

TfN Board

Supplemental Report to Item 6a

Subject: Northern Powerhouse Rail Strategic Outline Case Timing

Author: Tim Wood - Northern Powerhouse Rail Director

Sponsor: Barry White - Chief Executive

Meeting Date: Thursday 18 February 2021

1. Purpose of the Report:

- 1.1 This supplemental report is intended to amplify and clarify some of the issues in the earlier report on SOC Timing which has been published at Item 11 of the agenda.

2. Executive Summary:

- 2.1 Following publication, it has become apparent that there are a number of points which require additional clarification in order to allow a full understanding of the issues, and in particular to update the recommendations to better reflect the content of the initial paper.

3. Consideration:

3.1 Options to Proceed

The initial paper sought to explore if there were possible options for continuing with the SOC. Given DfT's dual role, as both funder and co-client, the initial paper set out that options 2 (declining to delay the SOC) and 3 (seek to complete a TfN-led SOC) were not practical options and therefore option 1 (accepting the SOC will be delayed) was the only practical option. The recommendation in this paper has been updated to reflect the ruling out of options 2 and 3 and thus recommends accepting that the SOC will follow the IRP.

The email attached at Appendix 1 from DfT, makes the Department's position clear in relation to: the SOC's timing should follow the IRP; that the SOC should reflect the outcome of the IRP; that this may improve overall programme delivery by moving to single options in more corridors; and that the NPR Minister would be seeking meetings with TfN Board Members.

For clarity and information, the Memorandum of Understanding between DfT and TfN is also attached at Appendix 2.

3.2 **IRP Timing**

The timing of the IRP remains unconfirmed. Both its timing and content will have a significant impact on the work undertaken by the NPR team in the next financial year.

3.3 **Funding and Business Planning Implications**

The funding allocated for NPR for 2021/22 remains unchanged. However, the business planning process had been based on the SOC being finalised in March. Paragraphs 4.27 - 4.31 of Item 5 of this Board agenda (Draft Funding Business Planning) set out the current position regarding NPR business planning and the uncertainty associated with it. Specifically, paragraph 4.29 states "It should also be noted that whilst it represents the co-clients' current best estimate, at least some elements of the plan that supports the Committed budget are subject to uncertainty related to the timing and outcome of the Integrated Rail Plan, and it is possible that this plan may need to be recast once the outcome of it is known". The options for NPR business planning will need to be further considered in light of this request, but it may be necessary to agree a high-level NPR plan and then develop additional detail quickly to respond to the work required following the IRP's publication.

3.4 Paragraph 5.5 of the initial paper stated "finally, under the Grant Funding Agreement, if TfN fails to comply with a steer from government, then DfT could reduce, suspend, or terminate payments of Grant, or require any part or all of the Grant to be repaid". This does not satisfactorily reflect the funding arrangements, and in particular some of the funding safeguards, that exist to support the programme.

3.5 TfN has a Grant Funding Agreement in place which, supported by a quarterly Funding Letter process, provides TfN with written departmental budget holder commitment for all of the expenditure that it undertakes. This mechanism, combined with a system of internal controls, provides TfN with the confidence to employ staff and contract with suppliers in the knowledge that it will not be exposed to unfunded liabilities.

3.6 However, this arrangement does not prevent DfT from "uncommitting" funding where it is considered to be nugatory by DfT (and TfN has not yet irrevocably committed to expenditure), as has been indicated in this instance.

4. Recommendations:

4.1 In light of the above information, the Recommendations to Board have been amended, from those printed in the main report, to the following:

1. Agree that in the circumstances Option 1 is the only practical option, and as such the completion and submission of the NPR Strategic Outline Case (SOC) will be delayed so that it can be preceded by publication of the Integrated Rail Plan (IRP).
2. Note that this will have an impact on business planning, meaning an initial high-level NPR business plan will be required, with further detailed development thereafter.
3. Resolve if additional statutory advice should be provided to the Transport Secretary on:
 - a) the key strategic benefits of the NPR network;
 - b) the role of TfN in the future delivery model for NPR; and
 - c) the mandate to progress toward further route and design refinement, outline business case and the necessary development consenting on parts of the NPR network set to start construction in the mid-2020s.

5. Appendices:

5.1 Appendix 1 – Email from DfT Official

5.2 Appendix 2 – Memorandum of Understanding between TfN and DfT

List of Background Documents:

Documents appended at Appendix 1 and Appendix 2.

Required Considerations

Equalities:

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|-------------------------|-----|-----------|
| Age | Yes | No |
| Disability | Yes | No |
| Gender Reassignment | Yes | No |
| Pregnancy and Maternity | Yes | No |
| Race | Yes | No |
| Religion or Belief | Yes | No |
| Sex | Yes | No |
| Sexual Orientation | Yes | No |

| Consideration | Comment | Responsible Officer | Director |
|----------------------|---|----------------------------|-----------------|
| Equalities | A full impact assessment is not required. | Tim Wood | Barry White |

Environment and Sustainability

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| Yes | No |
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| Consideration | Comment | Responsible Officer | Director |
|---|---|----------------------------|-----------------|
| Sustainability / Environment – including considerations regarding Active Travel and Wellbeing | A full impact assessment is not required. | Tim Wood | Barry White |

Legal

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| Yes | No |
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| Consideration | Comment | Responsible Officer | Director |
|----------------------|---|----------------------------|-----------------|
| Legal | Known legal implications have been considered | Julie Openshaw | Dawn Madin |

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| | and are included in the report. | | |
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Finance

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| Yes | No |
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| Consideration | Comment | Responsible Officer | Director |
|----------------------|---|----------------------------|-----------------|
| Finance | The financial implications have been considered and are included in the report. | Paul Kelly | Iain Craven |

Resource

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| Yes | No |
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| Consideration | Comment | Responsible Officer | Director |
|----------------------|--|----------------------------|-----------------|
| Resource | The resource implications have been considered and are included in the report. | Stephen Hipwell | Dawn Madin |

Risk

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| Yes | No |
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| Consideration | Comment | Responsible Officer | Director |
|----------------------|--|----------------------------|-----------------|
| Risk | A risk assessment has been carried out and the key risks are included in the report. | Haddy Njie | Iain Craven |

Consultation

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| Yes | No |
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| Consideration | Comment | Responsible Officer | Director |
|----------------------|---------------------------|----------------------------|-----------------|
| Consultation | No Consultation required. | Tim Wood | Barry White |

Item 6b - Appendix 1**E mail from DfT Official to Barry White 10th February 2021**

'Thank you for your ongoing engagement with us on your plans for the Northern Powerhouse Rail Programme Strategic Outline Business Case (SOC). Following discussions last week, I am writing to confirm that the Department will not consider the SOC until after the Integrated Rail Plan has been published. We would therefore wish to see the SOC submitted following the IRP and reflecting its conclusions.

We expect that the submission of a business case which is consistent with the government's policy and funding framework set out in the IRP will improve overall programme delivery. This will allow more rapid alignment around single route options than envisaged in current plans – which assume a further twelve months work in some cases before detailed design work can begin. Further to your letter to the Secretary of State of 19 January, I can also confirm that Andrew Stephenson would be happy to meet again with TfN Board members as we finalise the IRP.

As ever, I would be happy to discuss.'