy, other transport users and the environment. Delivered holistically, this will allow the economy of the North to be more productive, efficient and sustainable while at the same time improving the environment, and the health and wellbeing of our residents.

The aim of this strategy is to undertake an overarching analysis of freight requirements across road, rail, port and inland waterways in the Transport for the North (TfN) region, identify key constraints or challenges on the existing networks, and provide a list of possible areas of work including developing business cases for interventions and policy solutions that will best support economic growth and decarbonisation.

The strategy also sets out the key objectives for consideration within the context of TfN's activity and role, and articulates key policy positions and those that need development in terms of freight and logistics in our Strategic Transport Plan (STP).

TfN will work with partners, Government, delivery bodies and the industry to deliver the following objectives:

- Reduce the number of incidences of unplanned closures of Major Road Network (MRN) routes leading to severe journey delay;
- Prioritise measures that tackle journey reliability and congestion;
- Support less polluting and more energy efficient movement of goods on the transport network;
- Maximise the utilisation of rail, inland waterways and local distribution hubs to improve efficiency and support the modal shift of goods from road to rail and water;
- Improve multimodal north-south and east-west connectivity across the North;
- Optimise the efficient flow of goods on the MRN and rail network through improved flow of traffic and supported by technology;
- Maximise economic development opportunities through a range of areas, including the clean growth opportunity flowing out of

- freeports, clean industrial clusters, and the first-mile freight that flows out of ports;
- Optimise data availability to support partners in including a freight dimension in building their business cases for transport interventions;
 - Support the planning and development of well-connected warehousing and consolidation sites;
 - Explore the benefits of regional freight consolidation and distribution networks;
 - Reduce the impact of air pollution from freight movements on the health of local communities;
 - Reduce the impact of noise from freight movements on local communities;
 - Increase electrification of the rail network; and
 - Decarbonise road haulage through increased use of zero carbon and low emission fuels.

Freight by road accounts for 90% of all tonnage moved in the North, including first and last mile deliveries. Continuing to improve the network and decarbonise the road haulage fleet is vital in the short to medium term, recognising that the electrification of the rail network will take until 2040 at the earliest.

This strategy provides the underpinning rationale for key road and rail investments included in the TfN Strategic Transport Plan and supporting Investment Programme. These include port-related gauge enhancements and access for the Port of Hull, Immingham, Port Salford, Liverpool and Teesport, as well as warehousing development sites such as Parkside. Additionally, there is reference to West Coast Main Line (WCML) enhancements and the need for a gauge-cleared route along the east-west axis across the North.

The highways improvement schemes within the TfN STP are needed to enhance strategic connections across the North, and to improve the capacity, connectivity, resilience and access to major conurbations, economic centres and industry and logistics clusters, international gateways and intermodal terminals across the region, in order to support economic growth and competitiveness of the region. These include A1 and M6 connectivity and dualling schemes, port access work both locally to the ports and wider connecting infrastructure such as the A66 and A1079 and river crossings, access to airports such as Carlisle Lake District, Liverpool John Lennon, Doncaster Sheffield and Manchester, as well as M62 improvements which currently connect warehouse clusters and improvements that connect the North to other areas such as the A15 into Lincolnshire and the A19 further afield.

TfN will work with Government, delivery bodies and the industry to ensure that these schemes and programmes are taken forward as part of the Northern Investment Programme, expanding the use of TfN's policy and analytical capability in support of this important agenda.

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1 Foreword

Set against the response to the Covid-19 pandemic and other recent economic events, now is the ideal time for Transport for the North (TfN) to set out our stall on freight and logistics. How we support the ongoing delivery of our Strategic Transport Plan (STP)¹ is critical. Our Board has held the industry in high regard throughout the development of the organisation. Having a single document to detail the sector and our focused activity will help industry and Government understand the value that we are adding. In the North, road, rail, inland waterway, air and coastal assets all drive economic growth.

The importance of having the right networks that are resilient and accessible to both people and freight is paramount. The impetus to decarbonise has never been so high. The drive to reduce the carbon impacts of freight and logistics runs through this strategy and works hand in glove with the TfN Transport Decarbonisation Strategy.

We call for a strong, resilient, electrified rail network and certainty on fuelling infrastructure, including hydrogen and battery options on the road network, to support the move to greener transport. The opportunities to access Northern gateways should also be part of this consideration.

Challenge us to push the boundaries and we will work with partners and businesses within the North to underpin change and deliver increased prosperity. Levelling up is crucial to the success of the UK, now more than ever.

The ultimate function of TfN remains to provide statutory advice to Government. We need to be focused on those things where we provide added value and can show outcomes that benefit our region's people and businesses.

Our statutory role and responsibilities remain unchanged and require us to consider the transport system in the round, focusing on:

- Issues and investment proposals that go beyond local authority boundaries;
- Issues that are of common interest and where a collaborative approach enables solutions to be developed and implemented in a timely and cost-effective manner; and
- Influencing and shaping processes and programmes that operate at the national level.

¹ <https://transportforthenorth.com/reports/strategic-transport-plan-2019/> Accessed June 2021

And within that, three key drivers shape the ultimate aims of our work:

- Realising the economic potential of the North;
- Enabling development that is sustainable for the long term; and
- Addressing the extent to which transport acts as a barrier rather than an enabler.

These three themes – economic, environmental, and social – will therefore underpin each of our activities, reminding us *why* we do what we do. This includes being a strong and engaged advocate for the freight and logistics industry as we progress and develop further as an organisation.

2 About the TfN Freight & Logistics Strategy

This is the first pan-Northern Freight & Logistics Strategy. It builds on the outputs of our Strategic Transport Plan in developing a multimodal freight strategy for the North of England that can meet the current and future requirements of the North.

The future of the North is rapidly changing. There are widespread demographic changes in population, employment, and economic prosperity. The impacts of Brexit, Covid-19, technological change, future distribution of housing and jobs, changes in our shopping habits, and policies on decarbonisation, will all have a profound impact on the future shape and requirements of the freight and logistics industry.

While these impacts present some uncertainty about future requirements, they also present an opportunity to re-shape the economy of the North to be more productive, efficient and sustainable, while at the same time improving the environment, and enhancing health and wellbeing. Delivering an efficient multimodal freight network, that is integrated across all modes, is key to delivering these objectives and meeting the needs of industry, the economy, other transport users, and the environment.

To ensure that we maximise the performance of our transport network and that it fulfils its potential, it is clear that interventions on the rail network cannot be considered in isolation of the highway network or vice versa. Rail freight is often dependent on road for distribution from rail heads, while removing freight from the Strategic Road Network (SRN), where possible, has widespread benefits for all users.

Building on studies and analysis undertaken by TfN and bodies such as the Department for Transport (DfT), Network Rail, and National Highways, the aim of this strategy is to undertake an overarching analysis of freight requirements across both road, rail, port and inland waterways in the TfN region, identify key constraints or challenges on the existing networks, and provide a list of possible areas of work, including developing business cases for interventions and policy solutions, that will best support economic growth and decarbonisation. The strategy also sets out the key objectives for consideration within the context of TfN's activity and role and articulates our policy positions in terms of freight and logistics.

This strategy covers road, rail, air and waterborne freight linking to port and warehousing opportunities. It is based on an examination of existing policy documents, an extensive survey of existing evidence, workshops held with areas of industry, detailed rail capacity modelling, and further

analysis. This is particularly relevant where the modelling cannot address the issues raised in existing evidence.

The three main issues for road, rail and waterborne freight are similar: network capacity and capability, terminal availability, and decarbonisation. In addition, for air, terminal capacity and connections into the transport network are also concerns. For each of the modes however, different policy and investment responses are required.

While most of the responsibility for policy implementation lies with national and local government, TfN operates at a geographical and institutional level that allows us to facilitate a regional approach to assessing measures and research.

TfN is also uniquely placed to assist our partners in the development of business cases using our advanced data and modelling analysis skill set and as such, have shared modelling tools with other sub national transport bodies. This is the way we can help our partners to obtain enhanced evidence, data platforms and intelligence to inform bespoke local and regional strategies in future. This can in turn support national policies to take account of spatial and social variation.

3 Why a strategy now?

The North is a place of economic opportunity, renowned for its natural beauty, heritage, culture, and innovation. Transport for the North's ground-breaking economic research, the 'Northern Powerhouse Independent Economic Review²' published in 2016 identified freight and logistics as a key enabling sector to underpin growth in our region. The freight and logistics sector is a key part of the North of England's economy today and will be in the future. By 2050 it could be worth more than £30bn and employ more than 500,000 people.

The North has particular strengths in freight, logistics and warehousing. Reflecting its unique geography, the North is well served by seaports. Immingham – with bulk handling, roll-on roll-off (ro-ro) and lift-on lift-off (lo-lo) capability – is the largest seaport in the UK by tonnage. The North of England also accounts for a substantial proportion of British freight transport, in particular rail, with 56% of total rail freight lifted to, from or within the region.

Combined, the North's logistics assets provide increasingly important capacity for the UK, especially in the context of growing levels of trade entering the UK via ports.

Future investment in the North's transport network must be considered within the context of the UK's productivity challenge, the long-term opportunities for a more inclusive and balanced UK and Northern economy, and, critically, the need for rapid and concerted action on reducing transport carbon emissions.

Decarbonisation has become a global priority. As science and political will converge, greater importance of reducing carbon emissions has been placed on all areas of society, not just the freight and logistics sector. When the STP was published in 2019, decarbonisation had emerged as a key area of activity. Now TfN has grown and developed as an organisation, and with significant Member support, decarbonisation is now a key strategic priority and the TfN Transport Decarbonisation Strategy³ and Freight & Logistics Strategy have been developed together to ensure consistency.

There remains a role for Government to be clear on the ways in which the transport sector achieves decarbonisation. We need to capitalise on a rolling programme of electrification on the railways as soon as possible to ensure that benefits can be realised by 2045. In addition, TfN supports

² <https://www.transportfornorth.com/wp-content/uploads/Northern-Powerhouse-Independent-Economic-Review-Executive-Summary.pdf> Accessed June 2021

³ <https://transportfornorth.com/decarbonisation/> Accessed June 2021

the work being undertaken around alternative fuel technologies to decarbonise the road freight sector, including the development of battery-electric vehicles that can be statically charged or those that can also embrace overhead charging on e-highways such as the potential trial based along the route from Immingham to Doncaster.

Freight was considered as an integral part of the Strategic Transport Plan published in February 2019. It was informed by evidence from industry and the TfN 'Enhanced Freight and Logistics Analysis'⁴. Following progress made on developing the business case for Northern Powerhouse Rail (NPR)⁵, work on the Strategic Development Corridors,⁶ and the TfN Investment Programme⁷, the next step was to produce a Freight & Logistics Strategy that will enable the TfN Board to agree strategic freight priorities for TfN and then be clear with industry and partners on how to take freight projects and programmes forward. The recent publication of the Government's Integrated Rail Plan for the North and Midlands (IRP)⁸ demonstrates the volatile nature of making decisions in infrastructure investment. In terms of the freight and logistics sector, the sector's needs will not diminish even if passenger behaviour changes. Therefore, the need for planning interventions to maximise the use of the networks and investments required in future to accommodate growth needs to be carefully planned and considered. This strategy sets out how TfN can articulate that need for the North of England and work with funders on delivering the investments needed.

This Freight & Logistics Strategy has a multimodal focus which means it considers road, rail, air, maritime and inland waterway networks. The nature and profile of the activity at TfN has meant that rail does take up a large proportion of this strategy. This is because work on the Northern Powerhouse Rail business case before the publication of the Integrated Rail Plan, and work of the Rail North Partnership and Strategic Rail team at TfN, is significant. Additionally, the rail freight operators have a well-established set of rights to access the rail network. This means there has to be a significant understanding of freight on the railway and how programmes of investment impact on this, and how we build and sustain the relationships needed to secure the success of the programmes we are championing in the North. The main rail benefit comes from the opportunity that modal shift from road to rail presents in terms of decarbonisation, however the strategy does consider a variety of other

⁴ <https://transportforthenorth.com/wp-content/uploads/Freight-and-Logistics-Enhanced-Analysis-Report.pdf>

Accessed June 2021

⁵ <https://transportforthenorth.com/northern-powerhouse-rail/> Accessed June 2021

⁶ <https://transportforthenorth.com/strategic-development-corridors/> Accessed June 2021

⁷ <https://transportforthenorth.com/investment-programme/> Accessed June 2021

⁸ <https://www.gov.uk/government/publications/integrated-rail-plan-for-the-north-and-the-midlands> accessed November 2021

methods put forward to achieve a resilient and decarbonised transport network by 2045.

Fully integrating the recommendations of the Williams Shapps Plan for Rail⁹ published in May 2021 is key to securing the modal mix we are striving for. The value of freight services and the access they have to the rail network has been clearly identified.

Great British Railways (GBR) will have statutory duty to promote rail freight and set out how the Government will work with the market to secure investments in the network. In turn, this will offer certainty to the freight market so that investments in engines and rolling stock can be planned at the right place and at the right time. The example of securing investment at Ely in Cambridgeshire will enable the North to gain benefits too by improving access to a rail freight terminal that could result in additional freight trains between the south-east and the North. Our approach to rail investment will always need to be seen in a national context. This is an example where both TfN and Transport for the South East have both recognised the need for investment and have supported this through the Strategic Freight Network Steering Group on behalf of the Sub-national Transport Bodies (STBs).

We will work with GBR and Government as it sets a growth target for rail freight and embeds freight firmly into strategic decision-making. This is a huge step forward but does not diminish our aspirations for sustainable decarbonised road freight growth.

Freight by road accounts for 90% of all tonnage moved in the North. Continuing to improve the network and decarbonise the fleet is vital in the short, medium and long-term. There will be an urgent need for the freight and logistics industry to liaise closely with both local and regional planners to plan network changes that will accommodate the shift to decarbonised streets. This has happened successfully in cities such as Rotterdam and Amsterdam. Consistent education over more than 30 years and planned changes to road layouts over time have enabled greater and safer cycle usage and integration in the cities.

In summary, this document consists of the following sections:

- Our networks;
- Our objectives;
- Road and rail considerations;
- Future role of TfN analysis; and
- Delivery of the strategy and recommendations.

⁹ [Great British Railways: Williams-Shapps plan for rail - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/98421/gbr-williams-shapps-plan-for-rail.pdf) Accessed June 2021

3.1 Key objectives

The key objective of the Freight & Logistics Strategy is to accelerate our Investment Programme interventions that would best support the strengthening of the North's economy. Crucially, it also seeks to set out how TfN can support the freight and logistics sector to decarbonise. We have already published our Transport Decarbonisation Strategy which sets out the trajectory towards zero carbon, however it is clear that to achieve decarbonisation we need to:

- Explore and implement alternative fuel technologies for road transport;
- Support further electrification of the rail network;
- Call for and support the creation of additional terminals on rail and inland waterway networks to encourage modal shift from road to rail and water where possible;
- Address capacity and network issues on the rail and inland waterway networks to encourage mode shift from road to rail and water where possible.

Additionally, we need to identify the policy positions TfN needs to develop to deliver the strategy effectively, which will inform the review and revision of the Strategic Transport Plan and Investment Programme..

The strategy also is mindful of the fact that the North plays an important role in the transit of goods throughout the UK and not just to and from the North. Key routes through the North between the South of England and Scotland and Wales, for example, are important to ensure the economic performance of the UK. The strategy therefore takes into account and supports the findings of the Government's Union Connectivity Review (UCR).

Set in the context of the Northern Transport Charter (NTC) ambitions of championing and inclusive and sustainable North, securing a long-term Northern funding settlement, putting the North's rail passengers first, and leading strategic transport delivery, this strategy will move the debate forward on supporting the ambitions that will enhance the North's economic strength and ambition.

3.2 Freeports

The 2021 Budget announced the locations of eight freeports in England. The Freeports of Humber, Liverpool City Region and Teesside are in the TfN area. The benefits of the other freeport arrangements further south

will be felt within the North as the other freeport areas play a significant role in the economy of the North by trade activity.

Where the ports of the North have not been awarded freeport status, we will continue to champion the infrastructure needs and any development opportunities that sits within TfN's remit to do. The Government's approach to freeports is that they generate opportunity for economic growth. We do not want to see the decline of other port activity if companies are indeed swayed to move to such a port by the tax and other economic benefits freeports offer. This is an issue we will watch with great interest.

We also note that at the time of publication, freeports at TeesPort, Humber and in London are progressing and are indeed launched. This is an exciting development and as they develop further we will build relationships with the teams operating them and ensure we continue to capture their wider infrastructure needs in our work.

3.3 Importance of the freight and logistics sector in the North

In 2016 Transport for the North published the ground-breaking Northern Powerhouse Independent Economic Review. The review identified that the GVA in the North was 25% below the national average, which is a significant gap in productivity. This meant that there was an opportunity to articulate the need for investment in the North in a different way – to maximise the productivity of the whole of the UK which would contribute a stronger economic offer for UK PLC.

The prime economic sectors of advanced manufacturing, health innovation, energy, and digital were identified as key to the North's success. To support these sectors, freight and logistics was identified as an enabling sector, alongside finance and professional services, and education. This identification of freight as a key enabler was the catalyst for the work on freight and logistics at TfN and the networks and investment needed in the North to close the productivity gap.

The review also identified that it was not the lack of diversity of sector activity in the North but that the difference in productivity within each sector that matters more. There was also a lack of business-to-business sharing and development of expertise. While this is not fixed easily, as relationships develop across TfN programmes we can be a catalyst to help change this position.

The freight and logistics sector activity in the North is significant. With high levels of major port and warehousing activity and the clear desire

articulated by TfN Members to see the networks strengthened to support the growth of these areas, TfN invested heavily in understanding the pan-Northern impact of the sector. This gave freight and logistics prominence in strategy development and the publication of the Enhanced Freight and Logistics Analysis supported the development of the Strategic Transport Plan.

Northern Powerhouse Independent Economic Review

The 2016 Northern Powerhouse Independent Economic Review (NPIER) identified freight as one of the North's key enabling capabilities, playing a vital role in delivering transformational economic growth across the region. This transformational growth will deliver an additional £100bn in GVA and an extra 850,000 jobs in the North by 2050.

The past experience in the logistics sector has been growth at a slightly faster rate than in the wider economy. The sectoral composition of the North in a transformational growth scenario implies trends that both reduce and boost the demand for logistics: lesser importance on heavy freight imports and exports (and for the future a greater reliance on more sustainable modes, notably rail and water-borne) and supply chain imports associated with those sectors; greater importance of imports of consumer goods and high-value (including air) freight. Under the transformational scenario, the net effect of these changes are assumed to keep the logistics sector's growth above that of the Northern economy, while productivity growth within logistics in the North is assumed to be at a similar or slightly faster rate than in the UK economy as a whole.

Following on from the publication of STP and Investment Programme in 2019, freight requirements have been a key consideration within TfN's Strategic Development Corridors and subsequent work on the Investment Programme Benefits Analysis (IPBA).

Given its high-profile nature and the additional importance of decarbonisation and how the themes interact, it is timely to see this strategy published and ensure the sector itself, Northern leaders and Government, clearly understand and appreciate the Northern priorities we identify and wish to see delivered.

In April 2019, the National Infrastructure Commission published evidence drawn together by Vivid Economics in the Value of Freight report¹⁰. They reported that "the cost of the UK freight system is equivalent to around 4% of GDP. We estimate that the UK spends up to £80bn per year on road freight, rail freight and warehousing. Of this, road freight accounts

¹⁰ <https://nic.org.uk/studies-reports/uk-freight/the-value-of-freight/> Accessed June 2021

for around £38bn; rail freight for around £1bn; and warehousing for £20-38bn. Labour costs make up around one-third of road freight and warehousing costs.”

The sector represents a huge opportunity for the North given that more than 33% of goods enter through the Northern ports, 25% of GB freight starts in the North, and the same proportion of journeys end in the North. However, there is some evidence that constraints in the freight network, nationally, cause inefficiencies. These include a shortage of warehouse capacity (especially rail connected warehousing), the inability of rail to carry containers east-west across the Pennines or elsewhere in the North, and the disproportionate reliance on the ports in the South (even when roll on roll off traffic is excluded). This is because the North’s rail network cannot fit the containers on it as the tunnels and bridges are not big enough in places. This is known as ‘gauge clearance’ and the North would like to see the largest gauge, W12, being delivered on the network where possible.

By taking a multimodal approach and using demand information generated by the modelling and analysis tools developed at TfN, we can consider capacity constraints on the whole network. In terms of road and rail there will be consideration of the importance of well-connected terminals that feed the warehousing clusters of, for example, Warrington in the North West and Wakefield and Doncaster in the east, all of which are constantly evolving and securing new business.

3.4 TfN Future Travel Scenarios background

TfN’s Future Travel Scenarios (published in December 2020)¹¹ apply a comprehensive consideration of the economic, environmental, social, spatial, and technological future uncertainties which will influence how people, businesses, and goods interact with the transport network in the future.

The Future Travel Scenarios highlights various factors that are external to TfN’s direct control, acting as ‘reference cases’ with which we can test the performance of TfN strategies and policies in pursuing our vision and objectives across different scenarios. The factors explored during this work are categorised as:

1. Growth in the population and economy;
2. Spatial planning policy and economic distribution;
3. National policy on environment and sustainability;
4. Technological change and advancement; and

¹¹ <https://transportforthenorth.com/future-travel-scenarios/>

5. Social and behavioural change.

Our approach opens up these factors and their complex interactions with travel demand and land-use, with the aim of inserting them into the heart of our long-term planning and decision-making. This enhanced understanding provides a mechanism which with to ensure we are robust, resilient and agile to wide-ranging and cross-sector uncertainties, and we can approach future uncertainty with confidence.

The Future Travel Scenarios were developed in partnership with Local Authority partners, national delivery partners, and academic experts, and informed by local strategies and priorities.

Our Future Travel Scenarios will form an integral part of TfN's decision-making processes. In conjunction with our Analytical Framework and Appraisal Framework, they will be used to test and refine TfN transport strategies, policies and programmes so that we support transport interventions, solutions and policy measures that meet our objectives across a range of futures.

Our four TfN future travel scenarios are summarised below:

Just About Managing - What if society continues to develop in line with existing trends?

- This scenario sees a state of inertia, although this should not be taken as neutral. It sees a future where people do not alter their behaviours much from today, or give up certain luxuries, although there is a gradual continued trend towards virtual interaction. Economic growth continues at a moderate rate, but it is largely consumption-led and unequal, lacking agility and vulnerable to shocks. This scenario is led by markets, without much increase in political direction, with its biggest driver being economic.

Digitally Distributed - What if society achieves our transformational growth outcomes by using technological solutions to create connection and agglomeration across towns and cities?

- This scenario sees a future where digital and technological advances accelerate, transforming how we work, travel and live. In general, we embrace these technological changes and the move towards a distributed, service-based transport system. Long-term climate change targets are met, but there is slow progress in the short-term due to a general preference for individualised mobility over traditional public transport. This scenario is led by technology, with

the biggest drivers being technical advances and a willingness to embrace mobility-as-a-service and shared mobility in the long-term.

Prioritised Places - What if society becomes more focused on place, place-making and community than growth or connectivity?

- This scenario sees a significant shift in political and economic direction to ensure that no place is left behind. Every area, including cities, towns and rural and coastal areas, has a bespoke local economic strategy, supported by investment in local assets, specialisms and economic and social infrastructure. Community, localism and place-making across the North is applied to build a sense of local identity to improve local economies. There is a focus on work-life balance and social equity within and between places. This scenario is led by a change in priorities, with its biggest driver being the push for a fairer redistribution of economic prosperity.

Urban Zero Carbon - What if society achieves transformational growth outcomes by using policy intervention to maximise energy-efficient city growth?

- This scenario sees a significant shift in public attitudes towards action on climate change, and strong national Government response to meet it. There is a boost to economic productivity to levels consistent with the NPIER, primarily through a combination of urban agglomeration and place-making. Transport users demand and embrace publicly available transit and active travel options, as there is a blurring of the line between 'public' and 'private' with increasing shared mobility systems online. This scenario is led by attitudes to climate action and urban place-making, with the biggest drivers being strong Government policy and trends of urban densification.

TfN's Future Travel Scenarios Report¹² provides a comprehensive overview of the process undertaken to develop the new Future Travel Scenarios. It also delves into the contextual factors underlying each scenario, resulting stats and figures, and explores the expected implications of each future state.

¹² [TfN Future Scenarios Report FULL FINAL V2.pdf \(transportforthenorth.com\)](#) Accessed June 2021

4 The North's freight and logistics network

The North of England's transport network is extensive and encompasses rail, road, inland waterways, sea and air infrastructure in addition to a significant volume of warehousing, particularly around Liverpool, Manchester and Leeds.

The transport infrastructure supports a Northern population of more than 15.5 million people¹³, and, prior to the impact of Covid-19, some 7.4 million jobs¹⁴. It covers more than 38,000 square kilometres of land¹⁵ and contributes more than £364bn GVA towards the UK economy¹⁶.

Freight accounts for 9% of the country's GDP and supports every industry with access to goods and services. In the UK, a total of around 1.65 billion tonnes of freight are lifted by all modes per annum. Over a third of freight tonnes lifted comes from the Northern ports, covering both international and domestic traffic.

The North boasts a wealth of freight assets that grant the region a strong multimodal freight capability. These include:

- 11 major ports (three with provisional Freeport status in the Liverpool City Region, on the Tees, and the Humber) in addition to other ports located on the Tyne as well as in Lancashire, Cumbria and Northumberland;
- Seven international airports including Liverpool John Lennon, Leeds-Bradford, Doncaster-Sheffield, Humberside, Durham Tees Valley, Newcastle, and Manchester, in addition to the domestic airport located at Carlisle Lake District;
- Three Strategic Rail Freight Interchanges (SRFIs – distribution centres with intermodal terminals) at Ditton, Wakefield, and Doncaster, with more emerging;
- Three further Intermodal Terminals at Trafford Park, Leeds and Garston;
- A Strategic Road Network focused on the M62/M60/M56 and A66/69 east-west corridors and the M6 and M1/A1 north-south corridors;
- A strategic rail network principally comprising of the West Coast Main Line (WCML), East Coast Main Line (ECML), and Midland Main Line (MML), that connect the North of England to the South and the Transpennine routes; and

¹³ Office for National Statistics (2021), 'Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland: Mid-2020: 2021 local authority boundaries'. [Accessible [here](#)]

¹⁴ Labour Force Survey (Jan-Mar 2020), May 2021, ONS [Accessible [here](#)]. The most recent data (Jan-Mar 2021) indicates that employment across the North is around 7.2 million.

¹⁵ Office for National Statistics (2021), 'Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland: Mid-2020: 2021 local authority boundaries'. [Accessible [here](#)]

¹⁶ Office for National Statistics (2021), 'Regional Gross Value Added (balanced) by industry: all ITL regions' [Accessible [here](#)]

- A significant amount of distribution centre land use with more required.

Despite these assets being available, many are not being fully utilised due to several reasons such as lack of joined up infrastructure or attractive alternative logistics solutions. Gaps in connectivity prevail that urgently require investment; 80% of road freight in the North is domestic traffic, most of which is short haul (making it difficult to justify the use of rail on commercial or efficiency grounds), which places a heavy burden on the SRN.

4.1 The North's multimodal freight flows

The North's freight traffic is carried by road, rail, waterway, and air. Inland waterway and air carry very small percentages of overall volumes in the North. TfN recognises that there are opportunities as outlined above.

The key transport infrastructure in the north of England is presented in the map.

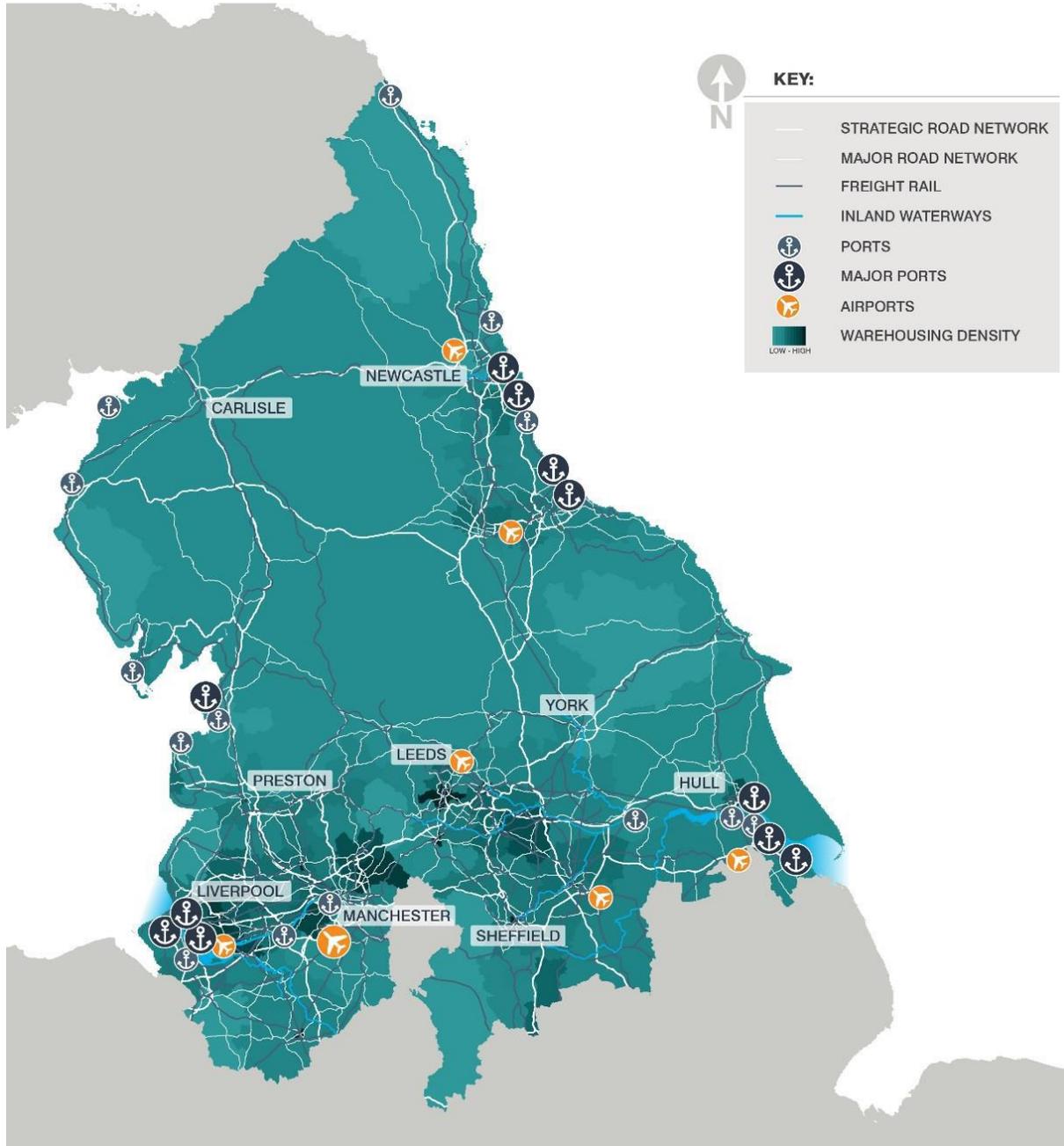


Figure 1: Key transport infrastructure - North of England

The UK handles large volumes of imports and exports at various seaports. There are three major port clusters in the North of England: Liverpool, Hull and Immingham, and Tyne and Wear. These ports generate traffic to and from inland terminals and warehouses within the North and beyond. These tend to handle short-sea traffic. In addition, large volumes of freight destined for the North comes from the major deep-sea ports in southern England: Felixstowe, Southampton, and London Gateway.

The other generators of freight traffic are inland distribution centres, terminals, and warehouses. These are scattered across the country for onward distribution to end customers (such as retailers, households, or

business users of commodities such as construction sites and factories). In the North, areas of high warehousing density are usually urban clusters, particularly around Manchester, Liverpool, Leeds, and the wider Yorkshire region.

Main commodity groups carried by road and rail freight include:

- Intermodal Container
- Construction
- Metals
- Automotive
- Petroleum
- Foodstuffs and household delivery

Freight flows in the North of England can be divided into two main directions; north-south and east-west

Key flows	Main rail routes	Main road routes
North-South	WCML (Crewe – Carlisle) ECML (Doncaster – Newcastle) MML (south of Sheffield)	M6 A1 (M) (especially York and Newcastle) M1 (south of Sheffield)
East-West	North Transpennine Line (via Diggle) Calder Valley Line (via Rochdale) Copy Pit Line (via Burnley) Hope Valley Line (via Edale)	M62 (between Liverpool and Hull) A69 (between Carlisle and Newcastle) A66 (between Penrith and Scotch Corner)

All the listed north-south routes are very busy across both road and rail, carrying traffic to/from or within the North, and significant Anglo-Scottish traffic (much of which through the North). The WCML and M6 both carry very high freight volumes south of Warrington.

For east-west traffic, there is currently relatively little rail traffic. There is at present no gauge-cleared route suitable for container traffic. The small number of trains that run are for construction aggregates and biomass. The busiest east-west road corridor for freight is the M62. The A69 and A66 also play an important strategic freight role, offering strategic links to Scotland and ports. Reflective of this; they carry lower volumes of traffic overall. However, HGVs and LGVs account for a large percentage of overall traffic on these routes making them a key route in the North for freight. The A616 and A628, which provides a route to Manchester known more popularly as Woodhead Pass, can be affected on multiple occasions throughout the winter. Due to the Pennines topography, these are the only main east-west routes with a lack of suitable alternatives and are susceptible to disruptions.

The choice of road versus rail for freight is typically driven by cost. This cost evaluation needs to take account of both haulage costs and indirect costs such as the construction of terminals. Using rail typically involves building a rail terminal which is often larger and more costly than the road equivalent, and where that is the case, the operator will need to include these (extra) capital costs in their calculations.

Road haulage does have typically high economic costs in terms of pollution, highway damage, congestion, and noise. The actual body that pays for these costs ends up being the Highway Authority and not the haulier. In rail terms there are fewer costs absorbed by Councils and more absorbed by the freight operator. This is why the Freight Facilities Grants run by DfT were popular.

Historically, bulk cargoes such as construction materials and coal for power stations have been the main commodities of rail. Coal has declined with the shift in power generation to renewables and the earlier “dash for gas”. Until recently, other heavy industries had not filled the gap left by coal. In part that is because there is less heavy industry in the UK economy, but it is also because of the gradual shift in power generation. Where offshore wind has grown, the infrastructure required is port-side and near the shore.

This in effect removes coal’s primary need for rail freight. Construction materials continue to be moved across the UK with the importance of the quarries in the Peak District and Yorkshire Dales in particular increasing. With the limit of lorry movements restricted by the Peak District National Park, the train loads of aggregates have almost doubled. Where around 2,400s tonne of aggregates left the Peaks to Wembley twice a week, now one train of around 4000 tonnes works now. This is a huge argument for the attraction of modal shift and highlights the industry’s long-held belief that moving more on bigger trains is possible – even on paths that were designed for much lighter trains.

However, increasingly with the rise in volume of consumer goods and specialised manufacturing (in the UK and globally) and with more rail-served warehousing sites, with terminals built across the country, the total volume and the proportion of intermodal containers and fast-moving consumer goods travelling by rail has also risen. This trend is expected to continue.

Within any one commodity group the comparison of road versus rail costs will vary by journey:

Distance: Because road costs per extra kilometre are higher than rail costs per extra kilometre, rail is typically more viable (higher mode share) over longer distances than over short distances.

Cargo quantities: Rail is normally not well-suited to small cargo volumes because it takes some time to build up enough freight to warrant running a train. This leads to infrequent and large deliveries (often inconvenient for the customer) and can lead to under-utilised railway assets.

Rail-connected: If there are rail terminals at both the cargo generator and the cargo consumer, then this removes the need for a local road haul between cargo generator/consumer and rail terminals – thus significantly reducing the costs of using rail.

It is often difficult to define mode share by commodity because commodity definitions between modes are often difficult to harmonise.

4.2 The North's road freight network

The Strategic Road Network (SRN) in the North of England covers many of the region's large economic centres. North-south routes are provided through the M6 between Carlisle and Rugby, providing a vital link through the west of the region, and the A1 (M) between Newcastle close to Doncaster through the east of the region. The M1 links Leeds to London and provides a key route into and out of the North.

East-west routes are provided primarily through the M62 as the central corridor between Liverpool in the west and close to Hull in the east.

Additional routes include:

- M56 between Manchester and the Welsh Border near Chester;
- M58 between the M6 at Wigan to the north of Liverpool close to the Port;
- M57 links the M58 and M62 and provides an eastern bypass to Liverpool;
- M53 links Liverpool to the M56 via the Wirral;
- M60 forming the Manchester Ring Road;
- M65 between Preston and Colne;
- M18 links the M1 near Rotherham to the M62 to the west of Goole;
- M180 connects the M18 north of Doncaster to the A180 west of Grimsby and Immingham;
- A628/A616 is the main strategic freight route between South Yorkshire and Greater Manchester;
- A69 links Carlisle and Newcastle;
- A66 provides a strategic route between Penrith (M6) to Scotch Corner on the A1 (M); and
- A59 between York and Liverpool.

4.2.1 Figure 2: The North's Major Road Network (MRN)



While total traffic volumes are greatest on roads operated and managed by National Highways, known as the Strategic Road Network (SRN), this only accounts for 2% of the road network in the North. Almost all road journeys start and finish on local roads, including those first and last miles of a journey that can make all the difference as to whether goods or people make it in time and as efficiently as possible.

In response to this issue, TfN and its constituent authority partners have identified and mapped a Major Road Network (MRN) for the North - a network consisting of the North's economically important roads. This network, which includes both the SRN and important local roads, represents about 7% (by distance) of the roads in the North, and links the North's important centres of economic activity, including the first and last miles to and from the SRN.

The North's major centres of economic activity include:

- Ports and airports, supporting imports, exports, and the visitor economy.
- Clusters of the prime and enabling capabilities as defined in the Northern Powerhouse Independent Economic Review.
- Major population centres, which are generally more than 50,000 residents.
- Enterprise zones, universities and other key employment sites.
 - Major centres of tourism.

There is a direct link between better connectivity to these assets and enabling the North's economy to realise its potential.

The MRN¹⁷ has a critical role in connecting people, businesses, and communities, and put simply, major roads are indispensable to supporting economic activity, access to services, and our overall quality of life.

4.2.2 Road issues

The key considerations for the network include capacity to accommodate all the forecast growth on the network and any constraints this then highlights. The reliability and resilience of the network is also challenging with the ability to recover from planned and unplanned events critical to the economic success of the North as a whole.

Key areas of the highway network where constraints impact road freight include the east-west Trans-Pennine movement on the M62 and its links into other key routes such as the M60, the A616-A628-M67 between South Yorkshire and Greater Manchester which is mostly single carriageway and suffers from severe congestion particularly around the approaches to the M67, and the A66 from Tees Valley to Penrith – particularly vulnerable to weather conditions and the subject of a major programme of investment led by National Highways. North-south connections on the M1 around Sheffield, A1 West of Doncaster, A1 Newcastle - Gateshead Western Bypass, the M6 in Cheshire and Warrington, and the A19 in the Tees Valley and North East. The pinch point occurs at the Tees crossing which requires investment and has a clearly articulated and well understood business case.

Other areas of investment with significant freight benefits include access to 'constrained' ports, for example the A5036 to the Port of Liverpool and A63 to the Port of Hull, both schemes within the National Highways Road Investment Schemes (RIS)2 programme; road and rail access to Parkside

¹⁷ It is important to note that the MRN defined by TfN and our partners differs from the Department for Transport's definition of the MRN, which is defined as being separate to the Strategic Road Network (SRN) and encompasses around 2% of roads in the North.

in St Helens, and schemes being considered within the RIS3 Pipeline, for example A1 Doncaster – Darrington and M1/M62 Lofthouse interchange.

In terms of freight connectivity, the access to and from intermodal terminals for example at Trafford Park, Leeds, Garston, Doncaster iPort Rail and Widnes, and international airports, particularly Manchester and Newcastle, also requires attention. Most of these areas are particular examples where a pan-Northern view on the investments needed are helpful in developing business cases for investment.

Linked to the topic of decarbonisation are the concerns around air quality in major urban centres. Clean Air Zones (CAZ) with targeted actions to improve air quality and reduce significant levels of air pollution have been proposed in Greater Manchester, Leeds, Bradford, Newcastle, and Sheffield. There is a push to consider different ways of making deliveries in urban areas using e-cargo bikes and zero emission vehicles (ZEVs) as an example. This can be difficult as the road infrastructure needs to meet the needs of all vehicles. Where cities across Europe have embraced the benefits of more localised deliveries, it is built upon decades of policy change and spatial planning policy development that delivers infrastructure to maximise the benefits to the zero-carbon road user rather than the petrol or diesel vehicle. It is also worth clarifying that there will always be a role for lorries and rail services to bring goods into city centres to restock shops and other establishments. One lorry can carry the equivalent of 20 van loads so larger lorries can indeed be better in some circumstances.

Road will remain the main modal choice for freight due to the existing popularity of the network, ease of access, lack of rail capacity, and the long timescales and high costs associated with creating new rail capacity. Having said this, we would expect that after 2040 a greater percentage share of freight will be carried by our rail network. Reflecting this, TfN's Transport Decarbonisation Strategy has targeted rail traction decarbonisation in the North by 2040 (in line with Network Rail's Traction Network Decarbonisation Strategy).

Our decarbonisation target of near-zero emissions from surface transport by 2045 means that the road fleet needs to be decarbonised by then too. The route to decarbonising our road freight vehicles is still unsure, although is likely to be a mix of hydrogen and battery electric solutions including on-road charging where appropriate. TfN's Transport Decarbonisation Strategy has laid out several recommendations to expedite the decarbonisation of our road freight, including the testing and trialling of new vehicle and refuelling technologies in the North, data democratisation (that is, making fuel/driving efficiency data available to

all) and the aggregation of zero emission vehicle orders to prove a market for vehicle manufacturers in the North.

Another issue the road freight sector is facing is the shortage of HGV drivers. This has been a longstanding issue due to a range of factors such as an ageing workforce, the attractiveness of the job, and political issues. Work needs to be undertaken to improve the perception of a job in road freight haulage and improve conditions through less congested roads, and more lorry parking with better overnight security and facilities.

4.3 The North's rail freight network

The North of England has an extensive rail network, including faster main lines, more rural branch lines, and freight-only lines into and out of ports.

The main north-south rail routes include:

- West Coast Main Line (WCML) from Scotland/Liverpool and Manchester to London Euston through the North of England via Crewe;
- East Coast Main Line (ECML) from Scotland/Newcastle/Leeds/Middlesbrough/Hull/York/Darlington to London Kings Cross through the North of England via Doncaster; and
- Midland Main Line (MML) from Sheffield to London St Pancras.

There are also several other routes throughout the North of England which are used for the movement of freight. There are others which have the capability but lack the capacity or space needed to fit additional trains on.

The current routes used include:

- Diggle Route from Manchester to Leeds via Stalybridge and Huddersfield;
- Calder Valley Route from Manchester to Leeds via Rochdale, Halifax and Bradford;
- Hope Valley Route from Manchester to Sheffield via Marple and Chinley;
- Leeds to Carnforth via Wennington;
- Leeds to Carlisle via Settle and Appleby;
- Blackburn, Hellifield, to Carlisle via Settle and Appleby;
- Chat Moss Route from Liverpool to Manchester via St Helens and Newton-le-Willows;
- CLC route from Liverpool to Manchester via Warrington;
- Cumbrian Coast Line from Carlisle to Barrow-In-Furness and Lancaster via Workington and Whitehaven;
- Durham Coast Line from Newcastle to Middlesbrough via Sunderland and Hartlepool;

- Tees Valley Line from Saltburn via Darlington to Middlesbrough and Redcar; and
- Cleethorpes line from Cleethorpes to Doncaster via Grimsby, Immingham and Scunthorpe.

4.3.1 Rail issues

Network capacity is one of the key issues for rail. It is a challenge in terms of the capacity of the network to accommodate more trains reliably or flexibly, and in terms of gauge which determines the ability to handle intermodal traffic both on the existing network and for new journeys. Robust timetables are also needed for freight certainty, so the network works as a whole system rather than being disjointed.

HS2 is critical in freeing up capacity for freight on the WCML south of Wigan and on the MML, but the two-track WCML north of Wigan needs significant enhancement to provide sufficient capacity for both passengers and freight. Three freight paths an hour in each direction will be required to convey the amount of freight that could move off the M6/M74. With a revised timetable that makes best use of capacity ('flighting' trains by speed) it may well be possible to create the necessary capacity by the installation of two or three long passing loops, where fast passenger services can overtake freight services, ideally without needing to bring the latter to a standstill. This is supported in the Union Connectivity Review.

Evidence gathered for the strategy suggests that just less than half of freight paths are used in total, however that is not the case on routes or at times where capacity is constrained, for example, on the Castlefield corridor in Manchester. There is little or no spare capacity over the four key freight bottlenecks identified by the network capacity modelling for this report - other than at night. These include the WCML north of Golborne, ECML two-track section through Durham, Midland Main Line through Sheffield, and across Manchester. The work shows that rail freight end-to-end train times already suffer from significant additional time in order to be squeezed onto the network.

4.3.2 Manchester Recovery Task Force

There is a particular problem in the Manchester area, where all the former main freight lines that avoided the city centre have been closed. That has left most freight trains having to go through the city centre, either through Victoria or along the Castlefield corridor through Piccadilly and Oxford Road which is the only route to the Trafford Park freight terminal. However, the whole network in central Manchester is severely congested which causes extremely high levels of delays to train services, giving Manchester 20% of the locations with the worst train delays in Britain. As

a result, Network Rail has formally designated the Castlefield corridor as one of only three locations in the Britain to be “Congested Infrastructure”.

TfN is working with DfT and Network Rail to identify what enhancements are needed to rail infrastructure in and around Manchester to enable services to operate reliably and to cater for future growth. That work is focused on passenger services, though freight services would also benefit from any reduction in delays on the network. In addition, TfN is working on a Network Gaps Delivery Plan to set out priorities for new or re-instated sections of line in the North, as part of which consideration is being given to possibilities in south Manchester that could enable freight trains to access Trafford Park without having to go through central Manchester.

Additional new rail freight terminals at Parkside (should it be constructed) and at additional locations such as Warrington and Carlisle could relieve the pressure on Trafford Park and on the rail network around Manchester. However, even if some volume for the Wigan/Warrington area moves to terminals like Parkside, it is likely to be replaced by increasing urban logistics movements into the city, for which Trafford Park is ideally suited.

4.4 The North’s port network

Short Sea Shipping (SSS) is the maritime transport of goods over relatively short distances on routes such as Liverpool to Dublin and Immingham to Rotterdam, whereas Deep Sea Shipping (DSS) refers to the maritime transport of goods on intercontinental routes, crossing oceans.

The primary driver for growth in terms of shipping is intermodal container freight on both SSS and DSS routes. This is reflected in the 2050 forecast although the more predominant intermodal flows are focused on the southern ports, such as London Gateway, Southampton, and Felixstowe, where extensive facilities for handling large container vessels have been created.

The Port of Liverpool has invested more than £400m in the creation of a new deep-water container terminal that will enable two 13,500 Twenty-Foot Equivalent (TEU) vessels to call at one time and hopes to attract regular container ship calls to boost the port’s intermodal throughput. SSS transports the larger volume of cargo into the Northern ports with imports exceeding exports. DSS tend to be focused on large vessels making one call in the UK on global loop routes. Currently some of the intermodal freight brought into Europe by DSS services is fed into ports such as Rotterdam with smaller feeder vessels and SSS services transporting it as both accompanied and un-accompanied freight to the Northern ports. The intermodal freight that is transported via the

southern UK ports generally travels to and from the North of England by rail into and out of intermodal terminals such as Trafford Park in Manchester for onward 'last mile' distribution by road.

The Humber ports dominate the shipping volumes mainly because there are three significant ports (Hull, Immingham and Grimsby) located on the Humber Estuary. Most of the freight handled by the Humber ports arrives via SSS routes. There are also significant DSS services into and out of the Humber.

The Mersey ports are evenly balanced between SSS and DSS with aspirations of future growth in DSS services via the new container berth known as "Liverpool 2". Liverpool has developed a strong network of short sea shipping routes and is a major short sea shipping hub for the Irish Sea area with ro-ro ferry services to the Isle of Man, Dublin, and Belfast (key operators including Stena Line, Seatruck Ferries, P&O Ferries, and Isle of Man Steam Packet) and lo-lo container feeder services to Dublin, Belfast, Cork, and Glasgow and from English Channel Ports (including Southampton, Rotterdam, Antwerp, and Le Havre) for example. These feeder services to the English Channel Ports connect Liverpool to deep sea container services to the Far East, India, Africa, and South America. Peel Ports also operates the innovative container ship service from the Port of Liverpool along the Manchester Ship Canal.

The Tees ports handle mainly SSS services and primarily import freight, with Tyne & Wear ports handling smaller mixed volumes. Lancashire ports handle only SSS services and the ports in Cumbria handle a small amount of SSS services.

Regional ports are also vitally important in supporting the local economy and providing capacity and capability for the North. Improved connectivity is also vital for their role. In Cumbria for the Port of Barrow, road improved connectivity on the A590 through to the M6 is vital and for the Port of Workington both 'last mile' road connectivity from the A66 and improved capacity on the Cumbria Coast Line is considered important in supporting their role.

4.4.1 The North's port surface access

The landside facilities for the distribution of goods to and from the Northern ports are imperative to increasing their attractiveness and ensuring freight is moved efficiently across the network.

Many of the Northern ports are located in urban areas such as Liverpool within the city itself and therefore any increase in vehicle flows on the local road network will have a negative impact on air quality with resulting congestion impacting on the operational cost of transport.

Many of the ports feature both road and rail access, however, often routes to join the major transport networks are slow and unreliable. Again, this reduces the competitiveness of the Northern ports. Providing infrastructure to allow freight to be transported to and from the ports effectively is imperative. A good example of where the North falls short in this regard currently is the biomass traffic that is brought into the UK through the Port of Liverpool for onward transport by rail to the Drax site at Selby. The route that trains take between the two points is not direct and often takes a considerable amount of time at low speeds due to capacity concerns (related to train weight and pathing constraints) on the east-west routes between Liverpool and Yorkshire. Delivery of a gauge-cleared route for full-sized containers by rail on standard wagons and capable of carrying longer heavier trains is what we are looking to see delivered on the Transpennine Route Upgrade on an east-west basis. Delivery of the programme would save more than 170 miles for a return road journey, which will benefit the environment as well as the freight industry.

The Port of Hull's rail connection has recently been upgraded to W10 gauge clearance to enable the movement of containers by rail to and from the port. Immingham, Teesport and Liverpool (restricted train lengths) also have the ability to handle containers by rail.

Similarly, the gauge-cleared route from Immingham to the East Coast Mainline along the South Humber rail line has been delivered. This was jointly funded by the Humber Local Enterprise Partnership (LEP), North Lincolnshire Council, and Network Rail – a very successful project working across many partners. ABP is working closely with their customers to attract trade activity into the area and a significant draw for companies is the ability to put containers onto the railway. The challenge is accommodating additional freight capacity onto the East Coast Main Line in a timely and sustainable manner.

4.4.2 The North's freeports

The 2021 Budget announced the locations of eight freeports in England. The freeports of Humber, Liverpool City Region, and Teesside are in the TfN area. The benefits of the other freeport arrangements will be felt within the North as the other freeport areas play a significant role in the economy of the North by trade activity.

The eight locations are:

- East Midlands Airport;
- Felixstowe & Harwich;
- Humber;

- Liverpool City Region;
- Plymouth and South Devon;
- Solent;
- Teesside; and
- Thames.

As more clarity on the arrangements emerge TfN will support the delivery of initiatives where this sits within the remits we have agreed with Government. We are already working closely with the Humber Freeport team supporting activity around the decarbonisation of logistics activity within the freeport area. Should similar opportunities arise to be part of other freeport delivery activity we will ensure that we offer any support and expertise that we can to help delivery. The current freeport policy has three objectives:

- establish freeports as national hubs for global trade and investment across the UK;
- promote regeneration and job creation; and
- create hotbeds for innovation.

The policy areas above are reliant on good transport links to enable their delivery so we will continue to articulate the priorities set out within our STP and associated Investment Programme to aid delivery.

A range of benefits will be available to freeports in the following policy areas:

- Customs
- Tax. This includes measures on:
 - Stamp Duty Land Tax (SDLT) Relief
 - Enhanced Structures and Buildings Allowance
 - Enhanced Capital Allowances
 - Employer National Insurance Contributions Relief
 - Business rates
- Planning
- Regeneration and infrastructure: successful bidders will be able to access a share of £175m of seed capital funding, depending on the submission of an outline business case (OBC).
- Innovation

Now the successful freeport areas have been announced by the Government, the identified locations will draw together an Outline Business Case for the regeneration funding available in line with the Green Book. TfN commits to add value and support to this process where this sits within our role.

4.5 The North's inland waterway network

There is a network of inland waterways within the North of England. The major waterways concerned with the movement of freight are the Manchester Ship Canal and the Aire & Calder Navigation, which also includes the River Humber and River Ouse.

The Manchester Ship Canal stretches from the Mersey at Liverpool up towards Salford in Manchester. Ships and barges regularly use the Manchester Ship Canal to transport goods to and from ports at Runcorn, Warrington, Irlam and Salford.

There are proposals for new and enhanced port terminals along the Manchester Ship Canal such as Port Wirral (Eastham/Ellesmere Port Docks), Port Cheshire (Bridgewater Paper Mills), Port Ince (Protos Energy Park), Port Weston, Port Runcorn, Port Warrington, Port Irlam and Port Salford.

There are challenges in terms of infrastructure on the route with key crossings being closed to vehicles as ships pass through the canal. This can often lead to localised congestion.

The Aire & Calder Navigation is accessed from the Humber Estuary and River Ouse at Goole and runs west towards Leeds. There are numerous barges in use on the canal that transfer bulk goods from the Ports on the Humber such as Immingham and Grimsby.

Development is underway on the Aire & Calder Navigation, focused around providing more space for the deliveries of bulk materials related to construction, however there are infrastructure constraints on the canal in terms of bridge heights for example, which limit the size of vessels that can use it. The opportunities this presents the owners and managers of the waterways are being explored. The Humber Ports and the Canal and River Trust (CRT) are continuing to investigate the potential to increase traffic on the Aire & Calder Navigation to generate more freight to and from the Humber.

4.6 Air freight in the North

It is important to recognise the roles that the North's various airports play in economy of the North. While Manchester Airport handles the largest volume of air freight in the North, freight also flows through Doncaster Sheffield and Newcastle airports in significant volumes.

Air freight is a key component of the UK's international freight connectivity. This was well illustrated at the height of the Covid-19 pandemic when air freight of medical supplies and equipment, as well as basic goods and services, were critical to the UK. More generally, air

freight plays an important economic role in the transport of high-value and/or time-critical freight, where other modes may not be viable options.

Most of the freight is carried in the bellyhold of existing passenger flights, however our local airports in the North play a key role in ensuring rapid domestic connectivity, enabling overnight deliveries of mail and other time sensitive goods throughout the UK. Links into airports outside the North are also important. East Midlands Airport for example is the UK's largest dedicated freight airport and acts as the UK's hub for air freight logistics.

Air freight and logistics are closely linked to road freight, since the relatively high value, low volume, and time critical nature of air freight requires the speed and flexibility that road connections into air logistics hubs provide.

4.7 Future freight growth

The growth of freight in the future is heavily attributed to the increasing number of national distribution centres (NDC) and regional distribution centres (RDC) in line with the growth in online retailing and the move towards next-day delivery of a wide variety of goods. In 2050, more NDCs are forecast within central England, which are predicted to supply RDCs in both the North of England and in Scotland. This also results in longer length of haul by road freight, reflected by an increase in the domestic average length of haul from 93km in 2016 to 130km in 2050¹⁸. This is a key area in which modal shift to rail could be achieved.

Tyneside and Tees Valley in the North East have seen a significant take up of logistics and distribution space, although this has not been on the same vast scale as the major established UK logistics parks in the Midlands, South East, and North West of England. These Northern key logistics hubs are often based on historical geographies, some of which have connections with ports and airports (such as Newcastle International Airport and the associated pharmaceutical industry), while others have developed independently.

There are several key logistics centres that serve a wide variety of commodities that are moved around, to, from, within the Northern trans-Pennines area, including fast-moving consumer goods (FMCG), construction, and support for the energy supply chain. Across the Northern trans-Pennines freight is mainly moved on the road network since there are no significant intermodal locations in this region, and an absence of gauge clearance and capacity on rail.

¹⁸ Enhanced Freight and Logistics Analysis Report, TfN, January 2018

In the West and Wales region, covering the areas of the Liverpool City Region, the Manchester City Region, Cheshire, and North Wales, there has been significant growth in recent years in energy, health innovation, and advanced manufacturing industries. The recent investment in a deep-water container terminal, “Liverpool2”, also reflects the aspiration of the region to increase its freight potential.

Along the Southern Pennines corridor there is a significant business and industrial presence, with a strong advanced manufacturing cluster in Sheffield, to add to Manchester’s and Liverpool’s specialised materials and manufacturing centres.

4.8 GB Railfreight case study

GB Railfreight investigated route planning for W10 gauge. The new University of Hull software for timetable planning was used. This was developed by the Liverpool to Humber Optimisation of Freight Transport (LHOFT¹⁹) project. GB Railfreight inputted a request for a W10 gauge flow from Immingham to Trafford Park and it showed the most direct route was via Diggle. That means it would be the most commercial route, was properly gauge-cleared, and had the capacity during the day. The next best option that is currently W10 gauge-cleared is the route crossing across Lichfield to Burton to Chesterfield, which is far further.

The Diggle route is 117 miles and the Lichfield to Burton to Chesterfield route is 205 miles. That is an additional 176 miles for the journey there and back using the second route. Both legs would be loaded with containers as this is what the ports and operators need and want as the market is there. That means there would be an additional ‘variable track access charge’ – that is a ‘bill’ for the extra 176 miles of journey. That doesn’t include the additional driver hours it would take or the fuel the train would use.

This example clearly shows why Transport for the North and our freight industry colleagues have repeatedly called for improvements in the Diggle route through the Transpennine Route Upgrade. There is demand from operators to run the trains fully loaded and they have said they would make this sort of flow work. There are currently very limited examples of companies showcasing and demonstrating that they would be able to make it work because Diggle is not gauge-cleared and doesn’t have the capacity available to showcase the opportunity. This is also why all the modelling shows no container flows – because they are currently impossible to run. This is why the economics for this flow just do not work at the present time and investment in the full Transpennine Route Upgrade is needed as soon as possible.

5 Defining our freight and logistics objectives

TfN's Strategic Transport Plan sets out the importance of moving goods across the North and freight is fully embedded into the TfN Investment Programme published alongside the STP. This section defines the proposed objectives of a multimodal freight strategy that can meet both the current and future needs of the North of England. These freight specific objectives build on the wider objectives of TfN, DfT, local authorities, National Highways, Network Rail and other key delivery partners. The objectives are presented to be modally agnostic, and are therefore equally relevant to road, rail and waterborne freight.

5.1 TfN's strategic transport objectives

The Strategic Transport Plan (STP) sets out the evidence on how improved transport connectivity will deliver greater prosperity and a better quality of life for citizens in the North of England.

The STP sets out TfN's vision:

"A thriving North of England, where world class transport supports sustainable economic growth, excellent quality of life and improved opportunities for all."

Supporting this vision are four pan-Northern transport objectives, which inform the development of the STP and TfN's work programmes:

- Increasing efficiency, reliability and resilience on the transport system;
- Transforming economic performance;
- Improving inclusivity, health and access for opportunities for all; and
- Promoting and supporting the built and natural environment.

These objectives align closely with the five foundations of productivity set out in the Government's Industrial Strategy, as well as helping achieve Government's commitments to 'levelling up' and 'building back better'.

To realise the benefits of agglomeration and economic mass, the North requires faster, more efficient, reliable, and sustainable journeys on the road and rail networks. Yet these existing networks have several challenges.

Over the last two decades, the North's railway has experienced substantial growth in passenger numbers despite a legacy of underinvestment. Much of that growth has been accommodated within pre-existing capacity, but this is no longer possible on many routes, and

most of the North's key rail hubs are now at capacity. The North's rail network lacks sufficient capacity for growth and is severely constrained by on-train congestion, low journey speeds and poor punctuality. Evidence for this can be found in the increasing difficulty of securing new or competitive paths for freight.

During the initial phases of the Covid-19 lockdown, rail passenger numbers fell sharply as people who were not key workers remained at home. The number of passenger trains that ran on the network reduced to reflect this and freight services increased. The main area of more efficient running was the ability to run longer trains because the freight trains didn't have to repeatedly wait for passenger services to pass in shorter loops that cannot hold trains that are 775m long. This increased the number of containers that were able to move key supplies of food, medical, and personal protective equipment to various rail-connected destinations. Also, trains could move at higher speeds because they could maintain a faster speed for longer. Large, heavy freight trains take a similar amount of time to stop as any passenger or lighter freight service, but they do take longer to accelerate, meaning vital time maintaining speed is beneficial instead of starting and stopping.

Where there are established freight services planned into the timetable, it was much easier to achieve the improvements quickly to respond to the needs of customers during the pandemic. The problems are more concentrated for newer freight flows rather than those which have been allocated for many years as the timetables they fit within are much more congested than many years ago.

Covid-19 presented network opportunities for the rail and freight operating companies. As we reported to the Rail North Committee from the Rail North Partnership, prior to Covid-19, Northern Rail's on-time train performance levels were 54.2% of all trains arriving on time and grew to more than 77% during the pandemic. Similarly, TransPennine Express had only 37.5% of trains arriving on time and rose to 72% during the pandemic. This is mainly due to a less congested network because the recent increases in service levels have already led to small declines in performance. Further increases following the third lockdown could also lead to a decrease as the volume of trains on the network, the increase in passengers travelling, and an increase in dwell time all reduce the timeliness of services.

Similarly, east-west road connectivity is also a significant barrier for future growth in the North, and a key constraint to agglomeration and transforming the North's economy. Currently the M62 is the only motorway standard east-west road link across the Pennines between Derby in the Midlands and Edinburgh in Scotland. Road capacity across the Pennines is hindered by the absence of a gauge-cleared route for rail

container traffic, which therefore must use road even though intermodal is now the largest and fastest area of rail traffic growth. The flows could make their way through the Midlands or Scotland to achieve rail market growth, but the fuel and handling costs would be extremely high making the journeys too expensive. Other major arteries, including the M1, M6, M56 and A1 (South Yorkshire) corridors, are also already heavily congested and are acting as major barriers to transforming the North's economy.

A key priority of TfN's Strategic Transport Plan is to support economic growth that is inclusive and sustainable. This means investing in strategic transport improvements that ensure all areas of opportunity are connected, and that communities are not disconnected and further isolated. It also means protecting and renewing the high-quality natural environment in the North, which is already an asset and a reason why many people and businesses chose to live in and visit the North.

TfN's ambition is to push harder and faster towards zero emissions from its surface transport network than current Government policies and proposals. To this end, TfN published the Transport Decarbonisation Strategy in December 2020.

This Freight & Logistics Strategy reflects the objectives of TfN's Transport Decarbonisation Strategy, firstly in achieving close to zero emissions from our surface transport system by 2045, and secondly in optimising the social and economic benefits from clean growth opportunities in the North.

It is clear from the suite of TfN policy documents that Northern leaders believe rail should be encouraged to deliver TfN policy objectives on the economy, transport efficiency, health, inclusivity and decarbonisation. Capacity and gauge clearance for Trans-Pennine freight and rail electrification are specifically mentioned.

6 Proposed TfN freight objectives

The following objectives are outlined for delivery across TfN, partners, Government, other STBs and the private sector. They are set out to show how varied the sector is and it is important to note that no single organisation could deliver the whole suite on its own. TfN's role will be to coordinate activity and encourage partners to work together.

TfN pan-Northern Transport objectives	Freight objectives
Increasing efficiency, reliability, integration, and resilience in the transport system	<ul style="list-style-type: none"> • Reduce the number of incidences of unplanned closures of Major Road Network routes leading to severe journey delay; • Prioritise measures that tackle journey reliability and congestion; • Support less polluting and more energy efficient movement of goods on the transport network; • Maximise the utilisation of rail, inland waterways and local distribution hubs to improve efficiency and support the modal shift of goods from road to rail and water; and • Improve the multimodal north-south and east-west connectivity across the North.
Transforming economic performance	<ul style="list-style-type: none"> • Optimise efficient flow of goods on the MRN and railway through improved flow of traffic and supported by technology; • Maximise the economic development opportunities through a range of areas, including the clean growth opportunity flowing out of freeports, clean industrial

	<p>clusters and the first mile freight that flows out of ports;</p> <ul style="list-style-type: none"> • Optimise data availability to support partners in including a freight dimension in building their business cases for transport interventions; • Support the planning and development of well-connected warehousing and consolidation sites and • Exploring the benefits of regional freight consolidation and distribution networks.
<p>Improving inclusivity, health, and access to opportunities for all</p>	<ul style="list-style-type: none"> • Reduce the impact of air pollution from freight movements on the health of local communities; and • Reduce the impact noise from freight movements on the health of local communities.
<p>Promoting and enhancing the built, historic, and natural environment</p>	<ul style="list-style-type: none"> • Increase electrification of the rail network; and • Decarbonise road haulage through increased usage of zero carbon and low emission fuels.

It should be noted that there are objectives outlined above which are mutually beneficial to each other, but some mean that trade-offs will be required. As we progress with applying the strategy these will be continually debated, recognising changes in national or regional priorities.

6.1 Supporting the delivery of the Long-Term Rail Strategy

The Long-Term Rail Strategy²⁰ (LTRS) formed a significant part of the evidence that informed the Strategic Transport Plan when an updated draft was released in January 2018. There was significant engagement on

²⁰ [Long-Term-Rail-Strategy_TfN.pdf \(transportforthenorth.com\)](#) Accessed June 2021

the content with partners and the private sector when it was drafted and it forms the basis for our Strategic Rail activity.

The LTRS sets out a complementary, compelling, and tangible set of conditional outputs required to realise the TfN vision. It includes deliverables which support the achievement of the objectives, but which are subject to further assessment of deliverability, affordability, and value for money.

Through the conditional outputs, it is intended to deliver:

- A step-change in connectivity;
- Provision of capacity within the infrastructure and train services to cater for growth;
- A rail network which customers will find easy to access and use;
- A railway which supports the communities it serves; and
- Enhanced cost-effectiveness of running the railway.

These changes can be summarised around five key themes summarised below:

Connectivity:

- Reduce journey times between the North's economic and freight centres, and between these centres and international gateways.
- Reduce journey times between the North's economic and freight centres and key centres across the UK.

Capacity:

- Provide the infrastructure capacity and capability to increase the permissible speed, weight, gauge, and length of freight trains to cater for proven existing demand and for evidenced future demand.

Customer:

- Increase the right-time punctuality of passenger and freight services in the North.
- Decrease the percentage of cancelled passenger and freight services in the North.

Communities:

- Improve air quality and reduce CO₂ and other harmful emissions both on and about the railway estate and in wider society through modal shift to rail.

Cost effectiveness:

- Reduce the cost per passenger mile and per freight tonne km of services in the North.

- Grow the net revenue generated by the North's passenger and freight railway whilst delivering high-quality services and inclusivity.

6.2 TfN's Long-Term Rail Strategy Desirable Minimum Standards for freight

The 'Desirable Minimum Standards' were agreed as part of the first LTRS and stayed in place in January 2018. There were three that related to freight and logistics. It should be recognised that the standards were agreed to be ambitious and delivered by 2050. The contents of this strategy set out how the action we take as TfN can enhance delivery of the standards. They are set out below for reference:

5) The North's rail network to accommodate the evolving needs of the freight market – supporting longer and heavier trains, increased path availability, and additional gauge clearance.

11) The five major ports in the North (Hull, the Humber Ports, Liverpool, Teesport, and Tyne) to be served by rail with gauge clearance allowing the latest generation of intermodal containers to be carried on standard wagons and weight capability enabling trains to operate unrestricted at the highest speed appropriate for the load.

12) Improve the average speed of freight services in the North by 50% over the next 10 years (by 2028).

7 Existing evidence

A review was carried out of the available strategies and plans for the UK as well as for the North specifically. This includes documents from Network Rail, National Highways, Department for Transport, and other partners including Local Authorities. The benefit of closely analysing the available documents is that they show a consulted view of the freight and transport world that TfN can review progress against, as well as providing an initial list of interventions and programmes that either have been delivered or require delivering.

7.1 Key rail emerging themes

Several themes emerged from the rail literature review and industry consultation. These range from macroeconomic narrative to issues relating to policy areas (such as the balance of freight and passenger markets in rail planning and policy development, and the dynamics between freight and the planning system), to identification of specific network locations needing intervention. A summary of themes is provided below:

- Despite the decline of coal traffic in the last decade, there has been strong growth in intermodal and construction (including aggregates) traffic in the last two decades. There are consistently strong future demand growth forecasts across documents from TfN and Network Rail.
- There is strong policy support for rail freight contributing towards decarbonisation and the net zero agenda as well as reducing congestion on the roads especially on the north/south and east/west key freight corridors.
- Rail freight is also recognised as a contributory factor towards overall economic efficiency, as evidenced in documents by DfT, Network Rail, Rail Freight Group and others. Some benefits would be more pronounced with further electrification of the rail network – the current electrified network is too limited for widespread adoption of electric rail freight. This should be complemented by consideration of the first and last mile of journeys also being decarbonised.
- There is no suggestion from the evidence that has been reviewed that the market is inefficient – there are no concerns that freight

enhancements could disproportionately benefit a single operator due to current market dominance.

- The evidence suggests that the largest constraint is rail network capacity congestion and network pinch points over and above lack of electrification for freight. Evidence of capacity constraints tends to be largely anecdotal, but this is usually evidenced by slower than historic/theoretically optimal journey times as is apparent in Working Train Timetables (WTTs). Research undertaken for this strategy shows that the current freight trains could be 23% faster if the network operated without holding freight trains in certain places either in loops or behind other services. This is making rail less competitive.

Common themes in the North include:

- The dual lack of quality Trans-Pennine freight paths and routes with sufficient gauge clearance for intermodal traffic – this is thought to be the main contributing factor to the lack of penetration of Northern ports (Liverpool, Humber, Tyne, Tees). Provision of a gauge-cleared Trans-Pennine rail route is the simplest means to take road freight traffic off M62, widely documented from a range of TfN and Transport for Greater Manchester (TfGM) documents, and onto rail.
- Restricted availability and quality of paths for accessing Trafford Park and other intermodal termini included in the TfGM Rail Strategy discuss options for additional rail linked terminal capacity on top of Trafford Park as well as options for improving existing rail network to Trafford Park.
- Overall lack of data sharing between freight and logistics companies means it is more complex to evidence the benefits that investment in infrastructure brings, meaning business cases still rely on passenger information to build-in benefits.
- Key locations for congestion are on the West Coast and East Coast Main Lines such as Winwick Junction and around Doncaster.
- As we previously referenced in the Enhanced Freight and Logistics Analysis, there is continued emphasis of the importance of additional rail-connected warehousing and distribution sites that minimise the distance and impact of onward 'last-mile' distribution by road, and the importance of the planning system to support the development of such facilities.

7.2 Recent and forecast growth trends

There are several common themes in terms of recent commodity trends. Documents by Network Rail, TfN, TfGM and the Rail Freight Group all mention the following three broad trends:

- Decline of coal traffic
- Growth of intermodal container traffic, especially from Felixstowe, Southampton and London Gateway
- Growth of construction traffic namely aggregates from quarries.

Most freight forecasts have adopted a similar methodology – using the Great Britain Freight Model (GBFM) developed by MDS Transmodal, with varying input assumptions. While forecasts vary, they all predict ongoing growth in intermodal and construction traffic, and other commodities staying relatively constant.

7.3 Key emerging road themes

The common road themes for the North include:

- The strength of the North relies on its potential to increase multimodality with the prospect of a shift from road to rail being one of the priorities in the agenda.
- The North's 11 ports can play an equally important role in the intermodal domain and expand their market share dependent on the accessibility constraints both on the road and rail sphere being resolved.
- Impact of Brexit on southern ports might open an opportunity to increase the activity on Northern ports, which may result in additional pressure in the road network.
- Congestion and reliability are the main issues experienced by road freight on the Major Road Network, particularly in the east-west connection due to limited capacity of the current infrastructure.
- The freight market in the North is heavily dominated by road with 87% of the tonne kilometres transported on our road network.
- Freight market in the North is expected to grow by more than 30% until 2050 across all modes.
- There has been considerable recent growth in light goods traffic, driven by increases in online delivery. Cleaner, well integrated, and more efficient last mile freight movements are a priority, particularly in urban areas.
- There are very few road enhancement schemes with a primary objective of supporting freight – the business case for most road enhancements is driven by time savings for individuals. This is unlike some rail enhancements which can in some cases can be almost exclusively driven by the needs of freight.

7.4 Network congestion - Road

The key issue for road freight is network congestion. On all highway routes road freight is a minority user even though more than 90% of the North's freight is moved on the road network. However, there is no existing appetite for building freight only highways or converting existing highways to freight only.

Road enhancement schemes are considered as part of a wider business case that is usually dominated by non-freight road traffic benefits. The highway schemes are for all different vehicles and are not solely proposed as freight schemes. However, TfN included some schemes within the initial Investment Programme that were freight schemes. Now there have been amendments to the Green Book process, the building of business cases is more heavily focused on developing the 'strategic' case for investment. This helps freight and logistics schemes increase their chance of securing public funding.

7.5 Highway intervention locations

Key areas of the highway network where interventions would benefit freight flows that are currently constrained include:

East-west Trans-Pennine movement on:

- M62
- A66 from Tees Valley to Penrith – particularly vulnerable to weather conditions

North-south connection through:

- M1 around Sheffield
- A1 east of Doncaster
- A1 Newcastle - Gateshead Western Bypass
- A19 in the Tees Valley and North East – pinch point at Tees crossing
- M6 in Cheshire and Warrington

Access to 'constrained' ports:

- A5036 to the Port of Liverpool
- A63 to the Port of Hull

Freight connectivity:

- Access to and from intermodal terminals (at Trafford Park, Leeds, Garston, Doncaster iPort Rail and Widnes) and international airports (particularly Manchester and Newcastle)

River and estuary crossings:

- Connectivity between major distribution centres and sensitive industrial clusters

Major Road Network:

- Air quality interventions in major urban centres
- Growth of last-mile distribution including to all newly allocated freeports

7.6 Rail network capacity

Network capacity is also the key issue for rail. It is a challenge in terms of the capacity of the network to accommodate either more trains reliably, or flexibility around where the trains travel to or from, and in terms of gauge which drives the ability to handle intermodal traffic both on the existing network and for new journeys. It is worth noting that the economic shock of Covid-19 resulted in freight traffic returning to pre-pandemic levels and increasing. Passenger demand took much longer to return to pre pandemic levels as people change their working patterns. However, the passenger operators have seen an increase in leisure travel which has helped.

The DfT Rail Freight Strategy²¹ from 2016 and current and emerging thinking from both Network Rail and TfN, emphasises the need to use the existing freight paths efficiently. There are existing market incentives for operators to do so, for example to ensure that trains are loaded towards the maximum loading of goods or containers and maximum lengths on the routes they travel on. This is unlikely to create the extra paths that will be required to accommodate the unsuppressed demand that underpins DfT's and Network Rail's own rail freight forecasts.

There is also a concern in the rail freight industry, which has been expressed at recent Network Rail workshops, that efficient paths may become a euphemism for "less" freight paths with freed capacity being reserved for passenger traffic. There is much debate about freight operators having capacity that they do not use. The argument for this from freight operators is that they need the flexibility to enable them to serve different locations on different days and at different times to meet their customer needs, building as much flex as they can. This helps grow the rail market in the longer term so journeys can have a little flex on the rail – a right which haulage companies simply have.

²¹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/552492/rail-freight-strategy.pdf Accessed June 2021

While evidence gathered by counting trains on a sample of running days suggests that less than half of freight paths are used, that is not the case on routes where capacity is constrained, for example, in the area around Manchester. There is little or no spare capacity over the four key freight bottlenecks identified by the network capacity modelling. These include the West Coast Main Line north and south of Golborne, East Coast Main Line two-track section through Durham, Midland Main Line through Sheffield, and across Manchester. The work has shown that rail freight end-to-end train times already suffer from significant additional time to squeeze onto the network.

For new rail freight journeys, achieving a timetable slot on the network is currently challenging. 19% of the end-to-end journey time for the average freight train journey is made up of congestion-related delays. If you removed the delays, then journeys would be 23% faster for all the existing services. Even doing this on the existing network (with no enhancements and investments) decreases average journey cost by nearly 8%. This cost reduction increases the attractiveness and therefore the demand for rail freight by 6.4% nationally. This does not include the demand for routes where the infrastructure is not capable of carrying intermodal traffic, this is just for the existing market today.

This means that new journey opportunities for rail freight are more expensive and marginalised. The ultimate impact in the current climate is for shipping companies to use road transport over rail freight as it is free at the point of access onto the network and all key routes are provided through the MRN.

Government is investing heavily in rail with High Speed 2 (HS2) and building the case for Northern Powerhouse Rail which is comparatively more than road investment on a cost per tonne/passenger basis. In addition, to help rebalance the British economy, HS2 is often referenced as having freight capacity benefits. HS2 Ltd has stated in Freightmas and HS2 published by HS: "By putting direct inter-city passenger services on dedicated high-speed lines, Britain's new high-speed railway, High Speed 2, will create more capacity on the existing railway for Britain's growing rail freight sector. As a result of enabling more freight by rail, HS2 will help deliver more of what Britain needs in a more sustainable way, as it will assist in removing thousands of lorries off our roads, reduce carbon emissions and make our motorways safer."

HS2 will reduce journey times between the North and London. If the whole network was built as described, it would have reduced the demand of intercity trains for paths on the West Coast, East Coast and Midland main lines, which would have potentially freed up capacity for freight on

parts of those lines. We will work with government and the industry to work out the full implications of this and what actions need to be taken to support the growth of rail freight.

7.7 Gauge enhancements

Capacity for rail is usually expressed in terms of train frequency, but for freight, gauge clearance is also an issue. This means how tall and wide the bridges and tunnels are and whether certain containers can safely travel under and through them. The North suffers from the fact that intermodal container services cannot physically fit across the Pennines on an east-west basis because the tunnels are too small. This means that ports and industries in the east cannot use rail for container traffic needing to move to/from the west and vice versa.

The ports in the west and in the east face different markets. Liverpool is strong in the North America market, and Hull and Immingham in the short sea European market and are served by different shipping services.

These Northern ports are less able to serve their natural hinterland. Teesport has developed a regular container service to Doncaster by rail despite fierce road competition. This service benefits Teesport, Doncaster and the communities on the A1. An additional service from Teesport to the North West should be economic to operate by rail because of the longer distance and the opportunity to spread Teesport's rail investment costs over more traffic. However, no such service operates over this route because the trains would have to run via Litchfield - the extra distance makes rail uncompetitive. Container traffic flow on this route is likely therefore to be road based or enter/leave Britain via another east coast port. This impacts on the efficiency of the economy of the North as well its environment.

Network Rail is testing two technical solutions – one requires a smaller level of investment in infrastructure but the use of “low liner” wagons. Some stakeholders oppose the use of “low liner” wagons because of their lower carrying capacity both per wagon and over a given length because of the extra space required to accommodate the shape of the wagon, and because such wagons would need to be built and are thought by some stakeholders to be more expensive to maintain.

The balance of approach needs to be carefully considered. Given the levelling up agenda our position is clear – that we seek assurance that we will have a fully gauge-cleared route to allow freight to move on an east-west basis connecting our major freeport complexes. Understanding the

alternatives is necessary but given that southern routes have had the investment, and growth has then been seen, it is critical that the North receives the same opportunity.

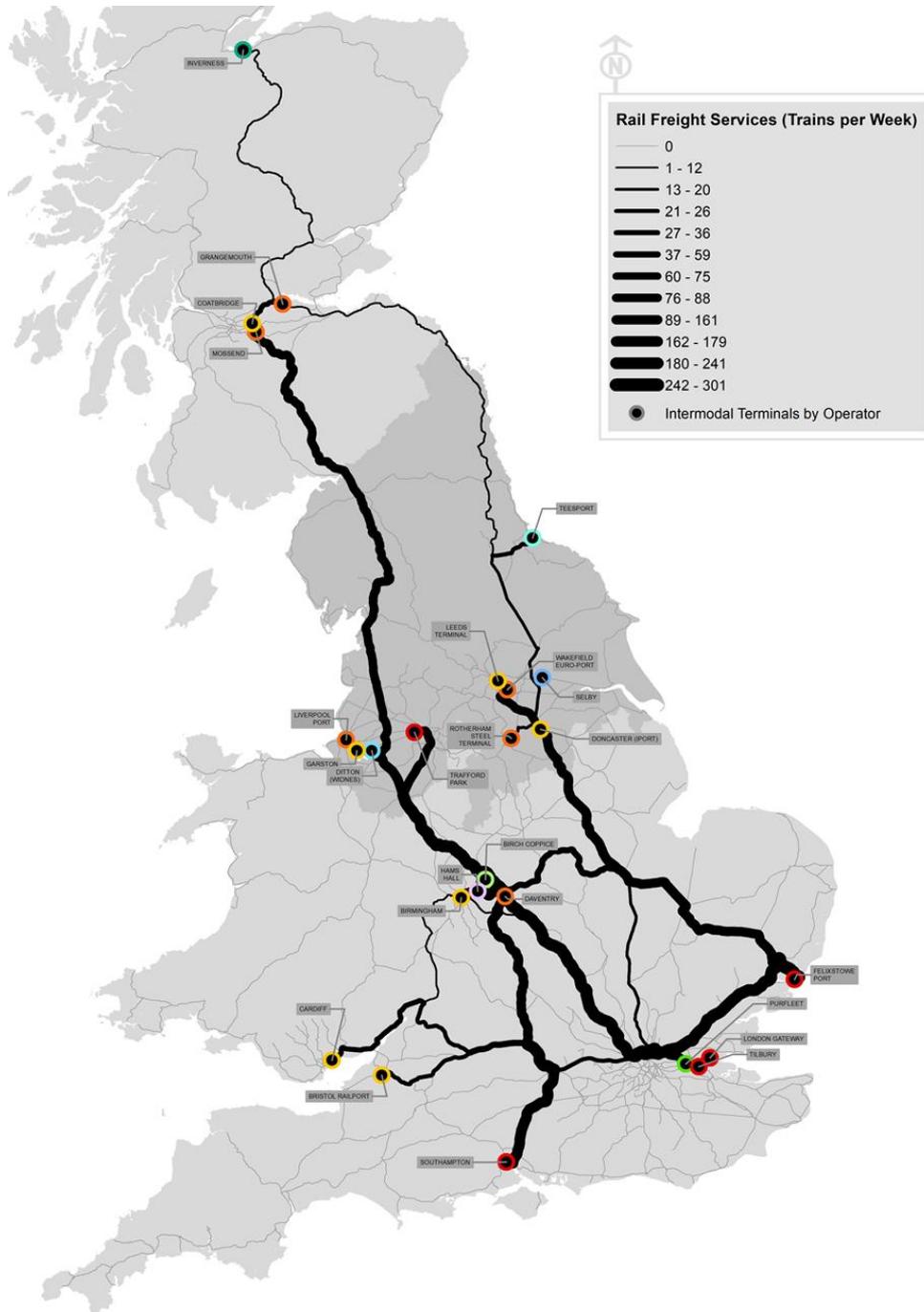


Figure 3: UK intermodal rail services per week (two-way)

Highway and rail connected terminals

The North has few rail-fed connected terminals – particularly west of the Pennines. The dominant position of Trafford Park is both evidence of the desire for rail terminals in the North West and the lack of alternatives. This makes capacity issues all the greater as Trafford Park sits close to Manchester city centre on some of the busiest rail lines in the North.

Alternative terminals on different lines may reduce the network capacity impact of intermodal freight through Manchester.

This concern about the lack of terminals is not a new issue as there is a policy position within the STP for TfN to work with partners and the private sector to explore the benefits of regional freight consolidation and distribution networks, and the network of construction consolidation centres.

TfN recommends that we could play a role in determining the best locations to develop warehousing – particularly where the opportunity for rail connection exists. If agreed by partners this could form evidence for the generation of new Local Plans once the planning policy arrangements are released by Government.

Decarbonisation

One of the other key issues for freight is decarbonisation. While the current emissions for freight do not form the largest emitter of the transport sector, they are nevertheless significant, and the proportions will alter as other areas decarbonise.

Highway freight decarbonisation

Central government has yet to set out a single strategy on how road freight will be decarbonised. The expectation is that a combination of technology shifts, grants, and taxes will encourage highway freight users to shift to electric or hydrogen vehicles. Freight is generally expressed as part of a wider approach to highways despite the obvious higher scale of the technical challenge of decarbonising freight vehicles. However, the current quickest and simplest way of decarbonising road freight is to send more by rail which, even with diesel traction, is 76% lower in terms of carbon emissions per tonne km. It is worth bearing in mind that rail is not yet carbon neutral either, with significant distances of electrification to take place to help that to happen. Overall, it will be for the road freight sector to decarbonise and design the ability for each decarbonised vehicle to be able to carry the loads that diesel vehicles can.

Rail freight decarbonisation

NPR and other initiatives supported by TfN seek for more of the rail network in the North to be electrified. Network Rail has issued an interim programme business case for its Traction Decarbonisation Network Strategy. However, there is no certainty of funding for electrification of the wider network – and the routes used most by freight traffic (excepting sections of the Midland Main Line) tend to be lower priorities than routes used by frequent passenger services. Network capacity issues may also drive freight onto alternative routes to the West and East Coast main lines that currently have a still less pressing case for electrification investment.

It has been suggested that hydrogen or battery operation may allow freight to be decarbonised without investment in network electrification equipment and supply. However, the power required of freight locomotives is very much larger than for passenger vehicles, and no technical solution has been proposed that will not compromise the performance of freight – thus making rail freight both less capable and more expensive.

TfN will continue to work with Network Rail and DfT to ensure certainty around the investment in electrification of the rail network. That will help industry understand the plans and timelines so they can respond with providing investment in their rolling stock that matches the delivery of the electrification work. This will offer some security so the freight operators can plan to invest in the appropriate engines that match the infrastructure.

8 Decarbonisation and electrification of freight

According to the latest DfT Transport Statistics Great Britain 2020²², Greenhouse gas (GHG) emissions resulting from freight movement, which includes HGVs, vans and domestic shipping, accounts for 37% of total domestic transport emissions. Van movements have seen a particular intensification, with a doubling of van traffic since 1990 increasing van emissions by 67% compared to 1990s levels.

With GHG emissions related to congestion as well as vehicle traffic, areas which are already constrained or showing signs of congestion, such as those identified in the Enhanced Freight and Logistics Analysis Report, including the M62, M6 and A1(M), will produce increased GHG emissions unless interventions are undertaken.

8.1 Decarbonisation targets

In July 2018 the DfT published The Road to Zero²³ strategy setting out a commitment to end the sale of new conventional petrol and diesel cars and vans by 2040, and laying out steps to decarbonise road transport including freight with the aim of achieving almost every van and car to be zero emission.

In June 2019 the UK Government made the legally binding commitment to achieve net zero GHG emissions by 2050, and in April 2021 stated their intention to align with the Climate Change Committee's sixth carbon budget, including a 78% reduction in whole economy emissions by 2035. In 2020, DfT brought the date to end the sale of petrol and diesel cars and vans forward to 2030, or earlier if a faster transition appears feasible.

As a starting point to developing its Transport Decarbonisation Plan, the DfT published in 2020 the 'Decarbonising Transport: Setting the Challenge'²⁴ document to lay out the direction of travel, at a high level, in terms of the focus of policies and priority areas likely to be included in the Government's Transport Decarbonisation Plan.

Within its Strategic Transport Plan (STP), TfN committed to the development of a Northern Decarbonisation Pathway to 2050, to support meeting the national net zero pathway. TfN's response to DfT's 'Decarbonising Transport: Setting the Challenge', which set out its

²² Transport Statistics Great Britain: 2020 summary, Department for Transport (DfT), published on 17 December 2020

²³ The Road to Zero, Department for Transport (DfT), July 2018, ([The Road to Zero \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk))

²⁴ Decarbonising transport: setting the challenge, Department for Transport (DfT), March 2020, ([Decarbonising Transport: Setting the Challenge \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk))

approach to developing the Transport Decarbonisation Plan identified key messages and recommendations to be considered by the Government:

- The need for a quantified national pathway to net zero for transport by 2050, and a clear functional policy framework.
- The need for certainty on the role of national and local government, as well as STBs and the private sector.
- The need for a clear decision on road user charging for all roads.
- The need to develop an inclusive decarbonised transport solution for those living in dispersed communities.
- That Government should utilise the evidence base being prepared by TfN and other STBs.
- That the North is awarded an equitable share of any funding for the trialling and development of emerging technologies.

Following this first examination of the decarbonisation challenges, TfN has developed a Transport Decarbonisation Strategy for the North of England, which sets TfN's Decarbonisation Trajectory, estimates the future baseline emissions under each Future Travel Scenario,²⁵ and explores the likely level of policy commitment required to bridge the gap between the forecast emissions under the Future Travel Scenarios and the required emissions under the Decarbonisation Trajectory (known as policy gap). The result of this analysis forms TfN's Decarbonisation Pathways and provides the focus for related policy recommendations and TfN's priority decarbonisation actions to 2025. The summary table of these actions for freight is included at the end of this chapter.

In July 2021 the Department for Transport published the Transport Decarbonisation Plan²⁶ including a consultation on decarbonising HGVs by 2040. The industry has already responded with a trial of two vehicles running for Tesco on a 60-mile round trip in Wales for depot-to-depot journeys. The challenge of having longer range batteries to power 44tonne vehicles is being researched at pace to assist in delivering the decarbonisation challenge.

8.2 Decarbonisation challenges

The National Infrastructure Commission (NIC) report²⁷ emphasises the importance of regulatory certainty and consistency in driving positive innovative changes in the freight and logistics sector. A regulatory framework that sets out policies that consider and encourage technological advancements is fundamental to achieving the net zero

²⁵ Further detail on what the Future Travel Scenarios consist of are presented in Chapter 5, section 'Future scenarios and uncertainty'

²⁶ [Transport Decarbonisation Plan - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/transport-decarbonisation-plan) July 2021

²⁷ Future of Freight – Interim Report, National Infrastructure Commission (NIC), December 2018

pathway. Uncertainty on future freight regulations, such as the type of alternative fuels technology to adopt, creates significant challenges for both freight industry and planning of infrastructure.

While the technology for zero emissions cars is well advanced, there is more uncertainty about the optimal technology for zero-emission HGVs. This provides a significant challenge for meeting sales targets for zero-emission HGVs that TfN has set out for the next 25 years, presented in the table below.

Figure 4: TfN's Decarbonisation Pathway

		2025	2030	2035	2040	2045
ZEV share of sales	Cars	55%	100%	100%	100%	100%
	Vans	40%	100%	100%	100%	100%
	HGVs	26%	44%	72%	100%	100%
Rail decarbonisation	CO2 reduction on baseline	0%	25%	75%	100%	100%

Hydrogen powered delivery vehicles which emit no tailpipe GHGs nor any other harmful exhaust gases are likely to have a crucial role in achieving the carbon targets. However, there are several barriers and challenges, ranging from providing adequate refuelling infrastructure to funding support, production technology, and cost. Technology trial projects would provide essential evidence for the feasibility of different HGV technologies. With the support of robust strategies that promote the adoption of alternative fuelled freight vehicles (decarbonisation strategies, funding, aligned strategic transport plans) and by gathering evidence through demonstrators there is an opportunity to raise the confidence of HGV fleet owners and leverage regional partnerships in the North to purchase zero-emission HGVs in bulk.

Within the North, many Local Authorities have already taken action to drive the change towards alternative fuel with electric vehicle (EV) charging initiatives to reduce carbon emissions; however, most of the initiatives are focused on private vehicle users since there is still a lot of uncertainty about the optimal technology for zero-emission HGVs.

A priority activity identified within TfN's Transport Decarbonisation Strategy is to undertake or facilitate a pan-Northern hydrogen transport refuelling strategy, to provide a 'look-ahead' of what an effective hydrogen refuelling network for the North could look like, servicing both HGVs and rail. Considering factors related to the supply and transport of hydrogen, as well as the spatial requirements of refuelling facilities, the study would provide an important part of the evidence base upon which

both policy makers and freight operators can begin to make future investment decisions.

Although freight operators are already strongly incentivised towards efficiency, some opportunities for improvement, particularly in relation to reducing vehicle mileage and increasing vehicle efficiency, are missed due to barriers in terms of information sharing between operators. Data democratisation measures would ensure that all freight operators both large and small would again be able to make operational and investment decision based on robust and current evidence.

Last-mile freight deliveries using active modes can also contribute to achieving the national net zero goal. Utilisation of cargo and e-cargo-bikes can help deliver low or zero carbon delivery networks, alongside demand management measures such as promoting and incentivising the use of green shipping options by both shippers and consumers.

Freight consolidation at different stages of the transport chain, from the procurement to the last-mile delivery, also gives an opportunity to reduce carbon emissions. By optimising the parcels transported in each vehicle and using the vehicle capacity more efficiently it is possible to reduce the number of goods vehicles trips which leads to a reduction in carbon emissions and congestion, by potentially removing several vehicles from the road network. Micro-consolidation centres can also make the use of cargo and e-cargo bikes more effective.

In November 2021 TfN's Board approved the Transport Decarbonisation Strategy which was widely consulted upon and supported by partners and industry. The freight priority actions contained and agreed within the strategy are presented below:

TfN's priority decarbonisation actions: Freight

TfN role	TfN decarbonisation action	Scope	Timeframe
Supporting	Stakeholder priority - Low carbon urban freight scenarios.	Research on appropriate place-based, low carbon, urban freight (last-mile) solutions in the North.	Pre-2025
Leading and supporting	Stakeholder priority - Developing and supporting partnerships to	Exploring the potential for our partners (ports, Local Authorities, and	Pre-2025

	consider zero carbon, port-to-port freight corridors.	delivery authorities) to work together to deliver effective 'port-to-port, multimodal, hydrogen and/or electric refuelling corridors across our region. Many of these corridors are identified within the Strategic Development Corridors defined within TfN's Strategic Transport Plan.	
Supporting	Facilitating large ZEV truck trials in the North.	Work with Local Authority partners and National Highways to facilitate large Zero Emission Vehicles (ZEV) truck trials in high traffic corridors in the North.	Continuous
Supporting	Support partners to aggregate large orders of ZEV vans, truck, and buses across the North.	Current ZEV production will not meet the demand required to hit our targets. By helping to aggregate demand from stakeholders across the North, significant numbers of vehicles would be drawn to the region and would signal to manufacturers that the regional demand is present.	Continuous
Supporting	Supporting freight information democratisation schemes.	Working with and influencing Government to support information democratisation schemes that make	Continuous

		the latest information on the best efficiency schemes and technology available to everyone.	
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9 Road freight interventions and measures

Potential road freight interventions range from road freight policies focused on air quality, decarbonisation, safety, and efficiency, to physical improvements of the road network infrastructure. This section examines each of these areas and pulls, where appropriate, on a number of the undertakings within TfN's Transport Decarbonisation Strategy to ensure that both strategies are completely aligned.

9.1 Potential detailed road freight policies and measures

- A thorough assessment is recommended on air quality across the TfN region to measure the adverse impact that the increasing number of freight movements is likely to have on the Northern population.
- Work with Local Authorities to facilitate innovative urban delivery trials focused on the use of active and electric modes to deliver parcels in the urban environment (cargo bikes, e-cargo bikes, portering).
- Work with Local Authorities to assess the opportunity of introducing consolidation centres (ranging from micro to regional consolidation centres) to reduce the number of freight trips in urban centres, where air quality and congestion is particularly challenging.
- Assessment of current HGV parking provision and provide suitable parking sites to meet the current and future demand (ensuring futureproof solutions in line with alternative fuels uptake).
- Examine the potential of introducing HGV only lanes on strategic road corridors.
- Detailed data collection of freight movements at corridor level but also in urban centres.
- Work with and influencing Government to support information democratisation schemes that make the latest information on the best efficiency schemes and technology advice available to everyone.
- Work with Local Authority partners and National Highways to facilitate large ZEV truck trials in high traffic corridors in the North.
- Support partners to aggregate large orders of ZEV vans and trucks across the North, to signal to manufacturers that the regional demand is present.
- Explore the potential for our partners (ports, Local Authorities, and delivery authorities) to work together to deliver effective port-to-port, multi-odal, hydrogen and/or electric refuelling corridors across our region.
- Research on appropriate place-based, low carbon, urban freight (last-mile) solutions in the North.

- Support a pan-Northern hydrogen transport refuelling study, providing a 'look-ahead' as to what an effective refuelling network would look like, to be used as evidence by policy makers and freight operators in their investment decisions.
- Engage with emerging hydrogen partnerships in the North to support the development of a viable business case for hydrogen for first mile freight applications and provide confidence to the supply chain.
- Develop a regional ZEV charging framework, including coverage of the Major Road Network and interaction with local needs and networks. This includes consideration of the needs of cars, vans, and HGVs.
- Increase awareness of fuel-efficient driving styles.

9.2 Road freight decarbonisation

TfN's Transport Decarbonisation Strategy states that:

1. In order to shift towards Zero Emission Vehicles (ZEV) TfN should invest in technology demonstration projects to provide evidence for the feasibility of different HGV technologies and the necessary infrastructure to support them. Specific measures include:
 - Develop a pan-Northern, low-carbon charging infrastructure plan, to ensure effective consideration of longer, trans-boundary road trips; including consideration of a charge point procurement framework for use by partners and the identification of optimal locations for high-power charging hubs across the North, with input from Local Authorities and the Distribution Network Operators (DNOs);
 - Work with Local Authority partners and National Highways to facilitate large ZEV truck trials in high traffic corridors in the North; and
 - Work with Local Authorities and freight stakeholders to help aggregate large orders of ZEV vans and trucks across the North.
2. TfN will work with the Government to support information democratisation schemes that make the latest information on the best efficiency schemes and technology, available to everyone.
3. Through TfN's policy positions and communication and engagement activities, TfN can work with partners to increase public awareness of fuel-efficient driving styles and the associated environmental and financial benefits.
4. Undertake or support a pan-Northern hydrogen transport refuelling study. Provide confidence to users about the future path of the

technology, in particularly with regards to priority application, such as hard to electrify rail services and long-haul HGVs.

5. Develop and support partnerships to consider port-to-port, multimodal, zero carbon freight corridors, optimising the economic benefits that our freeports and clean maritime clusters can generate for our region.

9.3 Physical solutions to enhance the road infrastructure

The list of major road schemes identified in TfN's Investment Programme consists of highways improvement schemes to enhance strategic connections across the North, and to improve the capacity, connectivity, resilience and access to major conurbations, economic centres and industry and logistics clusters, international gateways and intermodal terminals across the region to support economic growth and competitiveness of the Northern region. These include A1 and M6 connectivity and dualling schemes, port access work both locally to the ports and wider connecting infrastructure such as the A66 and A1079 and river crossings, access to airports such as Carlisle Lake District and Liverpool John Lennon, M62 improvements which currently connect warehouse clusters, and improvements that connect the North to other areas such as the A15 into Lincolnshire and the A19.

The road schemes proposed in TfN's Investment Programme provide a significant contribution to addressing the network issues identified in the TfN Strategic Development Corridor studies. The suite of schemes aims to improve the east-west and north-south transport connectivity, particularly in terms of journey time reliability and capacity, vital to link relatively closely located Northern economic clusters.

10 Key rail interventions

10.1 Network locations recommended for further analysis

Like road, there are a number of rail freight investment schemes and programmes highlighted within the TfN Investment Programme. These include port-related gauge enhancements and access for the Port of Hull, Port Salford, Liverpool and Teesport, as well as reference to warehousing development sites such as Parkside. Additionally, there is reference to WCML enhancements and the need for a gauge-cleared route along the east-west axis across the North.

The need to understand the Castlefield corridor and the northern section of the East Coast Main Line, including the need for potential line re-openings to reduce congestion, are also included.

Further work to address the needs for the schemes and programmes highlighted above is referenced within the recommendations of the strategy and will form a key part of the required work we undertake across TfN as we progress.

Specifically identified schemes within the rail network from both the TfN Investment Programme and other funders such as Network Rail include:

- Trans-Pennine gauge-cleared east-west route to the ports
- Sheffield area capacity improvements
- Castlefield corridor and Trafford Park
- East Coast Main Line capacity
- North East freight enhancements (passing loops and port connections)
- Selby to Port of Hull gauge and journey time improvements
- Port of Liverpool to WCML enhancements
- Parkside enhanced freight connectivity
- WCML freight enhancements
- Port Salford rail freight enhancements

We call for electrification of sections of the network to support increased rail freight movements to be delivered sooner. These locations include the freight diversion routes from the ECML via Lincoln and Selby which would benefit from electrification. Similarly on the MML via Corby and Toton which would also benefit from electrification from a rail freight perspective. Additional east-west connectivity for freight should also be examined to facilitate mode shift where possible.

10.2 Express logistics – Parcels on rail

The rail freight sector is experiencing an uplift in freight services from new market entrants, and express logistics is a new entrant that presents an exciting opportunity to further support rail freight growth. With socio-economic trends towards urban repopulation, same-day delivery, increased online spending activity, and urban convenience grocery retail formats, demand for the delivery of consumer goods into urban areas is growing. Overlaying this with increasing concerns over urban air quality, and road congestion, there is an opportunity for the development of a rail haul offer for consignments of parcels and light cargo directly into urban areas.

Express logistics comprises the movement of parcels traffic and its operations can take various modes which can be categorised as:

- Space on passenger trains: where capacity allows, passenger services will provide dedicated space for parcels traffic directly into the station terminus.
- Dedicated train into station: passenger rolling stock will be converted to accommodate parcels traffic to provide a logistics solution directly into the station terminus.
- Dedicated train into distribution centres: converted passenger rolling stock will operate directly between depots.

High speed logistics can use passenger stock, therefore growth within the sector should focus on opportunities to convert former and current passenger rolling stock to safely transit roll cages, parcels, mail sacks, and pallets. Express logistics traffic is often time-sensitive and therefore customer expectations dictate that next-day delivery and delivery tracking technology must be incorporated into the rail freight offer.

A unique aspect of express logistics in the rail freight sector is that parcel traffic can be delivered directly into stations located in urban centres; therefore, any future developments of stations should consider the provision of facilities for express logistics such as handling roll cages or providing on-site sorting facilities and collection areas. Express logistics typically operate using electric traction, therefore continued investment in electrification of the rail network is integral to supporting growth in the market and facilitating operations to additional locations.

Ongoing investment by freight operators to repurpose passenger units to accommodate parcels traffic highlights the likely growth in this market. Various trial services have been undertaken, emphasising the opportunity

to increase rail's share in this market and introduce new customers to rail freight.

11 Warehousing and terminals

One issue that has become an issue of greater importance is the requirement for warehousing and additional terminals that are connected to highway, rail, and inland waterway networks where possible. There is a shortage of freight warehousing caused by changes to the type of goods being carried and logistics operations more generally. This means that there is less demand for bulk industrial goods to be moved by road and more demand for more local distribution centres. These will house things like food shopping and items people order more frequently to reduce the journey times between the warehouse and the person who has bought the item. This is causing increasing levels of warehouses being rented. Without increasing the availability of this warehousing, economic activity risks moving to locations where the rental price and locations are right but the journeys the delivery vans make will be longer.

Amazon has invested more than £23bn²⁸ in UK markets in warehouse and fulfilment centres over the last 10 years. This has caused significant changes to the road use around those areas, something that Amazon has noticed. As future plans are developed, we are aware of and support initial testing of rail connections to some Amazon sites and the growth in the electrification of their fleet of delivery vehicles.

We will continue to watch and learn about the impact such large companies have on areas within the North and use this knowledge to recommend the shape of future growth to the best of our ability.

However, if TfN were to support investment in new warehousing through policy and other interventions as a stand-alone initiative this would risk only entrenching existing highway freight modal dominance.

Therefore, we will work with Local Authorities in support of greater logistics warehousing but also seek that such warehousing should, by default, be also rail connected where possible and appropriate for the nature of the business. This will be a challenge for the market but, as has been seen in recent developments at iPort Doncaster and with Kraft-Heinz, there is a market-led appetite for modal shift to and from warehousing locations. This policy recommendation will be reviewed once the future of the planning regime is published by Government.

In addition to the local capacity issues at Trafford Park there is a need for more terminals across the North. This has been strongly advocated for in the literature review and by the private sector and TfN partners.

In future, with the modelling capability we are growing at TfN we would be in a strong position to work with Local Authorities to advise on the best location for rail and waterway connected terminals and offer technical support. TfN will consult with Local Authorities so such developments are supported across the North and not just by. Given TfN's position as an

²⁸ [About our Fulfilment Centres \(aboutamazon.co.uk\)](https://aboutamazon.co.uk) Accessed June 2021

STB and our links to partners and other private sector organisations, it would be a natural role for us to take.

There is anecdotal evidence of planning permissions for intermodal terminals being sought for sites where the rail element was challenging to deliver. TfN’s technical advice could be used to support Local Authorities who wish to ensure that they do not grant planning permission for rail connected terminals where the railway network cannot be easily used.

Figure X: Current intermodal terminals across the UK



Figure 5: Freight terminals and port locations

There are terminal capacity constraints at certain locations in the North, most notably for intermodal terminals in the Northwest. There is currently no intermodal terminal in the key NW Regional Distribution Centre (RDC)

cluster around Wigan and Warrington. Parkside will provide part of the answer if Phase 2 goes ahead, but at least one more Strategic Freight Interchange (SRFI) will be needed, ideally in the Warrington area.

Port Salford serves the Greater Manchester area, and it is important that it can be served by trains to/from the east coast, which current plans - with only a west-facing connection - do not cater for. There is also a case for an intermodal terminal at Castleton to serve the lesser distribution centre cluster north-east of Manchester.

There is less pressure on terminal capacity in Yorkshire, but there is strong strategic logic in creating a terminal in the Ferrybridge area that could serve the rail and road network as well as the Aire & Calder Navigation.

TfN supports exploring all these options and will work with Local Authority partners to seek opportunities to create new intermodal terminals where possible.

TfN also calls for the establishment of a regional Freight Facilities Grant (FFG) to assist businesses in the North connect their facilities to the rail and inland waterway networks - there are several such schemes in the offing, in both the bulk and consumer goods sectors. FFG is used to very good effect in Scotland, and this should be replicated in the North.

12 Freight Future Scenarios

The strategy so far has been developed using suites of existing evidence and analysis. We have ambitious plans to grow and improve the modelling and analysis capability within TfN to support and develop the way we build business cases.

The following sections detail how we will mobilise the activity. Using TfN's Future Travel Scenarios as a starting point, we have undertaken further work to produce forecasts of freight movements associated with potential changes in future land-use, economic growth, and different policy outcomes.

12.1 Evidence of Freight Future Scenarios

TfN commissioned MDS Transmodal (MDST) to undertake a Freight Future Scenarios study in 2020. The study takes the land use and qualitative definitions of individual scenarios specified by TfN and applies them within the Great Britain Freight Model (GBFM) to provide quantitative assessments of the distribution of economic activity, economic growth, road network performance, and technological take-up.

The freight measure options that are used to structure the assumptions of the four future scenarios include:

- Carbon pricing, which reflects a policy environment that encourages the use of "greener" transport and leads to differential increases in fuel costs across modes;
- Road pricing, which leads to increased road costs, varying by road type;
- Autonomous vehicles, which leads to differential rates of uptake through time across modes generating mode-specific reductions in vehicle operating costs;
- Warehousing, which defines whether or not new warehousing location is increasingly concentrated around railheads in the future;
- Brexit impact, which means additional costs of trading with the EU on customs checks, cabotage and drivers' wages; and
- Larger ships, showing the trend towards larger vessels especially on longer sea crossings.

Population growth differs by area type to reflect different spatial planning measures seen across our four TfN Future Travel Scenarios. The scenario known as Prioritised Places has the highest growth in rural area, indicating a fair redistribution of economic activities across all types of areas. The assumptions made for employment, GVA and population growth are all specified by TfN and consistent with the Future Travel Scenarios assumptions.

Key findings from the study are:

- Road is likely to continue to be the most heavily used freight mode in the UK, however, all four Freight Future Scenarios have shown a certain degree of mode shift from road to rail compared to the current baseline situation. Just About Managing sees a future that is led by markets without much increase in political direction, and economic growth continues at a moderate rate. It therefore has the least mode shift among all scenarios.
- Digitally Distributed is driven by technical advances and has a high uptake of autonomous vehicles. Freight takes advantage of lower road operating costs and therefore has the second-least mode shift from road to rail.
- Urban Zero Carbon is led by attitudes to climate action and urban place-making. It sees Government policy in embracing publicly available transit and active modes, and therefore shows the highest mode shift to rail.

Figure 6 **Error! Reference source not found.** provides a summary of key observations from the freight scenarios modelling work. In comparison to a 5.9% rail tonnes kms mode share in 2018, Just About Managing, Prioritised Places, Digitally Distributed and Urban Zero Carbon have a rail mode share of 6.2%, 12.7%, 7.7% and 14.8% respectively for year 2050.

Figure 6: Freight Future Scenarios modelling output summary, Year 2050

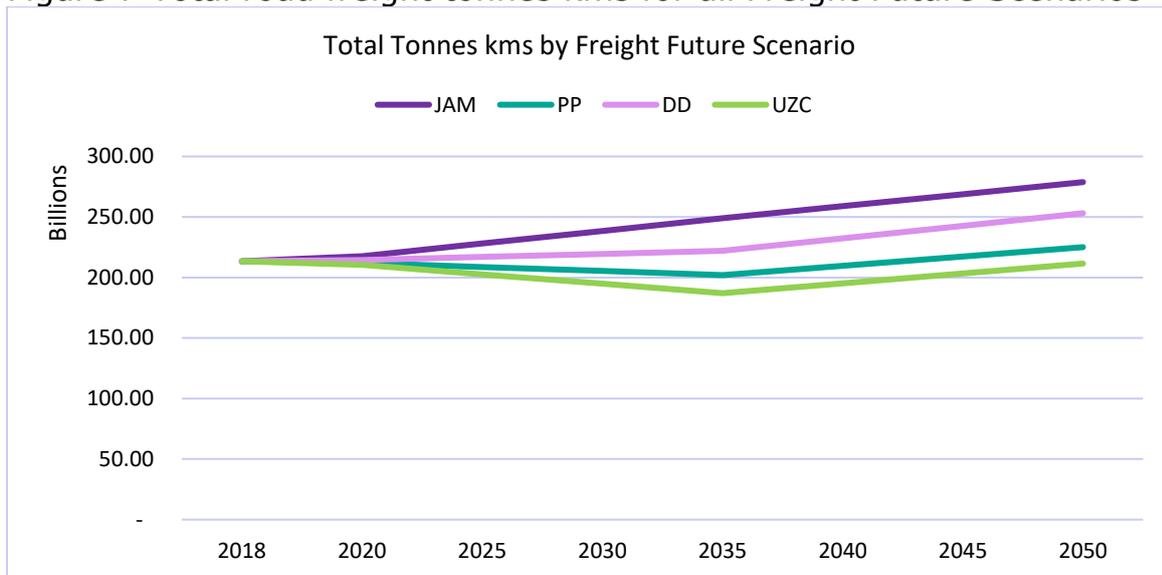
	Population	Road Pricing and Land Use	Autonomous Vehicles	HGV PCUs	HGV PCU kms	Tonnes	Tonnes kms	Rail Modal Split
2018	-	-	-	-	-	-	-	5.9%
JAM	+	Neutral	Moderate	● 7.4%	● 33.7%	● 6.1%	● 31.1%	6.2%
PP	+	Non-user costs added to user costs and rail based land use	Low	● 9.4%	● 11.7%	● 7.1%	● 13.7%	12.7%
DD	++	Neutral	High	● 8.7%	● 23.1%	● 6.7%	● 20.8%	7.7%
UZY	++	Non-user costs added to user costs and rail based land use	Moderate	● 10.5%	● 5.9%	● 7.6%	● 9.4%	14.8%

2018 - 2050 output analysis

- UZY has the most significant reduction in HGV passenger car unit (PCU) kms compared to JAM (a decrease of 27.8%). This is a result of having the highest road costs as a measure of decarbonisation policies which come to the fore. The high road freight costs have led to longer distance freight demand switching from road to rail, it has also encouraged relatively rapid growth of shorter distance hauls.

- Total tonnes kms shown in Figure 77 refer to all road freight including domestic road, European and non-European inland freight through ports. JAM shows the highest tonnes kms with steady growth from 2018. Although scenarios DD and UZC have assumed the highest population growth which means more goods movements in these scenarios, carbon pricing has dampened down the freight traffic in a greater scale and therefore led to lower tonnes kms comparing to scenario JAM.

Figure 7 Total road freight tonnes kms for all Freight Future Scenarios



- **Error! Reference source not found.** x provides a summary of rail freight tonnes demand by commodity category. It shows a significant growth in intermodal rail freight demand particularly in scenario UZC. This is due to several assumptions favouring rail over road in this scenario.
- Likewise, there is a large growth in construction materials demand in scenario UZC. This is also due to the rail-favouring assumptions made for this scenario, and an assumed growth in the market as the market sees an increase in the use of “super-quarries” carrying aggregates over long distances by rail, at the expense of local quarries typically served by road.
- Catering for this rail freight demand would take a large investment in terminals and wagons and would require sufficient capacity to be available on the network.

Figure 8: Rail freight tonnes demand by commodity category (annual million tonnes)

	2016/2017	2031_JAM	2032_P	2033_D	2034_UZC	2050_1_JAM	2050_2_P	2050_3_D	2050_4_UZC
Intermodal	19.07	28.67	71.66	35.09	84.84	39.16	98.69	46.59	115.17
ESI coal	6.28								
Biomass	6.47	7.52	7.56	7.75	7.74	7.52	7.61	8.10	8.05
Waste	1.23	1.23	1.22	1.25	1.25	1.23	1.22	1.28	1.29
Construction materials	23.55	22.19	41.97	31.99	42.01	35.41	58.16	41.25	60.52
Spoil (construction)	0.74	0.44	1.30	1.06	1.30	1.12	1.66	1.35	1.69
Petroleum	4.71	4.71	5.30	5.04	5.42	4.92	5.42	5.27	5.64
Chemicals	0.90	0.88	1.05	0.98	1.09	0.94	1.10	1.05	1.17
Industrial minerals	1.34	1.18	1.85	1.56	1.87	1.48	1.92	1.71	1.97
Metals	7.44	6.94	9.86	7.84	10.08	7.99	10.09	8.64	10.57
Automotive	0.45	0.48	0.55	0.52	0.59	0.50	0.55	0.53	0.60
Iron ore	4.26	4.26	4.28	4.39	4.39	4.26	4.30	4.59	4.58
Coal other	1.95	1.95	1.96	2.00	1.99	1.95	1.96	2.06	2.05
Other	0.33	0.41	0.68	0.43	0.72	0.43	0.68	0.45	0.74
Empty returns for containers carrying bulks	0.41	0.42	0.44	0.43	0.46	0.42	0.44	0.44	0.47
Engineering	6.66	6.66	6.65	6.71	6.71	6.66	6.65	6.78	6.78
Total	85.79	87.92	156.34	107.04	170.46	113.98	200.44	130.09	221.30

- Taking the M62 corridor as an example, 8 shows a summary of road and rail tonnes kms for each Freight Future
- Scenario. With limited rail freight network and facilities, rail freight mode share is dramatically low. There is also no opportunity for a greater mode shift from road to rail. It implies that without adequate rail infrastructure in place, there would be relatively limited space for the exogenous policy interference to take effect for the purpose of encouraging modal shift from road to rail.

Figure 9: Road and rail freight demand for Future Freight Scenarios – M62 corridor

	Tonnes_km road	Tonnes_km rail	Rail modal split
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2018	8,168,354,747	41,336,675	0.50%
2035 JAM	8,372,585,961	56,554,386	0.67%
2035 PP	9,208,706,338	149,326,691	1.60%
2035 DD	8,515,862,272	58,151,472	0.68%
2035 UZC	9,329,308,134	177,979,248	1.87%
2050 JAM	8,402,562,014	60,600,598	0.72%
2050 PP	9,532,439,376	245,551,796	2.51%
2050 DD	8,622,432,842	63,378,171	0.73%
2050 UZC	9,807,220,365	295,309,568	2.92%

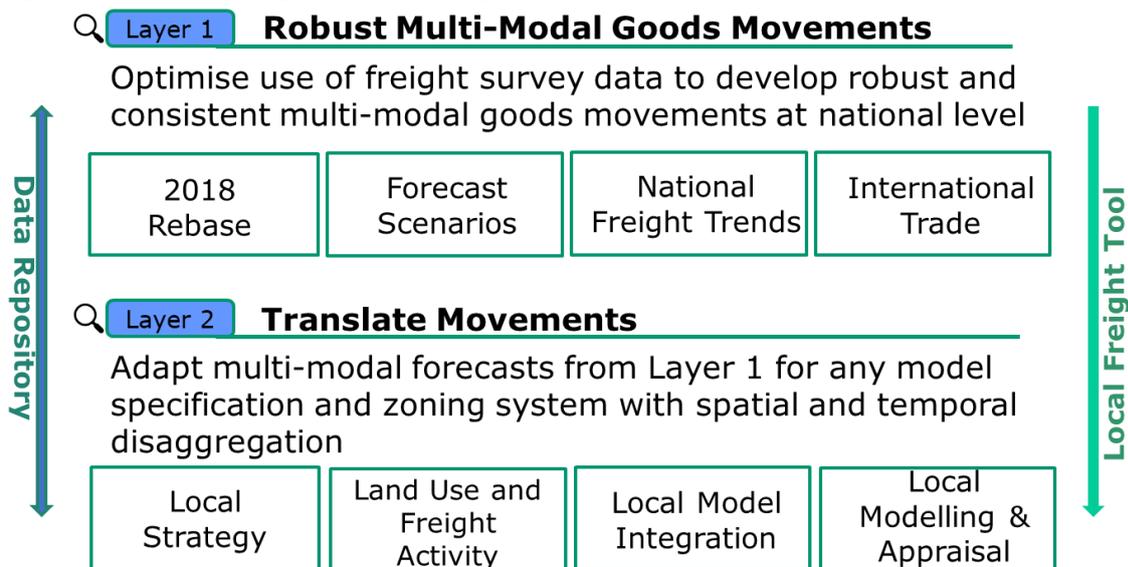
13 TfN Freight modelling and analysis

13.1 Freight analysis strategy

TfN has been developing the freight modelling and analysis evidence to support the Strategic Transport Plan and Northern Transport Charter. The focus has been to improve the quality of freight data and models, and assess the multimodal freight impacts and the freight factors external to the transport investment.

TfN has been creating an environment for local freight planning, modelling and appraisal, as well as building robust and consistent freight analysis for the North. TfN's Technical Assurance, Modelling and Economics (TAME) team has identified a two-layer freight modelling and analysis strategy as shown in Figure 10.

Figure 10 TfN freight modelling and analysis strategy



Layer 1 focuses on developing robust multimodal annual movements. This layer maps a strong foundation for the local freight analysis for the North. Layer 2 undertakes freight analysis at the regional and below regional level. The freight data and models are integrated with the other TfN Analytical Framework models in this layer to support TfN Investment Programme studies and freight analysis requirements in the North.

13.2 TfN freight models

TfN is developing its freight modelling and appraisal capacity and aims to build a holistic freight analysis eco-system to support TfN investment

programmes and freight strategy studies. TfN also has the objective of supporting freight analysis requirements from Local Authority partners and other stakeholders, promoting efficiency and collaboration across public sector activities.

The models enable multimodal freight assessment across road, rail and maritime, allowing more focused temporal, spatial and logistical advances to be made. **Error! Reference source not found.** Figure 11 lists the freight models that are used in TfN.

Figure 11: TfN freight models

Model name	Owner	Model description
Great Britain Freight Model (GBFM)	MDS Transmodal	<ul style="list-style-type: none"> • Strategic four-stage freight model • Multimodal (rail, road and water) freight choice model • Inclusion of domestic, European and non-European route choice and demand integration • Capable of comprehensive forecasting scenario testing
Local Freight Tool	Transport for the North	<ul style="list-style-type: none"> • Annual tonnes to local freight traffic conversion by goods vehicle type and road type with spatial and temporal refinement • A dedicated van modelling tool • Dealing with misalignment of forecasting demand between different models • Flexibility of zoning and cost conversion
Freight Meta-Model	Transport for the North	<ul style="list-style-type: none"> • Interpolation of freight forecasting demand for a range of policy query/dimensions • Current policy dimensions include unified change in road cost, population and employment growth and warehousing growth • Current development to take account of potential spatial variations
TfN Freight Data Repository (prototype stage)	Transport for the North	<ul style="list-style-type: none"> • Open-source multimodal freight data collection • Modelled data visualisation demonstrating more detailed spatial granularity

- Online and offline data requests

In July 2020, TfN commissioned MDS Transmodal (MDST) to deliver a 2018 version of the GBFM model. The model adopted the most up to date input data for road, rail, and maritime, and focused on improving the accuracy of the output data and the robustness of the conversion process used in the model. This new model version is now in use at TfN.

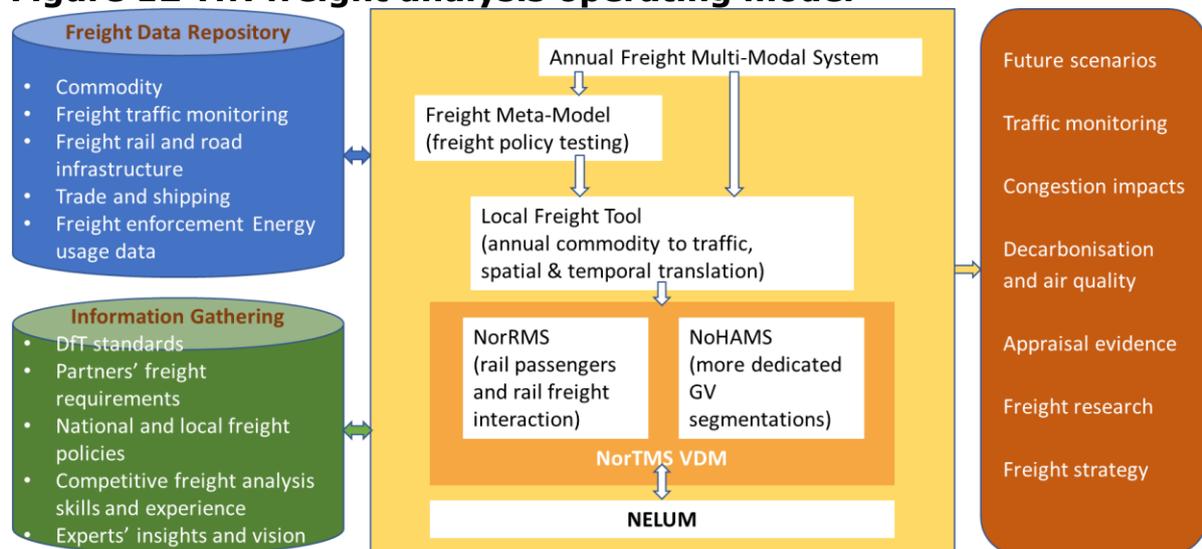
The Local Freight Tool and Freight Meta-Model build an interface to translate the mainline GB freight activities and annual freight demand into a format that can be used for the local freight policy analysis. The Local Freight Tool focuses on improving the spatial and temporal accuracy of the annual tonnage to local freight traffic conversion process. The Freight Meta-Model is a policy scenario testing tool, which interpolates freight forecasting demand for a series of policy dimensions.

The Freight Data Repository is a collection of structural freight data that is presented in a data monitoring and maintenance system. During the development discovery stage, TfN has identified a number of key freight data challenges, including:

- The general lack of detailed freight data, both in terms of the specific origins/destinations, freight routes taken, position in the supply chain and commodities carried;
- Data 'patchiness' and the lack of depth/inconsistency of data across regions, modes and sectors;
- Over reliance on small sample/data set sizes to accurately represent the wider freight system (and deficiencies in accuracy/relevance as result of this in existing key data sets); and
- The lack of consistent data models and standards, and the ability to usefully link data sets between different sectors and freight transport modes.

The Freight Data Repository aims to tackle the freight data challenges, deliver a convenient approach for users to easily search, query and download open source data. The Freight Data Repository also maintains the freight demand and traffic data produced using TfN models. The modelled data provides more disaggregated segmentations in terms of vehicle type, area type, spatial distribution and time profile.

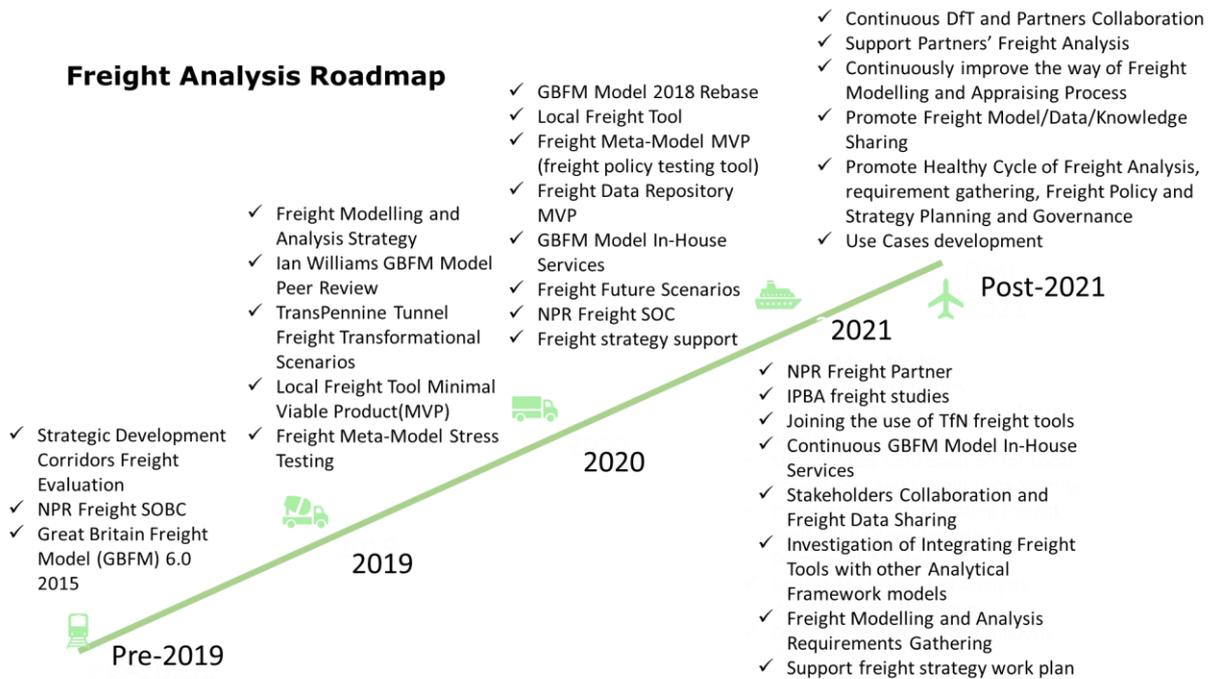
Figure 12 provides a high-level overview of TfN freight analysis operating model.

Figure 12 TfN freight analysis operating model


13.3 TfN freight analysis

TfN is working collaboratively with internal and external stakeholders and delivers evidence to support freight economic and environmental studies. Figure 13 provides a summary of TfN modelling and analysis activities. In the coming year, TfN will continuously upgrade its freight models and promote its freight analysis on a wider spectrum. TfN will focus on the freight analysis pipeline being identified through TfN Freight & Logistics Strategy and work closely with partners to deliver multimodal freight business cases.

Figure 13: TfN freight modelling and analysis activities



14 How will we deliver this Freight & Logistics Strategy?

The role of TfN is to provide statutory advice to Government on key investments in infrastructure related to the North. This strategy sits very much within the spirit of that. However, work on the Northern Transport Charter by the Board outlines the vision that would enable TfN to have a greater role in decision-making and funding allocation.

TfN will continue to be active in the right places to support the development of freight and logistics programmes of work that will benefit the North. This involves working closely with the Department for Transport's teams and helping them join up activity where possible. This involves the data and analysis activity, ports and maritime, freight grants, and the Future of Freight.

We will also continue to work closely with Network Rail on securing investment in freight schemes that benefit the North. This includes supporting schemes that provide better access to the North through improving the network that sits outside our boundary. A key example of this is work at Ely that will help improve journey times of flows from Felixstowe to the North West, vastly improving the viability of the journeys made.

Crucially, the freight and logistics outlook for the North is significantly different from that for passengers. There are journeys that travel through the North, those that start, those that end, and those that stay within the North. All these journeys need to be carefully considered so that the experience of freight operators is coherent, smooth, and reliable, to ensure we maximise investment opportunities for the area.

The team working on setting up Great British Railways has already contacted areas of TfN, including for freight. As the organisation is set up and develops, we expect to play a leading role in securing investment for the North of England to ensure the new organisation's name lives up to its ambition.

Work progressing on the Investment Programme Benefits Analysis puts TfN in a sound and powerful position to understand the benefits of how the Investment Programme can be delivered and broadly the best sequence the activity should be done in. There are rail and road schemes within that work that are stand-alone freight schemes.

Work planned by the TAME team at TfN includes looking at how best to appraise a freight scheme using the new tools and understanding we have developed. This will allow stronger strategic cases to be developed in line with the Government's recently reviewed Green Book. It will also help

those projects where freight benefits as well as passengers, and will be able to better articulate these, all adding value to the development of stronger business cases that will help drive the levelling up ambition that Government has for the North and the UK.

14.1 Recommendations and governance

This strategy has outlined a number of challenges and potential interventions that TfN could support in order to ensure that the freight and logistics network to, from, through, and within the North can be enhanced and realise its full potential.

Once agreed by Board, TfN will develop a Freight and Logistics Work Programme which can be used to update Board on progress against delivery of the recommendations and key actions.

The key action points from the strategy driven by the need to decarbonise are:

- Decarbonise road freight through supporting new engine and fuel technologies.
- Improve the efficiency of our road network through targeted interventions to alleviate bottlenecks and improve flows.
- Encourage modal shift from road to rail and inland waterways through:
 - Creation of capacity on congested rail routes through targeted interventions;
 - Promotion of investment in the North's waterways to enable them to meet their potential in terms of the carriage of freight;
 - Supporting the creation of new intermodal terminals at strategic locations, connected to road, rail and waterway networks to allow flexibility of operations through working with Local Authorities to resolve land use planning issues;
 - Calling for a regional Freight Facilities Grant to support the creation of new freight infrastructure and to encourage mode shift;
 - Electrification of key sections of the rail network to enable more rail freight services hauled by electric traction.
- Promote the sector where possible to help alleviate staff shortages.

In more detail, the proposed Freight & Logistics Strategy recommendations to deliver the key actions are:

Decarbonisation

1. Ensure the freight dimension is advocated strongly within the strategic and economic cases of the Investment Programme. This work will add value to the decarbonisation of road and rail freight in light of delivering progress on the TfN Transport Decarbonisation Strategy Action Plan. TfN is continuing to improve methods for appraising user and non-user benefits that freight brings to the economy. This includes partner led schemes – adding support where required.
2. Undertake detailed consultation to understand the demand forecasts within the business case for the Transpennine Route Upgrade as outlined in the Integrated Rail Plan which includes freight gauge enhancement and that the network capacity for the forecast extra traffic is reserved.
3. Support the developing approach to decarbonising rail freight as outlined in TfN's Transport Decarbonisation Strategy. This includes working with Great British Railways, freight operating companies and train operating companies to ensure:
 - a. we understand the need for incremental electrification of freight;
 - b. we influence Government to fund a core network for electrification (including freight paths and the need to electrify node to node (such as into ports);
 - c. there is sufficient capacity to allow freight traffic to run directly from origin to destination and with minimum dwell times in loops and on the network, reducing emissions from existing diesel trains; and
 - d. that there is ongoing and successful development of alternative low carbon technology for freight locomotives with support from national Government;
4. TfN's Transport Decarbonisation Strategy has a key action to facilitate and develop partnerships to achieve port to port zero-carbon multimodal corridors. We aim to capitalise on two areas: the freeport status of a number of our ports and the tax and customs benefits the status brings to the ports and their hinterlands, and the potential to both produce and use green fuels in these locations for fuel intensive industry clusters but also for the first mile freight that flows out of and into our ports including HGVs, rail and maritime. We will liaise with industry to develop the best model for this with

initial discussions with the Northern ports and existing clean growth partnerships.

Capacity and capability

5. To ensure the Northern Powerhouse Rail programme as agreed by TfN and DfT supports the existing freight traffic and enhances capacity and capability for existing freight and freight growth. This should focus on those route sections where capacity is likely to be constrained which includes the West Coast Main Line north of Golborne, Midland Main Line through Sheffield area, East Coast Main Line two-track section via Durham, and the routes across Manchester. Additionally, it should include areas of opportunity. This may require the development of alternative freight priority routes which would need to be examined closely with industry once the Northern Powerhouse Rail routes are agreed to ensure existing rights remain unaffected
6. Underpinned by detailed analysis from the TAME activity, develop a suite of policy related interventions relating to air quality, impacts of urban delivery on consolidation/distribution centre locations, overnight lorry parking provision, detailed understanding of road freight movements including vans, heavy and light good vehicles and smart motorways, micro-consolidation, green shipping options, multimodal hubs, freight efficiency and use of e-cargo bikes and future uses of infrastructure. This will support and further the Northern element of the DfT's Future of Freight work.

Multimodal connected warehousing

7. To develop policy levers that support the development of new freight warehouse location clusters in the North. Particularly,
 - a. where there is more detailed forecasting of the warehousing market across all modes showing opportunity for the North;
 - b. where such terminals are rail connected;
 - c. where such terminals are not on the same rail line as Trafford Park or existing rail terminals to increase the opportunity for modal shift from road haulage to rail; and
 - d. where land use conflicts exist, such as availability of lorry parking and rest facilities, work with national and local partners to mitigate this through the planning and delivery of such facilities and the provision of appropriate refuelling networks as required to meet net zero carbon.
8. Develop plans for recommended locations for rail connected warehousing working alongside partners and their emerging timescales for Local Plans with particular recognition of any changes to the planning regime soon to be implemented.

National activity

9. Work across the TAME and Strategy teams at TfN with the Department for Transport in developing the Data Discovery project. This will encourage data democratisation which will lead to increased levels of freight efficiency and reduced emissions and will enable partners to access more freight data that will strengthen and enhance business cases that include a freight and logistics element.

10. Remain actively engaged in using and analysing emerging evidence of the effects of Brexit, Covid-19, and other recent economic shocks. Understand and communicate how this affects the movements of freight on an east-west and north-south basis, how demand for and access to ports changes, and potential change in uses of freight terminals including distribution centres. This should then be utilised in business case development and the revised TfN Strategic Transport Plan, due to be published in 2024.



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Meeting:	Transport for the North Board
Subject:	A Northern Digital Mobility Strategy
Author:	Matt Smallwood, Head of Digital Strategy
Sponsor:	David Hoggarth, Strategic Rail Director
Meeting Date:	Wednesday 30 March 2022

1. Purpose of the Report:

- 1.1 This report sets out the scope and objectives for a Northern Digital Mobility Strategy (NDMS) as a pragmatic way to enable the integrated and smart travel objectives within the Strategic Transport Plan (STP).

2. Recommendation:

- 2.1 The report invites members to consider and agree to the scope and objectives of the NDMS set out within.

3. Background:

- 3.1 Transport for the North's Strategic Transport Plan set out clear ambitions for smarter and more integrated travel across the North. These ambitions were reflected in the IST Programme.
- 3.2 The IST Programme was unfortunately closed at the end of 2020/2021 but the partners across the North continue to have clear aspirations to enable smart and integrated travel solutions that benefit users.
- 3.3 This is evidenced by the ambitious plans for digital interventions and fares reform set out across the Bus Service Improvement Plans developed by partners.
- 3.4 Whilst TfN is not a delivery body, the remains a key role in enabling the ambition set out in the Strategic Transport Plan. Unlike the central delivery focus of the previous IST programme, the approach underpinning the NDMS is to add value, capacity and support to the local delivery and local decision making around digital & ticketing interventions.
- 3.5 The NDMS will be a single authoritative document shaped by local priorities that means the North can efficiently capture local proposals, provide robust evidence for interventions, and make the case for further joined-up approaches to, and investment in, the local delivery of digital and ticketing innovation.
- 3.6 Transport for the North's Scrutiny Committee considered the scope and objectives of the NDMS on the 10th March 2022. This provided valuable feedback which is summarised as:
- Highlighting the facilitative, supporting and coordinating role of Transport for the North in empowering the local delivery of digital delivery.
 - The need to ensure links in with steps to encourage visitor economic recovery.
 - The need to ensure a broad range of modes are covered by the facilitative works – including micro-mobility, ferries and other geographically specific modes of transport as relevant.
 - The need to support more joined-up systems and the role Transport for the North can have in encouraging the standardisation of systems and their interoperability for passengers.

4. The Northern Digital Mobility Strategy

4.1 The NDMS will inform, facilitate, and empower local delivery of digital and ticketing interventions.

4.2 Its overarching aim is to add value for local partners by:

- Sharing and scaling existing best practice across the north.
- Collating and building on the evidence base produced through local pilots and projects.
- Identifying areas for collaboration and the opportunities for joint investment/economies of scale they offer.

4.3 It will also support the interoperability and integration of digital systems across internal, regional and devolved national borders and between modes (such as heavy rail and bus).

4.4 It is essential that the NDMS builds on, adds value to, and facilitates local ambition, decision making and planning.

4.5 Transport for the North's Executive Board has helped shape the high-level scope but further engagement with partners is planned as work on the detail and thematic priorities is taken forward.

4.6 This approach is summarised in the draft strategy statement:

"The Northern Digital Mobility Strategy has been shaped by members across the North to add value to, and build on, the clear ambitions for more digital and joined up systems for passengers and is designed to help scale existing pilots, projects and successes to other areas.

It provides a robust evidence base, standardised delivery frameworks, common technical and governance standards alongside regional case studies that empowers and facilitates the local decision making and delivery of innovative digital mobility systems.

The strategy also makes the case for further collaboration, the opportunities for economies of scale and the clear case for more joined-up capital investment to support cross-boundary, cross-border and interoperable digital systems."

5. The Scope of the Northern Digital Mobility Strategy

5.1 The NDMS will align with, and support, members' existing and future digital plans. This means that:

- The NDMS will look to the medium and long-term approaches and opportunities in delivering digital mobility for passengers to build on, and add to, shorter term implementations and ongoing deployments.
- The NDMS will develop an evidence base, shaped across thematic areas, that intends to support and empower local decision making whilst also identifying the case for more joined up investment in technological delivery.
- The NDMS will develop a combination of policy position statements across thematic areas whilst also developing common delivery and procurement frameworks/strategies to support greater efficiencies and economies.

6. The Objectives of the Northern Digital Mobility Strategy

6.1 The NDMS will set clear objectives against which the detail can be developed and delivered.

- 6.2 Underpinning these will be the core principle that the NDMS exists to add value and capability for partners and that it supports more efficient, economical, and collaborative delivery of digital and ticketing interventions.
- 6.3 The NDMS will therefore:
- Be a catalyst for the sharing of best practice and the development of common technical and strategic approaches that support local delivery of digital and ticketing systems.
 - Help reduce the duplication of effort, cost, and resource requirement across areas as they look to deliver common digital and ticketing innovations and interventions
 - Set out the case for more efficient investment in the collaborative delivery of digital mobility systems to avoid siloed delivery, duplicated funding asks and enable easier integration across regions and modes
- 6.4 To deliver against these the NDMS will:
- Build on existing innovation, developments, and deliveries to create more common technical standards and frameworks to aid digital and ticketing systems delivery; such as the development of standardised procurement strategies, technical specifications, governance frameworks and operating models to reduce the need for areas to re-invest and duplicate effort across common areas.
 - Develop an evidence base for a variety of digital mobility interventions to aid authorities as they decide what is the most appropriate for their network and their constituents.
 - Scale and package existing deployments and innovations to make the case that further, more joined-up and collaborative, funding for those and future digital intervention will provide the most economical and efficient benefit across government and across the North.
- 7. Structure of the Northern Digital Mobility Strategy**
- 7.1 The NDMS will be structured using three core themes – with these in turn split into other areas of thematic relevance.
- 7.2 Firstly, the future of ticketing systems (media, retail, payment and fares reform) for the North of England. This will consider:
- The case for common standards and procurement frameworks for introducing mTicketing, QR Codes & Smartcard by scaling existing deployments.
 - Best practice around Multi-Modal Integrated Ticketing Fare Structures to simplify implementation and the framework for modal integration between bus, light rail, heavy rail and other modes.
 - Providing modelling and an evidence base to support passenger focused fares reform & the standardisation of age-based concessions across areas.
- 7.3 Secondly, the case for, and opportunities created through, the widespread adoption of smart and open data systems. This will consider:
- Scaling and sharing existing innovation around Information Provision between areas;
 - Identifying the opportunities that open data provides in passenger app delivery and other open-source opportunities that will benefit passengers.
- 7.4 Thirdly, the integration of future mobility systems with traditional ticketing and existing transit networks. This will consider:
- Building on Demand Responsive Transport pilots across the North to set out the case and context for its potential integration into networks.

- Potential approaches to, delivering Mobility as a Service (MaaS) or mobility marketplaces that build on existing integrated systems and making the case for common technical standards.
- Integrating first & last mile micro mobility and active travel into digital and ticketing ecosystems.
- The case for integrating Mobility Credits & EV Integration with integrated ticketing infrastructure and fare structures

7.5 Each theme will likely have a policy position statement, a developed evidence base and, where applicable, a suggested route to delivery or scalable best practice.

7.6 The evidence base for each will comprise of case studies from any regional pilots or existing deployments alongside new research produced under the strategy

7.7 The routes to delivery will, in the first instance, look to scale and package existing deployments to avoid duplicated effort across partners. Where not possible it will look to identify a collaborative approach/framework that minimises the resource demand on each area looking to deliver.

8. Delivery Timeframes

8.1 Subject to Board ratifying the scope and objectives on 30 March 2022 development of the strategy will begin in the new financial year. Initially the focus will be on pulling together the evidence base to enable the development of policy positions. Officers from TfN's partners will steer work on the NDMS via a Digital Mobility Group. It is envisaged that a draft NDMS will be prepared during the autumn for subsequent consideration by the Board prior to public consultation in early 2023.

8.2 In tandem the work around this will support the revision of the STP with items taking the place of the IST Programme.

9. Corporate Considerations

Financial Implications

9.1 There may be a need to commission additional work, research, or support in developing the evidence base.

This will need to be considered as part of Transport for the North's wider business planning and budget setting activities.

Resource Implications

9.2 The level of resource allocated through the Business Planning process will impact on the scale of the evidence base produced or, alternatively, see the timeframe extended further into 2023.

Legal Implications

9.3 There are no legal implications as a result of this report.

Risk Management and Key Issues

9.4 The ability to deliver the NDMS to the level sought by members will be based on Transport for the North's core funding and depending on this and other organisational priorities, the scale and scope may be limited by the organisation's ability to bring resource to tasks.

Environmental Implications

9.5 The NDMS will link through to decarbonisation objectives through helping encourage greater mass transit patronage in favour of personal polluting car use and reduced congestion.

Equality and Diversity

- 9.6 The NDMS will need to have consideration for how passengers with protected characteristics continue to access ticketing systems – especially as these become more technical.

10. Appendices

- 10.1 NDMS Summary Document for Lead Officers

Glossary of terms, abbreviations and acronyms used (*if applicable*)

Please include any technical abbreviations and acronyms used in the report in this section. (Please see examples below.) This will provide an easy reference point for the reader for any abbreviations and acronyms that are used in the report.

- | | |
|---------|-------------------------------------|
| a) NDMS | Northern Digital Mobility Strategy |
| b) STP | Strategic Transport Plan |
| c) IST | Integrated & Smart Travel Programme |

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Introducing a Northern Digital Mobility Strategy

A document setting out the background of, and the opportunity for partners to provide informal views around the scope and objectives for, a **Digital Mobility Strategy** for the North of England.

20 January 2022

Author:

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1. Background

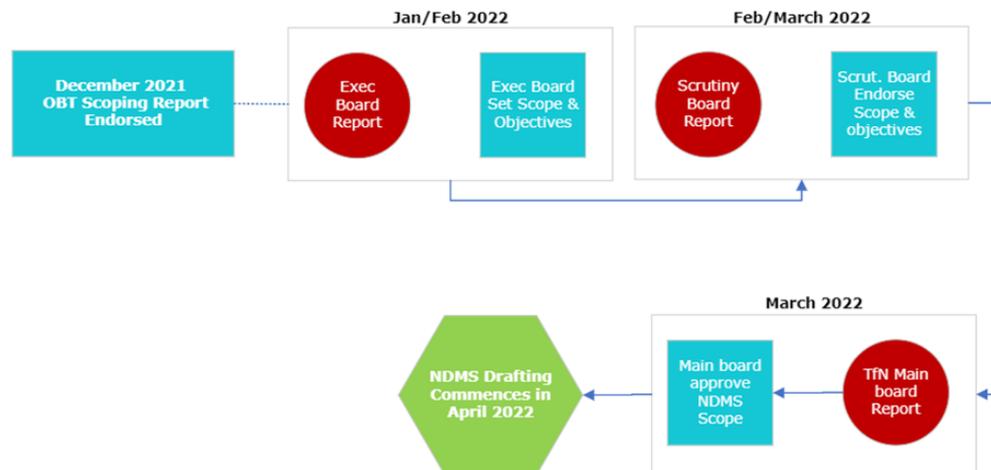
- 1.1 Transport for the North's Strategic Transport Plan set out ambitions for integrated and smart travel across the North of England.
- 1.2 This took the form of the Integrated & Smart Travel Programme (IST Programme) which unfortunately closed in 2020/2021.
- 1.3 The aspirations this area of the STP set out remain and each area within the North continues to have ambitious plans to leverage technology to make passenger journeys smarter and more accessible.
- 1.4 In the absence of the IST Programme this area needs to be re-framed, and the Strategic Transport Plan amended, to reflect the changing role of Transport for the North whilst highlighting the continued case for joined-up investment in smarter travel for passengers in the North.
- 1.5 Transport for the North plans to develop a Northern Digital Mobility Strategy, steered by members, to take the place of the IST Programme and set out the evidence base for investment, and approaches to delivery, for digital innovation.

2. Current Context

- 2.1 As of January 2022, public transport is in a difficult position with patronage remaining low and regions/operators facing a cliff-edge of funding which may see services withdrawn, networks redrawn, and investment opportunities limited in favour of funding used to shore up the former.
- 2.2 In parallel authorities across the North met the challenge posed to them by the Government to submit ambitious Bus Service Improvement Plans which were published in October 2021.
- 2.3 Whilst the initial impression was c. £bn of funding could be unlocked in support of these plans the reality now appears to be nearer £1.4bn and it is unlikely that this will stretch close to the over £8bn identified as needed nationally.
- 2.4 Similarly, the railway, as it restructures, is under increasing pressure to identify new ways to improve financial viability in the face of reduced passenger numbers.
- 2.5 Across all these modal approaches there are clear ambitions to make travel more digital and to improve passenger experience with better, more joined-up, technological systems.
- 2.6 The funding challenges present significant challenges but there are, across the North, common digital themes that present an opportunity to make the case for joined up investment in digital mobility and support local partners in realising their ambitions.

3. Strategy Development

- 3.1 The planned Northern Digital Mobility Strategy (NDMS) is in an early stage and Transport for the North is keen for the scope and objectives of this piece to be set by, and reflective of, local ambitions and programmes.
- 3.2 The planned timeline for developing the scope, and objectives, of the planned NDMS is:



- 3.3 The initial stage will be to have our Executive Board, comprised of Director General/Chief Exec representatives of our 20 Local Authorities, provide constructive support in setting the scope and objectives for the NDMS.
- 3.4 As we work towards this in February, we are keen to engage with relevant Lead Officers for informal views on the scope and objectives of the NDMS to help steer this Executive Board discussion.
- 3.5 Following this the outline scope and objectives will run through our governance forums, starting with our Scrutiny Committee on the 10th March and finishing with the main TfN Board towards the end of the Month.
- 3.6 With the scope and objectives set in March 2022 we will begin producing the report with an initial call for evidence from partners and identifying the research and evidence base needed to deliver the strategy.
- 3.7 This research and evidence base will help shape the drafting of the strategy across 2022 and into planned release for consultation in early 2023.

4. **Setting Scope & Objectives**

- 4.1 At the highest possible level Transport for the North is keen to develop a strategy that facilitates, communicates, and builds on local delivery of digital mobility interventions for passengers.
- 4.2 The NDMS will a thematic document, with the scope and scale determined by the TfN Board, allowing the North to speak with one voice on the development

and implementation of digital mobility at a local, cross-boundary and national level.

- 4.3 It could simply unify ambitions and set out how local delivery, supported with common frameworks, common standards, common approaches to implementation alongside further central investment will realise them.
- 4.4 Alternatively, it could take more of a pan-northern delivery approach setting out programmes of work, developing business cases to secure further funding, provide statutory advice or engage with central government to deliver those ambitions at a Sub-National level.
- 4.5 Or a hybrid of the two based on the existing progress across each thematic area – for example a light touch on smartcard but a heavier involvement in integrating Demand Responsive Transport.
- 4.6 The likely themes the NDMS would identify delivery approaches, additional support, evidence, and investment cases for are:
 - 4.6.i mTicketing, QR Codes & Smart Cards
 - 4.6.ii Multi-Modal & Integrated Ticketing Structures
 - 4.6.iii Information provision (E.G RTI & Journey Planning)
 - 4.6.iv Integration and opportunities of smart & open data
 - 4.6.v Mobility as a Service (MaaS)
 - 4.6.vi Account Based Ticketing
 - 4.6.vii Mobility Credits & EV Integration
 - 4.6.viii General Fares Reform and Concessionary Travel

5. Benefits & Outcomes

- 5.1 Through identifying common themes around digital mobility and setting out a future direction across the North with a linked evidence base systems can become more uniform, less complex, and less costly to implement and administer.
- 5.2 Once developed this would summarise and support local delivery, identify pan-northern programmes of work to scale systems and allow members to highlight a clear case for further investment in digital systems in the North through a single authoritative document.
- 5.3 Depending on the scope, the NDMS would identify an evidence base to support partners as they look to deliver mobility solutions locally it will also, subject to the outcomes of a Digital Mobility Hub pilot in 2022, identify ways that TfN can support that local delivery through adding capacity.
- 5.4 Similarly, the NDMS will work to identify common frameworks, common technical standards and collaborative approaches to delivering shared digital ambitions across the North to make the case, and maximise the impact of any provided, further central funding from government to support implementation.

6. Providing Informal Feedback

- 6.1 We would ask that members provide informal feedback on the scope and objectives for the NDMS that they'd like to see, to take the place of the former IST Programme in the STP.
- 6.2 Similarly, we'd welcome views on how such a strategy can be shaped and steered to help support the development and delivery of local digital initiatives; or any areas where there may be scope for pan-northern business case development – particularly across non-Combined Authority areas.
- 6.3 It is integral that this Strategy be shaped by members for members and that it makes a valuable contribution to the revised Strategic Transport Plan.
- 6.4 We believe many of these areas will build on the ambitions within bus Service Improvement Plans and we hope that the NDMS can be an effective lever in making the case for further investment in those ambitions above and beyond the financial commitments of the National Bus Strategy.
 - 6.4.i Or considering the reduced NBS funding – the case for greater spread across the North along common themes from that reduced pot.
- 6.5 Please can you send your informal feedback to Matt Smallwood, Head of Digital Strategy at matt.smallwood@transportforthenorth.com as he drafts a scoping report for Executive Board in Early February.
- 6.6 Enclosed with this is the copy of a presentation made to our Operating Board which has endorsed the creation of the NDMS to a scope set by members.

Setting the **scope and objectives** of a

Northern Digital Mobility Strategy *(NDMS)*

Matt Smallwood
Head of Digital Strategy

**Transport for the
North Board**

High Level Purpose

It's proposed that the NDMS be shaped by members to inform, facilitate and empower **local and collaborative delivery** of digital and ticketing interventions and improvements for passengers. It will broadly take the place of the IST Programme within the **Strategic Transport Plan**.

The strategy intends to add value locally by:

- Sharing and scaling existing best practice
- Collating and building an evidence base produced from local pilots and existing successes.
- Identifying areas for collaboration and the opportunities for joint investment/economies of scale they offer.

This is alongside supporting **cross regional and multi modal integration** of ticketing systems.



Member Steer

It is essential that the NDMS **builds on, adds value to and facilitates** local ambition, decision making and planning.

This means it is key for the scope and scale of the NDMS to be **shaped and steered by Members** and that, as a strategic document, it provides the most benefits locally and that it complements and expedites ongoing work.

Board members are asked, alongside prior consultation through Scrutiny Committee and with lead officers, to **review the proposed high-level scope and objectives** for the strategy prior to planned endorsement by TfN Board at the end of March.

Addressing 'Pain Points'

The NDMS will work to address the pain points experienced by passengers and partners alike around accessing transport in a digital environment.

- It should help enhance passenger experiences and reduce the structural expectations for passengers to be experts in varied fare structures or duplicated systems. It will aim to reduce and remove artificial barriers experienced by passengers and encourage a seamless payment, validation and journey experience.
- For our members it will reduce pain points experienced around capacity and will empower them to invest their funds in passenger benefits over duplicated development.



Scope and Scale...

The NDMS will be passenger driver and **align with Members and partners existing and future digital plans** to add value to those.

To do this it's proposed that the NDMS will...

...build on existing successes and identify the **medium and long-term foundations to collaboratively expedite delivery of digital mobility for passengers**

...develop a collaborative evidence base that **supports and empowers local decision making** whilst also identifying where more **joined up investment in technological delivery** would benefit areas.

...develop a combination of policy position statements across thematic areas and **common delivery and procurement frameworks/strategies** to support greater **efficiencies and economies.**

Setting the Objectives...

The NDMS will be guided by a core objective to add value, add capability and encourage collaboration for partners as they better passenger experiences.

It is proposed that the supplementary objectives for the NDMS are:

1. To be a **catalyst for the sharing of best practice** and the development of common technical and strategic digital approaches
2. To **reduce the duplication of effort, cost, and resource** in delivering digital innovation across areas
3. To make the case for **more joined-up investment in the collaborative delivery** of digital mobility systems

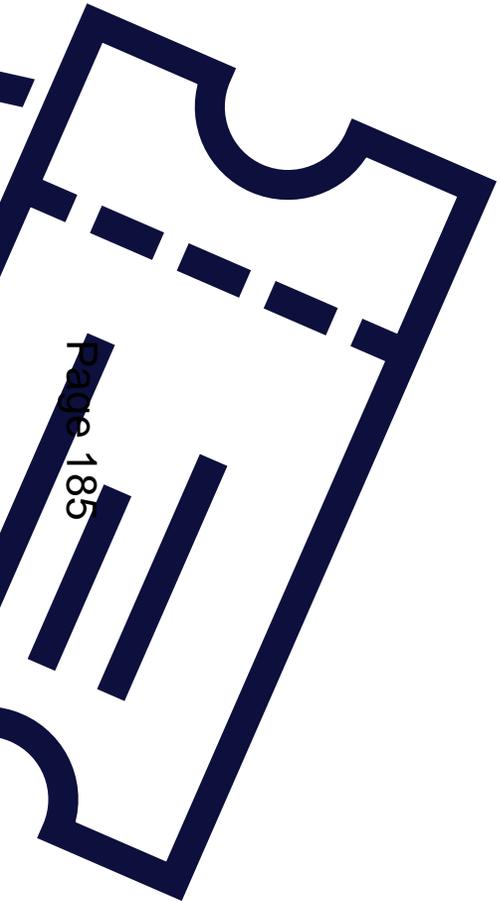


Structure

It is planned that the **NDMS be structured around three core thematic areas** with the detail within these shaped by members.

These themes being:

- The **future of ticketing systems** (media, retail, payment and fares reform) for the North of England.
 - E.g bridging delivery of PayGo capping on rail to maximise the benefits for, and integration with, local transport networks
- The case for, and opportunities created through, the greater adoption of **smart and open data standards and systems**.
- The digital **integration of future mobility systems** with traditional ticketing and local transit networks



Development

It is proposed that development will start with production of a '**Digital Mobility - State of the North**' report.

This report will set out successes, any ongoing implementations and future regional plans for digital mobility across all 20 areas in the North.

It will also consider those plans that haven't been progressed due to limited local capacity or investment gaps.

This report will frame the foundations from which future collaborative delivery, areas of common ambition or potential collective investment cases can then be built across the proposed thematic areas of the NDMS.



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Meeting: Transport for the North Board

Subject: Rail North Committee Update

Author: David Hoggarth, Strategic Rail Director

Sponsor: Martin Tugwell, Chief Executive

Meeting Date: Wednesday 30 March 2022

1. Purpose of the Report:

- 1.1 To provide the Board with an update on the main issues considered by the Rail North Committee at their meeting on 9 March 2022.

2. Recommendations:

- 2.1 That the Board notes the issues set out in this report.
- 2.2 That the Board endorse the Rail North Committee seeking an urgent discussion with the Rail Minister to address the implications for users and the economy of reduced service levels and increases in travel costs arising from wider economic pressures.

3. Main Issues from Rail North Committee:

- 3.1 Items considered by the Committee covered Rail Reform, the Manchester Rail Blueprint, an Operational Rail Update and an update on train operator business plans.

Rail Reform

- 3.2 The Rail Reform Paper considered by the Committee put forward a strong proposition on Transport for the North's future role in relation to Great British Railways. This is built around five key areas including linking Transport for the North's Strategic Transport Plan with Great British Railways' Whole Industry Strategic Plan, having a prioritised investment pipeline, adopting a principle of 'double devolution', and having a 'profit and loss' account for the North.
- 3.3 The Committee agreed a recommendation to establish a Member Working Group from Rail North Committee members plus LEP members to act as a 'sounding board' on rail reform and help guide the work of a newly established 'Programme Board' involving Transport for the North, Great British Railways, Network Rail and Transport for the North partner officers.

Manchester Rail Blueprint

- 3.4 Rail North Committee Members considered and noted the first full iteration of the Manchester Rail Blueprint. The need for such a document has been championed by Transport for the North. Developed by the Manchester Recovery Task Force, a collaboration between Transport for the North, the Department for Transport (DfT) and the rail sector, it sets out how investment in rail infrastructure and rail service development needs to be taken forward in lockstep around a single plan. The Blueprint is a living document and will enable the partners involved in the Task Force to take forward initiatives that will tackle rail congestion in central Manchester.

- 3.5 Members noted the progress with the Blueprint with some reservations, in particular the lack of clarity for future phases of the work. However, the work to prepare the Blueprint was welcomed as a demonstration of the Task Force partners' continued commitment to work together in addressing the congestion. The Blueprint sets out a roadmap to build back up from the planned December 2022 rail timetable and aims to balance the needs of passengers against the levels of performance and capability of the rail network.
- 3.6 The Committee agreed that the ambition for the railway in the North must be kept alive given the key role it has to play in enabling economic growth and delivering 'levelling up'. In particular the Committee noted that, while an incremental approach to improvements provides some progress, the key focus must be on realising the transformation that enables economic growth and delivers a set of acceptable outputs for passengers. Members asked for the Manchester Rail Blueprint to be made a standing item on the Rail North Committee agenda.

Operational Rail Update

- 3.7 Rail North Committee Members noted an Operational Rail Update from the Rail North Partnership including updates from the Managing Directors of both Northern and TransPennine Express. Both operators expect to have to extend the use of reduced rail service timetables introduced in January to beyond May 2022. This is as a result of significant challenges involving the legacy and current effects of the pandemic on staff availability, industrial relations issues and a continued backlog of staff training. Both operators were keen to stress that their short term measures were necessary to maintain resilient and reliable rail services for passengers
- 3.8 Members expressed concerns over the impact of the short-term measures on passengers post-pandemic. In particular Members expressed their concern that it appeared that the railway was facing managed decline against competing financial pressures nationally. Members heard that the North's bounce-back from the pandemic on rail had been stronger and quicker in the North than elsewhere in the country, driven in no small part by a buoyant leisure market particularly vulnerable to weekend rail disruption.

Train Operator Business Plans

- 3.9 Rail North Committee Members received an update on the ongoing work with the two train operators as they prepare their Business Plans within the financial budget set by last year's Spending Review. Transport for the North's role continues to be one of setting out priorities for the North as part of the Business Planning process. Committee Members emphasised the importance of a strong strategic narrative making a North-specific case in support of a value for money railway that supports the recovery in rail in support of economic growth.
- 3.10 The Committee recognised the need to work with the train operators to review ways of working and realise operational efficiencies whilst protecting passenger outputs and ensuring that passengers continue to have access to staff (both on trains and stations).

4. Board Actions

- 4.1 The Board is asked to note the issues highlighted by the Rail North Committee. In particular, the strength of the recovery in the North alongside the concerns raised about reduced service levels due to continued short term challenges with resources, as well as the impact of the funding envelope set in the Spending Review.

4.2 These concerns should be viewed in the context of a wider cost of living squeeze. Nationally, the Government appears to be considering the need to mitigate the impact of the cost-of-living squeeze on motorists. It is increasingly clear that wider pressures within the economy are likely to have implications for rail users – both directly and indirectly. Given the importance that the availability and reliability of rail services has for many residents across the North there is an urgent need to address the impact on the rail sector of wider economic pressures.

4.3 In the light of the above, the Board is asked to endorse the Committee in seeking an urgent discussion with the Rail Minister to address the implications for users and the economy of reduced service levels and cost increases within the rail sector arising from wider economic pressures.

5. Corporate Considerations

Financial Implications

5.1 There are no direct finance implications as a result of this report.

Resource Implications

5.2 There are no direct resourcing implications as a result of this report.

Legal Implications

5.3 There are no apparent legal implications arising as a result of this report.

Risk Management and Key Issues

5.4 The impact on Transport for the North’s objectives in particular risk (TCR09: The long-term effect of Covid-19 on the viability of train services and future investment decisions)

Environmental Implications

5.5 This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore does not stimulate the need for SEA or EIA.

5.6 Passenger rail has an essential part to play in achieving our decarbonisation objectives within Transport for the North’s Decarbonisation Strategy, particularly around reducing private car vehicle mileage.

Equality and Diversity

5.6 There are no equality or diversity implications

Consultations

5.7 The report is an update, so consultation is not required.

6. Background Papers

6.1 None

Glossary of terms, abbreviations and acronyms used

a) DfT	Department for Transport
b) LEP	Local Enterprise Partnership

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Meeting:	Transport for the North Board
Subject:	Electric Vehicle Charging Infrastructure (EVCI) Framework
Author:	Simon McGlone, Senior Major Roads Planning and Strategy Officer
Sponsor:	Peter Molyneux, Major Roads Director
Meeting Date:	Wednesday 30 March 2022

1. Purpose of the Report:

- 1.1 To inform the Board of steps taken to build the first comprehensive EV Charging Infrastructure (EVCI) evidence base for the North; and highlight the key capabilities and findings now available to guide investment decisions.

2. Recommendations:

- 2.1 The Board is asked to support:

- The approach taken to build a regional evidence base to support vehicle fleet decarbonisation and local decision making (*Sections 3 – 8*).
- The capabilities and example findings now available to understand and communicate the regions EV charging infrastructure requirements (*Section 9 and Appendix A*).
- Our intended next steps to communicate, apply and advance the EVCI framework in conjunction with our regional EV Steering Group (*Section 10*).

3. TfN Scrutiny Committee feedback:

- 3.1 This paper was presented to TfN Scrutiny Committee on 10th March. The Committee made the following key points:

- The report received positive feedback regarding its identification of charging need (what, where and when), and welcomed the clear presentation of priority actions required across all areas of the North.
- The Committee welcomed a well-researched and effective model we can use to shape and speed up delivery. Particularly its capability to identify the likely mix of charging types we will require.
- The Committee noted the importance of having proper maintenance standards. TfN's regional EV Steering Group have noted this with national government during our project, and will continue to support these considerations as part of our collaborations with the National EV Strategy.
- The Committee recognised the importance of EV users being aware of charging availability, particularly in rural areas. There are actions the public sector could take to support this, and TfN will explore possible alignments with its Digital Mobility Strategy as that workstream develops.
- The Committee recognised the benefits of doing similar work with regards to hydrogen re-fuelling infrastructure. This is a separate live TfN workstream and we will be seeking to combine findings during future activities, particularly with regards to freight movements and requirements.

4. Background:**4.1 The context of Major Roads:**

With 97% of personal journeys and 88% of freight movements in the North made using our highways, our roads have a vital role in underpinning economic activity, opening up access to jobs, goods and services and in enabling growth in new

employment and housing. However motorised road travel is the largest contributor to transport carbon emissions, with over 50% of emissions generated by cars, 28% by HGV's and 11% from LGVs. TfN is committed to working with partners to support the shift towards low carbon transport to reduce the impact of harmful emissions on the environment, and as by far the largest transport emitter of carbon (23% of UK road emissions; 6% of total UK emissions¹), TfN recognises that road transport has a critical role in meeting UK targets for decarbonisation. Central to this will be the need for a rapid rollout of EV charging infrastructure.

4.2 **Delivering a priority action from TfN's Decarbonisation Strategy:**

We require a mix of technology, behavioural and place-based solutions to reach our decarbonisation targets. Feedback from public consultation of TfN's Decarbonisation Strategy included support for the development of a regional EV charging infrastructure framework as an urgent priority in the 2020s, to support planning for a comprehensive roll out of the charging points needed to achieve the rapid transition to Electric Vehicles. Respondents also expressed concerns relating to ensuring equitable access to EV charging for all, and potential impacts on those without access to an electric vehicle.

4.3 Electric vehicles represent 1.3% of total cars on UK roads. This means our understanding of user charging behaviours and preferences at this time is very uncertain. However, uptake is rapidly increasing due to national policy and decarbonisation stimulus (demand now accounts for more than one in six new cars in 2021), standard public charging infrastructure has struggled to keep pace. Current data indicating the North West (24 per 100,000 population), Yorkshire and Humber (26 per 100,000) and the North East (36 per 100,000) are all below the UK average charging devices (42 per 100,000)². Our evidence base seeks to add clarity to tackle some of these challenges.

4.4 **EVCi Project Aims:**

A key challenge for local authorities is planning and delivering EV charging infrastructure with confidence, based on suitable evidence and strategies which encourage the right investment which delivers consistency of EV charging solutions across the region. With its regional perspective, partnerships, and modelling capabilities, TfN is ideally positioned to develop an enhanced evidence base that is built 'bottom-up' across the region's road network. Our aim was to ensure any outputs supported local authority partners in the understanding and development of local EV charging infrastructure. For example use of the EVCi evidence base to underpin public sector funding bids and/or negotiation with the private sector.

4.5 With close to 70% of all vehicle kilometres on the Major Road Network, our aim was to create a fuller integrated assessment, accounting for the large proportion of trips which are 'trans-boundary' (origins and destinations that go beyond local or combined authority boundaries) to ensure our networks cater for the full range of journeys being made to, from and within our region.

5. **TfN regional EV Steering Group**

5.1 The EV Steering Group was established (in Summer 2021) to drive forward the need to accelerate the investment in EV infrastructure. The group plays a key role in shaping evidence development; sharing knowledge and skills across the region; and supporting clarity and consistency through the collective focus of its members. Coordinated by TfN, participants include Local Authority and LEP lead officers, the Government Office for Zero Emission Vehicles (OZEV), northern electricity

¹ TfN Decarbonisation Strategy, December 2021

² UK Government electric vehicle charging device statistics

distribution network operators (DNOs), National Grid, Network Rail, National Highways, and the Energy Saving Trust.

6. How our bespoke regional EVCI evidence makes a difference

- **A state of the art regional evidence base** - Built to apply and integrate with TfN's Analytical Framework, our work takes advantage of one of the richest data sets available to build a regional EVCI evidence base. This data driven approach enables us to go further than similar forecasting to date, in a 'bottom up' manner that provides additional capacity and capability for TfN and Local Authorities, as well as engagement with other partners.
- **A systems approach** - Built up from Middle Super Output Area (MSOA³) level, the tool translates TfN and partners regional travel demand (for car, van and HGV fleet demand) and land-use estimates (travel patterns, car population, socio-demographics, household types etc) to quantify the requirement for chargepoints covering the full range of journeys being made to, from and within our region. From this we can also identify the impact of EV charging on the electricity distribution network, and work with the energy sector to seek a collective whole systems and holistic approach to EV infrastructure. (See Table 1).
- **Informing strategic outcomes** - It provides TfN and partners with robust temporal and spatial route maps, to inform value for money, resilient and integrated decisions. This also provides additional evidence that chargepoint operators and energy sector don't currently have. With a view to supporting outcomes across the North which provide coverage of chargepoints to meet our decarbonisation ambitions; identify the right infrastructure needs in the right place, at the right time; but also provide a means to assess social and spatial considerations associated with EV charging infrastructure.
- **An enabler of accelerated delivery** - It provides a framework with which to create an attractive investment environment for all area types across the region. Providing both public and private sectors with evidence which can help de-risk investment decisions and ensure we target EV infrastructure that provides for a rapid and consistent transition to EV which is accessible right across the North.
- **Navigating uncertainty to support delivery** - Our evidence supports a rapid rollout of EV charging infrastructure, but also allows decision makers to plan and act responsively in the face of uncertainty. Human behaviours (both travel and charging) and technology advances will have a major impact on the demand for EV charging infrastructure (both amount and type). By applying TfN's Future Travel Scenarios⁴, we can understand different delivery models suited to potential future user travel patterns and choices. Our evidence also supports an understanding of impacts resulting from different charging behaviour preferences (i.e. at home / on-street, destination or en-route).
- **A trusted centre of excellence** - The EVCI model is designed to provide outputs as open data. The Intellectual Property (IP) sits with TfN and will therefore be integrated into TfN's Analytical Framework, allowing TfN to maintain and share freely with our local authority partners. We are also developing communicative tools to enable evidence sharing with a wider range of stakeholders. (See section 10).

7. Building our EVCI evidence capabilities

- 7.1 TfN has established in-house modelling and analytical capabilities that provide a wide range of regional travel demand and land-use estimates on a regional scale.

³ Middle Layer Super Output Areas (MSOA) are a geographic hierarchy designed to improve the reporting of small area statistics in England and Wales. The minimum population is 5000 and the mean is 7200.

⁴ <https://transportforthenorth.com/future-travel-scenarios/>

These can be used to present powerful spatial, social and sustainability evidence; and an understanding of what this means for current and future movements on the region’s road network and associated EV infrastructure requirements. The inputs to the model are shown in Table 1.

Table 1: Overview of relevant TfN input data

Data	Segmentation (every year to 2050, and at MSOA geography)
Population and households	Socio-economic group; Occupation and traveller type; Car availability; Household size
Housing	Flat, Terraced, Semi-Detached, Detached
Employment and jobs	Skill level; Employment status; Income segmentation
Travel demand	<ul style="list-style-type: none"> • The origin and destination of user movements across the region; • mode (car, rail, bus, walk, cycle); • user class (commute, business, non-work); • purpose (user class + detail in other e.g. education, shopping, leisure etc); • time period (AM, inter-peak, PM). • seasonal variation
Vehicle flows on roads and electric vehicle uptake	<ul style="list-style-type: none"> • Regional highways model providing a whole network view. • For Car, Van, HGV movements. • EV uptake across the fleet for different decarbonisation pathways.
TfN Future Travel Scenarios	The travel matrices for the four TfN travel scenarios cover the agreed set of forecast years, time periods, fleet make-up and emissions

7.2 These inputs are applied through our EVCI modelling to generate EVCI requirements for the region, at a geographical level that provides comprehensive outputs for local authorities to use towards local decisions and delivery. Figure 1 summarises the processing steps and outputs generated at each stage of our approach, providing the capability to understand:

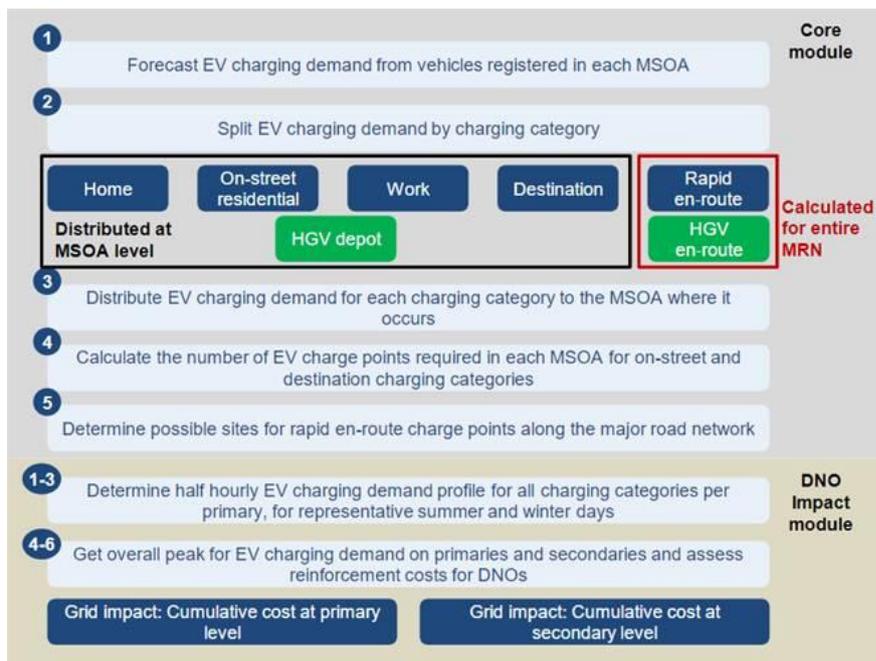
- What and where: the need for different chargepoint types and required coverage to support car, vans and HGVs.
- When: outputs in 5 year increments, starting at 2020 and running to 2050 (i.e. 2020, 2025, 2030 and so on).
- How these requirements may differ across different future travel demand scenarios⁵, with the user able to select different projections of future travel attributes (e.g. EV stock, vehicle kilometres travelled, number of trips on the road network, etc) to understand associated impacts on charging needs.
- How these requirements may be impacted by different charging behaviours⁶.
- Indicative locations for rapid en-route charging on the Major Roads Network (MRN) and Strategic Roads Network (SRN).
- An indication of the impact of EV charging on the electricity distribution network and how these might vary dependent upon rate of EV uptake⁷.

⁵ Other scenarios can be applied by the user, although it should be noted that the TfN FTS cover the anticipated range of EV uptake and plausible travel patterns across the region to provide a full assessment of potential requirements.

⁶ The model has capability to add further sensitivities and behavioural parameters should it be deemed useful when considering EVCI requirements.

⁷ It is outside of project scope to model non-EV customer demand and to consider overall demand on individual substations. However, our analysis provides the DNOs with data on EV requirements they can use to support planning for a resilient distribution network. is sufficient to give an indication of likely network costs.

Figure 1: Steps taken to build our EVCI regional evidence base



8. Academic review and assurance

8.1 Professor Greg Marsden (Institute of Transport Studies at the University of Leeds and Decarbon8) has undertaken an external review and assurance of current and proposed future work. This review found our EVCI Framework to be:

- A very high standard work, and a nationally leading and important international example.
- An innovative, technically rigorous and highly policy relevant piece of work, which builds on the strong knowledge base developed by TfN through its work on regional modelling and appraisal.
- High value for money in terms of the strategic insight role it performs, its potential utility to local authorities and as a guide to more detailed local assessment and actions.

9. The key capabilities and findings developed

9.1 Electrification of road transport will need to proceed at a rapid rate – with more certainty in this now following the introduction of national policy to ban use of combustion engines (cars and vans sales from 2030, HGVs from 2035). There are no National targets currently set for the roll out of EVCI. However, by developing robust evidence we can support decision making and help manage the many uncertainties around EVCI deployment, to accelerate delivery across the region with confidence. **Appendix A** provides a summary of the evidence base developed, and some of the key messages and capabilities available.

9.2 Our evidence provides additional clarity on the scale and pace of change required across our region to support a transition to electric vehicles. Between 27,600 and 48,000 publicly available non-rapid⁸ EV chargepoints; and between 12,000 and 26,000 rapid⁹ chargepoints will be required across the North by 2025¹⁰ to support

⁸ On-street, work, destination, HGV depot (slow to fast charging between 7kw and 22kw; averaging 1 – 8 hours charging currently)

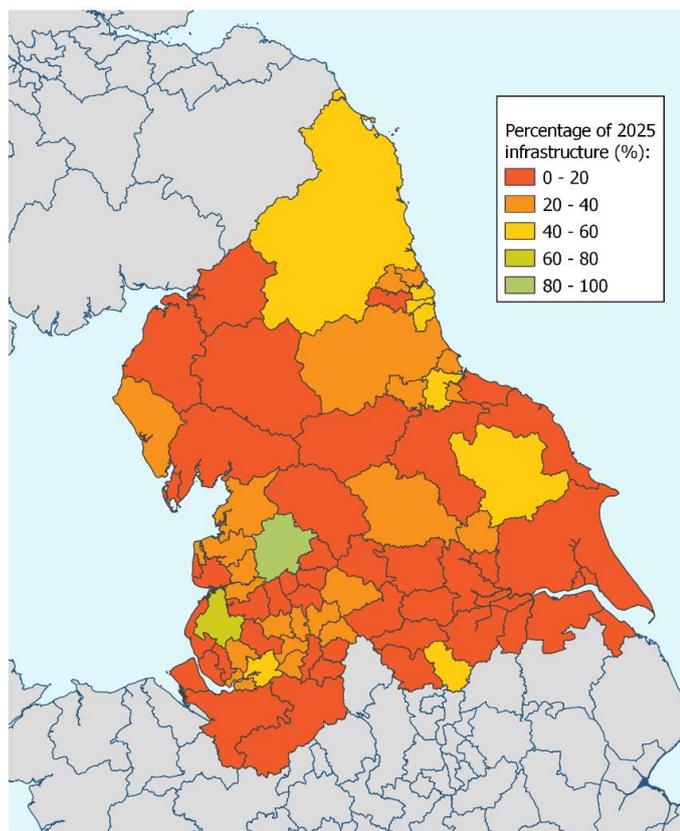
⁹ Rapid on the move charging (50kw and above, averaging 1 hour or less charging currently)

¹⁰ Outputs have been developed across different future travel scenarios and charging behaviours to understand the range of possible requirements.

our regional decarbonisation trajectory and target. This demand forecast rises throughout the 5-year increments, but it is the 2020s that sees the most significant demand growth to support rapid decarbonisation of the fleet.

- 9.3 Comparison of the National Chargepoint Registry¹¹ statistics for early 2022, indicates that the North's supporting publicly available infrastructure currently provides for between 10-17% of non-rapid (see Figure 2 provided as example), and between 5-11% of the rapid, charging demand forecasted by 2025 to support our ambitions for decarbonisation.

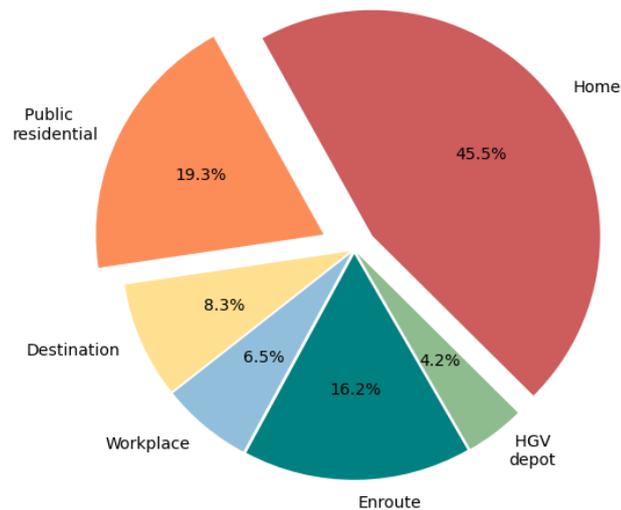
Figure 2: % of public non-rapid charging required by 2025 (to support the regional decarbonisation trajectory) that is available in 2022 (comparison with National Chargepoint Registry).



- 9.4 There are large differences in EVCI needs between regions, with EVCI density expected to be highest in urban areas (due to high populations, higher number of second-hand vehicles, higher levels of destination charging). However, our evidence identifies charge point requirements to meet the needs of all place types across the North. This includes strengthening our ability to make the case for rural area requirements and also understanding visitor economy demands (average day vs. peak seasonal day). This can inform our understanding of suitable business cases for different locations, to deliver a comprehensive whole network solution.
- 9.5 By applying our transport understanding and modelling capabilities we can identify the amount and type of charging needed to support anticipated travel movements. Our evidence suggests the majority of publicly available EVCPs will be required in public residential areas (e.g. on-street, in public car parks, local charging hubs) to supplement at home charging, compared to lower needs of destination (e.g. supermarkets, gyms, etc.) and en-route rapid charging.

¹¹ National Chargepoint Register statistics as of January 2022. Some under-representation is likely due to registration update gaps.

Figure 3: 2025 charger demand by charging type



9.6 En-route rapid is likely to be regularly used by high mileage drivers, and only occasionally by majority of other drivers. However, all drivers will want confidence that rapid chargers will be accessible when needed. Applying the evidence developed, we have been able to identify potential locations for en-route rapid charging across the Major Roads Network (MRN) and Strategic Roads Network (SRN).

9.7 However, people’s charging behaviour and preference are currently not well understood, and charging behaviour represents the greatest uncertainty for EV infrastructure decisions. This may have implications on EV infrastructure planning, but also major spatial impacts with regards to place making and electricity grid requirements. Our EVCI model outputs are very sensitive to changes in future charging preferences, allowing us to explore impacts on infrastructure needs and inform ‘no regrets’ charging infrastructure planning and delivery.

9.8 There are several evolving delivery models for EVCI deployment, with growing interest and investment from the private sector. Private sector interest is often focused around the most commercially attractive sites, meaning some areas are likely to be left behind without public sector intervention, or new delivery models which de-risk private sector investment. TfN’s EVCI evidence can support further work to identify the best delivery solution within different local areas.

10. Next Steps to communicate and apply evidence

10.1 **Communicating our framework capabilities and findings** - Our work on EV charging infrastructure is at the cutting edge of strategic planning, and can help to inform local, regional and national actions with regards to EV charging infrastructure. We plan to publish our Framework with the launch of an interactive visualisation platform, and a supporting position paper, to communicate the key EVCI findings developed. This report outlines the key messages that we will communicate in this publication.

10.2 **Sharing of outputs with Local Authorities** - All outputs have been developed to be available for local authority partners, to maximise value for money and capture consistency benefits. We have received a number of requests from partners (as well as private sector interest) to share project outputs to support active projects across the North. This is an important step both in terms of actively using this evidence base, but also as a feedback loop to inform any future TfN activities. We are finalising specialist legal advice regarding data sharing protocols and processes required to do this. Our aim to share key outputs with local authority partners as

soon as possible, to interpret and extract local evidence with a view to supporting the undertaking of specific localised and place based activities.

10.3 **Supporting local activities within a 'systems focused' regional framework** -

This evidence puts the North in a strong position to respond to, and access, public funding and delivery mechanisms. The partnership that underpins our EV Steering Group offers the opportunity to work collaboratively in resolving issues of policy, legislation and guidance more generally that will be important to achieving our shared ambitions. This includes informing national Government decisions, and working with National Highways and Network Rail to seek integrated evidence based outcomes on the Major Roads and Strategic Roads Network, and the National rail network. Thereby supporting policy agendas including decarbonisation, levelling up, as well as turning focus towards associated spatial planning and social inclusivity considerations.

10.4 **Keeping the North at the forefront of EVCI planning and strategy** – In addition to the above, we are developing plans for additional activities which target key areas of priority and challenge identified by partners and feedback from academic reviews. This may include:

- Using our evidence to date to develop a more rounded view of how unequal the transition to EVs could be, and identify possible solutions to manage both high and low uptake areas.
- Utilisation strategies to support local authorities in identifying effective, efficient and commercially viable delivery models.
- Taking our scenarios approach further to identify a 'no regrets' requirement across the region to build further confidence in decision making.
- Seek to develop a richer strategic view with regards to freight, warehousing and charging clustering recognising recent developments pointing to LGVs being more likely powered by electric drivetrains.
- Apply this intelligence to support public - private sector engagements and delivery model discussions.
- Look to further consolidate and align our systems thinking with energy network and regulatory partners, including linking up with our Hydrogen workstream and consideration towards making the most of smart charging opportunities.

We will ensure any future activities continue to provide a regional overview in a manner which supports local decision making, but also informs national decision making. All activities will be developed to support TfN in delivering it's 2022/23 business plan commitments.

11. Corporate Considerations

11.1 *Financial Implications*

The financial implications of work to date and the costs of Phase 3 are captured in Budget Revision 3, the latter having been contingent on incremental grant allocation from DfT. Additional funding has been secured from DfT (in principle) for further activities on this project. Future phases will be considered as part of the 2022/23 business planning process.

11.2 *Resource Implications*

TfN HR Team has confirmed there are no direct resource implications, noting that phase 3 EVCI work and beyond will be considered as part of TfN's business/resourcing planning for FY2022/23.

11.3 **Legal Implications**

There are no apparent new legal implications as a result of this report.

11.4 **Risk Management and Key Issues**

A risk assessment has not been carried out at this stage. However project risks and opportunities are actively reviewed and managed.

11.5 **Environmental Implications**

This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore does not stimulate the need for SEA or EIA. All proposed Electric Vehicle Charging Infrastructure developments will be subject to screening for the need for EIA by the relevant development authority as part of the design development and consenting process.

The development of an effective and comprehensive EVCI network across the North that works for all those who need to use it, is a fundamental requirement to achieve TfN's Decarbonisation Pathway (particularly zero emission vehicle sales share targets).

11.6 **Equality and Diversity**

A full Impact assessment has not been carried out because this report seeks endorsement for the development of an EV Infrastructure framework.

11.7 **Consultations**

Consultation has been carried with TfN partners and the results are included in the report.

12. **Appendices**

12.1 Appendix A: Electric Vehicle Charging Infrastructure Framework – Summary slides

Glossary of terms, abbreviations and acronyms used (if applicable)

Please include any technical abbreviations and acronyms used in the report in this section. (Please see examples below.) This will provide an easy reference point for the reader for any abbreviations and acronyms that are used in the report.

a) EVCI	Electric Vehicle Charging Infrastructure
b) EV	Electric Vehicle
c) MSOA	Middle Super Output Area
d) LA	Local Authority
e) OZEV	Office for Zero Emission Vehicles
f) DfT	Department for Transport
g) HGV	Heavy Goods Vehicle
h) MRN	Major Roads Network
i) SRN	Strategic Roads Network

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Transport for the North

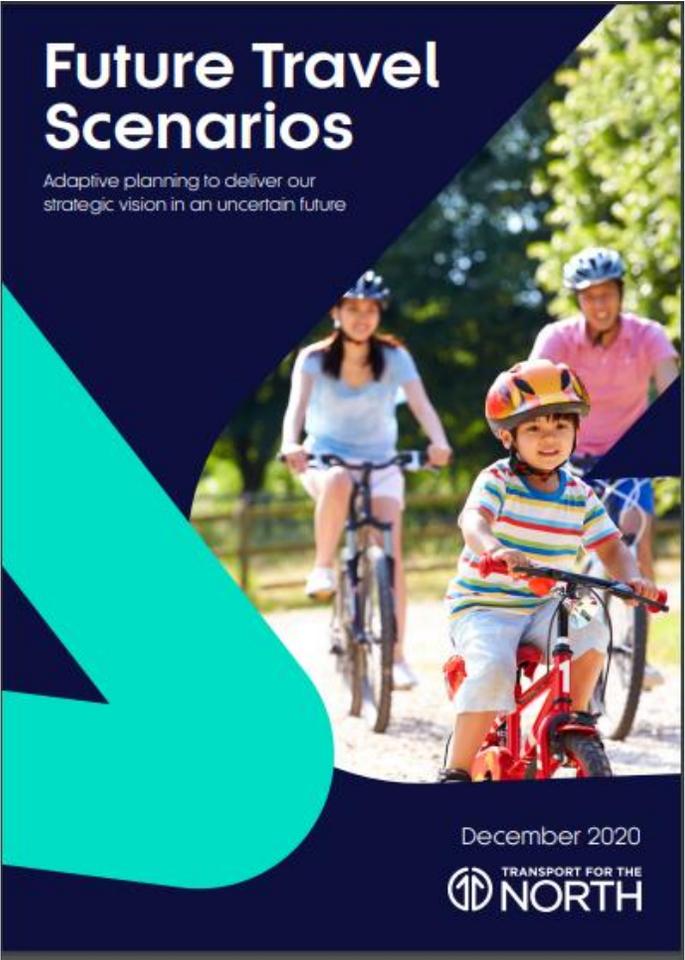
EV Charging Infrastructure Framework

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Transport decarbonisation - *From strategy to delivery* - *EV Charging Infrastructure Framework*

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EV infrastructure deployment – the challenge through a regional and local lens

Public charging devices per 100,000 of population (ZapMap), March 2022

North average – 28 devices per 100,000
UK average – 42 devices per 100,000

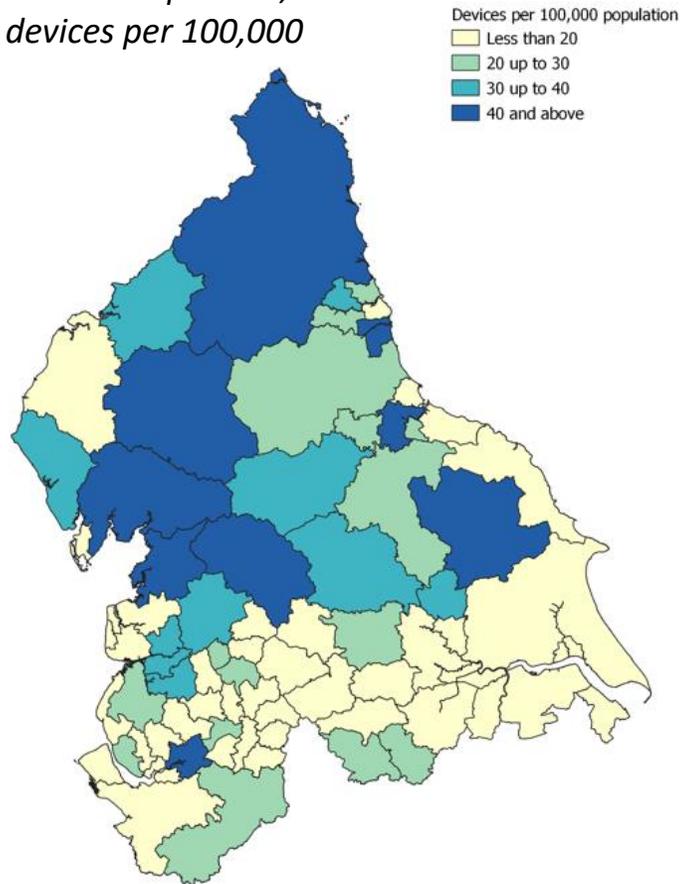
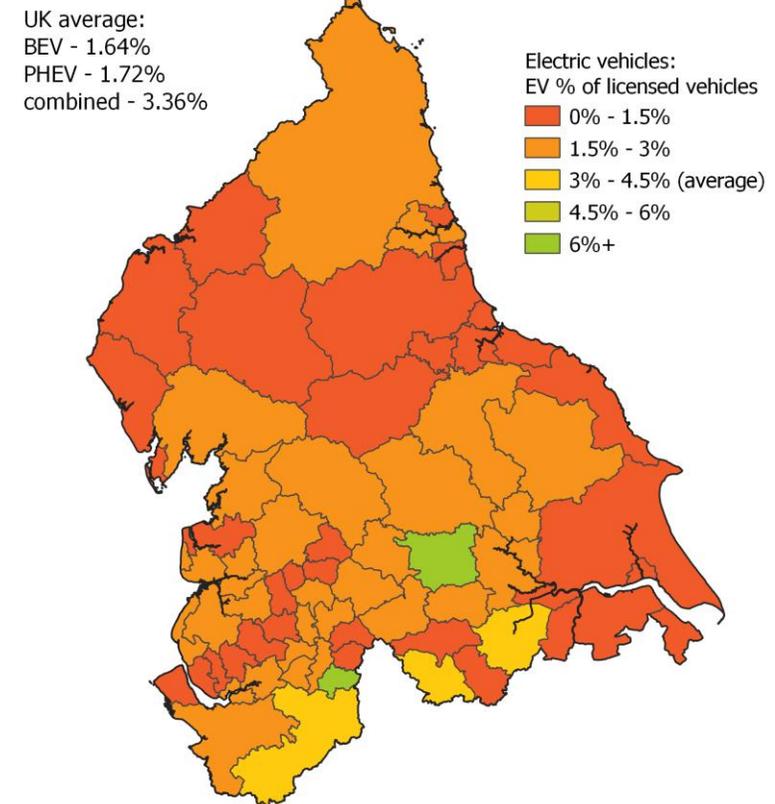


Figure 2: EV % of vehicle licenses in the North of England (2021)



How a regional EV Charging Infrastructure Framework can support our decarbonisation ambitions

Objectives:

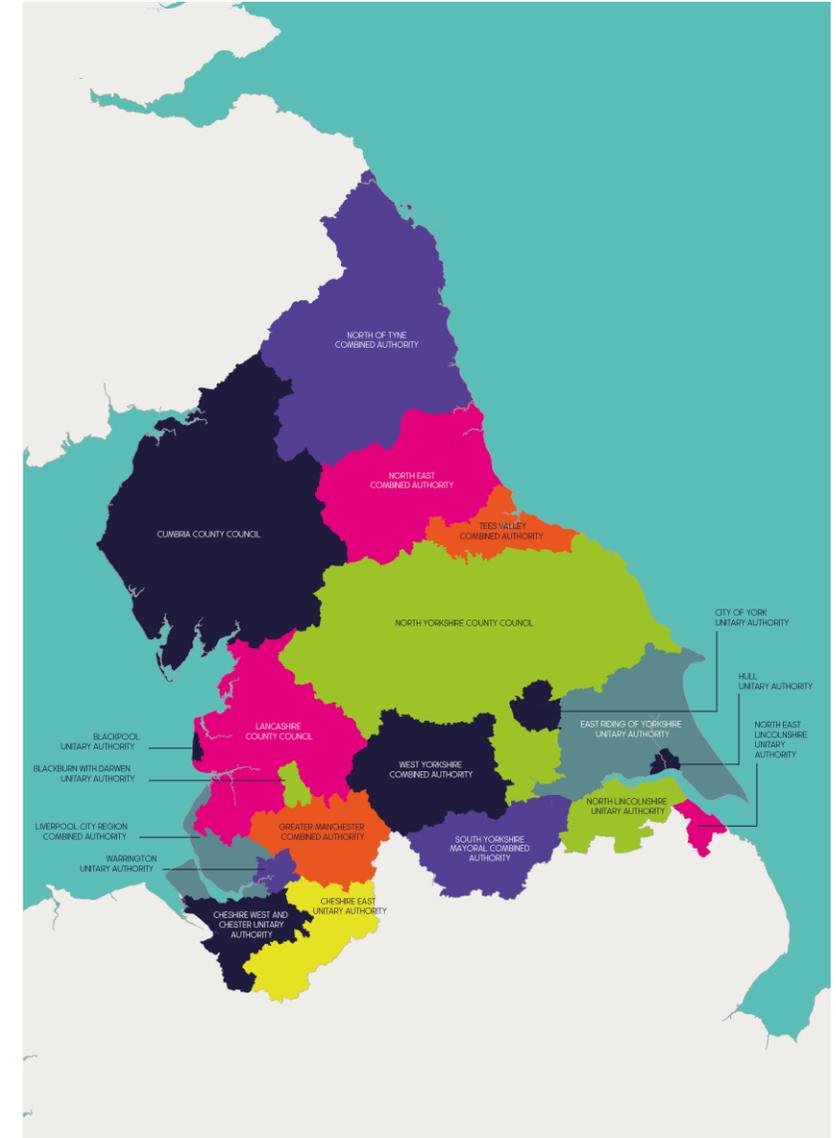
- Improve outcomes for Electric Vehicles based on robust and data driven evidence of requirements - *'the right infrastructure in the right place, at the right time'*
- Provide a collective routemap towards an effective, attractive and inclusive network - *'Supporting action across the region at scale and pace'*.
- Support delivery of an integrated EV network through public and private partnerships – *'Capacity & Capability'*; *'Driving economies of scale'*.
- Future-proof EV infrastructure decision making - *'Ensuring resilience and grasping opportunity'*.

Regional EV Steering Group – “Whole network; Whole System”

Collaborative partnership which consolidate multi-agency approaches and actions to deliver mutual goals.

- Transport for the North
- TfNs member organisations (Northern Local Transport Authorities or LEP representatives).
- National Highways
- Network Rail
- Department for Transport / OZEV
- Scottish Power Energy Networks
- Electricity North West
- Northern Powergrid
- National Grid UK Electricity Transmission
- Energy Saving Trust

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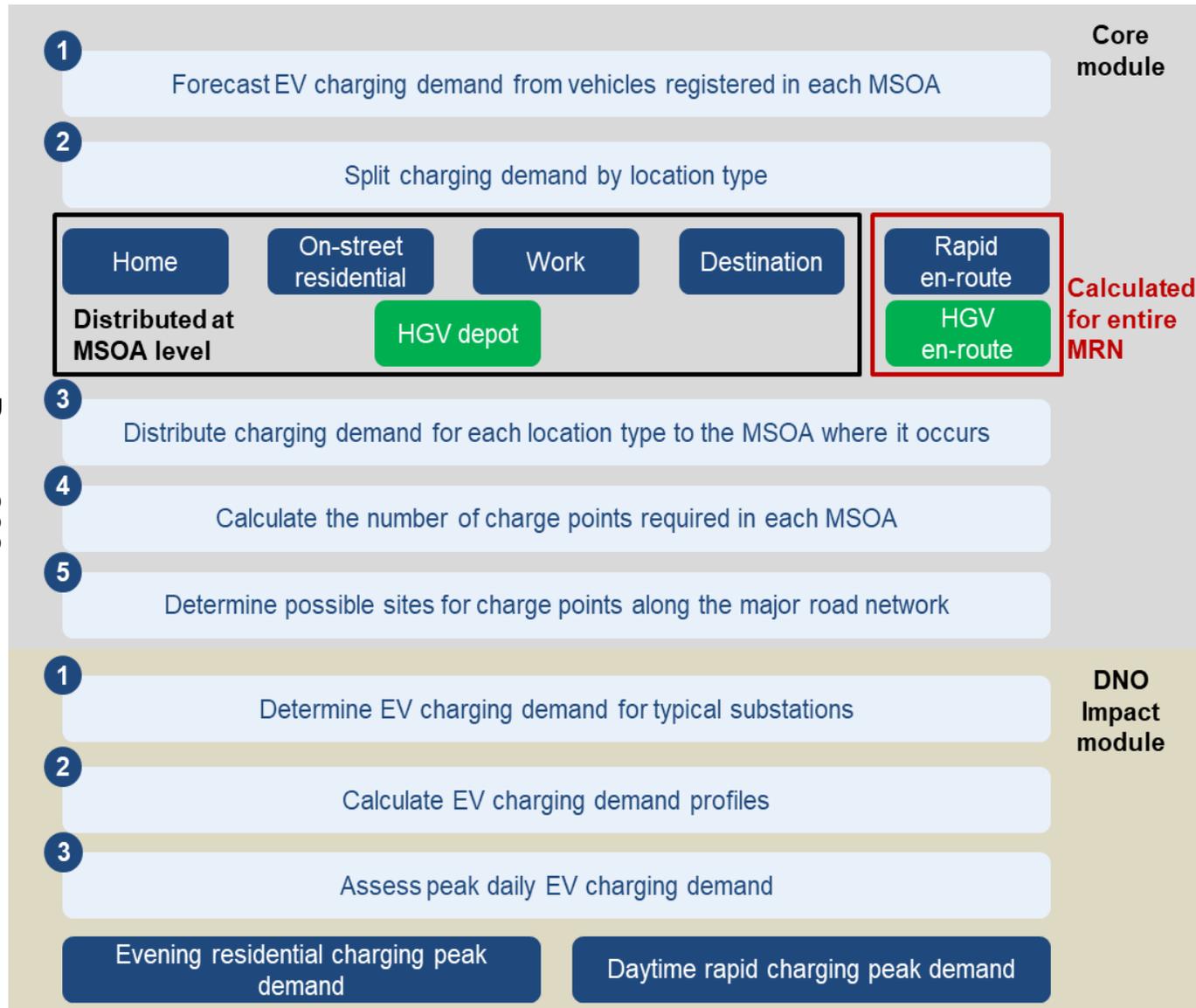


TfN's data capabilities which enable our enhanced EVCI requirement evidence

Data	Segmentation (every year to 2050, and at MSOA geography)
Population and households	Socio-economic group; Occupation and traveller type; Car availability; Household size
Housing	Flat, Terraced, Semi-Detached, Detached
Employment and jobs	Skill level; Employment status; Income segmentation
Regional travel demand	<ul style="list-style-type: none"> • Origin and Destination of user movements; • mode (car, rail, bus, walk, cycle); • user class (i.e. commute, business, non-work); • purpose (user class + detail in other e.g. education, shopping, leisure etc); • time period (AM, inter-peak, PM). • seasonal variation
Whole network view of vehicle flows on roads; and electric vehicle uptake	<ul style="list-style-type: none"> • Regional highways model providing a whole network view. • For Car, Van, HGV movements. • EV uptake across the fleet for different decarbonisation pathways.
TfN Future Travel Scenarios	The travel matrices for the four TfN travel scenarios cover the agreed set of forecast years, time periods, fleet make-up and emissions

Developing our regional evidence base

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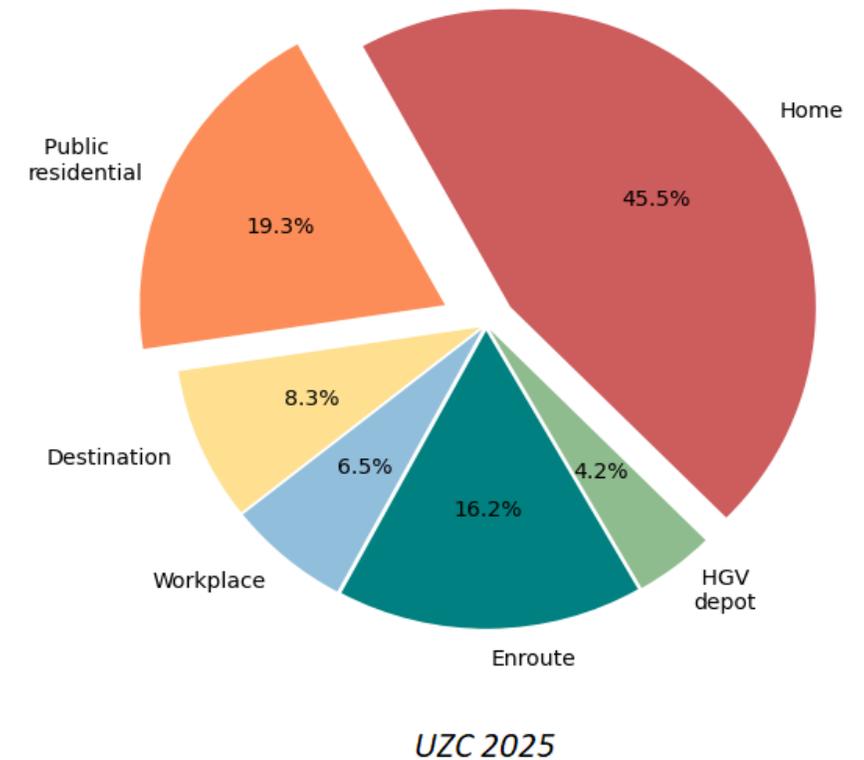
With the user able to explore how these are impacted by:

- **Different projections of future travel attributes** (e.g. EV stock, vehicle kilometres travelled, proportion of trips on the road network, where people live and work etc).
- **Different charging behaviours and charging location preference** (on trend; home ‘on/off street’ focused; public ‘rapid’ focused; local hub focused).

Applying regional transport modelling capabilities to identify the amount and type of charging needed to support anticipated travel movements.

- Our regional evidence suggests the majority of publicly available EVCPs will be required in public residential areas (e.g. on-street, in public car parks, local charging hubs) to supplement at home charging.
- Compared to lower needs of destination (e.g. supermarkets, gyms, etc.) and en-route rapid charging.
- En-route rapid is likely to be regularly used by high mileage drivers, and only occasionally by majority of other drivers. However, all drivers will want confidence that rapid chargers will be accessible when needed.

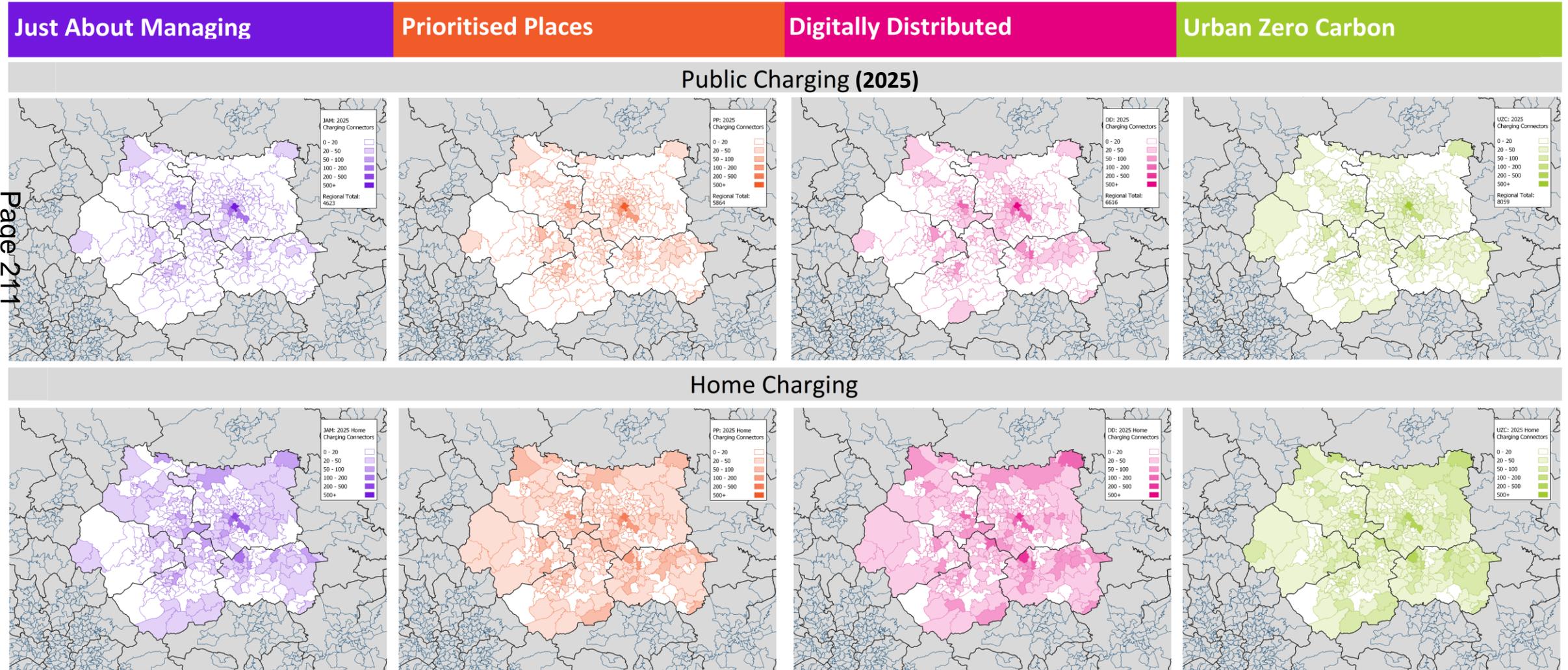
2025 charger demand by charging type, under our Urban Zero Carbon scenario



TfN's EVCI Framework evidence – what, where and when

- Ability to filter by: coverage of EVs (car, van, HGV) we need to support; charging category or total requirements (by home, on-street, work, destination, HGV depot; then en-route rapid for the region); varying uptake scenarios; different user charging behavioural scenarios; and at 5 year increments through to 2050.

West Yorkshire Combined Authority Public and Home Charging:



Identifying requirements across all place types – ensuring no one is left behind by understanding whole network distribution

Total non-rapid* EVCP density: 2030, Digitally Distributed scenario

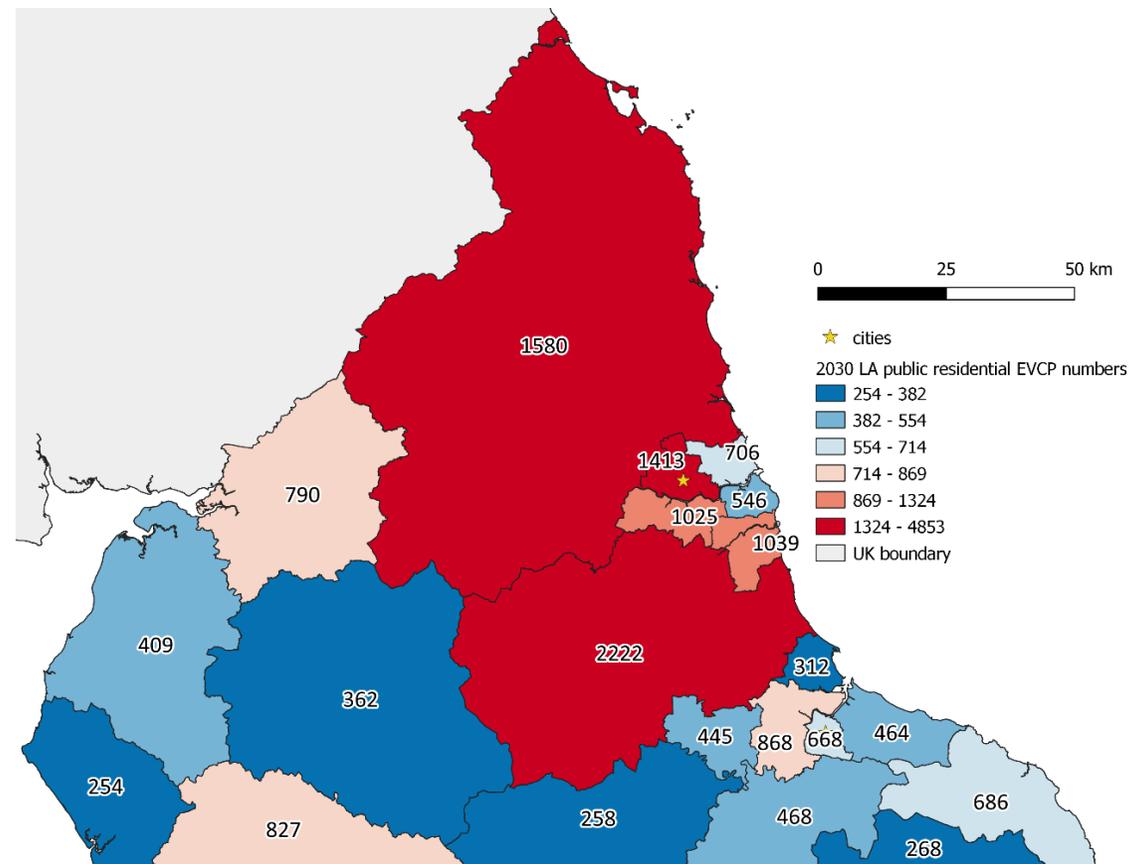
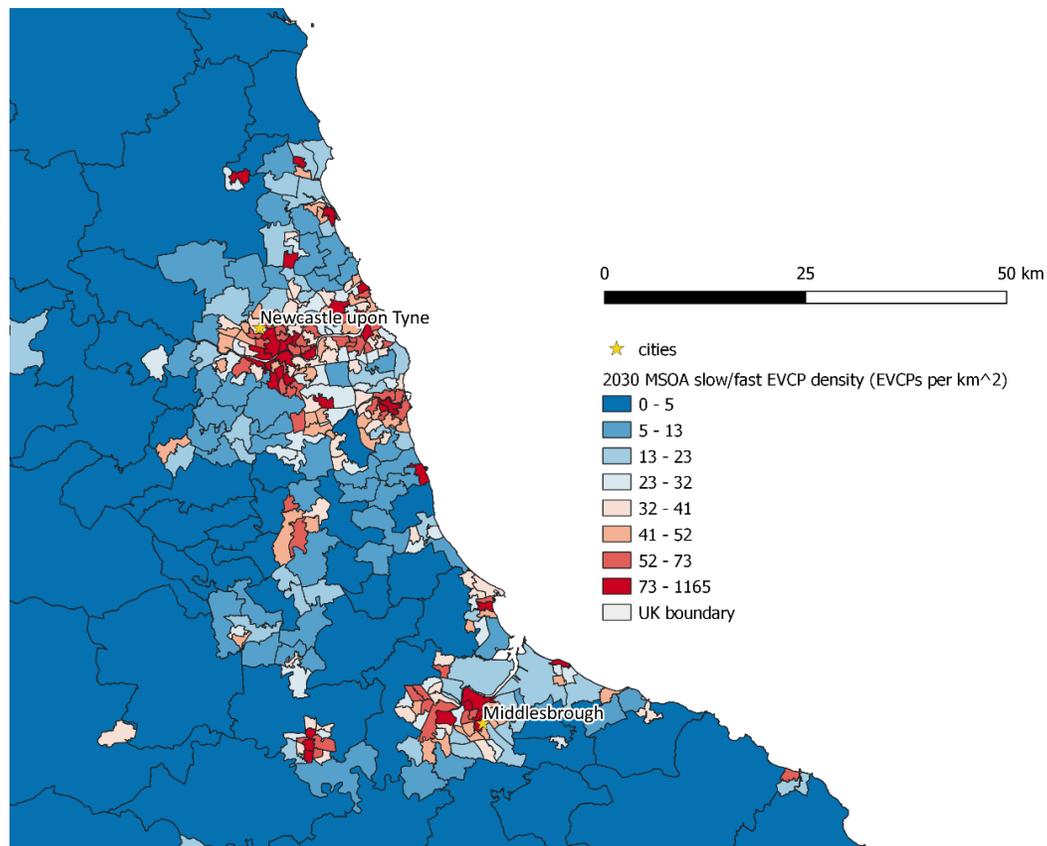
Cut by density we see a higher need in mainly urban areas:

- high density of people and housing
- higher new car ownership
- key destinations for shopping and entertainment and higher levels of destination charging

Public residential EVCP numbers: 2030, Digitally Distributed scenario

- A large area with a low EVCP density can still require the same number of EVCP as a smaller area with a higher density.
- It will be EVCP number not density which will define LA funding needs

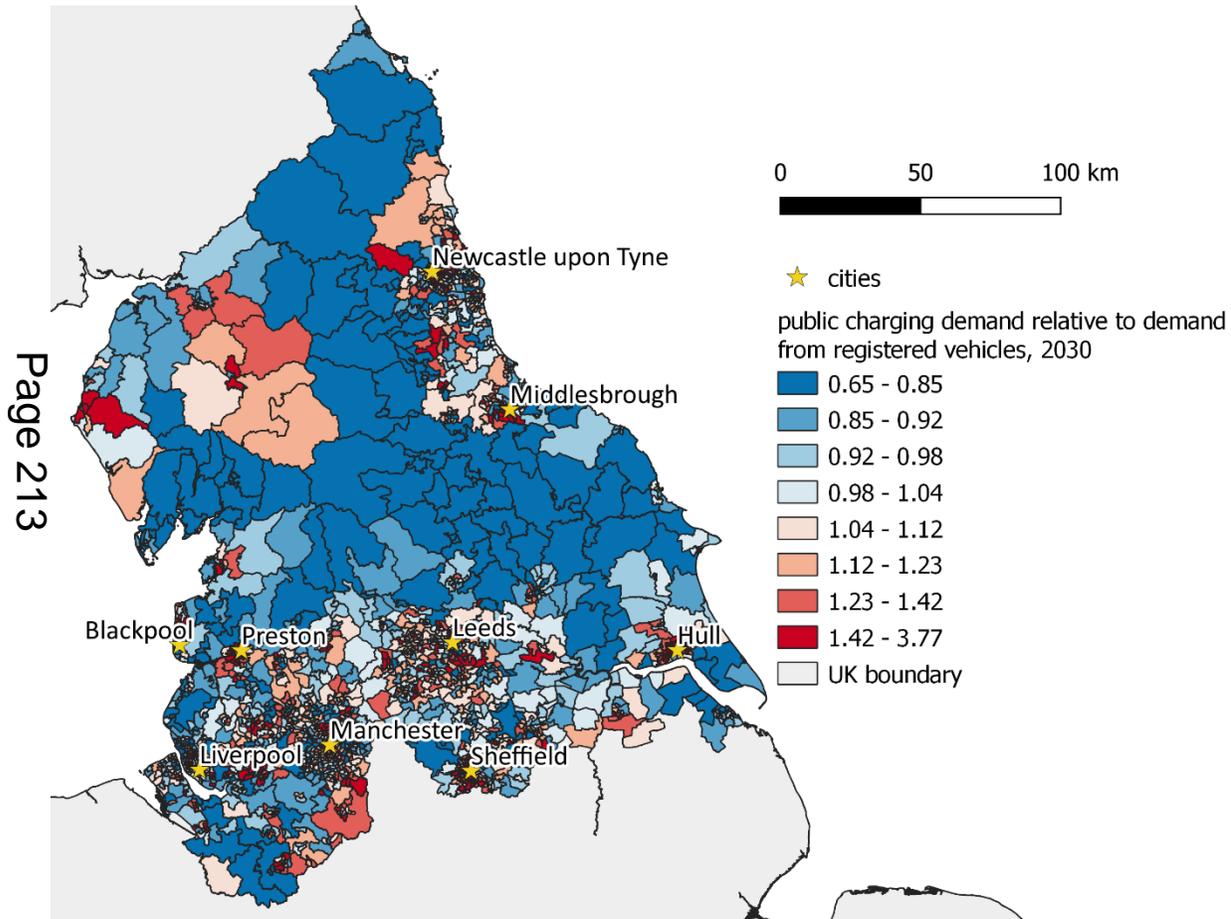
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* EVCP types shown on this map are: public residential, destination, workplace, and HGV depot. Public residential and destination are expected to be mostly publicly available EVCPs, while workplace and HGV depot are expected to be useable only by employees or HGV drivers

Understanding charging and travel demand to shape successful business models for delivery

Ratio of public charging demand to demand from vehicles registered in each MSOA

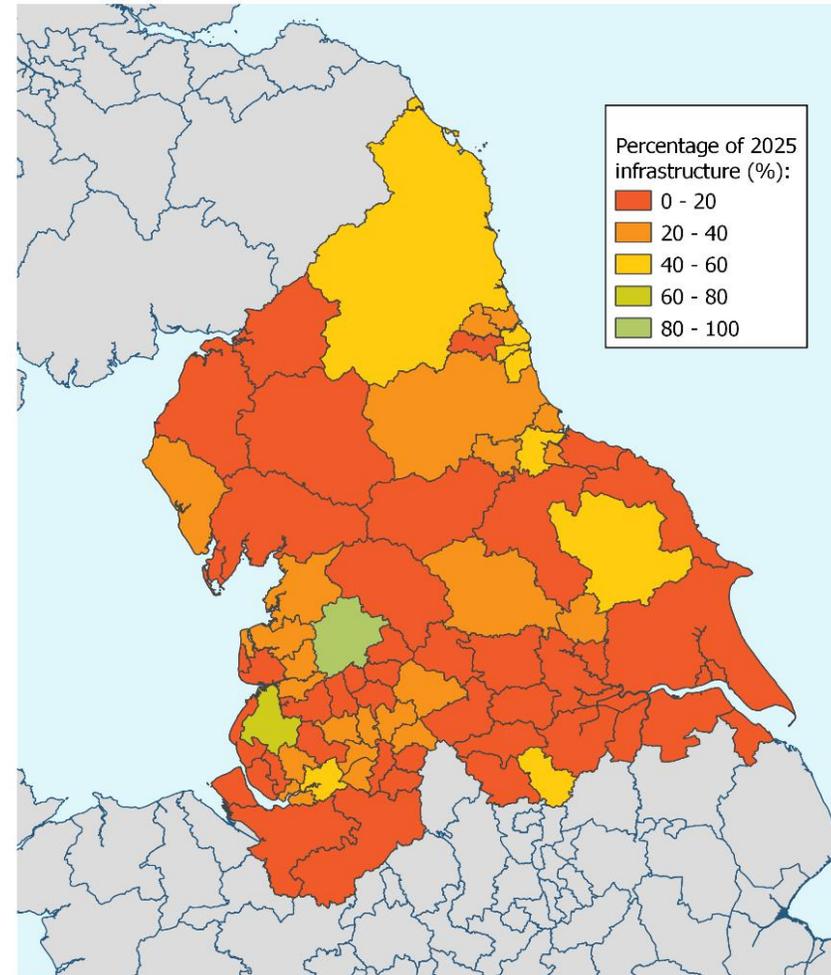


- Areas in red on this map attract more public charging demand than is created by vehicles registered in the same area – these are likely to be areas which draw visitors to them.
- TfN's visitor economy data used to identify average day and peak day comparisons (for all charging categories).
- Provides valuable insight towards different business models suitable for different places, i.e:
 - Some urban areas provide more consistent demand throughout the year – can be installed with confidence of use and return
 - Rural areas are likely to see more variance in utilisation - requiring decisions as to whether infrastructure is deployed to meet a peak / and not always use it; or meet an average day / and accept some queuing on busy days.

Monitoring progress of publicly available charging against where we need to be

- Between 27,600 and 48,000 non-rapid* EV charge points; and between 12,000 and 26,000 rapid** charge points will be required across the North by 2025. With similar rapid rises in charging requirements noted towards 2030.
- Comparison against the National Charge point Registry indicates that, in 2022, the North's supporting infrastructure provides for between **10-17% of that non-rapid demand**, and between **5-11% of the rapid charging demand**.
- Our evidence can be cut in several different ways. The figure shows what this looks like across the North for non-rapid charging.

% of public non-rapid charging required by 2025 (to support the regional decarbonisation trajectory) that is available in 2022 (comparison with National Charge point Registry).



* On-street, work, destination, HGV depot (slow to fast charging between 7kw and 22kw; averaging 1 – 8 hours charging currently)

** Rapid on the move charging (50kw and above, averaging 1 hour or less charging currently)

Determining possible sites for rapid charge points along the SRN / MRN / MRN

Derived from processing the following datasets:

- DfT Road Traffic statistics
- Distance from the SRN / MRN & Motorway Junctions
- Land Use (AddressBasePlus) and proximity to traffic volumes
- Existing Rapid Charging Hubs
- Forecast average traffic flows and trip length (TfN NoHAM model and scenarios)
- Projected EV uptake (TfN EVCI model - on-street, en-route and destination charging demand at MSOA level)
- Green Belt, Special Scientific interest area, AONB, Flood zone constraints



TfN - EV Charging Infrastructure Framework

- *Turning Decarbonisation Strategy into action*

Phase 1 (Completed): Build robust evidence and intelligence capability – to identify future trajectory and geographical location of regional EV charging requirements.



Phase 2 (Early 2022):

- Publication and communication of forecasted requirements for the region.
 - Inform National policy, delivery and funding decisions.
 - Support LA delivery plans and strategies for delivery.
- 

Phase 3 (2022/23):

- Apply evidence and enhance capabilities to target further challenges / opportunities faced by TfN and partners. Social, Spatial and Sustainable considerations.
- Support TfN partners in sharing successes / tackling common barriers to delivery.
- Encourage private sector engagements and commercial opportunities.
- Further consolidate and align our systems thinking with energy network and regulatory partners

Meeting:	Transport for the North Board
Subject:	Governance Report
Author:	Julie Openshaw, Head of Legal Services
Sponsor:	Martin Tugwell, Chief Executive
Meeting Date:	Wednesday 30 March 2022

1. Purpose of the Report:

- 1.1 For Board to formally ratify approvals made at the Board Consultation Call on 23 February 2022.
- 1.2 To report to Board on the outcomes of the General Purposes Consultation Call on 23 February 2022.
- 1.3 For Board to note and accept the outcome of the recent Scrutiny Committee review, and the Committee's conclusions.

2. Recommendations:

- 2.1 That Board confirms the Humber region shall be permitted to have two Members on General Purposes Committee, one for the North of the Humber and the other for the South of the Humber.
- 2.2 That Board receives nominations and appoints Members and Substitute Members for the remaining seats on General Purpose Committee;
- 2.3 That Board confirms the Terms of Reference for the General Purposes Committee Consultation as set out in paragraph 3.2;
- 2.4 That Board notes the Review of the Scrutiny Committee and accepts its conclusions.

3. Main Issues:**Decisions from Board Consultation Call 23 February 2022**

- 3.1 At its Consultation Call on 23 February 2022, Board approved in principle allowing the Humber Region to have two Members on General Purposes Committee, subject to formal ratification at an in-person meeting. This report invites Board to formally resolve to that effect. Board is also invited to receive nominations and appoint to the remaining seats on General Purposes Committee to enable it to be fully populated.

Consultation Call of General Purposes Committee 23 February 2022

- 3.2 At its inaugural Consultation Call on 23 February 2022, General Purposes Committee (GPC) was invited to consider arrangements for its future work and its relationship with the work of Board.
- 3.3 One of the primary objectives behind the creation of the General Purposes Committee was to create a forum in which Constituent Authority Members can look in detail at issues relating to TfN work programmes. The objective was to enable full Board to concentrate on more strategic matters and decisions.
- 3.4 For this reason, the GPC's draft Terms of Reference were cast widely
"The General Purposes Committee shall determine any matter which is not reserved to the Transport for the North Board nor delegated to the Rail

North Committee and which is not decided by the Chief Executive under his delegated authority.”

- 3.5 In reflecting on the draft Terms of Reference the Committee considered:
- Whether GPC should be involved in staff appointments and/or disciplinary proceedings for statutory officers. The meeting was advised that it was possible for the Committee to establish sub-committee(s) to be set up to handle such matters. Members noted the past value of ad-hoc Members’ Working Groups and expressed the view that these should continue to be considered where they would add value, but also supported the principle of having one or more sub-committees to deal with the staffing matters discussed. Officers were asked to further consider arrangements and report back at a suitable juncture with more detailed proposals.
 - The potential role of GPC in considering Constitutional amendments and recommending to Board as necessary. In this the GPC noted that it must not duplicate or usurp the role of the Audit and Governance Committee
 - The issue of in-person meetings compared to Consultation Calls was discussed, with Members noting that any formal decisions would need to be made in-person, but that Consultation Calls would be possible in other instances.
- 3.6 On the basis of the discussion held, the meeting concluded that there were no proposed amendments to the draft Terms of Reference that it wished the Board to consider. The Board is therefore invited to confirm the Terms of Reference.

Review of the Scrutiny Function

- 3.7 In accordance with the TfN Constitution and an action identified in the Annual Governance Statement for 2020/21, a review of the Scrutiny Function has been undertaken by the Scrutiny Committee. The review looked at the key functions of the Committee with focus on the principle of Scrutiny First as well as Committee considering the need for Scrutiny Panels, calling of experts to the Committee, Committee’s resources and holding of future meetings.
- 3.8 Over the period of the review from June 2021, the Committee considered reports on the scrutiny review function with background information on the establishment of the Committee and the adoption of the policy of Scrutiny First, approved at TfN’s Shadow Board meeting in February 2018.
- 3.9 During the review Members acknowledged that Scrutiny First has allowed the Committee to input and scrutinise proposals before they are decided by Board as well as allowing the Committee an opportunity to influence the decisions of the Board before any decisions are taken. During the course of the review, the Committee set up a small Task and Finish Group to explore each of the areas of the review in detail, the outcomes from which informed a wider debate at its Committee meeting in January 2022 at which consensus was gained from Members. The scrutiny review concluded that:
- Members are content that the Committee continues to work on a Scrutiny First basis as this allows them to express their views, input and scrutinise matters before any decisions are taken by Board.
 - Going forward, to allow the work of the Task and Finish Group and calling of experts to explore and provide information on specific areas of work, and that a small budget is sought to aid this work.
 - The Committee continues to meet six times a year, four of which would take place prior to the TfN Board meetings and the remaining two meetings being used flexibly.
 - Two of the Committee meetings be held in person alternating at venues between Manchester and Leeds with the remaining two meetings being held virtually.

3.10 There is no need for the Scrutiny Committee to have considered any of the matters in this report.

4. Corporate Considerations

Financial Implications

4.1 There are no significant financial implications which arise directly from this report.

Resource Implications

4.2 The resourcing implications are detailed within the report.

Legal Implications

4.3 Legal implications are contained within the report.

Risk Management and Key Issues

4.4 There are no significant risk implications arising from this report

Environmental Implications

4.5 This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore does not stimulate the need for SEA or EIA.

Equality and Diversity

4.6 A full impact assessment has not been carried out as it is not required for this report.

Consultations

4.7 A consultation has not been carried out because it is not necessary for this report.

5. Background Papers

5.1 There are no background papers to this report.

6. Appendices

6.1 There are no appendices to this report.

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