

Executive

17 March 2016

Report to the Director of City and Environmental Services

Portfolio of the Executive Member for Transport and Planning

Rail North Ltd – Governance Arrangements

Purpose of Report

1. This report sets out the proposed governance arrangements for Rail North Ltd and the Association of Rail North Partner Authorities and seeks the Executive's approval to confirm membership of both bodies.

Recommendations

2. The Executive is asked to note the proposed governance arrangements for Rail North Ltd (RNL) and the Association of Rail North Partner Authorities ("The Association") and to agree that City of York Council (CYC) should confirm membership of both bodies.

Reason: To enable the authority to have influence over the key industry stakeholders and the development and implementation of rail services across the North of England.

Background

3. Rail North is the name of an interim organisation that was established with the aim of promoting the devolution of rail franchising from Whitehall to the North of England. It is the grouping of all 30 Local Transport Authorities (LTA) in the North of England.
4. 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 TransPennine Express franchises.

5. 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.
6. Rail North has over-arching objectives for rail services in the North of England:
 - to support economic growth by delivering more rail capacity and better rail connectivity;
 - to improve the quality of the railways in the North, with a better offer for passengers to encourage more use; and
 - to deliver a more efficient railway and to secure greater value for money for the support from the public purse.

Rail North Benefits

7. Authorities are establishing the proposed Rail North governance arrangements now 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 the decision making arrangements during the development of the Joint Venue arrangements with DfT and procurement of the new Franchise;
 - enable DfT to define the role of Rail North Ltd in the procurement in respect of the formal franchise procurement process.
8. The flexible arrangements proposed in the legal structure will enable the roles and responsibilities to develop over time as these are agreed between the 30 Authorities and DfT.
9. 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.
10. In the longer term, the governance structures, including the Partnership arrangements with DfT, 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;
 - RNL would access to “rewind” 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 TransPennine franchises, delivering the economic benefits as set out in the original devolution proposition.

DfT/Rail North Partnership

11. In November 2013, the Secretary of State responded 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 DfT and Rail North.
12. It was agreed that this approach would be based on Rail North proposals, which include the 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 decision-making in the North set out in that devolution proposition.
13. These principles were agreed at a meeting between the Secretary of State and Leaders on 24 January 2014.

14. 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 mechanism that could allow reinvestment into rail services; and
 - a partnership structure that allows the balance of risk to change over time.

15. The development of the DfT/Rail North partnership was split into two distinct phases:
 - Partnership working between DfT and Rail North in advance of the letting of the 2016 franchises during the design and procurement processes. During this period, Rail North and DfT worked jointly and collaboratively, although the Secretary of State was 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 DfT, which it is intended, should take on responsibilities for franchise management at the point at which the new franchise contracts come into force.

16. 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 authorities input into the design of the franchises, including the specification and commercial arrangements.

17. It was further agreed the DfT and Rail North would jointly develop proposals for a single integrated partnership structure with substantial decision-making authority to manage the franchises.

Governance Propositions and Arrangements

18. Pursuant to the January 2014 agreement, governance structures have been developed for two bodies:
 - As association of Local Transport Authorities (LTAs) to be known as the Association of Rail North Partner Authorities (“the Association”) to be governed by a Leader’s 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.
19. A detailed description of the proposed governance arrangements is provided in Annex 1 – Members will note that the configuration of sub groups in the Annex will be subject to change dependent on devolution outcomes.
20. City of York Council (CYC) is being asked to enter into these finalised arrangements and agree to become a member of both Association and RNL. Subject to such agreement it is proposed that Staffing Matters and Urgency Committee be asked to agree to appoint a member to the association to represent CYC.
21. At this point in time it is desirable to ensure that all 30 LTAs are involved in the governance arrangements as they evolve. The arrangements will need to be flexible as circumstances change and the precise nature of the partnership with DfT is agreed. At the commencement of these arrangements there will be minimal direct risk and cost associated with membership and any changes to that position would need to be agreed in accordance with the governance rules.

Consultation

22. Discussions have taken place with the relevant officers and other authorities.

Options

23. The options available are:- Option 1 To join the collaborative transport structures of which Rail for the North is a key part. Rail for the North and the sister organisation Transport for the North are

rapidly starting to progress the priorities for strategic transport investment in the North of England and City of York Council as a City with a key part of the Rail infrastructure within its boundaries has the potential to play a significant role.

24. Option 2:- Officers are unaware of any of the other 29 LTA that have not chosen to become a member of both bodies; however the Authority could choose not to join.

This option would however be detrimental to the interests of the Authority and York would exclude itself from the rapidly developing Rail and Transport Agendas, which are currently considering the options around billions of pounds of investment in the North of England to deliver the governments' aspirations of a Northern Economic Powerhouse.

Council Plan

25. The potential benefits for the priorities in the Council Plan are:-

- A Prosperous City for All.

Implications

26. **Financial** – Annual Membership for Rail for the North will be £2000 and can be met from existing budgets.

Human Resources – no implications.

Equalities – no implications.

Legal – no implications.

Crime and Disorder – no implications.

Information Technology – no implications.

Land – no implications.

Risk Management

27. There is an acceptable level of risk associated with the recommended option.

Contact Details

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Specialist Implications Officer(s)

There are no specialist implications.

Wards Affected:

All

For further information please contact the author of the report.

Annexes

Annex A: Rail North Members' Agreement