
**Subject: Transport for the North
Comprehensive Spending Review 2020
Submission to the Department for Transport
(DfT).**

1. Purpose:

- 1.1 The Chancellor confirmed on 21 July that Government will hold a Comprehensive Spending Review (CSR) which will conclude alongside the Autumn Budget. This will set departmental funding envelopes (three-year settlements for resource spending and four-year for capital). The deadline for representations to HM Treasury is 24 September.
- 1.2 Transport for the North is funded via the Department for Transport (DfT) and as a consequence it will be subsumed into the DfT submission for CSR purposes. Transport for the North has therefore responded in line with departmental timetables that require it to provide its submission by 28 August 2020.
- 1.3 This submission sets out the funding required by Transport for the North to discharge its statutory Functions and deliver its programmes from 2021/22 to 2023/24 (including 2024/25 in relation to capital requirements).
- 1.4 In addition, it also sets out the challenges presented by the timing of the CSR and in particular the delay to the process caused by the Covid-19 pandemic. Further, it sets out for the Department the consequential changes that may be required to Transport for the North's business planning and budgeting processes.
- 1.5 This is an initial submission at the request of the DfT. It is intended for TfN to hold a meeting with the Secretary of State for Transport to discuss future ambitions and for CSR representation to be considered by the TfN Board at a meeting on 17 September 2020. Following the meeting, there is potential for further detailed submissions reflecting the aims of the Northern Transport Charter to be made before the Treasury deadline of 24 September 2020.

2. Introduction:

- 2.1 Transport for the North was originally established as a non-statutory partnership between the Northern Local Transport Authorities and the Secretary of State in 2015. The Principles Document that first established Transport for the North stated that it was:

"...a unique arrangement that sees Government, Northern city regions and Local Enterprise Partnerships (LEPs) working together, along with Highways England, Network Rail and HS2 Ltd. The shared aim is to transform Northern

growth by rebalancing the economy and establishing the North as a global powerhouse”.

- 2.2 Its Core Funding allocation in 2015 was £10m per year for five years, and in addition it was allocated £150m in relation to the Integrated and Smart Travel (IST) Programme and £60m of Transport Development Funding (TDF) for the Northern Powerhouse Rail programme (NPR). Subsequently, the delay of CSR19 led to further one-year settlements of £10m Core Funding and £59m NPR TDF for 2020/21.
- 2.3 Initially, Transport for the North operated with Sheffield City Region as its Accountable Body, although this was subsequently changed to the Greater Manchester Combined Authority in 2017/18. Officers were employed by and activity procured through local partners, principally Transport for Greater Manchester and the West Yorkshire Combined Authority.
- 2.4 In April 2018 Transport for the North came into being as a statutory body. Per the *Sub-national Transport Body (Transport for the North) Regulations 2018*, the organisation has the following general functions:
- a) to prepare a transport strategy for its area;*
 - b) to provide advice to the Secretary of State about the exercise of transport functions in relation to its area (whether exercisable by the Secretary of State or others);*
 - c) to co-ordinate the carrying out of transport functions in relation to its area that are exercisable by different constituent authorities, with a view to improving the effectiveness and efficiency in the carrying out of those functions;*
 - d) if TfN considers that a transport function in relation to its area would more effectively and efficiently be carried out by TfN, to make proposals to the Secretary of State for the transfer of that function to TfN;*
 - e) to make other proposals to the Secretary of State about the role and functions of TfN.*

In addition, the Regulations set out a number of additional functions including in relation Franchise Management and specific functions to be exercised jointly either with the Secretary of State, Constituent Authorities or Highways Authorities.

- 2.5 In taking on the functions in relation to Franchise Management, Transport for the North absorbed the operations of Rail North Limited and took over the responsibility for hosting the Rail North Partnership from the West Yorkshire Combined Authority. This included the novation of the partnership and funding arrangements that had been put in place around Rail North Limited and the Rail North Partnership.
- 2.6 The Explanatory Memorandum which accompanied the Transport for the North Regulations when they were laid before Parliament set out Transport for the North's role at clause 7.7:

"Their role as a 'bridge' between local and national government will provide people with a greater say on transport in their area and greater input into national level decisions because they are collectively speaking with 'one voice'."

- 2.7 This role of speaking as the voice of the North, representing the collective views of the North and its constituent bodies and acting as one voice to the Department of Transport is recognised in the Memorandum of Understanding signed between the Secretary of State and Transport for the North in July 2018. The Explanatory Memorandum acknowledged the importance of this role:

"The North needs a statutory body with permanence and solidity to operate effectively, with authority to recruit staff and enter into contracts, giving stakeholders and staff confidence in TfN. But more importantly, it demonstrates to the North the government's permanent and long-term commitment to TfN's role in strategic transport planning".

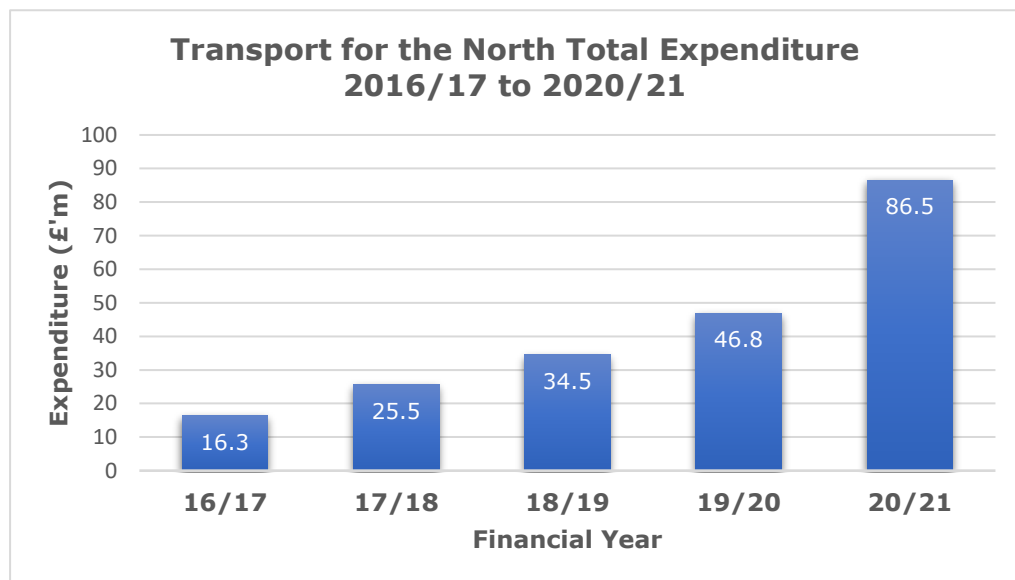
- 2.8 Under section 102M of the Local Transport Act 2008, Transport for the North also has the following general powers to do:
- a) anything it considers appropriate for the purpose of the carrying out of any of its functions;
 - b) anything it considers appropriate for purposes incidental to its functional purposes;
 - c) anything it considers to be connected with
 - (i) any of its functions, or
 - (ii) anything it may do under paragraph (a) or (b)

This essentially gives Transport for the North the authority to undertake the activity required to comply with its statutory and regulatory obligations that are incidental to its statutory functions.

- 2.9 It was originally assumed by Transport for the North and the DfT that Transport for the North would be eligible for a s33 exemption under the 1994 VAT Act to allow it to recover what would otherwise irrecoverable VAT. Following discussions with HMT / HMRC in the run up to Transport for the North achieving statutory status, it was deemed that Transport for the North was ineligible on the basis that it does not raise revenue from local taxation. This resulted in a significant increase in its cost base, as an organisation, and a net reduction in the overall level of resourcing by government.
- 2.10 The VAT position has been further discussed with DfT, as it is within HM Treasury's power to add to the organisations listed in s33. This currently includes organisations that would also not meet the criteria around local taxation. However, the pressure on departmental / governmental time and resources caused first by the Brexit process and then by the Covid-19 pandemic means that this has not been progressed. Transport for the North's submission includes irrecoverable VAT of around £150m, distorting both its business model, and the comparative cost of doing business compared to other bodies.

- 2.11 Whilst it has been a statutory body for over two years, Transport for the North is still to a large extent an organisation in transition. This is illustrated by the graph in 2.13 which sets out the growth in our activity between 2016/17 and 2020/21. Whilst a small element of this increase has resulted from an increase in Core funded activity, it is principally caused by net increases in programmes.
- 2.12 It should also be noted that Transport for the North does not recharge its central overheads to programmes, meaning that whilst the costs of its back and middle office functions are met from its £10m Core annual funding allocation, they are scaled to support organisational activity levels that are significantly higher. This is referred to in more detail in paras 4.5 and 5.32 to 5.34.

2.13



- 2.14 Transport for the North has a complex set of funding arrangements for a body with a relatively small budget. To fund the activity that is required to: discharge its statutory functions; comply with its contractual obligations in relation to franchise management; and, deliver its programmes; it receives the following funding streams (values per the Budget Revision 1 as approved by the Board on 29 July 2020 of £86.5m). This funding is managed at an activity level through separate departmental budget holders.

1. Core Grant - £10.0m per annum: Flexible grant
2. IST Funding - £15.1m: Ringfenced grants in relation to programme costs and three individual Phases, with virement between phases by agreement with the Department.
3. NPR TDF - £59.0m: Ringfenced grants committed on a line item basis by the department and drawn down quarterly.
4. RNP Grant - £0.68m: Ringfenced grant being the DfT's contribution to the costs of the hosted Rail North Partnership Team.

In addition, Transport for the North receives contributions from partner authorities of £0.62m which is made up of Rail North contributions and the pass through of Rail Administration Grant. It also receives £0.31m of contracted revenue for services provided to Network Rail and a partner.

Finally, Revision 1 includes costs and revenues associated with the Blake Jones Review undertaken after the severe disruption to the network in 2018. These total £0.18m, although no activity in relation to this will commence prior to funding confirmation being received.

- 2.15 Transport for the North has a statutory partner role in relation to investment in the rail network in the North of England and this is formally established in the Rail North Partnership Agreement. The role is set out in detail (in relation to each stage of the DfT's investment planning including the Rail Network Enhancements Pipeline) and includes that:

TfN will work with the relevant investment planning teams within the DfT to identify and progress the case for investments that could assist with the delivery of the TfN Strategic Transport Plan.

3. Delivery of Statutory Functions

- 3.1 Since it was created, Transport for the North has demonstrated its ability to bring leaders and stakeholders in the North together to recommend to Government an evidenced-based programme of investments that will facilitate transformational and sustainable economic growth. This is of intrinsic value to the North of England's economy, and that of the United Kingdom as a whole and supports the core components of what has become the Government's 'levelling up' agenda – including tackling the productivity gap.
- 3.2 Transport for the North has carved out a proactive and multi-faceted role - providing a single, clear voice from North, as well as driving forward its own projects and innovation. This has seen Transport for the North flourish within its first two years as a statutory authority – tackling large, complex problems whilst in organisational infancy. This has been built on its initial and continuing work to measure the significant impact transport investment will have on the North's productivity and collective economy.
- 3.3 Transport for the North's success has been in uniting its civic and business leaders as 'one voice' for the North. It has clearly communicated the North's priorities for future investment, as well as providing recommendations during challenging times on the transport network. Transport for the North's ability to deliver its objectives has always been dependent on building and managing open and honest relationships with our members, partners and stakeholders across the region.
- 3.4 Effective collaboration between Transport for the North, its Constituent Authorities, Local Enterprise Partnerships and wider stakeholders led to the development and adoption of the Strategic Transport Plan (STP) in 2019, a first-of-kind, long-term strategy for the future of transport investment

covering the whole of the North. This provides a blueprint for using transport investment to facilitate transformational and sustainable economic growth and provides Government with a clear pipeline of projects on which to collaborate over the coming years.

- 3.5 Transport for the North has also played a pivotal role in the 'here and now' of the North's networks, notably during a period of significant challenge on operational rail. Transport for the North, through the work of the Rail North Committee and the Strategic Rail team, was able to identify the key issues that arose on the rail network after the May 2018 timetable changes and was able to provide advice and challenge to the system and to argue for action to be taken that helped to mitigate the issues that arose and help re-stabilise the system. This effort has continued in relation to the response to the Covid-19 pandemic.
- 3.6 Statutory advice also led to the appointment of an industry expert to oversee the recovery from the May 2018 crisis, involving increased scrutiny over the region's train operators. This oversight has further increased following the Blake Jones Review and the work of the Rail North Committee to hold operators to account and feed in local knowledge as part of decision-making. Establishing Transport for the North as a statutory body has provided additional focus on regional rail matters, and further recommendations for the improvement of the operation of the system were included in the Blake Jones Review and our submission to the Williams Review. In addition, Transport for the North also recommended the appointment of the OLR in relation to the Northern Rail franchise.
- 3.7 This role has also been evident during the COVID-19 pandemic, where Transport for the North has successfully chaired the North of England contingency group, bringing together the rail industry and Department for Transport with the North's Local Transport Authorities to ensure local input, up to date information sharing and effective communication of changes to travel advice.
- 3.8 Transport for the North, on behalf of its Constituent Authorities and stakeholders has also driven forward its own vision of a transformational future with key programmes including IST and Northern Powerhouse Rail.
- 3.9 The deposit of the Strategic Outline Business Case for NPR in 2019 represented a major step in making the project a reality, with work continuing at pace to make the case for transformational levels of investment throughout the next stage of the business case process.
- 3.10 Likewise, the rollout of smart tickets on the rail network, delivered as part of the IST programme, saw an initial step change in how travellers pay and access public transport. Whilst this has subsequently been impacted by the effects of Covid-19, the pandemic has reinforced the need for further action to deliver contactless payment on the rail network. Further steps, including rolling out disruption messaging by partnering with the UK's tech giants, as well as funding flexible season tickets pilots in the wake of the international

pandemic has demonstrated Transport for the North's drive to improve the passenger experience and support the economy of the region.

- 3.11 Since its creation, Transport for the North has provided expert regional input in order to shape the nation's transport investment policy and priorities, most notably through the development of the Strategic Transport Plan and subsequent work on the Strategic Development Corridors and the associated investment pipeline.
- 3.12 It has demonstrated this through detailed input into the Oakervee Review into HS2; the Williams Review of the railway system; submissions regarding Major Roads investments; and more recently the NIC's work on an evidence base for the Integrated Rail Plan. It continues to provide support for our northern partners in creating business cases for individual schemes, as well as active participation in policy development regarding transport decarbonisation.
- 3.13 Part of this role has been providing unified statutory advice on major projects such as the Transpennine Route Upgrade; preferences for which formed our first statutory advice and have recently been embraced by the Government with an anticipated increase in scope for the project.

4. Summary of the Transport for the North Submission

- 4.1 Transport for the North has identified a number of direct funding requirements. These would fund programmes and operations that will be familiar to the Department. These can be summarised as follows:

	21/22 £'m	22/23 £'m	23/24 £'m	RDEL £'m	24/25 £'m	CDEL £'m
Core Funding	11.2	11.2	11.2	33.6	-	-
IST						
- Revenue	8.7	5.5	3.2	17.4	-	-
- Capital	40.0	67.1	38.6	-	29.8	175.5
NPR						
- Revenue	98.7	162.0	251.2	511.9	-	-
- Capital	-	14.9	62.0	-	336.5	413.4

These numbers are inclusive of VAT. Further detail for each of the major headings (Core, IST and NPR) is set out below. Please note that the NPR requirement includes £93m that would be paid to HS2 direct by the department. The exact mechanism by which funds would be flowed to Network Rail, particularly in relation to capital expenditure, is still to be determined.

-
- 4.2 In formulating its CSR submission, Transport for the North is aware of a number of reviews that have yet to be published, but which have the ability to impact upon Transport for the North's operations. Most notably this includes the Integrated Rail Plan, the Williams Review and further Government proposals for devolution. Whilst there may be the very limited ability to absorb a small number of additional responsibilities within the proposed level of operational expenditure, the funding amounts identified do not include any pre-emptive estimate of any changes that might arise from these or other ongoing reviews. In particular, the nature and scope of the potential changes arising around operational rail responsibilities mean that it is unlikely that additional rail activity could be undertaken from current budgets without the transfer of resources from existing workstreams. Therefore, any significant changes that might arise from them would need to be the subject of a separate funding arrangement at the time.
- 4.3 In preparing its submission Transport for the North has used the following key assumptions:
1. Inflation over the period will be 2% p.a. in line with the Government's stated target.
 2. Staffing costs will increase by 4% p.a., reflecting a combination of national settlements and movements through increments.
 3. VAT will continue to be irrecoverable where incurred.
 4. That the contractual payments that specifically support Rail North Partnership and Strategic Rail (principally RNP contractual payments and Rail Administration Grant passed-through by partners) continue in their current form.
- 4.5 To date, Transport for the North has only charged programme funding allocations for costs that are directly attributable to them. There is therefore no apportionment of back and middle office, or senior management costs to programme budgets, despite these programmes forming over 85% of Transport for the North's budgeted activity for 2020/21. This approach was adopted to reflect the unique nature of Transport for the North's financial arrangements, including its low ratio of Core to programme funding and the highly-ringfenced nature of the grants that it receives. This recognises the need to ensure the sustainability of the statutory body as the programme funding it receives waxes and wanes, and in particular avoid potential overcommitment against its Core Funding.
- 4.6 The 2020/21 Transport for the North Budget Report recognised that the organisation faces a sustainability challenge. In part this reflects the mismatch between Transport for the North's cost profile to carry out the activity required of it since it was established and the funding that it received with unspent monies in the early years being used to deliver activity in excess of Core funding in later years before dropping again as the organisation settled into a steady state. However, it is also driven by the fixed nature of its Core funding (which was set at £10m in 2015/16 and continues at that level in 2020/21) vis-à-vis its cost base, which is largely inflating, particularly in relation to staff costs.

- 4.7 The original CSR process was intended to commence in March 2020 and would have concluded in the summer. The delay caused by the Covid-19 pandemic means that it is unlikely now to be concluded until late November at the earliest. Whilst Transport for the North will take the opportunity to further analyse its costs and develop a draft business plan for 2021/22, the timing of the announcement will cut across Transport for the North's business planning and budget processes and may, if the outcome is significantly at variance to the draft plan, result the need for a "holding" budget to be put in place supported by a business planning process and revised budget in Q2 of 2021/22. Further detail is provided in Section 9.

5. Core Funding

- 5.1 The table sets out the annual Core funding requirement of £11.20m that Transport for the North estimates that it will require to maintain its current level of Core operations. As per 5.9 below, this is based on a planned reduction in Core reserves down to the level of £2m set out the Reserves Strategy included in the 2020/21 Budget Report. A detailed breakdown of the costs that are driving this requirement is set out at 5.11 – 5.24.

	2021/22	2022/23	2023/24
Costs			
Base costs	11.57	11.57	11.57
SDC2b slippage	1.08		
(Decrease) / Increase in cost base	0.07	0.43	0.79
Total costs	12.72	12.00	12.36
Funding			
Reserve draw for SDC2b slippage (bf from 19/20)	(1.08)		
Reserve draw	(0.44)	(0.80)	(1.16)
Core funding	(11.20)	(11.20)	(11.20)
Total funding	(12.72)	(12.00)	(12.36)
Reserve b/f	5.48	3.96	3.16
Contribution/(Draw)	(1.52)	(0.80)	(1.16)
Reserve c/d	3.96	3.16	2.00

- 5.2 As a sense check, we have undertaken an exercise to uplift the original allocation to reflect the impact of inflation. Assuming that the original five-year allocation had an effective "base" period in September 2017 (i.e. halfway through the funding period) the uplift through to July 2020 using the CPI index would be 5.7% (Based on the BoE rate for the period of 11.7%). Assuming inflation at the Government's target of 2% and projecting forward for the rest of 2020/21 and then to the mid-point of the subsequent CSR period would add 4.2%, a total inflationary impact of 10.1%. When applied to Transport for the North's Core funding of £10m that would produce an uplift to £11.1m to keep this funding whole in real terms. This estimate is consistent with the Core funding requirement set out above.
- 5.3 Transport for the North uses its Core funding to discharge the responsibilities set out in paras 2.4-2.8 above. These responsibilities are extensive and

require extensive interaction with the DfT, members, Constituent Authorities and wider stakeholders' groups within the North and nationally.

- 5.4 There are therefore a number of key issues that need to be addressed in the submission. These include, but are not limited to, the following:
- The need for sufficient funding to allow Transport for the North to undertake its statutory and operational responsibilities;
 - The need for sufficient funding for Transport for the North to continue to deliver its programmes of activity; and
 - The need to recognise and, if possible, address the ongoing challenges generated by Transport for the North's inability to recover VAT and the additional funding requirement that this generates.
- 5.5 During the CSR period, Transport for the North will undertake a range of work to discharge these responsibilities. Principal amongst these will be a cycle of work that will culminate in a revised Strategic Transport Plan (and supporting policy development and stakeholder engagement) to be finalised in Q3/Q4 of FY2023/24. Transport for the North also undertakes a number of other non-programme activity that needs to be delivered to provide suitable evidence to support a revised Strategic Transport Plan. This includes the development of pan-northern Decarbonisation and Freight Strategies, transport modelling & analysis to support business case development and work to identify the benefits of the TfN Investment programme. All of these non-programme activities are critical to delivering the Department / national government wider net zero and levelling up agenda.
- 5.6 As government seeks to accelerate delivery of schemes (which Transport for the North fully supports) through initiatives such as NTAC and the Acceleration Unit, this places additional requirements on Transport for the North's Strategic Rail Team to review schemes at each stage of development and make statutory advice to the Secretary of State as appropriate. Transport for the North's roles include engaging with stakeholders across the North to ensure that schemes are developed in an integrated way (with rail services as well as other modes as defined in the Rail North Partnership Agreement) which best delivers on the wider objectives of partners and allows the north to provide clear advice on priorities.
- 5.7 As noted above, the 2020/21 Transport for the North Budget Report recognised that the organisation faces a sustainability challenge. In part this reflects the mismatch between Transport for the North's cost profile to carry out the activity required of it since it was established and the funding that it received with unspent monies in the early years being used to deliver activity in excess of Core funding in later years before dropping again as the organisation settled into a steady state. However, it is also driven by the fixed nature of its Core funding (which was set at £10m in 2015/16 and continues at that level in 2020/21) vis-à-vis its cost base, which is largely inflating, particularly in relation to staff costs.
- 5.8 In addition, as per para 2.9, Transport for the North's Core Funding was initially allocated in 2015 and as mentioned above, it was assumed that it

would be able to recover the VAT that it incurred. The “real” value of our £10m Core funding is therefore significantly reduced from the 2015 position, both through irrecoverable VAT and the impact of cost inflation.

- 5.9 In addition, the Transport for the North Reserves Policy was also set out in the Budget Report. This is consistent with the Memorandum of Understanding agreed with the DfT in 2018. This set the minimum reserve level for the organisation at £2m. Setting aside the specific funding allocated for the delayed IBPA quantitative analysis, the current forecast at Revision 1 is for Transport for the North to have a General Fund reserve of £4.5m by the start of the CSR period. Reducing this amount to £2m would result in a managed net transfer of £2.5m – or roughly £0.83m per year – into the I&E account. Careful planning will be required to ensure that Transport for the North’s cost base will be sustainable into the following CSR period.
- 5.10 The Transport for the North Strategic Rail and the Rail North Partnership teams are currently funded through a number of contractual and other mechanisms (including the passthrough of Rail Administration Grant, partner contributions, contracted service provision and contractually based DfT grants). The total budgeted cost for 2020/21 was £3.0m, of which just over £1.0m was funded from Transport for the North Core Grant. Any interruption in those contractual payments would lead to a greater call on Core resources.

	People (£'m)	Cons. (£'m)	Other (£'m)	Total (£'m)
RNP Grant	0.69			0.69
Rail admin. grant/local contributions	0.44		0.17	0.61
Core contribution	0.70	0.17	0.16	1.04
Traded Income	0.29		0.02	0.31
Blake Jones (add. Funding)	0.13		0.05	0.18
	2.25	0.17	0.40	2.82

Note – neither the costs nor the revenue in relation to Blake Jones are currently being received / incurred.

Detailed Activity Breakdown

- 5.11 As per the table in para. 5.1, the costs incurred by Transport for the North to deliver its functions in 2020/21 will be £11.57m. The following table provides an analysis of Transport for the North’s activity broken down by cost type.

- 5.12
- | | People
(£'m) | Consultancy
/ external
support
(£'m) | Other
(£'m) | Total
(£'m) |
|--|-------------------------|---|------------------------|------------------------|
|--|-------------------------|---|------------------------|------------------------|

Core Programme Spend				
Major Roads	0.43	0.39	0.01	0.83
NPR	0.95	-	-	0.95
Operational Rail	0.70	0.17	0.16	1.04
	2.08	0.56	0.17	2.82
Core Operations				
Strategy & Policy	1.31	1.66	0.03	3.00
Programme Management Office	0.27	0.06	0.01	0.34
Comms and Stakeholder Engagement	0.51	0.48	0.10	1.09
IT	0.21	0.10	0.31	0.63
Human Resources	0.56	0.20	0.39	1.15
Finance, Procurement & Risk	0.71	0.64	-	1.35
Accommodation	0.06	0.04	0.35	0.45
Legal Services	0.36	0.06	0.02	0.44
Leadership	0.29	-	0.01	0.30
	4.28	3.24	1.22	8.75
Total Core Expenditure	6.36	3.82	1.39	11.57

5.13 The following paragraphs provide a summary explanation of the costs incurred in relation to Transport for the North activity and indicate the function that is discharged through this expenditure.

5.14 Major Roads

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.43	0.39	0.01	0.83

- The Major Roads team is responsible for delivering Transport for the North's activity in two principal areas. The first is to provide expertise in relation to road transport matters. This includes engagement with DfT, Highways England and Transport for the North partners, other STBs, as well as participation in industry processes, consultations, and competitive funding bids e.g. MRN.

- The Major Roads team provides Transport for the North with the insight that it needs both to engage with the industry, but also to provide the Secretary of State with advice in relation to road transport consistent with our functions to provide an integrated solution.
- In addition, the team has been responsible for the delivery of the Strategic Development Corridor (SDCs) programme. The SDCs were a key concept within the Strategic Transport Plan, and the team has undertaken a significant exercise over multiple years to develop the SDC proposals. The qualitative element of this exercise resulted in a prioritised programme of interventions – the Northern Infrastructure Pipeline - being agreed. It also provided the evidence base for Transport for the North’s Economic Recovery Plan.
- The quantitative assessment that will provide the benefits analysis for the Investment Programme is due to be undertaken in 2021/22.
- The team consists of the Major Roads Director and five other members of staff.
- The team has led the work on the future scenarios that will provide a number of sensitivity tests for the investment programme against a range of future travel patterns and behaviours, improving the quality of the evidence base provided to the DfT.
- There will be an update to the Major Roads report to reflect the updated investment programme and Transport for the North’s decarbonisation pathways.
- To support this work the team is procuring mobile phone data for the North to analyse change in travel patterns, journey times and resilience. This work has been designed to be used by both Transport for the North and partners to aid with the development of business cases and monitoring.
- The Major Roads team represent Transport for the North’s interests on the project boards for the DfT’s Strategic Road Studies in the north.
- They are also working closely with Highways England and other STBs to identify joint working and procurement opportunities including complementary studies, and to collaborate on the Route Strategies which will inform RIS3.
- The team are also supporting Transport for the North colleagues and partners on the decarbonisation agenda and international connectivity, which will become particularly important in a post-Brexit economy.

5.15 Core Contribution to the NPR Programme

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.95	-	-	0.95

- This budget represents transport for the North’s core contribution to the NPR team. The amount was previously agreed with the department when the overall budget for NPR was considerably smaller than is now the case. It constitutes c.1.5% of total NPR funding.
- This contribution pays for c.85% of the fifteen strong NPR programme team within Transport for the North.

- One rationale for retaining this element of core funding was that even were the NPR programme to be transferred to an alternative delivery body, Transport for the North would need to maintain a level of capacity and expertise in relation to the programme so as to allow it to advise members and continue to contribute to the development of the programme.
- The requirement for this budget in the future will be dependent on the approach adopted vis-à-vis the NPR programme overall.

5.16 Core contribution to the Operational Rail budget

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.70	0.17	0.16	1.04

- The Transport for the North Core contribution funds ten roles in the Strategic Rail Team in addition to external consultancy support and accommodation.
- The Strategic Rail Team has two core functions which this budget facilitates:
 - Providing Transport for the North's direction to the Rail North Partnership to meet the terms of the Partnership Agreement including consultation with partner authorities
 - Overseeing delivery of the Long-Term Rail Strategy element of the Strategic Transport Plan including the rail investment programme and Statutory Advice to the Secretary of State relating to rail investment.
- Transport for the North partners with the Department for Transport in overseeing and managing the Region's biggest rail operators – Northern Trains Limited and TransPennine Express. Working through the Rail North Partnership and informed by the advice and guidance of the Rail North Committee and the Department, the Partnership oversees and manages the performance and delivery targets of these operators and works to ensure they are both fit for purpose and future-proofed. The impacts of the May 2018 timetable change, replacement of Arriva Trains Northern franchise with the Operator of Last Resort and coronavirus have all had major impacts on the management of rail operations; in particular it has significantly increased the volume of change and number of choices and decisions to be made where Transport for the North needs to provide input on behalf of the North.
- The Blake Jones Review (Joint Review of the Rail North Partnership) set out a series of recommendations and actions to address issues as a result of the May 2018 timetable problems and particularly provide a stronger passenger focus and better communications. This has resulted in the requirement for additional resources in both the Rail North Partnership and Transport for the North's Strategic Rail team. Funding for this specific requirement is under discussion with the Department.
- The Strategic Rail Programme is key to ensuring that the synergies between Transport for the North's Northern Powerhouse Rail Programme, together with HS2 Phase 2b and TRU, through the Integrated Rail

Programme, are fully optimised with the wider classic rail network. The Strategic Rail Programme is helping shape the operational and future development of the classic rail network in the North ensuring new programmes can fully optimise rail potential into and out of and across the Region.

- Within the Strategic Rail Programme, a core part of the Team's work, is to determine a pipeline of rail investment for the North which will bring rail provision into line with the Desirable Minimum Standards for performance and provision as stated in the Programme's Long-Term Rail Strategy. This is being taken forward through the development of Delivery Plans which will inform industry programmes (including the DfT's Rail Network Enhancement Programme) and Transport for the North's Long-Term Investment programme.
- Based on current resources, it will take several years to work through the full sequence of Delivery Plans and develop outline business cases for interventions that are not being taken forward by the industry or partners. For example, work is only just commencing on a reliability delivery plan. Reflecting the strong desire to accelerate delivery, this is an area where more resources are required to ensure the North's priorities are clear and business cases are as strong as possible. Specifically as government seeks to accelerate investment in transport schemes, the workload of the team will increase in terms of early development/ specification of schemes that could form part of future programmes and interaction with schemes that are in DfT's Enhancements Pipeline in line with our statutory role of providing a single view on behalf of the North.
- The Strategic Rail team represent Transport for the North's interests on the project and programme boards for the DfT's North of England Rail Programme.
- As well as prioritising the shape and focus of the rail investment pipeline in the North, working with Partners, the Programme also serves as a vehicle to bring together the organisations and bodies which together drive this work and ensure that local intelligence helps shape decision-making.

5.17 Strategy and Policy

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
1.31	1.66	0.03	3.00

- The Strategy and Policy budget covers the Policy and Research team, the Transport Analysis, Modelling and Economics (TAME) team, the Strategy and Programmes Director and a directorate support officer.
- The team includes twenty staff members who are funded through Core grant, including the Strategy and Programmes Director. Key functions include:

- Responsibility for the development, maintenance and application of the Strategic Transport Plan (STP), a key function of Transport for the North.
- Developing agreed pan Northern policies on a range of cross cutting policy areas (e.g. decarbonisation and freight) to inform Transport for the North Programmes, STP development and the associated advice that it provides to the Secretary of State as well as capacity to coordinate and respond to government consultation on behalf of the North (e.g. on decarbonisation).
- Analytical capacity for Transport for the North via an internal research programme and the core TAME team. To ensure that the STP, Transport for the North Programmes and statutory advice to government are underpinned by clear and robust evidence. This also includes Transport for the North work with Government and Local Authorities on development of analysis/appraisal methodologies and shared tools to improve quality and consistency and reduce costs.
- The TAME team is also the analytical function for the Northern Powerhouse Rail (NPR) programme, covered in the NPR section of this submission, providing strategic modelling and appraisal to support business case development.
- Preparing a revised draft STP towards the end of the CSR period and leading an extensive consultation process with statutory partners, stakeholders and the public.
- Leading the ongoing development and maintenance of the Northern Powerhouse Independent Economic Review programme on behalf of Northern LEPs and other pan-Northern Bodies.
- Developing and implementing robust procedures for monitoring and evaluating progress towards STP outcomes, including the effectiveness and VfM of Transport for the North Programmes.

5.18 **Communications and Stakeholder Engagement**

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.51	0.48	0.10	1.09

- Para. 2.4 above sets out the general functions of Transport for the North. Implicit in these functions is the need to engage with government, members, constituent authorities, other partners and stakeholders on behalf of the North.
- This was made explicit in the Explanatory Memorandum to the 2018 Regulations under which Transport for the North was established (as set out in paras 2.6 and 2.7), which stressed the importance of Transport for the North in providing “one voice” on behalf of its members.
- This is a significant challenge given the geographical, economic, political and social diversity of our Constituent Authorities and other stakeholders, and the size of the population that they represent.
- It is critical that in order to provide advice to the Secretary of State on behalf of the North we are able to understand the priorities of our members, facilitate the development of solutions to regional transport

issues and then communicate these through the media to explain the benefits of the proposed actions to stakeholders and the general public.

- The team includes five core funded communications posts and five stakeholder engagement posts, under a single Head of Stakeholder Engagement and Communications. This team is relatively small in relation to the challenges it faces and is provided with consultancy support to discharge its duties.
- This consultancy support includes external graphic design, website design and hosting and video production.
- The Other costs are mainly the additional travel incurred by the team and the cost of attending / hosting events related to Transport for the North's responsibilities.

5.19 Information Technology

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.21	0.10	0.31	0.63

- The IT budget provides the organisation with all of the communications and IT equipment and support that it requires to work efficiently and effectively. The team includes four members of staff and includes two apprentices.
- The consulting budget covers a variety of activity including c£0.05m for ERP enhancement and testing, £0.02 of Azure capacity and £0.03m for physical security enhancement and cyber security testing.
- "Other" covers all of the hardware, software and external support required by core funded staff within the organisation.
- Prior to achieving statutory status, Transport for the North paid TfGM for services in relation to a broad range of IT equipment and support. Whilst this activity has largely been brought in-house a contract still exists with TfGM with a value of £0.08m for IT support services.

5.20 Human Resources & Skills

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.56	0.20	0.39	1.15

- The Human Resources & Skills team provides a wide range of organisational development services within Transport for the North. This ensures that the organisation has the capacity and capability to support its directors and officers to deliver the activity set out in Transport for the North's business plans.
- These services include organisational design, succession planning, recruitment, learning & development, reward & recognition, job design & evaluation, absence & welfare, responsibility for performance management processes, employer relations with our Employee Forum (works council) and recognised trade union, support to line managers and staff and the management of disputes and disciplinary processes.

- The team also works closely with Finance to ensure that the payroll is efficiently and effectively managed, as well as leading all resource planning elements of the annual business planning process.
- As with other back office functions, the team provides HR infrastructure and support to the programme teams but does not recover anything other than direct costs from programme funding allocations.
- The team consists of the Head of HR, and seven other members of staff. This includes three officers responsible for the delivery and co-ordination of learning and organisational development. The Director of Business Capabilities also sits within this budget, as does a directorate support officer.
- The majority of the 'other' budget is for costs associated with candidate attraction, namely, recruitment advertising, executive search and agency placement fees covering c.60 recruitment assignments during 2020/21.

5.21 Finance, Procurement and Risk

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.78	0.67	(0.01)	1.35

- The Finance, Procurement and Risk team provides Transport for the North with the operational capacity to manage its financial affairs.
- The team provides the S151 / deputy S151 officers and is responsible for compliance with the financial regulations under which it operates, including the CiPFA Code. This includes responsibility for Transport for the North's financial control framework and its obligation to deliver Value for Money.
- The team consists of eight core funded staff; one director plus four in Finance, three in Procurement and one in Risk. The finance team is considered to be close to the lower limit required to ensure adequate separation of duties in relation to financial management.
- The consulting expenditure includes external and internal audit contracts and ongoing charges / development support for the Enterprise, Resource Planning System.
- The team is responsible for business planning, budgeting, periodic budgetary revisions, monthly financial reporting, periodic financial reporting to the Department.
- A large part of the activity of this team is related to programmes, where the majority of Transport for the North's Expenditure arises. No recharge is made into those programme funding allocations.
- Prior to becoming a statutory entity, Transport for the North operated through an accountable body (Sheffield City Region) and was essentially hosted by Transport for Greater Manchester (TfGM). Whilst no charge was made by the accountable body (on the basis that it was a short-term arrangement) Transport for the North was recharged by TfGM for the costs that were incurred on its behalf in managing these activities.

5.22 Accommodation

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.06	0.04	0.35	0.45

- This is the cost of Transport for the North's core funded accommodation. The staffing item includes the cost of the office manager (who covers both Transport for the North sites), and the apprentice receptionist.
- The bulk of the cost is presented in Other and represents the Core funded rental, rates, service charges, utilities, repairs, services such as cleaning and office equipment.
- This does not include the TDF funded space in Manchester that is the subject of a separate funding commitment in relation to accommodating the NPR team, nor does it include c.£0.04m for the Leeds office that is funded through the IST Programme.
- The Transport for the North offices provide, at a competitive, market tested price, a modern working environment for our staff and meeting places for the large number of committees and working groups at an officer level through which we interact with our partners and stakeholders. The office locations are largely driven by the location of the teams that were transferred into Transport for the North through TUPE from Transport for Greater Manchester (principally the core and NPR teams) and West Yorkshire Combined Authority (the IST, Rail North and Rail North Partnership teams) in 2018.
- The cost of office accommodation is and was incurred by Transport for the North, regardless of statutory status. We are currently doing a Ways of Working review in response to Covid-19 to assess those needs in the future.

5.23 Legal Services

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
0.36	0.06	0.2	0.44

- The legal team is responsible for providing advice to Transport for the North Officers to ensure that it complies with all applicable laws and regulations when discharging its responsibilities and also provides the democratic services function in managing and servicing meetings.
- The team consists of the Head of Legal, who also acts as the Monitoring Officer (as required by the Constitution), and four other members of staff. The team includes a solicitor who is primarily responsible for supporting procurement activity, the bulk of which is generated by the IST and NPR programmes.
- The Legal Services team also holds the insurance budget and budgets for the procuring of legal advice as and when required.

5.24 Leadership

Staffing (£'m)	Consulting (£'m)	Other (£'m)	Total (£'m)
-------------------	---------------------	----------------	------------------------

0.29	-	0.01	0.30
------	---	------	-------------

- This is the cost of the Chief Executive and the Chair of Transport for the North, plus one support officer. The former also undertakes the role of Head of Paid Service as required by Transport for the North's constitution and has a key role in exercising many of the functions of Transport for the North under the scheme of delegation.
- The Chief Executive and Chair undertake critical leadership and decision-making functions on behalf of Transport for the North.

Impact of Statutory Status

- 5.25 The Department has specifically requested that Transport for the North consider the additional costs that it incurs as a result of its status as a statutory body. It is important to note that most of Transport for the North's overheads are not the result of it being a statutory body but are instead the result of the significant levels of expenditure that it undertakes and the responsibilities that go with that.
- 5.26 Statutory status confers obligations upon Transport for the North in relation to the need to hold public meetings, manage our formal governance mechanisms and undertake statutory processes such as external audit, although these costs are relatively small – being in the region of £0.1m in 2020/21. However, it is also important to remember why Transport for the North was established in this way. Being a statutory entity that operates in a manner that is formally transparent allows Transport for the North to discharge its functions in a way that is much more likely to be effective in the long-run, particularly in terms of providing advice to the Secretary of State that represents (and can be seen to represent) the combined views of Northern leaders and stakeholders.
- 5.27 Analysis of Transport for the North's overhead costs indicate that in reality these costs are mostly driven by the need to put systems and processes in place to manage the business, safeguard resources, and help deliver value for money. Year-on-year analysis of Transport for the North's cost base is a challenge due to the rapidly rising activity levels that have occurred, and the distortion created by the activity required to create the organisation (both pre-and -post it becoming a statutory body). However, the table below sets out a comparison of Transport for the North expenditure from Core funding for 2020/21 and 2017/18 (the final year that it operated as an unincorporated partnership).

5.28

	20/21	17/18	Variance
Core Operations	£'m	£'m	£'m
Finance	1.35	1.55	0.20
Business Capabilities	3.76	3.51	(0.25)
PMO	0.34	0.47	0.13
Strategy & Policy	3.00	2.91	(0.09)
	8.74	8.66	0.12

Core Programme Spend			
Major Roads	0.83	2.06	1.23
NPR	0.95	0.76	(0.19)
Rail Operations	1.03	0.32	(0.71)
Total Core Expenditure	11.57	11.80	0.23

- 5.29 This indicates that there has been no significant increase in the level of overheads incurred by Transport for the North in the transition to statutory status despite an increase in the overall expenditure for the organisation from c.£25m in 2017/18 to over £86m in 2020/21.
- 5.30 One reason for this is that prior to statutory status, Transport for the North was in any case obliged to pay for the support that it received from the partner organisations that hosted its activity. For example, Transport for the North's hosting organisations charged it more than £0.75m in 2017/18 for the use of their office space, systems and processes and for specific support. This sum is in addition to the activity that Transport for the North was undertaking on its own behalf.
- 5.31 Further, Transport for the North's original intention was to avoid procuring a new back office system by entering into a hosting arrangement with one of its partners. However, whilst this was agreed at the time through the Commissioning Board with cross partner approval, in the event only two partner organisations put themselves forward and one of which was about to embark on programme to replace its own legacy systems. In the event the one partner that did propose to deliver the service proposed a charge that was felt at the time, and subsequently proven through open procurement in the market, to be considerably higher than the going rate. This is a clear example where not only did corporate status allow Transport for the North to procure a system that was matched against its requirements, but it also allowed it to achieve the best price in the market.
- 5.32 Finally, it is also the case that to-date Transport for the North has not recovered any of its back-office costs from the funding for the programmes it delivers, despite those programmes generating levels of activity that are multiple times bigger than Transport for the North's Core operations. This approach was the result of a number of considerations, the desire to maximise the impact of programme funding, grant conditions and the need to ensure sustainability of our operations.
- 5.33 The profiling of Transport for the North's Core Grant allocation in relation to the build-up of its costs meant that initially Transport for the North accumulated significant Core cash reserves. In that context it was considered preferable to deploy programme funding to support delivery rather than charge it for back office support. Further, in the Northern Powerhouse Rail

programme the allocation of organisational costs is not an allowed use of programme funding (although direct costs are fully charged).

- 5.34 The mismatch between the size of Transport for the North's Core operations and the scale of its programmes was evident in 2016/17 and has become more pronounced since then. In 2020/21 it is forecast that for every £1 expended on core operations c.£7 will be spent on its programmes, principally on Northern Powerhouse Rail. Whilst this might provide opportunities for the recharge of significant levels of cost, such an approach would make Transport for the North highly vulnerable to year-on-year changes in programme funding and delivery models as it would allow the organisation to embed a cost base which it could not sustain if that programme activity ceased. A long-term funding settlement covering Transport for the North's programmes would allow this approach to be reconsidered.

Revenue Scenarios: +5% / - / -5%

- 5.35 As per section 4.1 above, Transport for the North requires £11.2m of core funding for each of the next three years, in conjunction with the anticipated use of reserves, to meet forecast expenditure levels. This assumes that the general reserves of Transport for the North would be managed down to a minimum £2m at 31 March 2024 as approved by the Board and agreed with DfT.
- 5.36 It is worth noting that this unwinding of the reserve balance would result in a £1.2m budgetary challenge in 2024/25 and beyond if funding were to be retained at £11.2m per annum and reserves were to be held at £2m.
- 5.37 In order to understand the impact upon Transport for the North of differing funding levels, the Department has specifically requested that we consider the following funding scenarios:
1. 5% increase in Core funding;
 2. 5% decrease in Core funding; and
 3. Holding the funding allocation at the current level of £10m.

Whilst funding at these levels is not considered sufficient for Transport for the North to maintain its current levels of operation, a summary of the impact of these scenarios is set out below.

- 5.38 The table detailed below summarises the financial challenge faced by Transport for the North in relation to the core funding scenarios.

5.39		Annual core funding	Closing reserve at March 2024	Annual saving to deliver £2m reserve
		£m	£m	£m
	Proposed TfN ask	11.2	2.0	-
	5% increase on existing	10.5	(0.1)	0.7
	Current levels of funding	10.0	(1.6)	1.2
	5% decrease on existing	9.5	(3.1)	1.7

- 5.40 If funding were to be reduced by 5% to £9.5m, annual savings of £1.70m would be required in each of the three years under of the CSR through to 2023/24 to ensure that the closing reserve did not fall below £2m. Additional savings of £1.2m per annum would also be required in 2024/25 and beyond as detailed in para. 5.36.
- 5.41 Maintaining funding at the current level of £10m would require Transport for the North to identify savings of £1.20m per annum in each of the three years under the CSR. Further savings of £1.2m per annum would also be required in 2024/25 and beyond as detailed in para. 5.36.
- 5.42 If funding were to be increased by 5% to £10.5m, savings of £0.70m per annum would need to be identified in each of the three years under the CSR. Further savings of £1.2m per annum would also be required in 2024/25 and beyond as detailed in para. 5.36.
- 5.43 The implications of these funding scenarios differ significantly, both from the funding allocation requested by Transport for the North and within the range between the high and low options presented.
- 5.44 If any savings are required in the next three years as a consequence of the final funding allocation, Transport for the North would need to undertake a full business planning and budgeting exercise to agree a balanced financial budget alongside appropriate quantity and quality of service. Per the governance framework within which Transport for the North operates, decisions regarding this exercise would be reserved to the Transport for the North Board.
- 5.45 In addition, these considerations would be impacted significantly by any changes to Transport for the North's programmes or the operational rail arrangements, and the funding associated with them.
- 5.46 Depending on the timing and value of the final core funding allocation, this may involve an abridged budget and business planning process followed by a more conventional process delivered in 2021/22. This is considered in greater detail in Section 9 below.

6. Integrated and Smart Travel

- 6.1 The table below breaks down the total £192.9m submission for IST into RDEL (£17.4m) and CDEL (£175.5m) by year and by phase and, in the case of CDEL, a further analysis between capital expenditure that will be delivered by TfN and by Third parties.

	21/22 £'m	22/23 £'m	23/24 £'m	RDEL £'m	24/25 £'m	CDEL £'m
Revenue						
- Phase 3	3.7	1.6	-	5.3	-	-
- Phase 4	3.9	2.3		6.2	-	-
- Phase 5	1.1	0.5	1.6	3.2	-	-
- Phase 6	-	1.1	1.6	2.7	-	-
Total	8.7	5.5	3.2	17.4	-	-
Capital (TFN delivery)						
- Phase 3	-	24.2	-	24.2	-	24.2
- Phase 4	-	-	-	-	-	-
- Phase 5	-	4.8	4.8	9.6	-	9.6
- Phase 6	-	-	4.8	4.8	4.8	9.6
Total	-	29.0	9.6	38.6	4.8	43.4
Capital (Third party delivery)						
- Phase 3	18.5	13.5	-	32.0	-	32.0
- Phase 4	21.5	20.6	-	42.1	-	42.1
- Phase 5	-	4.0	4.0	8.0	-	8.0
- Phase 6	-	-	25.0	25.0	25.0	50.0
Total	40.0	38.1	29.0	107.1	25	132.1
Capital (Both TFN and Third-party delivery)						
- Phase 3	18.5	37.7	-	56.2	-	56.2
- Phase 4	21.5	20.6	-	42.1	-	42.1
- Phase 5	-	8.8	8.8	17.6	-	17.6
- Phase 6	-	-	29.8	29.8	29.8	59.6
Total	40.0	67.1	38.6	145.7	29.8	175.5

- 6.2 The IST Programme has developed a strategic direction that builds on Phases 1 and 2 (delivered) and Phases 3 and 4 (currently awaiting DfT approval), which will enable heavy rail and other public transport modes to accept EMV bank cards for Pay-As-You-Go travel. Funding will be requested in line with Phase 3 and 4 proposals to the Department.
- 6.3 In addition, a limited Innovation Partnership Procurement is currently being undertaken. This is intended to demonstrate the means by which a Smart North Network can be established - allowing multi-model travel such as under a Section 134 Advanced Transport Ticketing Scheme and enabling Transport for the North to deliver some of the original aspirations of the Smart

programme by a different route. This approach would involve two future Phases (5 and 6), the objectives of which would be to enable transportation to be more intuitive, to sense and respond to new technology opportunities, social challenges, and citizen needs as they emerge—and be more open to solutions that harness data, technology, and human experience capabilities to tackle both new and long-standing transportation challenges.

- 6.4 Transport for the North proposes to develop a business case based on the experience of its work to-date to rollout the Smart North Network across all travel actors in the Transport for the North region which will launch the Advanced Transport Ticketing Scheme in Phase 5. Towards the end of the CSR period, Phase 6 will be developed that will extend the use of the Phase 5 Smart North Network by partnering Rapid Transport Corridors and Feeder Hubs with Stakeholders and Transport Operators across Transport for the North, preparing for level 5 automated vehicle demonstrators, and developing a Northern Digital Twin.
- 6.5 The funding required for the Integrated and Smart Travel Programme comprises three elements:
- Business case development and management / assurance of the Programme.
 - Delivery of some elements by Transport for the North e.g. contract and funding of network supplier(s), establishment of ticketing scheme.
 - Delivery of the majority of elements by partners e.g. enablement of equipment for EMV bank cards, smart cards, barcodes. These partners include LTAs, transport operators and suppliers for other modes e.g. cycle hire schemes, car clubs. It is anticipated that this funding would be passported via Transport for the North to enable a co-ordinated and consistent approach.

7. Northern Powerhouse Rail

7.1

	21/22 £'m	22/23 £'m	23/24 £'m		3-yr Total £'m
RDEL					
TfN NPR Programme Resource and Activity	24.9	31.2	37.1		93.2
Liverpool-Manchester-Leeds Hybrid Bill Development	31.0	31.0	31.0		93.0
Design and Development					
- Liv-Man	-	-	25.4		25.4
- Man-Leeds	-	12.9	25.8		38.7
- Man-Sheff	1.0	15.2	22.8		39.0
- Sheff-Leeds	4.6	8.9	11.4		24.9
- Sheff-Hull	1.0	1.0	1.0		3.0
- Leeds-New	14.1	22.8	36.4		73.3
- Leeds-Hull	10.8	17.2	23.6		51.6

Sub-total excl. VAT	87.4	140.2	214.5		442.1
TfN VAT	5.0	6.2	7.4		18.6
NR VAT	6.3	15.6	29.3		51.2
Overall RDEL Expenditure	98.7	162.0	251.2		511.9
	21/22 £'m	22/23 £'m	23/24 £'m	24/25 £'m	4-yr Total £'m
CDEL					
Design and Development					
- Liv-Man	-	-	-	-	-
- Man-Leeds	-	-	-	-	-
- Man-Sheff	-	-	-	-	-
- Sheff-Leeds	-	12.4	45.7	55.5	113.6
- Sheff-Hull	-	-	-	-	-
- Leeds-New	-	-	6.0	201.7	207.7
- Leeds-Hull	-	-	-	23.2	23.2
Land and Property					see para 7.14
CDEL Expenditure excl. VAT	-	12.4	51.7	280.4	344.5
VAT	-	2.5	10.3	56.1	68.9
Total CDEL Expenditure	-	14.9	62.0	336.5	413.4

- 7.2 The following table provides an estimated allocation of the proposed funding between Transport for the North, HS2 and Network Rail. Further consideration is required concerning the exact mechanism by which funding would flow to Network Rail (i.e. direct or via TfN as is currently the case).

	21/22 £'m	22/23 £'m	23/24 £'m	24/25 £'m	Excl. VAT £'m	VAT £'m	CSR Total £'m
RDEL							
TfN	24.9	31.2	37.1		93.2	18.6	111.8
HS2	31.0	31.0	31.0		93.0	-	93.0
Network Rail	31.5	78.0	146.4		254.9	51.2	306.1
Overall RDEL	87.4	140.2	214.5		442.1	69.8	511.9
CDEL – Network Rail	-	12.4	51.7	280.4	344.5	68.9	413.4

- 7.3 The estimates above have been developed through collaboration with the departmental team.
- 7.4 NPR is a programme that is co-cliented between Transport for the North and DfT through a governance process that includes input from Network Rail and

-
- HS2 as key delivery partners. The governance arrangements for NPR were formalised in an MOU between the department and Transport for the North in 2020.
- 7.5 That MOU makes it clear that the power to set policy and budgets in relation to the programme sits with the Secretary of State. We have therefore worked closely with the DfT team and budget holder in developing these proposals.
- 7.6 Transport for the North and the DfT are working toward submission of an updated Strategic Outline Case in March 2021. This will set out the current preference on the NPR network options and phasing of delivery agreed by Transport for the North's Board.
- 7.7 The programme reflects the Government's and Transport for the North's commitment to delivering NPR and to accelerating progress such that the communities and businesses in the North, and the wider domestic economy, can benefit of improved capacity, speed and resilience of the North's rail network. Based on the current programme, construction of the NPR network will commence within the 3- and 4-year CSR parameters (for resource and capital funding respectively).
- 7.8 The NPR proposals include step changes in expenditure year-on-year toward the expected start of construction in the mid-2020s based on the requirements of the programme in terms of design development, assessment and appraisal, consenting and construction preparation and mobilisation. This scale of ramp-up in NPR expenditure is necessary to deliver an infrastructure programme on this scale and Transport for the North, with its delivery partners, is developing plans to mobilise for next year and beyond.
- 7.9 These proposals for the CSR have been developed ahead of Transport for the North's board taking decisions on the preferred NPR network and the phasing of interventions. Consequently, the CSR proposals are being developed based on a number of assumptions informed by what we understand of our Members' expressed preferences (e.g. new line via Bradford). On phasing, the assumption that the parts of the NPR network requiring more minor planning consents (i.e. permitted development rights or Transport of Works Act Orders rather than Development Consent Orders or Hybrid Bills) are likely to be the first to enter construction while work continues on other parts of the network toward the design and consenting applications.
- 7.10 The NPR assumptions also include the early delivery of Barnsley Dearne Valley Station and Rotherham Midland Mainline Station proposed as part of the Economic Recovery Plan, noting that the delivery model is yet to be developed but could be through NPR.
- 7.11 Furthermore, the Integrated Rail Plan (IRP) is also considering options for the delivery of HS2 Phase 2b and the NPR programme, with a particular focus on any new lines (both in terms of phasing, delivery model and scope). The conclusion of this work will be announced as part of the IRP in December –

as noted in 4.2 above, we have not attempted to pre-empt the outcome of that exercise in this submission.

- 7.12 Based on the number and significance of the unknowns at this stage, the approach adopted aims to demonstrate a credible and deliverable costing plan based on a set of assumptions which is sufficiently flexible to allow reallocation once key decisions are made on NPR through the remainder of this year.
- 7.13 The currently assumed programme for the coming 3 years indicates a resource funding requirement of £442.1m (excl. VAT) for work including:
- ongoing design development,
 - business case development,
 - environmental assessment,
 - economic appraisal, and
 - preparation of consenting applications.
- 7.14 Additionally, a capital funding requirement of £344.5m (Excl. VAT) over 4 years is being prepared so that construction of NPR can commence in this timeframe.
- 7.15 Finally, the Department has confirmed that it will separately provide an estimate into the CSR process that identifies the funding that will be required in relation to land and property compensation and HS2-NPR touchpoints.
- 7.16 Following discussions with the Department, these estimates currently include VAT for work that will be undertaken by Transport for the North / Network Rail but not HS2. Further consideration will be required in order to fully understand the impact of VAT on funding allocations.

8.0 The Northern Transport Charter and other wider representations

- 8.1 During 2019 and 2020, Transport for the North developed a series of proposals in the form of the Northern Transport Charter. This work aimed to identify the key areas where Transport for the North, if granted further devolved powers and responsibilities, might more effectively contribute to the delivery of the Strategic Transport Plan, and the Government's policy initiatives around the levelling up of the economy.
- 8.2 Whilst Government has not yet had the opportunity to respond to the Northern Transport Charter proposals, it is likely that any further devolution of powers and funding, such as a fully devolved Northern Budget, would require a staged approach through the CSR period.
- 8.3 We would therefore like therefore to flag the requirement for additional funding should Government choose to respond positively to these proposals. This would include c.£2m for legal work and organisational development, based on our experience in setting up Transport for the North as a statutory body in 2018.

9.0 Implementation

- 9.1 The original CSR process was intended to commence in March 2020 and would have concluded in the summer. The delay caused by the Covid-19 pandemic means that it is unlikely now to be concluded until late November at the earliest and there may be further delays before we are informed of the funding allocations of 2021/22 onwards. In normal circumstances, Transport for the North would envisage finalising its business planning process at that point and would present a draft budget to Partnership Board at the end of November for discussion, prior to approval at the March Board.
- 9.2 Transport for the North receives virtually all its revenue from central Government via the DfT. Any business planning activity that can be done in the autumn would be absent any certainty with regard to the level of funding that will be available to it. This will of necessity limit the extent of any work that can reasonably be carried out, although Transport for the North will take the opportunity to further analyse its cost base and produce a draft plan that will hopefully provide a basis for further work once the outcome of the CSR is known. The timings may necessitate a significantly foreshortened budget process in January and February to allow a Budget Report to be shared through Transport for the North governance processes (principally Partnership Board, Executive Board and Scrutiny Committee) prior to being approved by the Transport for the North Board in March.
- 9.3 Clearly, any significant move away from current funding levels for either core activity or programmes will significantly increase the challenge that Transport for the North faces and may indicate the need for a “holding” budget to be put in place supported by a business planning process and revised budget to be completed in Q2 of 2021/22, once the NPR SOC and year end accounts processes had been finalised.