

AGENDA ITEM 9

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

27TH JULY 2017

**REPORT OF THE
HEAD OF TRANSPORT**

PORTFOLIO: TRANSPORT

**TRANSPORT FOR THE NORTH – INCORPORATION AS A SUB-NATIONAL
TRANSPORT BODY**

SUMMARY

The Tees Valley Combined Authority (TVCA) is one of 19 Local and Combined Authorities across 11 Local Enterprise Partnership areas that is currently represented on Transport for the North's (TfN) Partnership Board. The Board also has representation from the Department for Transport, Network Rail, Highways England and HS2 Ltd.

The TVCA has worked closely with TfN to inform its emerging evidence base, and its recently published Strategic Transport Plan Position Statement, Initial Integrated Rail Report and Initial Major Roads Report. TVCA's strategic transport priorities are embedded in the strategy documents recently published by TfN. There is now a legislative window of opportunity to put this collaborative working via TfN on to a statutory footing and for TfN to become the first Sub-National Transport Body, working in partnership with the Secretary of State for Transport to determine transport priorities for the north.

The purpose of this report is for the Combined Authority Cabinet to consent to the making of regulations by the Secretary of State to establish Transport for the North as a Sub-National Transport Body under section 102E of the Local Transport Act 2008. The consent of each Constituent Authority of TfN is required to the making of Regulations by the Secretary of State.

The Cabinet are also asked to approve in principle the transfer of Rail North Limited to TfN following its inauguration and the signing of a new Rail Franchise Management Agreement with TfN replicating as far as possible the arrangements previously entered into in respect of Rail North Limited.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet consent to:

- i. the making by the Secretary of State of Regulations under section 102E of the Local Transport Act 2008 to establish Transport for the North as a Sub-National Transport Body
- ii. The transfer of Rail North Limited to TfN so that it can be subsumed within TfN
- iii. The signing of a new Rail Franchise Management Agreement with TfN replicating as far as possible the current Rail North Limited Members Agreement

DETAIL

1. In 2014 Local Transport Authorities and Local Enterprise Partnerships across the North of England came together in partnership with the Department for Transport and the National Transport Agencies to form Transport for the North (TfN). Together we have developed an ambitious pan-northern transport strategy to drive economic growth in the North.
2. In June of this year TfN launched a transport plan position statement and supporting road and rail documents. The Tees Valley Combined Authority (TVCA) has played an important role in helping to inform TfN's emerging transport strategy and we have embedded our strategic transport priorities within the work Transport for the North has published.
3. As part of TfN's new Initial Integrated Rail Report major improvements at Darlington and Middlesbrough stations are identified as connectivity interventions in addition to upgrades to the East Coast Mainline. The Initial Major Roads Report developed by TfN acknowledges the need for a new crossing of the Tees and improvements to the A66 between the A1 and Teesport. Complementary work on freight and logistics and international connectivity has been informed by the transport priorities of the TVCA.
4. As next steps, TfN has identified a number of strategic development corridors where they intend to bring forward further work. These include a Yorkshire to Scotland road corridor, an East Coast to Scotland rail corridor and a multi-modal corridor that connects the energy coasts of Cumbria and the north east of England. TVCA will continue to participate in bringing forward work on these corridors to inform the Strategic Transport Plan TfN intend to publish in the autumn.
5. In October 2016 with the agreement of all the Constituent Authorities TfN submitted a proposal to the Secretary of State for Transport that TfN should be established as the first Sub-national Transport Body (STB) under the provisions of section 102E of the Local Transport Act 2008 as amended by the Cities and Local Government Devolution Act 2016.
6. This proposal provides a valuable opportunity to work in statutory partnership with the Secretary of State for Transport to set the investment priorities of Network Rail and Highways England in the north and to ensure the transport needs of the Tees Valley are included in these priorities.

The Submission Proposal

7. The Proposal submitted by the Constituent Authorities included the following key provisions:

- All Constituent Authorities will be entitled to appoint a representative to TfN, such representative to normally be the Elected Mayor, Leader or Member with delegated responsibility for transport;
- Decisions will be expected to be unanimous but where voting is required votes will be weighted in accordance with the populations of the Constituent Authorities;
- Decisions in relation to the Budget, the adoption of a Transport Strategy and the Constitution will require a Super Majority of 75%;
- Funding will be provided by the Secretary of State and no decision to require financial contributions from Constituent Authorities can be made without the agreement of each Authority;
- There will be appropriate mechanisms for Scrutiny of TfN's decisions;
- Rail North Limited will be wholly owned by TfN;
- A wider Partnership Board including representatives of government bodies and the LEPs will be set up to inform TfN's decision making.

The Secretary of State's Response

8. The Secretary of State has now formally responded to the Proposal and has indicated that he is minded to make Regulations creating TfN as the first Sub-national Transport Body with the following functions:
- The preparation of a Northern Transport Strategy;
 - The provision of advice on the North's priorities, as a Statutory Partner in the Department's investment processes;
 - The coordination of regional transport activities, (such as smart ticketing), and the co-management of the TransPennine Express and Northern rail franchises through the acquisition of Rail North Ltd.

Powers and Functions

9. The powers and functions which will be given to TfN are as follows.
- To prepare a Transport Strategy for the Combined Area in accordance with section 102 of the Local Transport Act 2008;
 - To provide advice to the Secretary of State about the exercise of the transport functions in the Combined Area;
 - To be a Statutory Partner with the Secretary of State in both road and rail investment processes and to be responsible for setting the objectives and priorities for strategic road and rail investments in the Combined Area;
 - To be consulted in relation to rail franchise agreements for services to and from or within its area;
 - To co-manage with the Secretary of State the TransPennine Express and Northern Rail Franchises;
 - To co-ordinate the carrying out of specified transport functions that are exercisable by its different Constituent Authorities with a view to improving the effectiveness and efficiency of the carrying out of those functions;
 - To promote and co-ordinate road transport schemes;
 - To make proposals to the Secretary of State for the transfer of transport functions to TfN;
 - To make other proposals to the Secretary of State about the role and functions of TfN;

- To undertake Smart Ticketing within the Combined Area;
 - To promote and oppose local or personal bills in Parliament;
 - To pay Capital Grants to support the funding and delivery of joint projects;
 - To exercise powers to acquire land and to construct highways
10. In carrying out these functions, TfN will be a statutory partner of the Department for Transport, devolving responsibilities from the Secretary of State and speaking to the Department for Transport with a single voice for the North. It is not intended that TfN should take responsibilities away from the Constituent Authorities, instead TfN will exercise a coordinating role in relation to specified transport functions and continue to work in partnership with members. It is not the intention that TfN becomes a Highway Authority.

The Rail North Committee

11. TfN will establish a Rail North Committee which will advise on TfN's Statutory Partner role in relation to rail investment and will have oversight of the management of the TransPennine Express and Northern Rail Franchises. This will replace the Association of Rail North Authorities and will include representatives of the six non-TfN Rail North Authorities as co-opted Members. Voting in the Rail North Committee will be on the basis of weighted votes which replicate the voting provisions of Rail North Limited.

Role of the Partnership Board

12. TfN has evolved over the years from the inception of Transport for the North as a partnership representing all those with an interest in the improvement of transport in the North of England to the creation of TfN as the first Sub-National Transport Body. Although TfN as a corporate body will consist of the representatives of the 19 Constituent Authorities there is an aspiration that it will continue to operate through the Partnership Board taking decisions in partnership with the representatives of the 11 LEPs as representatives of the business community and with representatives of the Department for Transport and other Government Agencies and will continue to have an independent chair.
13. A Draft Constitution reflects the legal requirements for decision making within TfN as a corporate body but it will be open to TfN to operate these constitutional arrangements in a way that is consistent with continuing the present arrangements of the Partnership Board if Members so agree.

Rail North Limited

14. One of the drivers for the creation of TfN as a Sub-National Transport Body was to create a body which could speak with one voice on all transport matters affecting the North of England. To achieve that, it is proposed that TfN should take over ownership of Rail North Limited and subsume all of its functions directly into TfN.
15. Rail North Limited would be replaced by a Committee of TfN on which the former Rail North Member Authorities would be represented and have the same voting rights as under the Memorandum and Articles of the Company. Before this can be achieved all the current members of Rail North Limited will need to formally agree to the proposals for the transfer of Rail North Limited to TfN

16. The current Members Agreement with Rail North Limited will be replaced by a Rail Franchise Management Agreement between TfN and the current Members of Rail North Limited which will replicate as far as possible the provisions of the Members Agreement.

The Rail Partnership Board

17. A Rail Partnership Board will be set up which will replicate the existing Rail North Board and will include Members of TfN along with representatives of the Department for Transport. This Board will make recommendations in relation to strategic priorities for rail investment and in relation to existing and future rail franchises.

The Highways North Board

18. TfN will participate in a Highways North Board which will consist of the Members of TfN along with representatives of the Department for Transport and Highways England. The role of the Board will be to make recommendations in respect of the future Road Investment Strategy and competitive major roads funding programmes.

FINANCIAL IMPLICATIONS

19. The Combined Authority currently make a small payment for membership of Rail North, this will continue under the proposed arrangement. Operational funding for TfN will be provided by the Secretary of State and no decision to require financial contributions from Constituent Authorities can be made without the agreement of each Authority.

LEGAL IMPLICATIONS

20. Consent by the Combined Authority to the making of regulations by the Secretary of State to establish Transport for the North as a Sub-National Transport Body under section 102E of the Local Transport Act 2008 will lead to formal membership of a Sub-National Transport Body.

RISK ASSESSMENT

21. Agreement to membership of the Sub-National Transport Body is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

22. Consultation on the move towards Sub-National Transport Body status has been undertaken by TfN on behalf of its constituent partners.

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