

Report to:	Executive
Relevant Officer:	Steve Matthews, Head of Strategic Housing and Planning
Relevant Cabinet Member:	Councillor John Jones, Cabinet Member for Highways, Transport and Equality and Diversity
Date of Meeting:	15 th December 2014

RAIL NORTH LIMITED- BLACKPOOL COUNCIL MEMBERSHIP

1.0 Purpose of the report:

1.1 This report sets out the proposed governance arrangements for Rail North Limited (RNL) and the Association of Rail North Partner Authorities and seeks the Executive's approval for Blackpool Council to become a member of both bodies. Rail North has been working with the Department for Transport (DfT) to establish a devolved management structure for rail services in the North of England and membership of it will maintain Council influence over decisions relating to those services.

2.0 Recommendation(s):

- 2.1 To note the proposed governance arrangements for Rail North Limited and the Association of Rail North Partner Authorities ("The Association") and to agree that Blackpool Council should become a member of both bodies.
- 2.2 To authorise the Director of Place after consultation with the Cabinet Member for Highways, Transport and Equality and Diversity to make the appropriate arrangements to enable Blackpool Council to be admitted to membership.
- 2.3 To appoint a member of the Executive to the Leaders' Committee of the Association.
- 2.4 To appoint a substitute member to the Leaders' Committee.
- 2.5 To authorise the Chief Executive (after consultation with the cabinet member delegated above) to enter into the Rail North Limited's Members' Agreement on behalf of Blackpool Council.

3.0 Reasons for recommendation(s):

3.1 It is believed that the Rail North proposals are fully compatible with the Local Transport Plan's stated rail and general objectives and can lead to further long-term regenerative investment in rail services and rolling stock to the resort.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

The Council can decide not to join or participate within the Rail North rail franchise management process.

4.0 Council Priority:

4.1 The relevant Council Priorities are:

- Expand and promote our tourism, arts, heritage and cultural offer
- Attract sustainable investment and create quality jobs

5.0 Background Information

5.1 Rail North is the name of an interim organisation that was established with the aim of promoting the devolution of rail franchising from Central Government to the North of England. It is a grouping of all 30 local transport authorities in the North of England.

5.2 Pursuant to a Department of Transport (DFT) consultation on Rail Decentralisation in 2012, Rail North submitted a proposal to the Secretary of State for the devolution of services operated by the Northern and Trans-Pennine Express franchises.

5.3 Rail North's vision is to create a world-class railway for the whole of the North of England. Supporting the economic aspirations of the North of England was the prime objective of Rail North's devolution proposal, with the aim of creating a railway recognised by passengers and businesses as serving their needs and being both more effective and efficient.

5.4 Rail North has three over-arching objectives for rail services in the North of England to:

- Support economic growth by delivering more rail capacity and better rail

connectivity;

- Improve the quality of the railways in the north, with a better offer for passengers to encourage more use; and
- Deliver a more efficient railway and to secure greater value for money for the support from the public purse.

5.5 Previously rail franchises have been specified and managed by the Department for Transport from London, a system that has drawn criticism for lack of sensitivity to local circumstances, particularly the need to promote economic growth in the north. While the Trans Pennine Express franchise has allowed new trains to be provided, the Northern franchise was let on a no-growth basis using obsolete trains. In fact Northern ridership has grown by 40% leading to peak time over-crowding.

5.6 Blackpool depends on rail services to bring in 10% of its visitors, a figure depressed by obsolete trains, peak time over-crowding and lack of direct connectivity with potential tourism markets. These services are economically vital to maintaining the current tourism-based economy and to encouraging economic diversity through inward investment. They are also used for business travel, commuting and other utility trips. Although provided as an adjunct to the West Coast Mainline franchise, the direct London service to start in December 2014 is extremely good news in this respect. Further investment is needed and Rail North Limited provides a potential unified voice for the North of England's economies in pursuing this.

5.7 It is believed that the Rail North proposals are fully compatible with the Local Transport Plan's stated rail and general objectives and can lead to further long-term regenerative investment in rail services and rolling stock to the resort.

5.8 Over a considerable time period, Rail North officers (mainly drawn from northern passenger transport executives) have negotiated with the Department for Transport to establish a proposal for partnership based management of the new Trans-Pennine Express and Northern franchises to come into force from February 2016. This is not full regional franchise management, but might provide the potential for this in the future; the Department for Transport will let and retain final control over these franchises.

5.9 It is now proposed that Rail North becomes a formalised organisation with a membership and governance structure. The 30 northern transport authorities are asked to join the new structure described below. The governance arrangements proposed are intended to:-

- Demonstrate to Government a strong commitment to long term stewardship of rail – with the power and influence to shape the passenger benefits and economic growth – across the north of England for the benefit of all;
- Strengthen decision making arrangements during the development of joint

venture arrangements with the Department for Transport and procurement of the new franchises;

- Enable the Department for Transport to define the role of Rail North Ltd in the procurement documentation (invitation to Tender) due for issue at the end of 2014, ensuring that devolution is 'cemented' in the franchise procurement process.

5.10 The flexible arrangements proposed in the legal structures will enable roles and responsibilities to develop over time as these are agreed between the 30 Authorities and the Department for Transport.

5.11 The governance arrangements as proposed will also:

- Enable all authorities to have a far greater influence over the development and implementation of rail services across the north of England; and
- Enable all authorities to have a far greater influence over other key industry stakeholders, including Network Rail, and the development and implementation of their respective enhancement programmes.

5.12 In the longer-term, the governance structures, including the partnership arrangements with Department for Transport, would ensure the following:

- Better management of the franchises by a team based in the north with local knowledge. Through the partnership, a focus on delivering the shared objectives (eg, economic growth) and the Long Term Rail Strategy. Easier and simpler route to delivering schemes/projects that involve the train operator or changes to train services and growth in patronage and revenue;
- Rail North would have access to 'reward' share, eg, additional revenue generated as a result of general growth translated to profit share. This would be used for investment in enhanced services/ rolling stock/infrastructure; and
- The north having complete control of services and investment in the Northern and Trans-Pennine franchises, delivering the economic benefits as set out in the original devolution proposition.

5.13 Department for Transport /Rail North Partnership

Following preparation and negotiation, in November 2013, the Secretary of State stated that although he supported the principle of devolution, he wished to see a lower risk, more evolutionary approach with the establishment of a partnership structure between Department for Transport and Rail North.

5.14 It was agreed that this approach would be based on Rail North proposals, which include a draft Long Term Rail Strategy for the north of England, the devolution

proposition and business case submitted to the Secretary of State and the structure for decision-making in the North set out in that devolution proposition.

- 5.15 These principles were agreed at a meeting between the Secretary of State and Leaders on 24th January 2014.
- 5.16 The shared objectives that underpin the partnership were also agreed in January 2014 and include:
- Growing the railway to maximise the benefits of infrastructure investment and linking this to railway efficiencies;
 - Having a platform for determining investment priorities within the partnership;
 - Risk and reward sharing between members of the partnership, including the potential for revenue or profit-sharing mechanisms that could allow reinvestment into rail services; and,
 - A partnership structure that allows the balance of risk to change over time.
- 5.17 The development of the Department for Transport /Rail North partnership has been split into two distinct phases:
- Partnership working between Department for Transport and Rail North in advance of the 2016 franchise award during the design and procurement processes. During this period, Rail North and Department for Transport will work jointly and collaboratively, although the Secretary of State is ultimately responsible for final decisions and letting the contracts; and
 - The development and creation of a formal integrated partnership structure, with substantial decision making authority, between Rail North and Department for Transport, which it is intended, should take on responsibilities for franchise management at the point at which the new franchises start.
- 5.18 As part of the January 2014 agreement with the Secretary of State, Rail North Leaders agreed to develop and formalise their decision making structures and in particular establish structures comprising a formal Leaders' Committee and a special purpose vehicle (probably a company limited by guarantee) called Rail North Ltd. These bodies would be the focus for overseeing local authority input into the design of the franchises, including the specification and commercial arrangements.
- 5.19 It was further agreed that Department for Transport and Rail North would jointly develop proposals for a single integrated partnership structure with substantial decision-making authority to manage the franchises.

5.20 Governance Proposition and Arrangements

Pursuant to the January 2014 agreement, governance structures have been developed for two bodies:

- An association of Local Transport Authorities (LTAs) to be known as the Association of Rail North Partner Authorities (“the Association”) to be governed by a Leaders’ Committee consisting of one member from each of the 30 LTAs in the North.
- Rail North Limited (RNL), a company limited by guarantee, whose membership is open to all members of the association and whose directors will be appointed by geographic sub-groups determined by the Association.

5.21 A detailed description of the governance arrangements is provided in the Appendix. The proposed arrangements were endorsed by the Leaders’ Forum at the end of April 2014.

5.22 Blackpool Council is being asked to enter into these arrangements and agree to become a member of both the Association and Rail North Limited. Subject to such agreement, Blackpool Council is also asked to appoint an elected member to the Leaders’ Committee of the Association. Blackpool Council may also appoint a substitute member of the Leaders’ Committee.

5.23 From the Rail North Limited perspective, at this point in time it is desirable to ensure that all 30 Local Transport Authorities are involved in the governance arrangements as they evolve, thus demonstrating consensus support to Department for Transport. The arrangements will need to be flexible as circumstances change and the precise nature of the partnership with Department for Transport is agreed. At the commencement of these arrangements there will be minimal direct risk and cost (£540 per annum) associated with membership and any changes to that position would need to be agreed in accordance with the governance rules. However, as Rail North’s activities expand, possibly to fully devolved franchise management, costs may rise, the extent of which cannot be predicted on the basis of information currently available.

5.24 It should also be noted that it is unlikely that all northern areas will receive improved rail services immediately under the partnership franchise proposed, thus it is possible that councils will be asked to effectively approve reductions in their own services. However, Rail North officers are already claiming that they have negotiated away the prospect of a further ‘no-growth’ franchise based on reducing subsidy, effectively raising fares and cutting services, in favour of a potentially a ‘transformational’ franchise benefiting from infrastructure and rolling stock investment, where the risk of service reduction would be minimised. Decisions will be taken to vote if necessary,

although a preference for consensus has been expressed. Previously Department for Transport has indicated that it would like to cut subsidy to the two franchises if possible, particularly Northern. If a 'transformational' franchise is achieved, service reductions would be far less likely and any fare increases tied to very significant investment.

5.24 Department for Transport /Rail North Partnership

Rail North officers and Department for Transport officials have been engaged in detailed discussions in relation to the governance arrangements for the Department for Transport /Rail North Limited partnership. It is intended that the partnership arrangements should cover two distinct roles:-

- Management of the 2016 Northern and Trans Pennine franchises with day to day management delegated to a joint executive team
- Wider decision-making in relation to implementation of the principles and objectives of the partnership, particularly in respect of strategic planning and investment.

Does the information submitted include any exempt information?

No

6.0 Legal considerations:

6.1 The Council will be required to enter into a legal agreement with Rail North Limited and will be party to the special purpose vehicle limited company.

7.0 Human Resources considerations:

7.1 The Transport Policy Team will provide support to members in participating in the process, which is compatible with the Council's rail objectives stated in the local transport plan. No further human resources will be required at this time.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 As outlined an annual subscription currently estimated at £540 would be required.

10.0 Risk management considerations:

10.1 Failure to participate in Rail North risks the Council being side-lined in long-term rail policy making and franchise management and being economically damaged as a result.

10.2 There is a risk that the Council's required financial contribution will become unsustainable as Rail North's activities increase.

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 All thirty northern councils have been consulted throughout the Rail North development process. Blackpool Council has formed part of a North West (North) group, which Lancashire County Council has coordinated.

12.2 The Cabinet Member for Highways, Transport and Equality and Diversity has been briefed throughout this process and has attended leaders' and other meetings.

12.3 Blackpool and the Fylde Rail Users' Association has been kept informed of the Council's position on this matter and the process being followed.

13.0 Background papers:

Minutes of the meetings attended throughout this process

Long Term Rail Strategy for the North.

14.0 Key decision information:

14.1 Is this a key decision? No

14.2 If so, Forward Plan reference number:

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process?

No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: N/A

Date approved: N/A

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 **Date of Decision:**

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1