

## **Joint Transport Committee Audit Committee**

Wednesday, 13th July, 2022 at 10.00 am

Meeting to be held in a Saltwell Room - Gateshead Civic Centre

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## **AGENDA**

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**Page No**

1. **Apologies for Absence**

2. **Declaration of Interests**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be given to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the inquorate meeting held on 23 March 2022** **3 - 6**

4. **JTC Internal Audit Annual Report 2021-22** **7 - 14**

5. **JTC Strategic Risk Register** **15 - 50**

6. **Transport Assurance Framework** **51 - 74**

7. **Date and Time of Next Meeting**

Wednesday 7 September 2022, 10am (venue to be confirmed).





## **JOINT TRANSPORT COMMITTEE, AUDIT COMMITTEE**

### **NOTES OF INFORMAL MEETING**

23 March 2022

Meeting held in the Whickham Room, Gateshead Civic Centre, Regent Street, Gateshead NE8 1HH

#### **Present:**

- Mark Scrimshaw (Chair)

#### **Councillors:**

- P Stewart – Sunderland City Council
- G Stone – Newcastle City Council
- G Reay – Gateshead Council

#### **Officers:**

- Tobyn Hughes – Managing Director, Transport North East
- Tracy Davis – Senior Manager – Assurance, Sunderland City Council
- Ged Morton – Deputy Monitoring Officer, Gateshead Council
- Fiona Bootle – Tyne Tunnels Manager

***The meeting was inquorate and those members in attendance discussed the following issues.***

### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Stuart Green, Cllr Watson (Durham County Council), Cllr Charlton (Gateshead Council), Cllr Nicholson (substitute at Durham County Council) and Cllr Cox (substitute at North Tyneside Council).

The Chair thanked Stuart Green for chairing previous meetings whilst he was absent.

## **2. JTC INTERNAL AUDIT PLAN 2022/23**

The members in attendance discussed the Internal Audit Plan for 2022/23.

As part of the Audit Plan the following areas have been proposed for internal audit during the year;

- Bus Service Partnership
- Business Continuity Arrangements
- Service Level Agreements with External Providers
- Active Travel Fund Grant

In terms of business continuity it was noted that this will look particularly at ICT systems and mitigation for cyber attacks and advice to develop a JTC business continuity plan.

Service Level Agreements will be audited to see if they are relevant in terms of what performance indicators are in place.

A summary of the work undertaken in 2021/22 was provided in the report and it was noted that all audits will be completed by the end of the financial year.

It was questioned as to what work has been carried on the likelihood of public transport usage levels returning to pre-pandemic levels. It was explained that, in terms of the Metro, Nexus was required to produce a Covid Recovery Plan which was complete over one year ago and this was based on working habits a year ago. Therefore, the Nexus assumption, which went into the budget planning, assumed approximately a 90% recovery and the JTC's budget was predicated on this. Recovery is currently in line with this assumption, although there is a lot of uncertainty looking ahead and costs are significantly higher than forecast. Government has confirmed extra support for bus and light rail systems up to October and further detail on this is currently being awaited. It was noted that Metro's recovery is relatively healthy but in reality usage now should be higher than pre-Covid usage.

In terms of the bus network it was confirmed that recovery is slightly lagging behind Metro but growth rates are currently 75-80% of pre-Covid levels and improving, with concessionary usage at around 60%. Government will continue Covid Support funding until October 2022 and further detail on this is currently being awaited. As a condition of funding the government wants local authorities and bus operators to agree a financially sustainable level of service after October.

National Rail recovery is understood to be approximately 65%, although with very wide regional variations, and rail operators are required to create three year business plans to include significant cost savings.

## **3. JTC STRATEGIC RISK REGISTER**

The members in attendance discussed the Strategic Risk Register. A summary of

changes since last reporting was provided in the report and this showed what had impacted on scores. It was noted that mitigating actions are not always enough to reduce scores as some activity is only in the planning stage.

It was suggested that the once the Committee was quorate it may wish to consider the frequency with which it receives this report.

The point was made that some risks around service delivery cuts are still showing as static or green and it was felt there are increased risks. It was confirmed that there is a lot of uncertainty and scores are based on current situation looking at the amount of activity undertaken by officers rather than trying to project what is going to happen. Once more actual change is seen the target score will change.

It was questioned as to the impact on the register if the command and funding structure was to change. It was confirmed that this would require a new risk register as it would be a new organisation, although a lot would transfer over.

The question was raised as to the carbon neutral proposal and whether the target was less likely to be met now as the rating was static. It was confirmed that this recognises that it will be difficult to achieve and more activity and impact from that activity needs to be seen before the score could change.

#### **4. TYNE PEDESTRIAN AND CYCLE TUNNELS**

Members in attendance received an update on the pedestrian and cycle tunnels. Usage of the tunnels has been monitored and is currently 300-600 per day. A trial to keep the tunnel open for 24 hours started in December 2020 and continues as there has been a good response to it, especially cyclists who have found this very beneficial. There previously had been concerns about anti-social behaviour but this has not materialised and security remains there overnight.

Work is still to be completed on the glass inclined lifts.

#### **5. DATE AND TIME OF THE NEXT MEETING**

To be confirmed.

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## **Joint Transport Committee – Audit Committee**

**Date:** 13 July 2022

**Subject:** Joint Transport Committee Internal Audit Annual Report 2021/22

**Report Of:** Senior Manager – Assurance, Sunderland City Council

### **Executive Summary**

This report provides a summary of the Internal Audit work undertaken during 2021/22, provides an opinion on the Joint Committee's internal control arrangements, and the performance of Internal Audit against its agreed performance indicators.

The report outlines that during 2021/22 four audits were completed.

Based on the work undertaken, the opinion of the Internal Audit team is that there are good internal control arrangements in place.

### **Recommendations**

The Audit Committee is invited to consider and, if appropriate, make comment on the proposed Internal Audit Annual Report for 2021/22 which includes the key performance measures for the provision of the service.

## **Joint Transport Committee – Audit Committee**

### **1 Background Information**

- 1.1 In April 2021 the Audit Committee agreed the Internal Audit Plan for 2021/22, which included three audits for completion during the year. The audits were:
- Transport Assurance Framework.
  - Contract Management Arrangements – TT2 (deferred from 2020/21).
  - Transforming Cities Programme - Compliance.
- 1.2 All three audits have been completed. During the year an additional piece of work was requested in relation to the Covid-19 Bus Services Support Grant, which required a certificate from the internal auditors, this was also completed.

### **2. Proposals**

- 2.1 Appendix 1 provides a summary of the audits undertaken in the last three years, including the audit opinion and the overall opinion for the Risk Area. It can be seen that all of the overall opinions are green.
- 2.2 Appendix 2 shows Internal Audit's current performance against the performance indicators; activity directly relevant to JTC is shown where it can be. In relation to the 'implementation of recommendations KPI' at 50% this is the result of a follow up of the two recommendations made in the report for Transforming Cities. One recommendation is outstanding relating to the clarification of the requirements and arrangements for grant certification.
- 2.3 Based on the work undertaken, the opinion of the Internal Audit team is that there are good internal control arrangements in place.

### **3. Reason for the Proposals**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) 2017 state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Internal Audit Team to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 3.2 This report satisfies that requirement. In addition, the JTC Audit Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of the JTC.

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



## **Joint Transport Committee – Audit Committee**

- 4.1 The results of the Internal Audit work for 2021/22 will be included in the Annual report for 2022/23.

### **5. Potential Impact on Objectives**

- 5.1 There will not be a direct impact on the JTC's objectives, however the report supports the JTC by providing assurance that the internal control arrangements in place to manage risks are effective or where assurance cannot be given highlighting opportunities for improvement.

### **6. Finance and Other Resources Implications**

- 6.1 There are no financial implications arising from this report other than the agreed fee for the service to be delivered.

### **7. Legal Implications**

- 7.1 There are no legal implications arising specifically from this report.

### **8. Key Risks**

- 8.1 There are no risk management implications from this report.

### **9. Equalities and Diversity**

- 9.1 There are no equalities and diversity implications arising from this report.

### **10. Crime and Disorder**

- 10.1 There are no crime and disorder implications directly arising from this report.

### **11. Consultation /Engagement**

- 11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the JTC's Proper Officer for Transport have been consulted on the Internal Audit Annual Report 2021/22.

### **12. Other Impact of the Proposals**

- 12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

### **13. Appendices**

## **Joint Transport Committee – Audit Committee**

Appendix 1 – Summary of Internal Audit work undertaken during 2021/22.

Appendix 2 – Performance of Internal Audit for 2021/22 where available.

### **14. Background Documents**

14.1 JTC Standing Orders.

### **15. Contact Officers**

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.

[Tracy.Davis@sunderland.gov.uk](mailto:Tracy.Davis@sunderland.gov.uk)

### **16. Sign off**

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓
- Managing Director, Transport North East (Proper Officer for Transport)✓

## Joint Transport Committee – Audit Committee

Appendix 1

### Summary of Internal Audit Work 2021/22

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Organisational Risk Areas	Audits 2019/20	Opinion	Audits 2020/21	Opinion	Audits 2021/22	Opinion	Overall Opinion
Future Availability of Funding							
Funding Opportunities			Regional Transport Plan	S			
Use of Funding and Resources					Transport Assurance Framework	S	
Governance Arrangements	Governance Arrangements	S					
Operational Capacity and Resourcing							
Delivery of Transport Improvement Projects/Programmes	Project Management, Procurement and Contract Management	S	Transforming Cities Fund	M	Transforming Cities Programme - Compliance	S	
Transport Infrastructure Assets					Contract Management – TT2	S	
Service Delivery			Bus Services Grant Claim	S	Bus Services Grant Claim	S	
Catastrophic Event							

Assurance Level (Opinion) Key:

F – Full   S – Substantial   M – Moderate   L – Limited   N – None

## Joint Transport Committee – Audit Committee

Appendix 2

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2021/22			
Efficiency and Effectiveness			
Objectives	KPI's	Targets	Progress
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified.  2) Percentage of draft reports issued within 15 days of the end of fieldwork.  3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	1) Sufficient Audit work completed over a 3-year period  2) 90%  3) 85%	Achieved  Ahead of target – 100%  Behind target – 75%

## Joint Transport Committee – Audit Committee

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2021/22			
Quality			
Objectives	KPI's	Targets	Progress
1) To maintain an effective system of Quality Assurance.  2) To ensure recommendations made by the service are agreed and implemented.	1) Opinion of External Auditor  2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	1) Satisfactory opinion  2) 100% for high and significant risk. 90% for medium risk	Achieved  Significant – N/A Medium – 50%
Client Satisfaction			
Objectives	KPI's	Targets	Progress
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires  2) Results of other Questionnaires  3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)  2) Results classed as 'Good'  3) No target – actual numbers will be reported	No Post Audit Questionnaires returned in the period  N/A  None in year

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## Joint Transport Committee – Audit Committee

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**Date:** 13 July 2022

**Subject:** Joint Transport Committee Strategic Risk Register

**Report Of:** Senior Manager – Assurance, Sunderland City Council

### Executive Summary

This report provides members with an up-to-date assessment of the strategic risks the North East Joint Transport Committee (JTC) faces as it seeks to achieve its objectives.

There have been no additions or deletions to the risks included in the JTC Strategic Risk Register which was reported to the JTC Audit Committee in March 2022. Consequently, the Strategic Risk Register still contains the same 14 risks.

Following a recent review of the Strategic Risk Register, to make it more accessible and easy to use, Appendix 2 is in a tabular format, with elements added to provide further assurance, including timescales for mitigating actions and Target risk scores that those actions are expected to achieve. Since the previous meeting Lead officers for each of the mitigating actions have provided updates on progress with a number of actions being completed.

As usual, any recent changes, developments or activities considered relevant to the assessment of the JTC's strategic risks have been highlighted, in **blue**, in Appendix 1 and 2 attached to this report.

The current level of risk associated with the JTC's achievement of its strategic objectives previously reported remain the same, although this has decreased in relation to operational risks, specifically Operational Risk 6.

Officers will continue to review the Strategic Risk Register on a quarterly basis prior to presentation to the Audit Committee.

### Recommendations

The JTC Audit Committee is asked to consider and comment on the content of the Strategic Risk Register.

## 1 Background Information

- 1.1 The North East Combined Authority (NECA) was established in April 2014 and brought together seven councils within the North East. As a result of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 ('the Order') the North of Tyne Combined Authority (NoTCA) was created, and the boundaries of NECA changed on the 2 November 2018. NECA now covers the local authorities of Durham; Gateshead, South Tyneside and Sunderland; and NoTCA covers Newcastle, North Tyneside and Northumberland.
- 1.2 The two Combined Authorities have responsibility for transport; however, as the former Tyne & Wear passenger transport authority area (and its passenger transport executive, Nexus) straddle the two combined authorities, the Order also provided that they must establish a joint transport committee to exercise all transport functions. Hence the JTC was created.
- 1.3 The JTC defines its strategic risks as those matters which, if they were to occur, could have a material adverse impact upon the achievement of the JTC's vision of "moving to a green, healthy, dynamic and thriving North East"
- 1.4 On 16 March 2021, the JTC formally adopted a new North East Transport Plan, the first to cover the entire LA7 area. The Plan seeks to achieve five objectives. These are:
  - Carbon-neutral transport;
  - Overcome inequality and grow the North East economy;
  - Healthier North East;
  - Appealing sustainable transport choices; and
  - Safe, secure transport network.
- 1.5 This report offers the JTC's Audit Committee the opportunity to consider the nature and level of risk the JTC faces in seeking to achieve its overall vision and objectives. The Strategic Risk Register is reviewed in light of feedback from previous Audit Committee meetings, recent reports considered by the JTC Committee and its sub-committees and discussions with JTC/STU and NECA officers where required.
- 1.6 For Each of the 5 risks relating to the achievement of the JTC's strategic objectives and the 'organisational' risks, the causes of each of the risks and the factors affecting the likelihood of each risk occurring originate from sources/actions both inside and outside the JTC organisation. Consequently, the management of the risk is not totally within the sole control of the JTC itself. The further mitigating actions to manage the risk recorded in the JTC Strategic Risk Register reflect only what the JTC is further planning to manage the risk.
- 1.7 As the committee is aware the risk *register has been reviewed and the detailed risk register at Appendix 2 is provided in a tabular format. The tabular format has been put in place for easier use and for a clearer view of the causes, the current position of each risk and how the various factors identified effect their rating.*



Following the Committee's requirements of reflecting factors that are considered to be outside of the JTC's control, likelihood factors are split to identify where this is regarded as the case, with a further split where factors are regarded as directly related to Covid-19. Likelihood factors are also colour coded to indicate their positive (green) or negative (amber or red) effect on the likelihood score. For clarification, other columns having an impact on the risk score have not been colour coded as they are otherwise all positive or negative in their effect; Impact factors have a negative effect on the score and Current Controls and Mitigating Actions are positive.

1.8 Since the previous meeting Lead Officers for Mitigating Actions have provided updates on the actions where significant activity has taken place, timescales and actions have been refined, changed or completed. This review also looked at the effect of this activity on target scores and the direction of travel from current risk score to target score.

1.9 The ongoing upkeep of the risk register will include ongoing discussions with these officers as well as the review of relevant documentation and minutes of meetings.

## **2. Proposals**

2.1 The Register identifies 14 strategic risks. These are split into 2 categories:

- a) five risks relating to the achievement of the JTC's strategic objectives to be included in the JTC's North East Transport Plan being developed, and
- b) nine risks relating to the JTC / organisation itself.

2.2 The risks relating to the objectives expressed in the North East Transport Plan are:

- a) Failure to achieve the aspiration of a fully carbon neutral transport network within the JTC area by 2035.
- b) Failure of the transport system to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.
- c) Failure of the transport system to achieve the planned outcomes to contribute to the improvements in health of the population in the JTC area.
- d) The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport choices to people living or working in the area or visiting or travelling through the area.
- e) The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.

2.3 The risks relating to the JTC / organisation itself are:

- a) Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.
- b) Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North-East region.
- c) Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.
- d) The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.
- e) The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.
- f) Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.
- g) Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.
- h) Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.
- i) Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. prolonged loss of power, prolonged fuel shortage).

2.4 The update of the Strategic Risk Register is currently a two-fold process and includes:

- A review of recent activity with Lead Officers for each of the Mitigating Actions;
- A reflection of content of recent reports considered by the North East Joint Transport Committee.;

2.5 Since the previous meeting Lead Officers for Mitigations Actions have provided updates on the actions where:

- significant activity has taken place since the previous meeting;
- timescales have changed;
- actions have been refined or changed;
- actions have been completed.

2.6 This review also looked at:

- Target score, reflecting the revised scoring of impact, likelihood and Risk Rating based on the assessed effect of the mitigating actions on the Current Risk Score;

- Direction of travel from the Current Risk Score to Target Score showing the expected effect once the mitigating actions are implemented.

2.7 Any recent changes, developments or activities considered relevant to the assessment of JTC's strategic risks have been highlighted in blue in Appendix 1 and 2 attached to this report. It should be noted:

- a) No changes have been made to the number of risks or the description of risks.
- b) A mix of positive and negative changes have been identified:

Negative **Likelihood** factors outside of the control of JTC include:

- Negative impact of Cost of Living Crisis, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment.
- Government measures and continued impact of Cost of Living Crisis may have a significant impact on government funds and investment in decarbonization.
- Negative impact on Public Transport providers and users due to Cost of Living Crisis and rises in inflation and interest rates.
- Bid to Zero Emission Bus Regional Areas schemes for 73 buses for 5 strategic bus corridors was unsuccessful (see **Mitigating Actions** below)
- Impact of Summer 2022 rail strikes on user confidence and increase in private vehicle usage.

Positive **Likelihood** factors outside of the control of JTC include:

- Award of £9.924M Local Transport Funding as a successor to Bus Recovery Grant and Light Rail and Tram Recovery Grant: £7.3M for Light Rail and £2.664M for Buses. Proposals will go to July's JTC.
- Further £17.9m for 9 more Active Travel schemes awarded.
- Government policy to encourage fuel and energy industry to invest in sustainable fuel through tax reduction scheme announced end of May as part of windfall tax/Cost Of Living Crisis measures.
- Society has opened up and is recovering from the societal and economic impact of the Covid-19 pandemic.
- Government's Integrated Rail Plans includes improvements between Newcastle and York by end of the decade.

Positive **Likelihood** factors within the control of JTC include:

- Bus Service Improvement Plan (BSIP) has attracted an indicative allocation of £163.5m for 2022-25.
- Internal Audit review of Transport Assurance Framework resulted in Substantial Assurance.

For **Current Controls** this includes:

- Latest TCF 2 schemes for approval include Hills Street and Gateshead Quays Sustainable Access, North Shields Transport Interchange and

A188/A189 Bus Priority Corridor Improvements (North Tyneside). Next schemes for approval include A167 Birtley to Eighton Lodge Cycling Scheme, North Tyneside Improved Cycling and Walking Links to Metro and Holmeside Bus Rationalisation and Priority Measures

- North East Rail and Metro Strategy to be published following public consultation and agreement at JTC meeting in June.
- JTC have co-sponsored the Strategic Outline Business Case to increase capacity/enable additional services on East Coast Mainline: initial findings end of May/Completion July 2022.
- North East Zero Emission Vehicle Policy published following JTC approval in March.
- Four of eight JTC Local Authorities now have live Grant Funding Agreements and are in delivery of Active Travel Tranche 2 schemes, with two further schemes to improve cycling and walking beginning in Summer 2022. The remaining two schemes have agreed extensions with the DfT and Active Travel England.
- A Draft Plan and Strategy is under development in line with timescales/funding requirements for the £163.5m awarded for the delivery of the Bus Service Improvement Plan through the Enhanced Partnership.
- Transport Levy from Councils increased.
- Unallocated Active Travel Fund Tranche 2 was used for Go Smarter, Go Active programme for Summer 2021, ending March 2022, capitalising on move to cycling and walking during lock down and staycations with the planned relaxation of measures, supporting all of the objectives of the Transport Plan. Programme was on time and to budget.
- Within 8 weeks of receipt of funding, temporary infrastructure schemes funded by £2.26M Emergency Active Travel Fund were implemented to aid social distancing to support increased cycling and walking during the pandemic.

The following **Mitigating Actions** have been implemented and are reflected above as new **Current Controls**:

- The Zero Emissions Vehicles Policy has been published.
- The North East Rail and Metro Strategy is to be published following public consultation and approval at June's JTC meeting.
- Following no award from the ZEBRA fund but an award of £163.5m from National Bus Strategy Funding a draft plan and strategy detailing use of funding to implement the Bus Service Improvement Plan with the Enhanced Partnership is currently being developed (see also New Mitigating Actions below)
- Active Travel Fund Tranche 2 programme has been delivered (See **Current Controls** above).

New and amended **Mitigating Actions** have been proposed to support and enhance some of the above factors:

- The Draft Plan and Scheme detailing use of Bus Service Improvement Plan funding Enhanced Partnership and Scheme will be forwarded for approval to the Department for Transport.
  - Making the case to government for urgent investment in the East Coast Main Line north of York has been formalised by the JTC's co-sponsorship of the Strategic Outline Business Case (See **Current Controls** above).
  - A package for Zero Emission Buses to be submitted for Levelling Up Funding.
- c) Combined, the likelihood factors above have resulted in the risk level for both the Strategic and Operational Risk remaining static other than for Risk 6 of the Operational Risks, relating to 'Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need'. A recent Internal Audit review of the Transport Assurance Framework resulted in Substantial Assurance reducing the likelihood rating from two to one, which had pushed the risk rating from medium to low. It is hoped that the tabular format and the colour coding of the likelihood factors make it easier to understand why this has been proposed and also to challenge if it is not felt that this is an accurate reflection. For clarification, the critical factors that are considered regarding the current risk ratings are:
- The high impact score for all of the risks reflecting the scope of the JTC's objectives.
  - The significance of the JTC's reliance on government policy to direct and support the achievement of its objectives.
  - The JTC's reliance on its significant and changing funding basis with the Transport Plan requiring £6bn over its lifetime.
  - The continued impact of Covid-19 and potential impact of the Cost Of Living Crisis on the economy on the economy, as a barrier to government action and its impact on public transport.
- d) It is noted that the Target Risk Scores-have not changed from the Current Risk Scores, but this continues to highlight a number of important issues when considering the static nature of both JTC's Strategic and Operational risks:
- The difficulty of improving the risk score due to high impact scores that reflect the scope of the JTC's objectives is compounded by the significant negative factors outside of the control the JTC that keep the likelihood scores up.
  - The high level of turbulence in negative factors outside of the JTC's control, particularly in relation to government funding and policy, further compounds this difficulty and negates the impact of positive factors, controls and actions that the JTC continue to maintain and develop. Specifically this continues to keep the risk rating for Strategic Risks 1, 2 and 5 at a high level.

- As many of the mitigating actions currently identified within the risk register relate to planning, strategies and bids, which is the nature of the JTC's role, they are key gateway activities to actions that may address the risks but cannot do this themselves.
- Given the above, the relatively low likelihood scores for most of the Operational Risks allows them to be considered as stable rather than static. For example although Risk 8 relating to Public Transport Service Delivery is still open as it has a relatively low score that is unlikely to be reduced any further.

- 2.5 The 'Strategic Risks Summary' at Appendix 1 shows the 14 risk areas and for each risk provides a current RAG rating to provide a guide as to the level of risk the JTC currently faces for that risk. The direction of travel is also recorded together with reason for any changes to risk levels.

Appendix 2 Strategic Risk Register 2021-22 provides a detailed description of the nature of each risk, the possible causes of each risk, an assessment of the impact of each risk should it occur, the factors which affect the likelihood of each risk occurring together with the relevant controls in place, or being put in place to mitigate each risk to an appropriate level.

Appendix 3 'Risk Analysis Toolkit' shows the risk scoring matrix that has been applied to assess the level of risk for each of the JTC strategic risks.

- 2.7 The Strategic Risk Register for regional transport will continue to be reviewed to record, monitor and report the strategic risks to the Audit Committee on a quarterly basis. Where appropriate, the risks will also be provided to NECA's Audit and Standards Committee and NoTCA for information.

### **3. Reason for the Proposals**

- 3.1 The Audit Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of the JTC.

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

- 4.1 The Strategic Risk Register will be regularly reviewed. Update reports will be provided to the JTC Audit Committee.

### **5. Potential Impact on Objectives**

- 5.1 The development of the Strategic Risk Register will not impact directly on the JTC's objectives, however the approach to strategic risk management will support the JTC by acknowledging the most significant threats to the achievement of its objectives and putting plans in place to manage them, e.g. the development of the North East Transport Plan and its subsequent delivery should incorporate measures to manage the key risks appropriately.

## **6. Finance and Other Resources Implications**

- 6.1 There are no financial implications arising from this report.

## **7. Legal Implications**

- 7.1 There are no legal implications arising specifically from this report.

## **8. Key Risks**

- 8.1 The report identifies what are considered to be the key risks to the achievement of the JTC's overall objectives.

## **9. Equalities and Diversity**

- 9.1 There are no equalities and diversity implications arising from this report

## **10. Crime and Disorder**

10. There are no crime and disorder implications arising from this report.

## **11. Consultation /Engagement**

- 11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the JTC's Proper Officer for Transport have been consulted on the Strategic Risk Register.

## **12. Other Impact of the Proposals**

- 12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

## **13. Appendices**

Appendix A – 'Risks Summary' shows the JTC's strategic risks and the level of risk associated with each.

Appendix B – 'Strategic Risks – Details' provides a detailed assessment of the JTC's and actions identified to reduce the overall risk exposure.

Appendix C – Risk Analysis Toolkit determines the level of risk attached to each risk.

## **14. Background Documents**

- 14.1 The latest [Nexus Strategic Risk Register](#) can be found on the NECA website as part of the North East Joint Transport Committee, Tyne and Wear Sub-Committee, which focuses on transport issues for both NECA and the North of Tyne Combined Authority within the Tyne and Wear Area.

## **15. Contact Officers**

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.

[Tracy.Davis@sunderland.gov.uk](mailto:Tracy.Davis@sunderland.gov.uk)

Telephone - 07342704254

## **16. Sign off**

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



Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
<b>Risks to Achievement of JTC Strategic Objectives</b>			
<b><u>1 Carbon Neutral Transport</u></b>  Failure to achieve the aspiration of carbon neutral transport network within the JTC area by 2035.	Red 12	Static	Due to possible negative impact of Covid-19/ <i>Cost Of Living Crisis</i> on future funding and need for behavioural change
<b><u>2 Inequality and Growth of the Economy</u></b>  Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.	Red 12	Static	Due to possible negative impact of Covid-19/ <i>Cost Of Living Crisis</i> on future funding and cost and service availability to users of public transport
<b><u>3 Health</u></b>  Failure of the transport system to achieve the planned outcomes to contribute the improvements in health of the population in the JTC area.	Amber 8	Static	Positive impact of Covid-19 on active travel counter balanced by possible negative impact of Covid-19/ <i>Cost Of Living Crisis</i> on future funding and need for behavioural change
<b><u>4 Appealing Sustainable Transport</u></b>  The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport choices to people living or working in the area or visiting or travelling through the area.	Red 12	Static	Due to possible negative impact of Covid-19/ <i>Cost Of Living Crisis</i> on future funding and cost and service availability to users of public transport

Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
<b><u>5 Safety and Security</u></b>  The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.	Amber 8	Static	Arrangements in place but possible negative impact of Covid-19/ <i>Cost Of Living Crisis</i> on future funding
<b>JTC Organisation Risks</b>			
<b><u>1 Future Availability of Funding</u></b>  Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	Red 12	Static	Reduced opportunities for Non-mayoral Authorities and <i>impact of Cost Of Living Crisis</i>
<b><u>2 Funding Opportunities</u></b>  Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North-East region.	Amber 8	Static	N/a
<b><u>3 Use of Funding and Resources</u></b>  Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.	Amber 8	Static	N/a
<b><u>4 Governance Arrangements</u></b>  The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.	Green 4	Static	N/a
<b><u>5 Operational Capacity and Resourcing</u></b>  The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	Amber 8	Static	N/a
<b><u>6 Delivery of Transport Improvement Projects/Programmes</u></b>  Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified	Green 4	<i>Decreasing</i>	<i>Positive Internal Audit Opinion</i>

Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
transport need.			
<b><u>7 Transport Infrastructure Assets</u></b>  Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	<b>Green 6</b>	<b>Static</b>	<b>N/a</b>
<b><u>8 Service Delivery</u></b>  Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	<b>Green 6</b>	<b>Static</b>	<b>N/a</b>
<b><u>9 'Catastrophic Event'</u></b>  Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. power, fuel).	<b>Amber 8</b>	<b>Static</b>	<b>N/a</b>

## JTC Strategic Risk Register 2021/22

Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Score				Direction of Travel	Mitigating Actions	Target Score			Action Date	Impact	Likelihood	Rating	Direction of Travel
						Current Controls						Lead							
Strategic Risks																			
Carbon Neutral Transport	1	Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the North East.	<ul style="list-style-type: none"><li>- Lack of engagement by the public and industry due to prohibitive high cost and reliability of currently available alternatives, including infrastructure and vehicles.</li><li>- Lack of government political will to ensure change by industry and public through adequate legislation, including regulation and supporting funding.</li><li>- Gaps in Public Transport provision and/or frequency for some areas coupled with appeal and personal safety concerns.</li><li>- See also Strategic Risk 3 re Active Travel.</li></ul>	<ul style="list-style-type: none"><li>- Unable to address the known effect of pollution on the health of the Public.</li><li>- Pressure on the economy and the NHS due to the effect of pollution on the health of the Public.</li><li>- Lack of impact on Climate Change.</li></ul>	<ul style="list-style-type: none"><li>- Government's Clean Air Zone framework in the process of being adopted in Newcastle, Gateshead and North Tyneside.</li><li>- Tranche 2 of TCF is for frequency and reliability improvements for Metro, speeding up urban buses, train reliability and extensions to cycling network and park and ride.</li><li>- Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions.</li><li>- Transport for the North, A Transport Decarbonisation Strategy for the North of England launched December, with a target of near-zero emissions by 2045.</li><li>- Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions has attracted indicative allocation of £163.5m for 2022-25 with £73M Capital and £90M revenue (Green)</li><li>Outside of JTC Control:<ul style="list-style-type: none"><li>- Government committed to Carbon Neutrality by 2050, 78% by 2035.</li><li>- New Petrol/Diesel cars ban by 2030.</li><li>- Funding to support expansion of Ultra Low Emission Vehicle infrastructure.</li><li>- Twice a day fully electric, cheaper East Mainline service introduced Kings Cross, Newcastle, Morpeth and Edinburgh.</li></ul></li></ul>	<ul style="list-style-type: none"><li>- JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs.</li><li>- JTC receive and allocate government and other funding to support all LA7 members to reduce carbon emissions.</li><li>- £10m received from Transforming Cities Fund (TCF) Tranche 1 for encouraging bus travel, Active Travel and connectivity of key employment sites to city centres schemes.</li><li>- JTC has access to TCF Tranche 2 (£198.483m) and Emergency Active Travel Fund (£15.7m) to increase and improve cycling and walking networks.</li><li>- Latest TCF 2 schemes for approval:<ul style="list-style-type: none"><li>• Gateshead – Hills Street and Gateshead Quays Sustainable Access</li><li>• North Tyneside – North Shields Transport Interchange</li><li>• North Tyneside – A188/A189 Bus Priority Corridor Improvements.</li></ul></li><li>- Next TCF 2 schemes for approval:<ul style="list-style-type: none"><li>• Gateshead – A167 Birtley to Eighton Lodge Cycling Scheme Page 5</li><li>• North Tyneside – North Tyneside Improved Cycling and Walking Links to Metro</li><li>• Sunderland City – Holmeside Bus Rationalisation and Priority Measures</li></ul></li><li>- Local Authorities have statutory powers to tackle air pollution, emission requirements and ensure Local Plans/planning proposals contribute to mitigation of climate change. Funding from Government's Air Quality Grant Scheme available.</li><li>- NECA/Local Authorities have declared a climate emergency with aim to of carbon neutrality before the deadline.</li><li>- North East Rail and Metro Strategy to be published on Transport North East website following Public consultation agreement at JTC June meeting.</li><li>Strategy encourages further regional devolution with commitments to:</li></ul>	4	3	12	Static	<b>Public Transport including Rail</b> <ul style="list-style-type: none"><li>- With JTC approval, a supplier to install, operate and maintain the 7 additional EV Infrastructure sites identified by Local Growth EV Enabling Study will be procured.</li><li>-Draft Plan and Scheme detailing use of Bus Service Improvement Plan funding Enhanced Partnership and Scheme to be provided to Department for Transport</li><li>- Package for Zero Emission Buses to be submitted for Levelling Up Funding</li><li>- Capital projects funded by TCF Phase 2 to be delivered in line with timescales.</li></ul> <b>Active Travel</b> <ul style="list-style-type: none"><li>- Scheme promoters to deliver schemes to deliver improvements for cycling and walking funded through further tranches of Emergency Active Travel Fund.</li><li>- Requirement of moving Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise.</li></ul>	Strategic Transport Lead	Autumn 2022	4	3	12	Static		
											Transport Strategy Director	End of June 2022							
											Head of Funding and Programmes	July2022							
											Head of Funding and Programmes	March 2023							
											Head of Funding and Programmes	TBC							
											Strategic Transport Lead	March 2023							

















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Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Score				Target Score								
						Current Controls		Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
						<i>Transport Plan. Programme was on time and to budget.</i> <i>- Within 8 weeks of receipt of funding, temporary infrastructure schemes funded by£2.26M Emergency Active Travel Fund were implemented to aid social distancing to support increased cycling and walking during the pandemic.</i>												
Appealing Sustainable Transport	4	Failure to achieve the planned outcomes to ensure that people of all ages can access timely and personalised support to overcome their educational, situational and motivational barriers to work and to equip them with the capabilities the economy needs so that they can find employment.	- Failure to understand and address users' requirements for sustainable transport to be considered as a replacement for current private vehicles. - Transport provision is regarded as inaccessible, unreliable, poorly scheduled, lacks coverage and or does not have the capacity to address transport requirements of residents and visitors including personal safety. - Cost of using/changing to sustainable transport is perceived as too high. - Failure to adequately integrate services across providers to ensure that users can reach their destination in a reasonable time. - Lack of portability of tickets across providers for whole journey/destination. - Information on transport options is not adequately accessible to residents and visitors.	- Reduced impact on road congestion and accidents. - Unable to address the known effect of pollution on the health of the Public. - Reduced health benefits from physical activity from Active Travel. - Improvements in quality-of-life benefits for residents missed. - Opportunity to reduce pressure on the economy and the NHS through potential health improvements missed. - Possible negative impact on tourism. - Less effective sustainable transport network may affect investment in the region.	- Tranche 2 of TCF is for frequency and reliability improvements for Metro, speeding up urban buses, train reliability and extensions to cycling network and park and ride. - Metro is accessible by 40% of the region and bus use is highest outside of London. - Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions <i>has attracted indicative allocation of £163.5m for 2022-25 with £73M Capital and £90M revenue (Green)</i> - Expectation that Metro income could rise to over 100% of pre-Covid levels by 2024/25 due to positive impact of new trains and Metro Flow project. - Difficult budget position for Metro due to reduction in patronage/end of Covid Grant, including significant rise in Transport Levy 2022/23 to partly/ temporarily address: this may not be sustainable in the medium term. <b>Outside of JTC Control:</b> - Transport operators communicate well with customers including through social media and are improving arrangements to allow ticket purchases across all operators and services. - Government funding	- JTC has fulltime support form Transport North East that has designed and is the delivering the Transport Plan for the North East, and who continue to carry out ongoing research to understand transport users' needs. - Transport Plan for the North East includes an objective of achieving appealing, sustainable transport choices and set's out how this will be achieved in its Intervention Plan. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport infrastructure that is evidence based and reflects government policy requirements. - North East Transport Plan Progress Report to JTC include progress on KPIs for Sustainable Travel, Public Transport Accessibility, Network Performance and Motor Vehicle Traffic every two months. - North East Transport Plan Progress Report provides assurance that projects relating to achieving appealing sustainable transport choices objective are on track to timescales. - JTC has access to TCF Tranche 2 (£198.483m) and Emergency Active Travel Fund (£15.7m) to increase and improve cycling and walking networks. - Latest TCF 2 schemes for approval: <ul style="list-style-type: none"><li>• Gateshead – Hills Street and Gateshead Quays Sustainable Access</li><li>• North Tyneside – North Shields Transport Interchange</li><li>• North Tyneside – A188/A189 Bus Priority Corridor Improvements.</li></ul> - Next TCF 2 schemes for approval: <ul style="list-style-type: none"><li>• Gateshead – A167 Birtley to Eighton Lodge Cycling Scheme</li></ul> Page 5	4	3	12	Static	<b>Rail</b> - Strategic Outline Business Case <i>Continue to make support</i> the case to government for urgent investment in the East Coast Main Line. - Requirement of moving Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise. <b>Other Public Transport</b> - Capital projects funded by TCF Phase 2 to be delivered in line with timescales. -Draft Plan and Scheme detailing use of Bus Service Improvement Plan funding Enhanced Partnership and Scheme to be provided to Department for Transport - Package for Zero Emission Buses to be submitted for Levelling Up Funding	Head of Heavy Rail  Strategic Transport Lead  Head of Funding and Programmes  Transport Strategy Director  Head of Funding and Programmes	May 2022  March 2023  March 2023  End of June 2022  July 2022	4	3	12	Static	







Risk Area	I D	Risk Description	Cause	Impact	Likelihood	Current Score				Target Score								
						Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel	
Page 39					(Red) - Negative impact on Public Transport providers and users due to Cost of Living Crisis and rises in inflation and interest rates. (Red) - Negative impact of Cost of Living Crisis, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment. (Red) - Bid to Zero Emission Bus Regional Areas schemes for 73 buses for 5 strategic bus corridors was unsuccessful. (Red) <b>Covid 19:</b> - Society has opened up and is recovering from the societal and economic impact of the Pandemic. (Green) - Use of public Transport has not recovered to pre-Pandemic levels and may never due to the move to working at home during Pandemic. Cars, cycling and walking are also regarded as safer than public transport by some. - Target funding made available to maintain public transport during the Pandemic but once this is removed, and if levels of use do not improve, public transport may reduce as some services may no longer be sustainable. - Specific government funding has been provided on the basis that the Metro becomes self-sufficient with income matching services which is likely to lead to a reduction of services.													
	Safety and Security	5	The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and	- Lack of understanding of users' priorities for safety and security. - Poor design of infrastructure. - Competing priorities for different types of	- Injury and/or death rate does not improve. - Fear of use of public transport puts off users and	- JTC has access to Transforming Cities Fund and Emergency Active Travel Fund to increase and improve cycling and walking networks. <b>Outside of JTC Control:</b> - Government's "Gear Change; a bold vision for cycling and	- JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - Nexus continues to operate required safety systems across it's estate in relation to maintenance and security.	4	2	8	S t a t i c	<b>Public Transport including Rail</b> - Capital projects funded by TCF Phase 2 to be delivered in line with timescales <b>Transport Plan</b> - Requirement of moving	Head of Funding and Programmes	March 2023	4	2	8	S t a t i c

Risk Area	I D	Risk Description	Cause	Impact	Current Score				Target Score								
					Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
Page 40		security.	transport re efficiency of infrastructure and safety and security. - Lack of funding to improve, enhance or maintain safety and security. - Users' noncompliance and infringement. - Gaps in maintenance. - Public perception, which may be ill informed.	affects ambitions for air pollution, congestion and accessibility. - Adverse impact on Active Travel take up due to safety and security concerns.	walking" plan, July 2020, focuses on encouraging improvements for both including safer infrastructure. - Government have issued statutory requirements and guidance to Local Authorities on increasing and improving walking and cycling networks. - Report to June JTC noted that a further £17.9m for 9 more Active Travel schemes has been awarded. - Government law and guidance puts responsibility for safety and security on transport providers, users and other transport stakeholders. Covid 19: - Society has opened up and is recovering from the societal and economic impact of the Pandemic. (Green) - Social distancing reduced use of public transport but, outside of lockdown, greatly increased active travel .	- Nexus have introduced a new Customer Support team to tackle anti-social behaviour and noncompliance with conditions of travel on the Metro. - Nexus is completing a widescale programme of infrastructure improvements for the Metro and will soon be replacing all trains. - Nexus and other North East providers have established and are maintaining the government's Covid-secure standard for public transport. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport infrastructure that is evidence based and reflects government policy requirements. - North East Transport Plan Progress Report to JTC include progress on KPIs for Sustainable Travel, Motor Vehicle Traffic. Road safety: numbers killed and seriously injured and number of slight injuries every two months. - North East Transport Plan Progress Report provides assurance that projects relating to contributing to health improvements of the population objective are on track to timescales. - Within 8 weeks of receipt of funding, temporary infrastructure schemes funded by£2.26M Emergency Active Travel Fund were implemented to aid social distancing to support increased cycling and walking during the pandemic through.					Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise.	Strategic Transport Lead	March 2023				
	Operational Risks																
Future Availability of Funding	1	Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	- Reaction to economic downturn may force government to cut funding to transport schemes. - Uncertainty over future Capital scheme relating to those that are ending and their replacements, e.g. Local Growth Fund/EU Funding replaced by UK Shared Prosperity Fund (UKSPF).	- Inability to improve infrastructure to enhance transport services. - Potential inability to maintain infrastructure to ensure adequate public transport services. - Potential inability to	Outside of JTC Control: - The Government have set up the UK Infrastructure Bank with finances of £22bn to tackle climate change and support regional and local economic growth across the United Kingdom. - The Government's "Green Book" is a framework to inform decision making to ensure funding/investment spreads across the UK supporting the levelling up agenda. - Lack of certainty over availability and eligibility for	- JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - JTC work with partners to identify any new non-government funding sources. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport interculture that is evidence based and reflects government policy requirements. - North East Rail and Metro Strategy to be published on Transport North East website following Public consultation and agreement at JTC June meeting. Strategy encourages	4	3	12	S t a t i c	- JTC Members and Officers, together with its partners e.g. Councils continue to lobby government for resources financial resources to enable delivery of the North East Transport Plan.	Managing Director, Transport North East	Ongoing	4	3	12	S t a t i c



Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Score				Target Score								
						Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel	
Page 41			- Possible change in UK transport policy focus on other geographic areas or certain types of transport initiatives which may adversely affect the North East/not align to JTC Plans. - Future major local projects may not be tenable as government may have to reduce amount/timescale of funding schemes. - Funding for non-Mayoral combined authorities may no longer be available.	promote future economic growth within the region.	transport related funding due to delays in formalisation of new funding regimes/replacements for EU funding. - The UK Community Renewal Fund, the forerunner of the UKSPF, is based on a competitive bidding process that is closed to NECA as a non-Mayoral Combined Authority but open to NECA Local Authorities and NoTCA. This is likely an indication of the Government's future approach to funding. - 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. - No funding was received for the Leamside line in the Autumn 2021 budget/Integrated Rail Plan for the North and Midlands. - Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and Wear due to fall and expectation of limited recovery on Metro passenger numbers. - Only one of seven bids to Restoring Your Railway fund were successful for the region; Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful. - Government measures and continued impact of Cost of Living Crisis may have a significant impact on government funds and investment in decarbonization (Red) - Negative impact on Public Transport providers and users due to Cost of Living Crisis and rises in inflation and interest rates. (Red)	further regional devolution with commitments to: <ul style="list-style-type: none"><li>Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;</li><li>Extending the reach of local rail and Metro, upgrading existing networks &amp; services, adding new routes &amp; stations including the Northumberland and Leamside lines;</li><li>Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;</li><li>Maintaining/updating the Metro assets</li><li>Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;</li><li>Improvement of existing stations and development of new stations.</li></ul> Aimed to ensure a more secure financial future to operate key services.												
	Funding Opportunities	2	Failure of the JTC to secure the	- Funding opportunities are	- Delivery of planned	- Significant funding awarded regarding the Transforming	- Officers horizon scan for upcoming funding opportunities.	4	2	8	S	- As part of the delivery of the North East Transport	Head of Funding and Programmes	Ongoing	4	2	8	S

Risk Area	ID	Risk Description	Cause	Impact	Current Score							Target Score						
					Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel	
		maximum amount of transport funding available to progress transport infrastructure in the North-East region.	missed due to lack of awareness/missing relevant deadlines. - Poor quality of funding applications made by JTC. - Failure to obtain funding only available through competitive process leading to under allocation for priorities.	transport improvements required by the region will be significantly delayed. - Consequently delivery of JTC's Strategic Objectives may significantly be affected.	Cities Fund. - Some recent funding frameworks are not open to non-Mayoral Combined Authorities. Outside of JTC Control: - A significant proportion of funding available for transport projects is through a competitive process.	- Regular contact with the UK government and other funding bodies to identify funding opportunities early. - Relationships with other bodies at a sub national (e.g. TfN) and local level e.g. councils, universities etc to allow the JTC to work in partnership, where applicable. - JTC and partners lobby relevant government bodies to persuade transport infrastructure schemes required for the North East to be included in key government schemes. - MD TNE and TSU staff have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny using the TSU's Transport Assurance Framework. - TSU liaises with the provider during any application process to understand clearly what it is looking for.				t a t i c	Plan, a 'project pipeline' is to be maintained. As part of this work each project will be assessed using the JTC's 'Transport Assurance Framework' to ensure each planned project has a strong business case and will help meet the Transport needs of the region.					t a t i c		
Use of Funding and Resources	3	Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.	- Poor project management. - Inaccurate assessment of projects costs when submitting funding bids. - Delays and costs for a project due to unforeseen events. - Lack of understanding of funding conditions including timescales. - Insufficient capacity and skills to manage projects. - Fraud and corruption.	- Transport projects may be delayed, reduced in size or not completed with intended benefits unrealised. - Funding may be lost through missed deadlines, project failure. - Reallocation of other earmarked funding to address gaps. - Reputational damage.	- Transport North East including the Transport Strategy Unit in place to manage project delivery. - Introduction of Capital Programme Management Framework to allow consistent and effective management of the programme as it becomes reliant on new/changing sources of funding. - Potential for resource issues through sickness or recruitment issues due to low number of Corporate staff. - Impact of Cost of Living Crisis, inflation and interest rates rises may result in significant unplanned project costs. (Amber)	- MD TNE and TSU staff have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny using the TSU's Transport Assurance Framework to ensure they are in line with the JTC objectives and plans and meet bid criteria. - Directly managed projects are managed using recognised project management principles. - Where projects are delivered by partners arrangements are in place to gain assurance that the projects are progressing as expected. - Projects delivered by contractors are let subject to a competitive procurement process. - All third-party projects are based on funding agreements which include performance monitoring and reporting requirements. - Clear conditions of use are provided by funding providers. - JTC officers are subject to relevant codes of conduct. - Internal Audit have received the project management arrangements for the JTC.	4	2	8	S t a t i c	- Delivery plans and programmes are to be kept under review in light of any issues which may affect funding secured to be used on a timely basis or may mean secured funding may not be sufficient to deliver the intended programmes. Appropriate prompt action is taken to address issues which may arise.	Head of Funding and Programmes	Ongoing	4	2	8	S t a t i c	
Governance Arrangements	4	The governance arrangements of the JTC are not appropriate to allow effective	- Lack of capacity to support complex governance arrangements with accountability to two	- Poor decisions may be made which are not in the interest	- Internal Audit of the JTC Governance Arrangements resulted in an opinion of substantial assurance.	- All 7 LAs continue to support the JTC and its activities. - Autonomous JTC Standing Orders outline functions, sub committees, rules of procedure and the roles of	4	1	4	S t a t	- On going Review of roles, responsibilities, and arrangements regarding the activities of Transport North East including	Managing Director Transport North East	Ongoing	4	1	4	S t a t	

Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Score				Target Score								
						Current Controls				Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood
Page 43		and timely decision making and the achievement of its objectives.	combined authorities, with one as lead. - Lack of clarity of roles and responsibilities. - Lack of development of new working arrangements or delays in implementing proposed changes. - Conflicting priorities, not aligned to governance arrangements.	of the North-East region. - Decisions may be delayed, not taken at the appropriate level or not based on the correct information. - Lack of clarity of roles and responsibilities may lead to failures in statutory compliance, financial management and transport services delivery.		statutory officers. - Committee Decisions are by majority vote but with an aim for consensus. - Statutory role of ‘Proper Officer for Transport’ was established by the Statutory Order. including delegated powers. - JTC Chief Executive Transport Strategy Board supports/strengthens decision making providing challenge and scrutiny. - A Statutory Officer Oversight Group is in place to oversee procurement, legal, financial and other management issues relating to JTC operations. - Service Level agreements are in place for support services provided to the JTC.					business planning, performance management, project assurance, overseeing of delivery programmes etc. and implementation of revised arrangements.							
	Operational Capacity and Resourcing	5	The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC’s objectives and plans.	- Budget may be insufficient as NECA's initial resource pool now required to support JTC and NoTCA - Potential for conflicting priorities for Members, Statutory Officers to NECA, Proper Officer for Transport and other posts provided under Services Level Agreements as all have alternative main employments with partner organisations. - Increased demand for rapidly changing work requirements for transport policy, funding bid submission and programme delivery.	- Weakened oversight over the delivery of transport programmes - Decisions may be delayed or based on incomplete information - Functions may be less effectively or timely leading financial loss, flawed decisions, delay in development of transport policies and funding bids. - Reputational damage.	- Transport North East including the Transport Strategy Unit in place to manage project delivery. - Most recent Internal Audit relating to Financial Arrangements for NECA resulted in Substantial Assurance. - Potential for resource issues through sickness or recruitment issues due to low number of Corporate staff. - Impact of Cost of Living Crisis, inflation and interest rates rises may result in significant unplanned costs. (Amber)	- Representatives from LA7, Statutory Officers and Proper Officer for Transport all have support from deputies. - Significant TUPE to NECA employment relating to TSU and Corporate NECA staff. - Review and update of all SLAS has taken place with move to new Host Authority. - Increased senior officer support from TNE Strategy Director and Tyne Tunnel Manager. - TNE Strategy Director has responsibility for long term transport policies, plans, analysis and business cases. - More finance support has been made available through SLA with new Host Authority. - External Resources are appointed where required to support JTC delivery priorities.	4	2	8	Static	- Continuous assessment of skills and capacity within Transport North East’s to meet its support role to JTC, including addressing any gaps through recruitment or external support as required. e.g. communications, programme management.	Managing Director Transport North East	Ongoing	4	2	8	Static
Delivery of Transport Improvement Projects/ Programmes	6	Projects which are funded through the JTC are delayed, are significantly overspent or do	- Poor programme/project management. - Inaccurate assessment of projects costs when	- Transport projects may be delayed, reduced in size or not completed with	- Introduction of Capital Programme Management Framework to allow consistent and effective management of the programme as it becomes reliant on new/changing	- MD TNE and TSU staff have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny using the TSU’s Transport Assurance Framework to ensure they	4	1	4	Decrease	- Monitoring of the delivery of the overall JTC programme of projects should be carried out on a regular basis. - Programme	Managing Director Transport North East  Managing Director	Ongoing  Ongoing	4	1	4	Decrease	

Risk Area	ID	Risk Description	Cause	Impact	Current Score				Target Score							
					Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating
Page 41		not deliver the intended product to meet the identified transport need.	submitting funding bids. - Delays and costs for a project due to unforeseen events. - Insufficient capacity and skills to manage projects. - Fraud and corruption.	intended benefits unrealised. - Funding may be lost through missed deadlines, project failure. - Reallocation of other earmarked funding to address gaps. - Reputational damage.	<i>sources of funding.</i> <i>- Internal Audit review of the monitoring arrangements for the delivery the Transforming Cities Fund was positive in its design. Review of its actual operation due 2021/22.</i> <i>- Internal Audit review of Transport Assurance Framework resulted in Substantial Assurance.(Green)</i> <b>Outside of JTC Control:</b> <i>- Impact of Cost of Living Crisis, inflation and interest rates rises may result in significant unplanned project costs. (Amber)</i> <b>Covid 19:</b> <i>- Society has opened up and is recovering from the societal and economic impact of the Pandemic.</i> <i>- Delays to delivery due to the impact of the Pandemic on the operation of projects.</i>	are in line with the JTC objectives and plans and meet bid criteria. - Directly managed projects are managed using recognised project management principles. - Where projects are delivered by partners arrangements are in place to gain assurance that the projects are progressing as expected. - Projects delivered by contractors are let subject to a competitive procurement process. - All third-party projects are based on funding agreements which include performance monitoring and reporting requirements. - Clear conditions of use are provided by funding providers. - JTC officers are subject to relevant codes of conduct. - Internal Audit have received the project management arrangements for the JTC.					management and governance structures within the JTC and TNE are to be reviewed and developed to ensure they remain fit for purpose particularly in light of successful funding bids e.g. Transforming Cities Fund.	Transport North East				
	7	Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	- Lack of awareness of the existence of the asset. - Lack of clarity as who has responsibility for the management and maintenance of the assets. - Lack of clarity as to standards required. - Lack of resources to maintain the assets.	- Greater financial resources may be needed to rectify faults arising from poor maintenance. - Failures in transport infrastructure assets may affect services delivered to transport users leading to disruption and complaints and a drop in usage. - If available funding is not used by a deadline it may be lost. - Financial resources earmarked for other future purposes may need to be	<i>- Internal Audit of contract monitoring of TT2 contract for the Tyne Tunnel resulted in Substantial Assurance.</i> <b>Outside of JTC Control:</b> <i>- Impact of Cost of Living Crisis, inflation and interest rates rises may result in significant unplanned costs. (Amber)</i> <b>Covid 19:</b> <i>- Society has opened up and is recovering from the societal and economic impact of the Pandemic. (Green)</i> <i>- continued impact on the economy preventing economic and structural change;</i> <i>- decline and lack of recovery</i> <i>- Potential threat to funding due to impact of the Pandemic on the economy.</i>	- JTC’s constitution includes overall responsibility and oversight for transport infrastructure assets owned by NECA and North of Tyne Combined Authority. - The JTC holds a record of assets it is responsible for. - Responsibility for the maintenance of assets and standards are included in service provider agreements including assurance reporting requirements. -Tyne Tunnels Manager has oversight of the performance of service provider.	3	2	6	Static	- As part of the ongoing a review of roles, responsibilities, and arrangements regarding the activities of the JTC and Transport North East capacity and skills available to the JTC’s to carry out its contract management responsibilities is continuously assessed.	Managing Director Transport North East	Ongoing	3	2	6



Risk Area	ID	Risk Description	Cause	Impact	Current Score					Target Score							
					Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
				used to complete current projects causing postponement or delays in other JTC plans.													
Service Delivery	8	Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	- Lack of clarity as to the responsibilities, duties and interface regarding the oversight of public transport services within the region. - Failure to appreciate and provide appropriate levels of transport services to adequately support the economic well-being and reputation of the region. - Lack of resources and/or expertise to put in place effective arrangements to ensure adequate levels of transport services are provided.	- Loss of confidence by stakeholders, including government, in the JTC's ability to meet its responsibilities - Loss of confidence by users of services. - Failure of JTC oversight of public transport providers may lead to inadequate services resulting in less use of public transport and greater congestion on the roads.	- Service provision governance and monitoring arrangements with transport providers were established and successfully operated under NECA prior to the split in to two combined authorities which required the creation of the JTC. <b>Outside of JTC Control:</b> - Negative impact of Cost of Living Crisis, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment. (Red) - Negative impact on Public Transport providers and users due to Cost of Living Crisis and rises in inflation and interest rates. (Red) <b>Covid 19:</b> - Society has opened up and is recovering from the societal and economic impact of the Pandemic. (Green) - Many transport service providers are independent, private sector bodies that require profit from service provision.	- JTC's constitution makes it clear it has overall responsibility and oversight for certain statutory public transport services. - JTC committees, i.e. Leadership Board, Tyne Wear Sub Committee and Overview and Scrutiny Committee receive regular reports as to the level of public transport services provided by the JTC's partners e.g. Nexus, Durham County Council, Northumberland County Council, TT2Ltd and bus provision. - The Managing Director, Transport North East appointed by the JTC is also Statutory Director General of Nexus, a key delivery partner to the JTC. - Approval of appointees to the Nexus Executive Board of Directors is the responsibility of the JTC's TWSC. - 4 Non-Executive Directors are on the Nexus Executive Board which strengthens oversight arrangements. - Both NECA and NoTCA have representation both on Transport for the North's (TfN) Rail North committee which has oversight of Northern Rail and TPE's services, and on the TfN Board which governs TfN's investment programmes and its interfaces with national delivery partners (Network Rail and Highways England). - Local Oversight through North East Rail Management Unit for Rail North. - A Draft Plan and Strategy is under development in line with timescales/ funding requirements for the £163.5m awarded for the delivery of the Bus Service Improvement Plan through the Enhanced Partnership. - Draft Rail and Metro Strategy under consultation to identify new delivery structures.	3	2	6	Static				3	2	6	Static
Catastrophic Event'	9	Inadequate arrangements are in place should a	- Lack of clarity over responsibilities and duties of the relevant	- Excessive death or injury - Economic	- Internal Audit review of Business Continuity Arrangements planned.	- JTC Councils membership of Local Resilience Forums (LRF) along with transport delivery partners; (Nexus,	4	2	8	Static	- The JTC's own disaster recovery and business continuity arrangements	Managing Director Transport North East	March 2023	4	2	8	Static

Risk Area	ID	Risk Description	Current Score								Target Score						
			Cause	Impact	Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
Page		‘catastrophic’ event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. power, fuel).	stakeholders with partner agencies for oversight of public transport services within the region in the event of a ‘catastrophic event’. - Failure to anticipate and plan response to the impact of possible catastrophic events on the transport system - Lack of resources and/or expertise to ensure adequate arrangements are in place to respond effectively to a ‘catastrophic event’ significantly impacting transport activity in the region, and that they are regularly reviewed.	activity excessively reduced due to inability of employees to carry out employment duties/activity. - Loss of reputation to the region.	(Green) <b>Outside of JTC Control:</b> - Councils have a legal duty under the Civil Contingencies Act 2004 (CCA) to be prepared and able to respond to any civil emergency occurring within its boundary. - Current changes in the way the rail infrastructure and contracts for carriage are managed.	Highways England, Network Rail) allows for effective delivery of multi-disciplinary planning for Major Incidents as required by the CCA - JTC public transport providers have developed their own risk, emergency response and business continuity plans - TT2 Ltd have risk, emergency response and business continuity plans in place . Regular emergency/safety training exercises take place which include Tyneside Councils, TWFRS and the other emergency services.				a t t i c	are to be reviewed to ensure they remain fit for purpose.					a t t i c	

## Risk Analysis Toolkit

Determine the risk priority					
Likelihood	Impact				
		Insignificant	Minor	Significant	Critical
	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

Assess the likelihood of the risk event occurring	
High	Risk will almost certainly occur
Medium	Risk is likely to occur in most circumstances
Low	Risk may occur
Negligible	Risk is unlikely to occur

## Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	<ul style="list-style-type: none"> <li>Over half the objectives/programmes affected</li> <li>More than one critical objective affected</li> <li>Partners do not commit to the Shared vision</li> </ul>	<ul style="list-style-type: none"> <li>Significant change in partner services</li> <li>Relationship breakdown between major partners and stakeholders</li> <li>Serious impact on delivery of key transport related investment plans</li> <li>Unplanned major re-prioritisation of resources and/or services in partner organisations</li> <li>Failure of a delivery programme/major project</li> <li>Serious impact on public transport services provided to users</li> </ul>	<ul style="list-style-type: none"> <li>Inability to secure or loss of significant transport funding opportunity (£5m)</li> <li>Significant financial loss in one or more partners (£2m)</li> <li>Significant adverse impact on transport budgets (£3m))</li> </ul>	<ul style="list-style-type: none"> <li>Adverse national media attention</li> <li>External criticism (press)</li> <li>Significant change in confidence or satisfaction of stakeholders</li> <li>Significant loss of community confidence</li> </ul>

Significant	<ul style="list-style-type: none"> <li>One or more objectives/programmes affected</li> <li>One or more partners do not commit to shared vision</li> <li>Significant environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Partner unable to commit to joint arrangements</li> <li>Recoverable impact on delivery of key transport related investment plans</li> <li>Major project failure</li> <li>Impact on public transport services provided to users</li> </ul>	<ul style="list-style-type: none"> <li>Prosecution</li> <li>Change in notable funding or loss of major transport funding opportunity (£2m)</li> <li>Notable change in a Partners contribution</li> <li>Notable adverse impact on transport budget (£0.5m-£1.5m)</li> </ul>	<ul style="list-style-type: none"> <li>Notable external criticism</li> <li>Notable change in confidence or satisfaction</li> <li>Internal dispute between partners</li> <li>Adverse national/regional media attention</li> <li>Lack of partner consultation</li> <li>Significant change in community confidence</li> </ul>
Minor	<ul style="list-style-type: none"> <li>Less than 2 priority outcomes adversely affected</li> <li>Isolated serious injury/ill health</li> <li>Minor environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Threatened loss of partner's commitment</li> <li>Minor impact on public transport services provided to users</li> </ul>	<ul style="list-style-type: none"> <li>Minor financial loss in more than one partner</li> <li>Some/loss of transport funding or funding opportunity threatened</li> </ul>	<ul style="list-style-type: none"> <li>Failure to reach agreement with individual partner</li> <li>Change in confidence or satisfaction</li> <li>Minor change in community confidence</li> </ul>
Insignif.	<ul style="list-style-type: none"> <li>Minor effect on priorities/service objectives</li> <li>Isolated minor injury/ill health</li> <li>No environmental impact</li> </ul>		<ul style="list-style-type: none"> <li>Isolated/minor financial impact in a partner organisation</li> </ul>	

## Glossary of Terms

**RAG** – Red/Amber/Green (denoting an assigned performance status)

**Strategic Risk** - relates to those factors that might have a significant effect on the successful delivery of the JTC's objectives, plans, policies and priorities.



**Risk** - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities.

**Risk Appetite** - The level of risk that an organisation is prepared to accept in pursuit of its objectives, and before action is deemed necessary to reduce the risk.

**Risk Controls or Control Processes** - are those actions and arrangements which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

**Risk Matrix** - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

**Risk Owner** - has overall responsibility for the management and reporting of the risk.

**Lead Officer(s)** – given delegated responsibility from the Risk Owner to take action and manage the risk through application of the appropriate risk controls and processes.

**Risk Impact** - indicates the potential seriousness should the risk materialise.

**Risk Likelihood** - indicates the chance of a risk materialising in the time period under consideration.

**Risk Score** - the product of the Impact score multiplied by the Likelihood score.

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## North East Joint Transport Committee, Audit Committee

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**Date:** 13 July 2022

**Subject:** Transport Assurance Framework

**Report of:** Managing Director, Transport North East.

### Executive Summary.

This report is for information only, it seeks to provide members of the North East Joint Transport Committee, Audit Committee with an overview of the regional Transport Assurance Framework and provide feedback from the most recent audit undertaken on the framework.

The report identifies that the Transport Assurance Framework details the arrangements for supervising the national funding allocated to the North East Joint Transport Committee (JTC) by Government. The Transport Assurance Framework provides comfort to both the Department for Transport and the JTC that:

- Provisions are in place to ensure accountable and transparent decision-making;
- Risks to the programme associated with the allocation of devolved funding are adequately mitigated and managed;
- Projects seeking funding are appraised appropriately; and
- Robust monitoring and evaluation of projects is undertaken to ensure that they achieve value for money and projected outcomes

In May 2022 the regional Transport Assurance Framework was subject to an internal audit undertaken by Sunderland City Council on behalf of the JTC. The purpose of the audit was to determine whether appropriate measures are in place for the assessment and delivery of transport projects funded through the JTC, and to determine whether the assurance arrangements put in place regarding the Transforming Cities Fund, in particular, are being complied with.

The findings of Transport Assurance Framework audit were positive with no required actions deemed necessary. A copy of the report is attached at Appendix 1.

The audit report noted that 'the control framework is well designed and there is a good level of compliance with established controls'. However, the Assurance Framework is required to be refreshed on a regular basis, this requirement is currently programmed to take place at the end of the calendar year

## **Recommendations**

The North East Joint Transport Committee, Audit Committee is recommended to note the contents of this report.

## 1. Background Information

- 1.1 The North East Joint Transport Committee (JTC) has responsibility for administering local funding that is devolved by Government. As part of this arrangement with Government a Transport Assurance Framework was adopted in October 2019. The Framework sets out the detailed governance and decision-making arrangements, agreed with the Department for Transport (DfT), for supervising funding allocated to the JTC.
- 1.2 In May 2022 the regional Transport Assurance Framework was subject to an internal audit undertaken by Sunderland City Council on behalf of the Joint Transport Committee (JTC). The purpose of the audit was to determine whether appropriate measures are in place for the assessment and delivery of transport projects funded through the JTC, and to determine whether the assurance arrangements put in place regarding the Transforming Cities Fund, in particular, are being complied with. A draft audit report is provided at **Appendix 1**.

## 2. Overview

- 2.1 This report seeks to provide members with a brief overview of the Transport Assurance Framework. The Transport Assurance Framework details the arrangements for supervising the national funding allocated to the North East Joint Transport Committee (JTC) by Government. The Transport Assurance Framework provides comfort to both the Department for Transport and the JTC that:
- Provisions are in place to ensure accountable and transparent decision-making;
  - Risks to the programme associated with the allocation of devolved funding are adequately mitigated and managed;
  - Projects seeking funding are appraised appropriately; and
  - Robust monitoring and evaluation of projects is undertaken to ensure that they achieve value for money and projected outcomes.
- 2.2 The Transport Assurance Framework is applied consistently and clearly identifies the processes for securing funding along with outlining the key requirements scheme promoters must adhere to.
- 2.3 Prioritisation of a scheme is the first step towards a given scheme gaining a funding allocation, this process is based on regional transport, economic and environmental objectives and priorities, as outlined within the North East Transport Plan, in addition to the objectives and priorities of each funding stream made available by Government.

- 2.4 Once a scheme has been prioritised it enters a process of development, assessment and approval. Providing a funding source can be found schemes will progress through a Gateway process in order to see funds allocated and approve proposals for delivery. When a scheme is at this stage it is considered to be at the 'Conditional Programme Entry' stage, to progress further scheme promoters are required to prepare a Business Case for investment and update that Business Case as the scheme is developed.
- 2.5 Upon producing a Full Business Case this will be reviewed by Independent appraisers, the JTC will consider this advice before granting full approval. If approval is granted, the scheme moves to the signing of a Grant Funding Agreement. All schemes submitted for consideration are scrutinised independently on behalf of the JTC. For consistency scheme assessment is undertaken by a sole independent assessor. Assessment is undertaken in line with DfT guidance on the production of the Transport Business Case and considers if:
- The level of analysis undertaken by the scheme promoter is appropriate to the size of the scheme;
  - The scheme gives good value for public money;
  - The risks associated with delivery of the scheme have been identified and where possible mitigated; and
  - The appropriate governance and procurement processes are in place to complete the scheme by any funding specific deadline.
- 2.6 Upon scheme approval the JTC will clearly set out the conditions under which the devolved funding will be spent – this is set out in the Grant Funding Agreement. Before any funding is released, the scheme promoter will need to accept the funding by signing this Grant Funding Agreement. The agreement ensures a working arrangement is in place that protects the both the financial interests of the JTC and ensures that the scheme goes on to deliver value for money.

### **3. Review**

- 3.1 In May 2022 the regional Transport Assurance Framework was subject to an internal audit undertaken by Sunderland City Council on behalf of the JTC. The purpose of the audit was to determine whether appropriate measures are in place for the assessment and delivery of transport projects funded through the JTC, and to determine whether the assurance arrangements put in place regarding the Transforming Cities Fund, in particular, are being complied with. The draft audit report is provided at **Appendix 1**.
- 3.2 The findings of Transport Assurance Framework audit were positive with no required actions deemed necessary. The audit report noted that 'the control framework is well designed and there is a good level of compliance with established controls'. However, the Assurance Framework is required to be refreshed on a regular basis, this requirement is currently programmed to take place at the end of the calendar year.

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

4.1 This report is for information only.

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

5.1 The Transport Assurance Framework is required to be refreshed on a regular basis; this requirement is currently programmed to take place at the end of the calendar year. Following the finalisation of the draft Audit Report provided at Appendix 1, a programme for refreshing the Transport Assurance Framework, including proposals for consultation, will be presented for agreement to the Joint Transport Committee, indicatively it is proposed that a refreshed Transport Assurance Framework will be presented at the December meeting of the Joint Transport Committee.

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

6.1 This report is for information only.

#### **7. Financial and Other Resources Implications**

7.1 There are no Financial, Human Resources or ICT implications arising from this report.

#### **8. Legal Implications**

8.1 There are no legal implications arising as a consequence of this report.

#### **9. Key Risks**

9.1 There are no Key Risks associated with this report as it is for information only.

#### **10. Equality and Diversity**

10.1 There are no Equality and Diversity implications associated with this report as it is for information only.

#### **11. Crime and Disorder**

11.1 There are no Equality and Diversity implications associated with this report as it is for information only.

#### **12. Consultation/Engagement**

12.1 There are no consultation requirements as a consequence of this report.

### **13. Other Impact of the Proposals**

13.1 This report is for information only.

### **14. Appendices**

14.1 Appendix 1 – Internal Audit Report, Transport Assurance Framework, May 2022

### **15. Background Papers**

15.1 North East Transport Assurance Framework: [NORTH EAST JOINT TRANSPORT COMMITTEE \(transportnortheast.gov.uk\)](https://transportnortheast.gov.uk)

### **16. Contact Officers**

16.1 Jonathan Bailes, Transport Programme Lead  
E-mail: [jonathan.bailes@transportnortheast.gov.uk](mailto:jonathan.bailes@transportnortheast.gov.uk)

### **17. Sign off**

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

### **18. Glossary**

- DfT – Department for Transport
- TCF– the Transforming Cities Fund allocation from DfT that is available to spend on the prioritised schemes identified in our November 2019 TCF Strategic Outline Business Case submission
- Transport Assurance Framework – a framework for business case development and review that ensures good decision making, procurement and governance is in place for all projects, for schemes that can demonstrate good value for public money
- NECA – North East Combined Authority
- TNE – Transport North East



# **Transport North East**

## **Transport Assurance Framework**

**October 2019**

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## 1. Introduction

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### 1.1 Purpose

- 1.1.1 This Transport Assurance Framework explains the arrangements for supervising funding allocated to the North East Joint Transport Committee (JTC) in order to:
- Demonstrate that provisions are in place to ensure accountable and transparent decision-making;
  - Manage the risks to the programme associated with the allocation of devolved funding;
  - Appraise projects and allocate funding; and
  - Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes.
- 1.1.2 This Assurance Framework applies to North East transport projects and programmes where funding is devolved to the JTC. It is supported by two further documents:
- **Transport Scheme Development Process Note**, Transport North East, October 2019
  - **Proportionality Technical Note**, Systra/JMP, October 2016

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## 2. Governance

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### 2.1 Structure and Operating Principles

- 2.1.1 The North East Joint Transport Committee (JTC) consists of the seven local authorities of Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council and Sunderland City Council. In Tyne and Wear the Passenger Transport Executive, Nexus, oversees public transport provision and owns and operates the Metro.
- 2.1.2 The JTC has responsibility for local transport funding, including funding for transport schemes that is devolved by Government. The JTC has been charged with overseeing the programme management and delivery of transport schemes which are funded by the Local Growth Fund programme and the Transforming Cities Fund (TCF). The JTC will also be required to oversee the programme management and delivery of future devolved funding streams for transport.

### 2.2 Support and Administration Arrangements

- 2.2.1 The Transport North East Strategy Unit (TNESU) is a specialist transport resource that provides support to the JTC, the North East Transport Strategy Board and its advisory groups.
- 2.2.2 The JTC seeks specialist advice from the TNESU on matters associated with the region's transport network and can also draw advice from technical officers within the Committee's constituent local authorities. This arrangement ensures that adequate

officer resources are in place to underpin legal, financial, programme management, democratic services and audit arrangements.

2.2.3 The TNESU, acting on behalf of the JTC, will provide the following support to the devolved transport funding programmes delivered through this assurance framework:

- Day to day administrative functions such as the preparation of meeting papers, minutes, agendas, working papers, progress reports, information reports, decision reports, etc.;
- Responding to information requests;
- Give notice of meetings and publishing information;
- Advise on scheme priorities, programming and gateway approvals, using advice from independent technical advisors on business case material submitted by scheme promoters. These technical advisors will be procured by the TNESU, and financial resources for this purpose will be identified and agreed;
- Liaise with local highways authority and local transport authority officers to report progress on delivering funding programmes, and receive comments;
- Programme management of prioritised lists of transport schemes;
- Update this Assurance Framework based on evolving governance arrangements in the North East, and changes to Government assurance guidance; and
- Advise JTC members on specific governance, transparency and probity issues, updating guidance as necessary.

2.2.4 The Transport Strategy Board will draw on the expertise of the TNESU and its advisors to provide advice to the JTC, enabling the Committee to:

- Forward manage their Agenda;
- Forward manage the development of a programme of prioritised transport schemes for the North East area;
- Receive regular updates on progress towards targets and objectives; and
- Commission work as appropriate.

2.2.5 Figure 1 shows the governance structure in place, demonstrating how the TNESU reports through the Transport Strategy Board to the JTC. The Transport Strategy Board will meet regularly, in advance of meetings of the JTC.

## **2.3 Working Arrangements and Meeting Frequency**

2.3.1 The JTC will consider key aspects of the business case and decision-making process during its regular meetings, discussing progress on delivering the programme, approving compliant full business cases and releasing funding.

2.3.2 Meeting dates will be published on the JTC's website (<https://northeastca.gov.uk/decision-making/the-north-east-joint-transport-committee/#dates-section>). JTC meetings are open to the public.

2.3.3 Timescales for the completion of business cases, as outlined in paragraph 3.2.22, will be agreed by the JTC. Promoters will be expected to adhere to such timescales and will only be able to draw down funding once their full business case has been approved, unless staged funding has been agreed for the provision of project development funding.

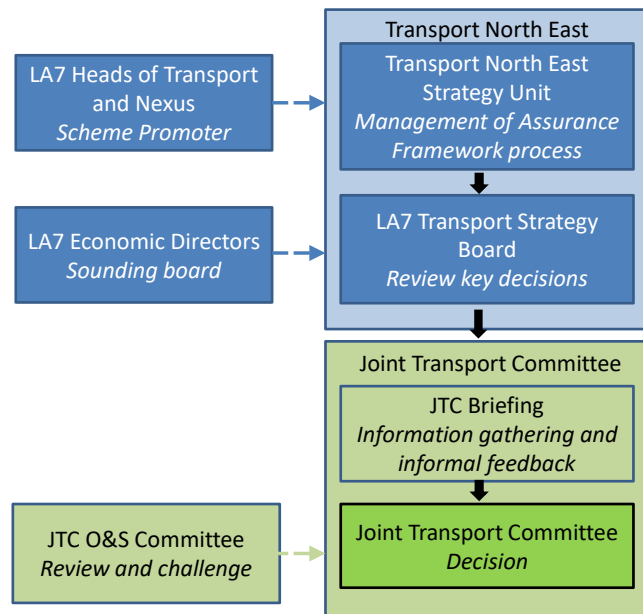


Figure 1: Governance and reporting structure

## 2.4 Operating Principles

2.4.1 The operating principles are detailed in sections 2.4.2 and 2.4.3 and expand on the following topics:

- Conflicts of interest
- Gifts and hospitality
- Status and role of accountable body
- Audit and scrutiny
- Strategic objectives and purpose
- Transparency and local engagement
- Complaints and whistle blowing

2.4.2 The North of Tyne Combined Authority constitution can be found here:

<https://www.northoftyne-ca.gov.uk/order-and-constitution>

2.4.3 The North East Combined Authority constitution can be found here:

<https://northeastca.gov.uk/about-us/neca-order-and-constitution/>

2.4.4 The Local Growth Fund projects in the North East managed under this Assurance Framework form part of the overarching LEP Assurance Framework for funding received from Central Government (other funding streams are not required to follow the LEP Assurance Framework). To view the LEP Assurance Framework visit:

<https://www.nelep.co.uk/wp-content/uploads/2016/11/North-East-LEP-Assurance-Framework-Feb-2017.pdf>

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### 3. Programme Assembly and Assurance

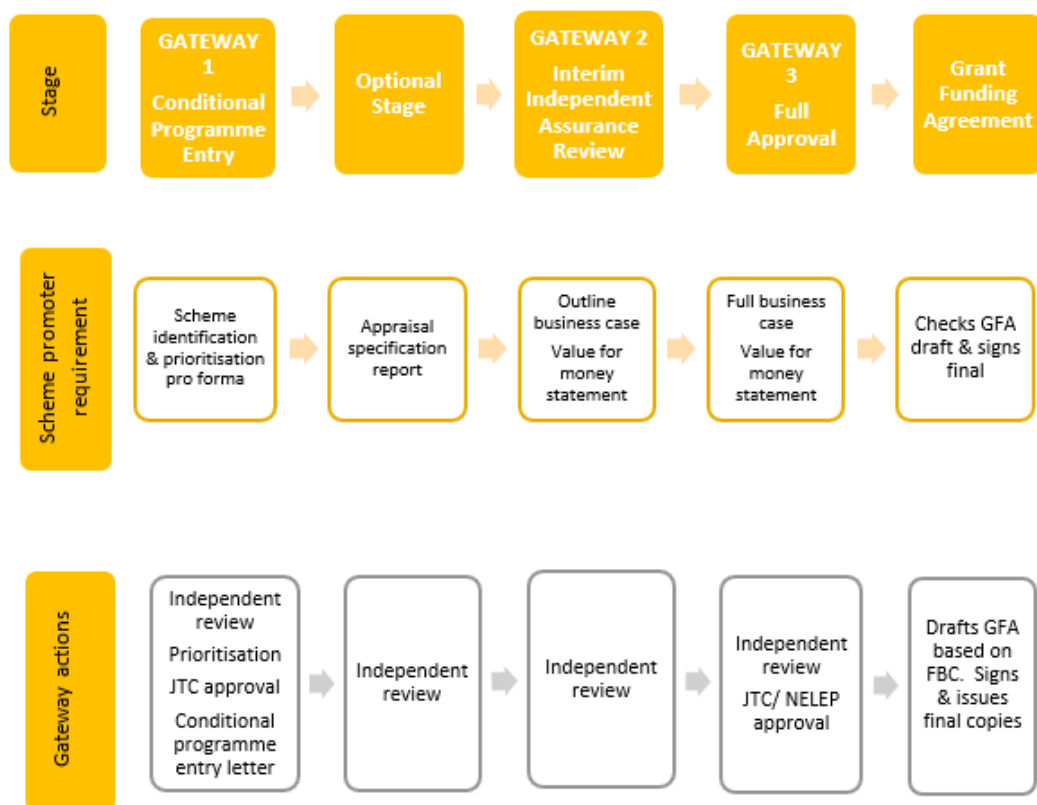
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#### 3.1 Introduction

- 3.1.1 The prioritisation process, through which preferred local transport investments are identified, is an important element of this Assurance Framework. The process is robust and transparent, and intended to support decision making.
- 3.1.2 This process is based on the Region's transport, economic and environmental objectives and priorities, which will be reviewed from time to time to ensure these priorities are fully reflected in the Assurance Framework. The particular objectives and priorities of each funding stream made available by Government will also be taken into account.
- 3.1.3 To enable prioritisation for devolved funding streams, a transparent and robust framework for prioritising local transport schemes has been developed. This framework is clearly linked to delivering the priority outcomes of the North East area and is designed to be simple and evidence based. The criteria upon which priorities will be based are:
- A qualitative assessment of how the project achieves regional and/or programme objectives;
  - Value for money, measured either through an economic appraisal that provides a benefit:cost ratio (BCR), or a qualitative statement of value for money when an economic appraisal has yet to be conducted;
  - Deliverability to timescales/funding window; and
  - Risk profile.
- 3.1.4 The **Transport Scheme Development Process Note**, which accompanies this assurance framework, guides scheme promoters in providing evidence on value for money, deliverability and strategic fit, as well as the form of business case and supporting documents required to progress a scheme to full approval and funding release. This guidance identifies appropriate and acceptable sources of evidence and data, helping to support data quality and the rigour of the process.
- 3.1.5 Promoters should also use the **Proportionality Technical Note** that accompanies this assurance framework to guide the level of analysis required for each scheme. It is recommended that the level of analysis is agreed with the TNESU before the scheme promoter proceeds with preparing its business case.

#### 3.2 Gateway Process

- 3.2.1 The process for the JTC assessment and approval of a transport scheme will comprise of three gateways as set out in Figure 2. Full scheme approval will require a robust business case and Value for Money statement to be developed as part of Gateway 2, with further refinement as part of Gateway 3. To pass each gateway, the scheme promoter requirements and gateway actions listed below it in Figure 2 must be completed satisfactorily.



*Figure 2: Gateway Process*

- 3.2.2 At Gateway 1 scheme promoters are required to complete the scheme identification and prioritisation pro forma issued by the TNESU. The information provided in these pro formas will be used to both prioritise candidate schemes and also to sift out schemes that do not meet the requirements of the particular funding stream. The TNESU will report the findings of Gateway 1 reviews to the Joint Transport Committee, which will judge whether the proposal is suitable for inclusion in the programme. Those prioritised schemes will then proceed through Gateways 2 and 3.
- 3.2.3 Schemes fall into two categories based on their overall capital cost – major schemes are those where the capital sum bid for is over £1.5 million, minor schemes are those where the capital sum bid for is below £1.5 million. Table 1 outlines the criteria that major schemes will need to meet in order to be considered for programme entry. Table 2 sets out the equivalent criteria for minor schemes.

**Table 1: Major Scheme Eligibility Criteria****Purpose of scheme**

Schemes are required to make a significant contribution towards achieving the objectives of the funding stream, the JTC and its constituent authorities. Proposals considered via this Assurance Framework should be transport schemes that can be realistically appraised using a recognised transport appraisal methodology – normally TAG.

**Cost Threshold**

In order to be eligible as a distinct standalone project, schemes must have a total net cost to the JTC of at least £1.5m. This will prevent funding from being spread too thinly to be effective.

**Strategic Impact**

Promoters are required to demonstrate how their scheme will have a positive impact on the transport, economic and social challenges within the North East region. It is desirable that schemes will have an impact on a wide area however this does not preclude localised issues being addressed, given that localised solutions can frequently have wider social, environmental and economic impacts.

**Value for Money**

Scheme promoters will be expected to meet requirements set out in section 4.2 (in outline form only for Gateway 1, in line with paragraphs 4.2.4 and 4.2.5).

**Deliverability**

Proposed schemes need to have a reasonable degree of support and must be deliverable within the relevant investment period. An assessment of deliverability must be undertaken in accordance with broad deliverability areas set out in section 4.3.

**Local Contribution**

Scheme promoters should normally provide a local contribution of at least 10% per scheme, although this may vary according to the funding opportunity available. Different requirements are set out for small schemes as part of mini-programmes (see Table 2 below).

**Table 2: Minor Scheme Eligibility and Special Conditions****Purpose of minor schemes within mini-programmes or sub-blocks**

This Assurance Framework is largely pitched towards the conditions, governance and delivery associated with major transport schemes. However, various opportunities will exist within future JTC funding programmes to identify and deliver mini-programmes of, typically, smaller transport schemes. The assurance conditions and processes outlined here generally apply to individual schemes within these mini-programmes, albeit via exercising proportional approaches (a technical note on proportionality accompanies this Assurance Framework) to appraisal and business case development, but with some special parameters and conditions as follows:

**Cost Threshold**

Smaller schemes within mini-programmes will have a total net cost to the JTC of less than £1.5m. However, only in rare and exceptional circumstances will specific schemes of a total net cost to JTC of between £1m and £1.5m be considered within these mini-programmes. This is so the limited funding resources allocated to these blocks can be used to address a range of local problems or challenges across a reasonable geographical spread.

**Local Contribution**

Scheme promoters should normally provide a local contribution of at least 20% per minor scheme, although this may vary according to the funding opportunity available. This is reflective of the greater opportunity to identify a higher percentage match contribution from local budgets for these types of schemes, and the importance of local leverage to JTC funding bids that have been secured / are being bid-for under competition.

**Relaxation of Gateway 2 (Interim Independent Assurance Review)**

Minor schemes are not required to submit an interim (or outline) business case for independent review. After passing through Gateway 1, a minor scheme can move towards full business case submission (with accompanying VFM statement) and independent review at Gateway 3 (Full Approval). A light-touch interim business case review may be requested by a scheme promoter if felt necessary to help guide full business case development.

3.2.4 Schemes will be assessed to ensure they meet regional policy objectives and the specific objectives set out for the funding stream available. Policy objectives have been developed based upon the key themes agreed by partner organisations in the region and incorporated into policy and strategy documents including the Strategic Economic Plan, the Local Industrial Strategy and the North East Transport Plan. These policy objectives are:

- Economic Growth and Jobs
- Access to Opportunity
- Quality of Life
- Health and Environmental benefits

As strategic documents are refreshed and new documents are developed, these policy objectives will be kept under review.

3.2.5 These themes have been broken down into policy challenges and defined criteria, in order to develop fully the component parts of the key themes and ensure the policy criteria fully reflect the themes that apply in the North East. For each proposal or scheme assessed, each component criterion is independently scored using quantitative and qualitative evidence provided by the scheme promoter, reflecting the range of impacts likely from the transport schemes under consideration.

3.2.6 The overall assurance framework is an open framework, with the intention that decision makers should see exactly how and where each proposed scheme contributes to the delivery of the North East's agreed policy outcomes and its strategic objectives. This is one of the key features of the approach and is designed to ensure transparency both to stakeholders and the JTC. Where a scheme will deliver positively against a number of these key outcomes, it will be clear that it does so, and a scheme will be credited accordingly. There is scope within the process for the JTC to be made aware of where such benefits are complementary.

3.2.7 A Process Note has been produced for scheme promoters to ensure that schemes are identified in the context of strategic objectives and related challenges, whilst also following a consistent and understandable approach to appraising and developing the business case for each scheme, as well as ensuring that fundamental legislative and assurance requirements are met.

3.2.8 All schemes submitted for consideration will be scrutinised independently on behalf of the TNESU, the Transport Strategy Board and the JTC. The verified information will be used to rate projects and place them on the prioritised list. For consistency the scheme assessment is undertaken by a sole independent assessor. The promoter(s) of each scheme or proposal will be required to attend a clarification meeting. Each meeting will allow the independent assessors to verify scheme evidence and data, and to cross examine scheme sponsors to clarify any issues which are unclear within the evidence presented, and to enable the scheme assessors to gain a clear understanding of the scheme and what it is trying to achieve.

3.2.9 Where there is good cause for doing so the JTC will consider the possibility of the release of 'development' or 'interim' funding through a Gateway 1 Grant Funding Agreement. Such circumstances where a Gateway 1 Grant Funding Agreement could be explored relates to schemes that have been given programme entry status, are considered to have a low risk to overall delivery, where there is sound and progressive development of a scheme business case and early deliverables but



where there is still a significant time gap to achieving a full business case and full funding release.

- 3.2.10 For a scheme to complete the transition from concept to fully funded proposal, the following process applies:

#### **Gateway 1: Conditional Programme Entry**

Requirements to be fulfilled by Promoter:

- Promoter prepares Scheme Identification and Prioritisation Pro Forma and submits to TNESU, using guidance provided in the Transport Scheme Development Process Note.
- Promoter should normally produce and submit an Appraisal Specification Report to the TNESU (see 3.2.11)

Gateway actions undertaken:

- Consultation held
- Optional Appraisal Specification Report Review

#### **Gateway 2: Interim Independent Assurance Review**

Requirements to be fulfilled by Promoter:

- Promoter prepares Outline Business Case using template and guidance provided in the Transport Scheme Development Process Note;
- Outline Business Case is submitted to TNESU;
- Value for Money Statement prepared and submitted

Gateway actions undertaken:

- Outline Business Case undergoes independent assessment;
- Value for Money Statement undergoes independent review;
- The TNESU reviews independent advice;
- Advice from independent assessor is considered by Scheme Promoter

#### **Gateway 3: Full Approval**

Requirements to be fulfilled by Promoter:

- Final Business Case submitted to the TNESU using template and guidance provided in the Transport Scheme Development Process Note;
- Value for Money Statement finalised and submitted.

Gateway actions undertaken:

- Final Business Case undergoes independent assessment;
- Value for Money Statement undergoes independent assessment;
- The JTC reviews Independent advice and considers Full approval;
- If approval is granted, the scheme moves to Grant Funding Agreement development and signing.

## **Grant Funding Agreement**

Gateway actions undertaken:

- Grant funding agreement proforma completed by TNESU in consultation with Scheme Promoter;
  - Final Grant funding agreement issued by TNESU;
  - Grant funding agreement signed by TNESU and Scheme Promoter as a Deed.
- 3.2.11 Prior to progression to Gateway 2, Scheme Promoters are strongly encouraged to produce an Appraisal Specification Report (ASR). This will allow the TNESU and the scheme promoter to agree the approach for developing a business case and appraisal, reducing the risk to the scheme promoter of producing a non-compliant business case. It is however permissible for promoters to move directly to outline or full business case submission at their own risk, without agreeing an ASR in advance. Progression directly from Gateway 1 to Gateway 3, however, should be agreed in advance with TNESU.
- 3.2.12 At Gateways 2 to 3 the promoter will be required to provide evidence that the scheme offers value for money, in the form of a Value for Money Statement, and demonstrate that the scheme is deliverable and should remain in the prioritised programme.
- 3.2.13 At Gateway 2 the Value for Money Statement will be reviewed by the independent technical specialist. Should the Value for Money Statement demonstrate a Poor or Low BCR as set out in paragraph 4.2.3, officers will recommend a review of the scheme.
- 3.2.14 At Gateway 3 the JTC will consider a full value for money statement and approve schemes based on the stipulations contained in paragraph 4.2.3. These Gateway 3 Value for Money Statements will be produced by the Scheme Promoter in line with the Department for Transport's guidance found on the DfT website<sup>1</sup> and will be signed off as true and correct by JTC Chief Finance Officer, taking specialist advice as appropriate. In the event of any perceived conflict of interest, the JTC Chief Finance Officer will nominate an alternative senior officer to sign-off a Value for Money Statement. The JTC will publish a Value for Money Statement for schemes that have received full approval at Gateway 3.
- 3.2.15 The JTC will need to approve the promoter's Full Business Case before funding can be released and construction commenced. The production of a Value for Money Statement in Gateways 2 and 3 will identify whether the scheme continues to offer good value for money. If a business case does not provide the required assurance of value for money the JTC may decide to withdraw a scheme from the programme.
- 3.2.16 The scheme promoter is responsible for all costs associated with producing a business case and Value for Money Statement for each scheme. This applies to each scheme that is successful in attracting funding and in circumstances where a scheme is withdrawn by the JTC or the scheme promoter at any point in the process.
- 3.2.17 Assessment and approval decisions made by the JTC will be based on advice provided by the TNESU and by independent technical specialists procured and managed by the TNESU, to ensure that scrutiny of business cases is quality assured.

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<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630704/value-for-money-framework.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630704/value-for-money-framework.pdf)

- 3.2.18 Scheme promoters are responsible for informing the TNESU of any changes to the scope of a scheme, its costs and implementation timescales. Scheme promoters will also be responsible for updating pro formas and business cases in order to reflect any new information. The TNESU will be responsible for assessing the impact of any changes on the overall scheme programme, working with the promoter to address any specific issues.
- 3.2.19 Once a scheme has passed Conditional Programme Entry Gateway 1, the JTC will not normally meet any scheme cost increases either in full or part, other than in exceptional circumstances where additional funding may be available due to reprogramming or savings from other schemes. Addressing cost increases will be the sole responsibility of the scheme promoter. Scheme costs for the purpose of allocating devolved fund monies will be fixed at Gateway 1. Design and development costs for schemes that receive Full Approval will be eligible as a local contribution.
- 3.2.20 Delays to a scheme may mean that it is not possible to allocate funding within the available funding period. In this case, the JTC reserves the right to re-prioritise the programme and bring forward another scheme that is deliverable within the timescales.
- 3.2.21 As part of Full Approval, the JTC will clearly set out the conditions under which the devolved funding will be spent – specifically to meet the grant conditions of the funding stream in question and deliver a capital asset based on an approved scheme design which has a contractor's price and spending profile. These conditions will be set out in the Grant Funding Agreement.
- 3.2.22 As a guide it is assumed the following durations will apply to the gateway review process. The actual durations will be dependent on the size and complexity of the scheme, the quality of materials submitted and the level of engagement and discussions with the TNESU that has happened prior to each submission:

Scheme Promoter: Prepare and submit to TNESU a Scheme Identification and Prioritisation Pro Forma	
TNESU: Receipt of Scheme Identification Pro Forma, JTC to grant Conditional Programme Entry	1 month
Scheme Promoter: Prepare an Outline Business Case and VFM Statement	
TNESU: Receipt of Outline Business Case/VFM Statement, Complete Independent Review, JTC to grant approval	2 months
Scheme Promoter: Prepare a Full Business Case and VFM Statement	
TNESU: Receipt of Full Business Case/VFM Statement Review, Complete Independent Review, JTC to approve to release funding	2 months

### 3.3 Programme Management

- 3.3.1 The TNESU will carry out programme management of agreed transport schemes, on behalf of the JTC, to ensure their delivery by scheme promoters. The identification of schemes, development of scheme proposals and completion of business cases is the responsibility of scheme promoters. This working arrangement will be underpinned by the establishment of formal grant funding agreements that protect the financial

interests of the JTC and enables the JTC to fulfil its responsibility to deliver value for money while setting out respective responsibilities including reporting and audit requirements.

### **3.4 Release of Funding, Cost Control and Approval Conditions**

- 3.4.1 No funding will be allocated to a scheme promoter via the JTC until a business case has received a Stage 1 (development works) or Full Approval and the Grant Funding Agreement has been signed as a deed. The approval will contain:
- General conditions of approval (such as the condition that monies may only be used for capital expenditure);
  - Scheme specific approval conditions (such as those relating to scheme design, matched or third party contributions);
  - The agreed allocation for the scheme;
  - An agreed funding profile to ensure delivery in the funding period; and
  - Provision for 'clawback' and recovery of non-delivery or money not spent for purposes intended.
- 3.4.2 Before any funding is released, the scheme promoter will need to 'accept' the funding (and the conditions for its use) by signing a Grant Funding Agreement issued by TNESU.
- 3.4.3 This agreement will also address the issue of 'clawback'. It will ensure a working arrangement is in place that protects the financial interests of the JTC as the Accountable Body and enables it to fulfil its responsibility to deliver value for money while setting out respective responsibilities including reporting and audit requirements.
- 3.4.4 Funds will normally be released to scheme promoters quarterly in arrears. Release of funds will be based on defrayed expenditure and made upon receipt of grant claim forms and evidence of eligibility of expenditure and delivery progress (which may include invoices, valuations of capital works, etc). Scheme promoters will be required to retain evidence for audit purposes.
- 3.4.5 Finance reports will be provided to the JTC on a quarterly basis (or more frequently if required) in line with payment of claims to scheme promoters. There will be a named finance officer at an appropriate grade who will also act as a point of contact for ad hoc finance-related queries from the JTC or scheme promoters and to attend meetings as required.

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## 4 Further Guidance

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### 4.1 Introduction

- 4.1.1 This section provides further guidance on detailed matters associated with the assembly of a programme of schemes and the assurance of those schemes through the gateway process in readiness for funding.

### 4.2 Value for Money

- 4.2.1 Value for Money is the core of the Economic Case.
- 4.2.2 Independent assessment of value for money (VfM) will be based upon the [estimated] BCR of the scheme and also take into account both qualitative and quantitative evidence of both monetised and non-monetised costs and benefits. A value for money assessment compares the economic, social and environmental impacts of a scheme with the costs of its construction and ongoing maintenance. This assessment of value for money will reflect guidance from the DfT's Transport Business Case Guidance and from TAG<sup>2</sup>. It is expected that scheme sponsors will reference appropriate and proportionate use of the DfT's guidelines in presenting value for money evidence. Scheme promoters should also reference detailed locally-set guidance on proportionate approaches to scheme development set in the Proportionality Technical Note, which accompanies this assurance framework.
- 4.2.3 The independent assessment will establish an initial value for money category from DfT Guidance<sup>3</sup> based upon the [estimated] Benefit Cost Ratio (BCR) of the scheme<sup>4</sup>. These categories are:
- Poor VfM if the BCR is less than 1.0;
  - Low VfM if the BCR is between 1.0 and 1.5;
  - Medium VfM if the BCR is between 1.5 and 2.0;
  - High VfM if the BCR is between 2.0 and 4.0; and
  - Very high VfM if the BCR is greater than 4.0.

Schemes are usually expected to achieve high or very high value for money for inclusion in the programme and awarded funding, but this will be assessed on a case by case basis (see paragraph 4.3.4 for further details).

- 4.2.4 As part of the prioritisation process it will be necessary to provide in the Scheme Identification and Prioritisation Pro Forma an estimate of the Value for Money (VfM) that a scheme is likely to offer. At the first stage in the scheme development process not all schemes will have a fully worked up business case that will include all aspects of the Benefit to Cost Ratio (BCR).

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<sup>2</sup> <https://www.gov.uk/guidance/transport-analysis-guidance-webtag>

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630704/value-for-money-framework.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630704/value-for-money-framework.pdf)

<sup>4</sup> For certain schemes the Present Value of Costs may be a positive number and a negative obtained (typically when revenues are received as a result of private sector operations using the new infrastructure). DfT guidance on how to interpret such appraisal outcomes should be used, as set out in Box 1.1 of "Value for Money: Supplementary Guidance on Categories" - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/627490/value-for-money-supplementary-guidance-on-categories.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627490/value-for-money-supplementary-guidance-on-categories.pdf)

- 4.2.5 For schemes that have not yet been fully assessed, evidence from other previous comparable schemes will be examined and likely sources of benefit for each appraisal criteria identified. This approach is consistent with the DfT's Early Assessment and Sifting Tool (EAST) Guidance. A Value for Money Statement must be provided by scheme promoters for each scheme at both Gateway 2 and Gateway 3. An independent review of VfM will take place at each of these stages and reported to the TNESU. If satisfactory, the VfM Statement will be sent for approval by the JTC Chief Finance Officer.
- 4.2.6 Use of the TAG toolkit is mandatory, although proportionate application of its modules and principles is permissible and must be used to conduct appraisals and value for money assessments.
- 4.2.7 Scheme benefits potentially encompass a wide range of economic impacts including:
- Journey time savings for individuals.
  - Reduction in costs to businesses, transport operators and passengers.
  - Increasing access to education and jobs.
  - Increasing inward economic investment.
  - Keeping roads open to traffic (especially freight).
  - Reducing accidents / improving safety and security.
  - Health benefits.
- 4.2.8 Central case assessments will be based on forecasts that are consistent with the definitive version of NTEM (DfT's planning dataset) included within TAG. The JTC and individual promoters reserve the right to use alternative planning assumptions as sensitivity tests and considering the results of these when coming to a decision about whether to approve a scheme.

### **4.3 Deliverability**

- 4.3.1 Deliverability is a key element of assembling and managing a programme of schemes. Potential schemes will be assessed in relation to the level of risk associated with their deliverability. Assessments of deliverability based around four areas will be used, with each of these areas broken down into several components to ensure that all critical aspects of deliverability are examined:
- Risk to programme;
  - Risk to cost;
  - Risk to quality; and
  - Risk to acceptability.
- 4.3.2 A number of key deliverability criteria have been developed in order to assess the potential for scheme delivery in the appropriate funding period. These are outlined in the Transport Scheme Process Development Note. Schemes which perform well against the deliverability criteria will also have:
- Recently calculated outturn costs that meet the requirements of TAG including acceptable level of risk allowance;
  - A committed local contribution;
  - Established credible and realistic milestones for delivery;
  - An established process for undertaking detailed design;

- Established realistic timescales for obtaining statutory consents, carrying out / illustrating public consultation and acceptance and procuring contractors;
  - A comprehensive risk assessment in accordance with TAG;
  - A detailed governance and project management structure; and
  - An established approach to benefits realisation and monitoring and evaluation.
- 4.3.3 The JTC will require that scheme promoters invite Highways England and Network Rail to comment on any strategic road or rail schemes that are to be considered for funding. This will allow for their views on deliverability and impact on the wider network to be taken into account during the prioritisation process.
- 4.3.4 Apart from in exceptional circumstances, the prioritisation process will only consider schemes with a net requirement from public sector sources of at least £1.5m that have an adjusted BCR greater than 2 (i.e. offering 'high' value for money). The circumstances under which schemes with lower than 'high' value for money would be considered are set out below and are where at least one of the below criteria is met (where such circumstances arise, the criteria selected by the JTC to justify approval will be recorded):
- Where a project has very high level of strategic fit for the objectives of JTC
  - Where a project has significant positive Wider Economic Impacts to the JTC
  - Other significant positive wider impacts which can be quantified and attributed to the JTC area and which are in particular accordance with the objectives of the Committee. These will include health impacts, air quality, social & distributional impacts.
  - Where the investment will unlock significant development sites in the JTC area
  - Where the promoter is providing a very high proportion of scheme funding as match funding
- 4.3.5 Scheme promoters are required to maintain any asset that is created and this should be done in accordance with their Asset Management Plan or, in the case of a Passenger Transport Executive or other potential transport delivery agent, an equivalent document. The ongoing revenue costs of a scheme should be identified and a robust funding plan put in place, presented in the form of an analysis of Whole Life Costs.

#### **4.4 The Transport Business Case**

- 4.4.1 Following completion of Gateway 1 (Conditional Programme Entry), Scheme Promoters are required to prepare a business case for investment and update that business case as the scheme is developed further. Guidance on the preparation of a business case is provided in the Transport Scheme Development Process Note.
- 4.4.2 The Transport Scheme Development Process Note sets out the minimum requirements of the development of a major scheme and assists with the production of outline and full business cases and the development of a Value for Money Statement. The Process Note and accompanying Proportionality Technical Note also guides the development of business cases for minor schemes. Use of the Process Note will ensure that the information and assessment of a scheme is set out according to five cases:
- The strategic case;

- The economic case;
- The commercial case;
- The financial case; and
- The management case.

4.4.3 The monitoring and evaluation section of business cases will demonstrate how the outcomes of the scheme will be measured and outline the programme for measuring and evaluating outcomes. This will assist with scheme evaluation.

## **4.5 External Views on Business Cases**

4.5.1 It is the responsibility of scheme promoters to undertake appropriate and proportionate consultation of affected members of the public and other stakeholders in the refinement of their scheme proposals and development of their business case. A consultation plan should form part of all stages of scheme development and be reflected in project documentation.

4.5.2 In order to ensure external comment is possible, promoters will be required to share their business case with key stakeholders for consultation, before a funding approval decision is made so that external comments can be incorporated. Any comments received should be forwarded to the TNESU for inclusion in the Decision Report to the relevant approval body.

## **4.6 Monitoring and Evaluation**

4.6.1 Scheme promoters will be required to put in place mechanisms to ensure as a minimum that schemes are monitored and evaluated in line with both DfT guidance on the evaluation of local major schemes<sup>5</sup> and any additional guidance provided for specific funding streams. This will be enforced as part of the gateway process, and schemes that do not have a robust monitoring and evaluation strategy as part of their business case will not receive Full Approval at Gateway 3. All monitoring and evaluation strategies will be expected to contain a specific budget, logic map, list of metrics to be monitored and a named officer responsible for monitoring and evaluation.

4.6.2 Scheme promoters will be encouraged to share monitoring and evaluation plans with the TNESU at an early stage, in order to aid with establishing programme-wide baselines and in providing early review.

4.6.3 Monitoring metrics should at least be those set out in DfT guidance on the evaluation of local major schemes standard and enhanced monitoring measures, with appropriate additional metrics where required by specific funding streams. Where core individual metrics are not being used, this must be justified in advance of grant award.

4.6.4 A monitoring and evaluation strategy should at a minimum provide and budget for an evaluation report to be written one and five years after the opening of a scheme. There may be additional requirements in line with funding streams and these should

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<sup>5</sup> Monitoring and Evaluation Framework for Local Authority Major Schemes, 2012



be adhered to. It is expected that these reports would be shared with the funding body.

- 4.6.5 The principle of proportionality will be adhered to. Larger and more complex schemes will be expected to provide more detailed impact assessment of the transport, employment and economic impacts of investment. These may be, but are not limited to, assessments of the type identified under DfT guidance on the evaluation of local major schemes 'Fuller Evaluation'. This may also include provision for control areas, process evaluation and use of non-transport datasets.
- 4.6.6 Evaluation Plans and Reports will be published on the scheme promoter's website. The scheme promoter will be required to ensure an independent review of the monitoring and evaluation of their scheme, and this will be ensured as part of the grant award process.

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