

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**12 NOVEMBER 2015**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

**Leader of the Council – Cllr Bob Cook**

#### **Rail Devolution & Rail North: Influencing the future of Northern and TransPennine Rail Services - Update**

1. Summary

This report updates Cabinet on progress made in improving vital local rail services. Through membership of Rail North, Stockton Borough Council has helped to secure significant investment in the next Northern Rail franchise, including a requirement for the creation of a specific North East management unit. It is now proposed that Stockton Borough Council, alongside its regional neighbours in the Tees Valley and North East Combined Authority, collaborate formally to create a local franchise management body. This body, the 'North East Rail Management Unit', would be nested within the wider Rail North/DfT Partnership structure. Through this vehicle, the region can lay the groundwork for continued local rail improvements and alignment with wider local transport policy.

2. Recommendations

Cabinet is asked:

1. To note the proposed arrangements for a North East Rail Management Unit ("NERMU"), to be nested within the wider Partnership arrangements between Rail North and the Department for Transport.
2. To authorise appropriate arrangements to enable Stockton Borough Council to enter into the Collaboration Agreement, appended to this report, which defines the NERMU governance and operational structure.
3. To appoint Councillor Bill Dixon from Darlington Borough Council to represent the Tees Valley Authorities on the NERMU Board.

3. Reasons for the Recommendations/Decision(s)

Rail North presents an opportunity to influence the provision of rail services and associated infrastructure in the future. This update gives details of the current position with respect of the mobilisation of the organisation and arrangements for the Management Unit.

#### 4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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**RECOMMENDATIONS**

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**DETAIL**

1. Northern Rail provide local rail services across the North of England under a franchise agreement with the Department for Transport (DfT). Northern Rail's services in the North East are geographically distinct from the remainder of the franchise. Operating from Heaton depot in Newcastle, services cover the entire NECA and Tees Valley geographies with some overlap into Cumbria via the Tyne Valley line, and North Yorkshire via the Esk Valley line. These services provide vital intra-regional connectivity, serving the major towns and cities within the region.

2. Despite their important role providing access to employment, education, healthcare and leisure facilities throughout the area and the wider North East region, these services are currently characterised by poor quality rolling stock, low frequencies, inconsistent station facilities and poor journey times. Satisfaction with the service amongst passengers reflects the current standard of service, remaining below the national average according to Transport Focus' most recent National Rail Passenger Survey.
3. With the current franchise due to expire at the end of March 2016, Local Transport Authorities (hereafter LTAs) have taken a positive role in shaping the future of local rail services across Northern England. Through the Rail North consortium, vital investment has been secured which will deliver a transformational improvement in services during the next franchise period.
4. However, this investment only represents the starting point if services in the North East are to be truly reinvigorated. Greater local influence over the delivery and strategic direction of the franchise will be required if services are to better reflect local economic and social needs.

## **Rail North**

5. The issues faced by local rail services in the North East, described above, are symptomatic of a general lack of rail investment across the North of England. The current Northern Rail franchise was let based upon an inaccurate assumption that there would be no growth in patronage over the course of the franchise term, an assumption which has led to stagnation of services and quality, as well as overcrowding in many areas.
6. In response to a 2012 DfT consultation on rail decentralisation, LTAs across the North of England formed the Rail North organisation, and submitted a proposal to the Secretary of State for the full devolution of services operated by the Northern and TransPennine Express franchises commencing from their renewal in 2016.
7. The proposal reflected Rail North's overarching objectives for rail services in the North of England which seek to address the issues currently faced:
  - delivering more rail capacity and greater rail connectivity,
  - improving the quality of railways with a better offer to passengers to encourage more growth, and;
  - to deliver a more efficient railway to secure greater value for money from the support from the public purse.
8. To underpin the proposition, Rail North commissioned, for the first time, the development of a Long Term Rail Strategy for the North of England. Whilst devolution primarily focuses on the Northern and TransPennine passenger rail franchises, the long term strategy covers all operators as well as freight services.
9. The strategy was approved by Rail North's Leaders Committee, on which Stockton Borough Council is represented by Councillor Bill Dixon of Darlington Borough Council for all Tees Valley Authorities, in 2014 and a copy can be found at [www.railnorth.org/strategy](http://www.railnorth.org/strategy). The strategy places economic growth at its heart and has the following priorities for enhancing rail across the north:
  - Connectivity

- Capacity
  - Coherence
  - Cost effectiveness
10. In his November 2013 response to Rail North's proposition, 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 DfT and Rail North.
  11. Rail North Leaders endorsed this approach in January 2014, along with the following set of shared objectives that underpin the partnership:
    - 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
  12. Since that time, Rail North has worked jointly and collaboratively with DfT during the design and procurement phase of the new franchises, and has entered into a formal Partnership Agreement to underpin a joint approach to franchise management. This Agreement will see the new franchises managed from the North of England for the first time once they commence in April 2016, with Rail North-appointed officers populating the executive structure.
  13. In parallel, Rail North has taken steps to evolve from an informal grouping of LTAs to a formalised organisation with a robust governance structure. A local government association, the 'Association of Rail North Partner Authorities', and a company limited by guarantee, 'Rail North Limited', have both been established. In October 2014, Cabinet authorised CMT to make arrangements to permit Stockton Borough Council's membership of both organisations, and nominated the Leader of the Council, Councillor Bob Cook to represent Stockton Borough Council on the Leadership Association and Councillor Bill Dixon of Darlington Borough Council, representing all five Tees valley Authorities on the Board of Rail North Ltd.

### **Northern Rail Franchise ITT**

14. The Invitation to Tender (ITT) for the next Northern franchise was published by the DfT in February 2015. Throughout the design phase, Rail North officers, working jointly and collaboratively with DfT, made the case for significant improvements in line with the Long Term Rail Strategy.
15. The published ITT reflected these efforts, with a number of improvements being secured within the minimum specification. Included in these improvements are the removal of the much-maligned and outdated 'Pacer' vehicles, the procurement of at least 120 new vehicles, more services to operate on certain routes, and the successful bidder will have to invest significant sums in station facilities and wifi provision.
16. Regionally, these improvements were complimented by a requirement for bidders to provide for a North East management unit within their structure, focused solely on routes

within this region. As well as creating this unit, the next franchisee will be required to work alongside local authorities to improve passenger information, marketing & branding and service development.

17. The deadline for bid submissions passed on 24<sup>th</sup> June, and Stockton Borough Council and other Tees Valley officers engaged in constructive dialogue with prospective bidders prior to the deadline, advocating further investment in the North East beyond the minimum requirements. A successful bidder is expected to be announced later in 2015.
18. These requirements will deliver a long-overdue improvement in local rail services in the North East. However, it is important that the service continues to improve and develop over the coming years to underpin economic development and social cohesion across the region, and to provide a viable alternative to road-based transportation.

### **Rail North/DfT Partnership Agreement & Franchise Management Structure**

19. As well as working jointly with DfT during the franchise design phase, Rail North has developed a structure which will deliver a joint approach to franchise management.
20. Currently, the Northern Rail franchise is managed from the DfT's offices in Westminster. The five North of England PTEs, including Nexus in the North East, are co-signatories to the Franchise Agreement and undertake some limited franchise management duties within their respective areas. PTEs currently receive funding in the form of a Rail Administration Grant to cover the cost of these activities.
21. In March 2015, the Rail North Ltd Board agreed that the company should enter into a formal Partnership Agreement with DfT (hereafter the 'Partnership'), which defines this joint approach to franchise management. Under the Agreement, the next franchises will be managed from the North of England for the first time. It has since been agreed that the Partnership's officers will be based in Leeds.
22. The Partnership will have a joint executive structure, comprising a Strategic Board with an Independent Chair, and a Management Team consisting of the contract and commercial managers responsible for the day-to-day management of the franchises. An organisational chart is attached as **Appendix A**. The senior officers nominated to sit on the Strategic Board are accountable to the Board of Rail North Ltd and the Leaders Committee of the Association.
23. These arrangements will ensure that local rail service providers are far more accountable to the communities and economy they serve. They will also provide the North of England with a combined voice when inputting into wider industry processes, such as those determining the scope and scale of future investment.
24. However, the North East must not lose its ability to speak as a region with a unique set of requirements, which often differ substantially from those of major city regions dominated by urban commuter travel. The Management Team of the Partnership will be required to cover a large geography, and will naturally not be able to focus solely on the needs of any one particular region.

## North East Rail Management Unit

25. The new North East management unit, to be created within the next Northern franchise in accordance provides an opportunity to create a complimentary regional franchise management body within the wider Rail North structure. This body – the North East Rail Management Unit ('NERMU'), would comprise the NECA, along with the five Tees Valley LTAs, North Yorkshire and Cumbria County Councils – the entire geography of the North East's Northern Rail services.
26. To define this unit, a Collaboration Agreement has been drafted which would legally underpin the arrangement. This draft Agreement between the LTAs is attached to this report as **Appendix B**.
27. It is proposed that the NERMU would have two principal objectives:
  - To deliver local influence over the delivery of rail services in North East England.
  - To develop rail services to facilitate and stimulate economic growth and support the social cohesion of the North East, delivering high quality, integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.
28. The NERMU would progress these objectives through an annual Business Plan, supported by a Budget. A fundamental requirement of each Business Plan will be securing the delegation and retention of franchise management duties from the Partnership Management Team. Once the NERMU has been established, an early task will be to submit a proposal to the Partnership Strategic Board to secure these powers. Such a proposal would require the support of the Rail North Ltd Board.
29. A new NERMU Board would be created to oversee the delivery of the Business Plan. It is proposed that the NECA, Tees Valley, North Yorkshire and Cumbria are all represented on the NERMU Board, with appropriate voting share arrangements.
30. It is proposed that Councillor Bill Dixon of Darlington Borough Council representing the Tees Valley Authorities is nominated as the LTA representative on the NERMU Board. Such a nomination would provide a useful link between the local NERMU arrangements and the wider Rail North organisation. This appointment would facilitate strong support for a delegation proposal on the Rail North Ltd Board.
31. Beneath the NERMU Board, a Steering Group of officers drawn from across the North East geography will provide regular progress updates to the Board and provide local advice to inform the execution of the Business Plan. It is proposed that the Steering Group is drawn from the existing Rail Officers Working Group arrangements. The organisational structure illustrated in **Appendix A** has been amended to include this new North East regional structure, and is attached to this report separately as **Appendix C**.
32. It is proposed that Nexus utilises its Rail Administration Grant on behalf of the NECA, to fund the resource required to deliver the Business Plan. It is assumed that one full time officer will be required, although this assumption will be tested prior to the establishment of the NERMU. Any officers appointed would become employees of Nexus but with responsibility to act on behalf of the NERMU parties.

## FINANCIAL IMPLICATIONS

It is not expected that any further funding will be required to deliver the initial Business Plan, and therefore no financial contributions. However, should the parties agree at any time that the NERMU

should be utilised to deliver a more expansive set of tasks, the Business Plan and Budget setting process will facilitate further financial contributions from the parties.

## **LEGAL IMPLICATIONS**

### **Association of Rail North Partner Authorities**

1. A Members Agreement and constitution has been agreed that sets out the legal implications of Rail North. This has been agreed by Stockton Borough Council.

## **RISK ASSESSMENT**

In terms of risk to the Authority, this is mitigated by the appropriate exit mechanisms of the Agreement.

## **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

### **Economic Regeneration and Transport**

Membership of RNL will contribute to providing a sustainable transport network throughout the Borough and wider region.

## **EQUALITIES IMPACT ASSESSMENT**

This report is not subject to an Equalities Impact Assessment because the Council and its partners in Rail North share common objectives. The Rail North Long Term Rail Strategy, if delivered would improve connectivity and capacity on the North's railways, providing Communities with improved access to employment, education, healthcare and leisure facilities. It would also improve the accessibility of the rail network, building a more inclusive public transport network.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

To date consultation has been restricted to the Leader, Deputy Leader and Cabinet Member for Regeneration and Transport.

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**Email Address: Richard.mcguckin@stockton.gov.uk**

### Education related?

No

### Background Papers

Report to Cabinet 24 April 2014:  
RAIL DEVOLUTION AND LOCAL RAIL UPDATE

Report to Cabinet 9 October 2014:  
RAIL DEVOLUTION AND RAIL NORTH: INFLUENCING THE FUTURE OF NORTHERN AND TRANSPENNINE RAIL SERVICES

### Ward(s) and Ward Councillors:

All



Property

N/A