

Rail North Committee Meeting -

Subject: Business Planning and Commissioning

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Sponsor: David Hoggarth, Strategic Rail Director

Meeting Date: Wednesday 21 October 2020

1. Purpose of the Report:

- 1.1 This report provides an update on progress against Transport for the North's Strategic Rail Business Plan and a proposed forward plan for future committee meetings.
- 1.2 The report also sets out (for endorsement) a planned approach to the business plan, budget and member contributions for 2021/22. Details of the proposed budget and contributions are included as Appendix 1.

2. Executive Summary:

- 2.1 The report outlines progress that has been made on delivery of the long-term rail strategy including continued roll-out of new trains and additional services. It also highlights some of the ongoing challenges of performance in the North of England and the severe impact of Covid-19 which has led to a number of significant changes for the industry. A core priority will be for Transport for the North to continue to work in partnership with the Department for Transport to re-build demand and confidence in the rail network.
- 2.2 The approach outlined in the draft business plan and budget is for Transport for the North to use its influence to continue to push for better outcomes for passengers and the required investment in the network.
- 2.3 Subject to input from members the draft business plan and budget will go forward to Transport for the North's Board for endorsement. It should be noted that, as per the Comprehensive Spending Review (CSR) submission that has previously been provided to the Transport for the North Board, this is subject to the Department for Transport's response to our CSR Comprehensive Spending Review proposals and, depending on the outcome of that exercise, there may be a need to re-visit proposed activity.

3. Progress Update:

- 3.1 Transport for the North members established the current arrangements (formerly Rail North Ltd) to make the case for transformational investment in the Northern and TransPennine Express franchises at a time when it was unclear whether investment would be made in rail services in the North. Northern Leaders made a clear economic case for investment in both services and infrastructure to support economic growth in the North of England. Headline outputs from the franchises included 500 brand new carriages, a 40 percent uplift in capacity and over 2,000 additional services per week (including a significant uplift in Sunday frequency). All of this was accompanied by a first step towards devolution by moving the oversight of the two franchises to the Rail North Partnership based in Leeds (with oversight from both Department for Transport and Transport for the North).
- 3.2 Whilst good progress has been made on many of the outputs, there have been a series of seismic events affecting rail services in the North of England. Following on from the disastrous timetable change in 2018, progress was being made on the implementation and learning from the various reviews, and steady progress on improving timetables and performance was being made. A proposal by Transport for the North's leaders led to the appointment of an industry expert to oversee performance recovery – which did stabilise during the latter part of 2018 and 2019.
- 3.3 During 2019 and because of further issues with the franchise, Transport for the North called for the replacement of Arriva Trains Northern by the Operator of Last Resort. In January 2020, the Secretary of State for Transport confirmed that the Operator of Last resort would indeed be brought in to operate the Northern franchise from March 2020. This has allowed the re-setting of relationships with Northern who have begun making progress in transforming the business.
- 3.4 During 2019, much headway was made by both Northern and TPE on the introduction of the new fleets of trains to transform the passenger offer and this included, in Northern's case, facilitating the replacement of the older pacer trains. Following a poor implementation of the December 2019 timetable (primarily as a result of staffing issues associated with TPE's new train introduction), Transport for the North set a public performance improvement target for the operator. TPE is now operating under an Emergency Measures Recovery Agreement and an amended timetable is delivering much higher levels of performance.
- 3.5 From March 2020, the full impact of Covid-19 hit and operators moved to a series of emergency timetables, initially focussing on supporting key workers. Subsequent iterations have sought to build back towards the normal timetable but reflecting the lower levels of demand (particularly the impact on peak commuting) and the impact on resource availability (for example driver training has been impacted

significantly by Covid-19). At the start of the pandemic, Transport for the North established the North of England Contingency Group as a bridge between local partners (and their local contingency planning) and the rail industry. This has facilitated a new way of working and demonstrated the ability of the industry to respond better to local needs and suggestions. This is something that Transport for the North intends to retain and build-upon during the recovery.

- 3.6 In partnership with, Northern, TPE and Merseyrail, Transport for the North has led the rollout of smartcards for season ticket (weekly, monthly and annual) holders across the North's rail network. The majority of season ticket sales at ticket offices are now sold to smartcard rather than paper, with web and ticket machine retailing also now live and seeing increased passenger uptake. During 2020, Transport for the North has worked with the operators on the implementation of flexi-season tickets which have taken on even more importance with the reduction in traditional commuting patterns and the move to greater home working. Transport for the North has plans, working with the operators, to roll out pilot schemes across the North and install platform validators across more stations in the North.
- 3.7 By virtue of being a statutory sub-national transport body, Transport for the North is able to make statutory advice on investment schemes to the Secretary of State. The first formal advice was made in September 2018 in relation to the Transpennine Route Upgrade scheme. Subsequently, during 2020 the Department for Transport announced that they are now developing an option for the upgrade which is much closer than previously was the case to Transport for the North's recommended option. It includes, for example, full electrification between York, Leeds and Manchester. In January 2020, Transport for the North made further statutory advice relating to infrastructure to unblock congestion in Central Manchester. Working with the industry, Transport for the North has helped secure short-term service changes pending infrastructure investment to support better reliability. The first tranche of changes are due from December 2020 and further changes are under discussion.
- 3.8 At a local level, Northern authorities continue to make progress with the development and delivery of a variety of schemes and initiatives. These include local station improvements (e.g. at Carlisle, Middlesbrough, Darlington and Sunderland) and new stations (such as Warrington West which opened in December 2019 and Horden which opened in June 2020). There are also a number of potential new lines under development. These include the Northumberland Line project (reopening of the line between Newcastle and Ashington to passenger services to improve connectivity and accessibility in the South East Northumberland Corridor to encourage more sustainable access to the key regional economic centres in Tyne and Wear), Skelmersdale Line, and business case work on restoring the Skipton-Colne link. Progress is also been made on initiatives including the Cumbrian Coast p upgrade and journey time improvements across the North.

3.9 Transport for the North continues to support the development of a number of innovative projects including the development of battery-electric units for the services in the North West, hydrogen trains for the Tees Valley, and battery-electric trains for the Lakes Line.

4. Business Plan for 2020/21:

4.1 Transport for the North's Strategic Rail Team has two core functions:

- Providing Transport for the North's direction to the Rail North Partnership to meet the terms of the Partnership Agreement including consultation with partner authorities
- Overseeing delivery of the Long-Term Rail Strategy element of the Strategic Transport Plan including the rail investment programme and Statutory Advice to the Secretary of State relating to rail investment

4.2 The Strategic Rail team represent Transport for the North's interests on the project and programme boards for the DfT's North of England Rail Programme. As well as prioritising the shape and focus of the rail investment pipeline in the North, working with partners, the Programme also serves as a vehicle to bring together the organisations and bodies which together drive this work and ensure that local intelligence helps shape decision-making.

4.3 The original Comprehensive Spending Review (CSR) process was intended to commence in March 2020 and would have concluded in the summer. The delay caused by the Covid-19 pandemic means that it is unlikely now to be concluded until late November at the earliest and there may be further delays before we are informed of the funding allocations of 2021/22 onwards. In the meantime, Transport for the North's business planning process for next year has commenced, with the intention to present an initial plan to the Board in January 2021 with the final plan and budget to be agreed in March. However, as per Section 9 of the CSR submission provided to the Transport for the North Board, there are a number of challenges associated with this year's business planning process which may impact upon this timetable.

4.4 Clearly, any significant move away from current funding levels for either core activity or programmes will significantly increase the challenge that Transport for the North faces and may indicate the need for a "holding" budget to be put in place supported by a business planning process and revised budget to be completed in Quarter 2 of 2021/22.

4.5 Proposed Priorities

As per previous years, this report provides an opportunity for the Rail North Committee to comment on and shape the relevant aspects of draft business plan ahead of Board meeting in January 2021. This report also sets out the proposed approach to members' financial contributions which are specific to the rail franchising aspect of Transport for the North.

4.6 Given the seismic change that have taken place in 2020, the suggested overarching aim for 2021/22 is:

To use Transport for the North's influence to ensure customers are at the heart of the re-building of demand/ services after the pandemic and ensure that passengers can return with confidence to a reliable service the delivers value for money.

4.7 Within this, the following objectives are proposed for 2021/22:

1. To drive accountability to deliver better passenger outcomes including maintaining and building on recent better performance.
2. To secure and implement new ways of working to provide the North with greater levels of influence over a more customer-focussed industry emerging from the Williams Review
3. To secure greater levels of investment and smarter delivery of projects to support Transport for the North's strategy.
4. Building on successes including the North of England Contingency Group, strengthen joint working with Transport for the North member authorities to make better use of local knowledge and insight.

4.8 The main priorities the Strategic Rail aspects of the business plan for 2021/22 are proposed to be:

1. Help to re-build demand for and confidence in rail services after the pandemic.
2. Make the case for continued and enhanced investment in the North's rail services as part of the 'building back better' agenda.
3. Secure the best outcomes for North from the transition from the old franchises to the DfT's planned new contractual arrangements.
4. Fully embed the Blake Jones Action Plan and secure appropriate resources to ensure passengers are central to decision making.
5. Respond to the Williams Review in line with the aspirations in the Northern Transport Charter.
6. Continue the programme of developing and implementing Delivery Plans for the Long-Term Rail Strategy including fares reform and planning for growth and greater reliability in the future.
7. Drive the industry to deliver improved passenger and freight customer satisfaction.
8. Formalising and enhancing collaboration with Network Rail with an agreed programme of joint work

9. Use Transport for the North's influence including statutory advice as appropriate to secure and shape infrastructure development to support the long-term strategy.
10. Support partners' development and delivery of schemes.
- 4.9 The above priorities are intended to be used to allocate the core funding available to the Strategic Rail team, noting that there are still a number of uncertainties in the process which means the funding available could vary (as highlighted in paragraphs 4.3 and 4.4).

Resources

- 4.10 The overall approach to resource allocation follows the overall approach that Transport for the North is taking:
1. A business as usual baseline based on a continuation of resources/ budget in the current financial year
 2. Further aspirations/ ambition to accelerate progress and increase responsibilities captured through our submission and ongoing discussions on the Northern Transport Charter.
- 4.11 Transport for the North has made a submission to the Department for Transport in respect of the additional resources required to fully embed the outcomes of the Blake Jones review into business as usual. Discussions are ongoing and pending resolution of this, these are not included in the base budget.
- 4.12 The budget also assumes a continuation of the specific funding contribution from Department for Transport for the Rail North Partnership Management Team. It also assumes a continuation of partner contributions at current levels (subject to the usual indexation).
- 4.13 The budget currently funds ten roles in the Strategic Rail Team in addition to modest external consultancy support and accommodation costs. As the role/ scope of activities has evolved (from that originally established under Rail North Ltd), the majority of the team's funding (around £1 million p.a) is now through Transport for the North's core budget and is not subject to any ringfencing. Expenditure levels are therefore dependent on the Board overall prioritisation of activities. In summary the budget submission is:

| £m | Staffing | Professional Services | Other | Total |
|----------------------|-------------|-----------------------|-------------|--------------|
| Rail admin. grant | 0.19 | 0.00 | 0.06 | 0.24 |
| Member contributions | 0.00 | 0.00 | 0.06 | 0.06 |
| Core contribution | 0.70 | 0.17 | 0.07 | 0.95 |
| Total | 0.89 | 0.17 | 0.19 | 1.25 |

- 4.14 The range of activities that can be supported through the core funding and budget include:
- Current level of influence on rail services and outputs.
 - Servicing Rail North Committee and working groups to current levels (quarterly Committee meetings).
 - Limited input to DfT funded major schemes including the Transpennine Route Upgrade (e.g. around access planning and information about project progress).
 - Communicating information from Rail North Partnership and operators to members.
 - Response to industry consultations and engagement where directly relevant to the North.
 - A basic service to member authorities on their plans and priorities except where there are able to provide additional funding (e.g. the collaboration with North Yorkshire County Council on the Esk Valley project).
 - Continuing programme of delivery plans and development of business cases for 1-2 projects across the North.
 - Collation and monitoring of an industry investment programme.
 - Ensuring that the synergies between Transport for the North's Northern Powerhouse Rail Programme, together with HS2 Phase 2b and TRU, are fully optimised with the wider classic rail network.

The activities undertaken will need to be scaled depending on the final budget available for rail activities. If the funding available is less than anticipated the options available are broadly:

- Scale back activities in line with prevailing priorities; and/or
 - Seek additional member contributions.
- 4.15 The impacts of the May 2018 timetable change, replacement of Arriva Trains Northern franchise with the Operator of Last Resort and coronavirus have all had major impacts on the management of rail operations; in particular it has significantly increased the volume of change and number of choices and decisions to be made where Transport for the North needs to provide input on behalf of the North.
- 4.16 Within the Strategic Rail Programme, a core part of the plan is to determine a pipeline of rail investment for the North which will bring rail provision into line with the Desirable Minimum Standards for performance and provision as stated in the Programme's Long-Term Rail Strategy. This is being taken forward through the development of Delivery Plans which will inform industry programmes (including the DfT's Rail Network Enhancement Programme) and Transport for the North's Long-Term Investment programme. Based on current resources, it will take several years to work through the full sequence of Delivery Plans and develop outline business cases for interventions that are not being taken forward by the industry or partners. For example, work is only just commencing on a reliability delivery plan. Reflecting the strong desire to accelerate delivery, this is an area

where more resources are required to ensure the North's priorities are clear and business cases are as strong as possible.

- 4.18 More details on the draft budget including the proposed member contributions for 2021/22 are included as Appendix 1.

5. Committee Forward Plan and Commissioning:

- 5.1 A proposed Forward Plan for Committee meetings through to June 2021 is set out in Appendix 2. This will be subject to change depending on the need to respond to events such as the timing of the expected Williams Review White Paper.
- 5.2 As per the Blake Jones Action plan, members are asked to consider whether they would like to commission any further papers for future meetings of the Committee.
- 5.3 Dates for future meetings of the Committee are currently as follows:
- 12 January 2021
 - 17 March 2021
 - 23 June 2021
- 5.4 At the September 2020 meeting of the Transport for the North Board, members raised the timing of future Committee meetings and suggested that they may need to be amended to fit better with Transport for the North Board meetings. Although the January meeting is only two days before the Board meeting, bringing it forward is not really a practical option with the Christmas break and still allows feedback from the Committee to the Board to be made as urgent business. The June meeting will allow adequate time to feed into the July Board meeting. That leaves the March meeting which is a week after the Board meeting. One option would be to move the March meeting of the Committee to early April to provide a better spacing between meetings. Bringing it forward in advance of the March Board meeting is not recommended as there would only be a small gap from the January Committee meeting. Members are asked to consider the merits of moving the March meeting to early April.

6. Recommendations:

- 6.1 It is recommended that the Committee note progress on delivery of the business plan and improved passenger outcomes despite the challenges faced by the industry, particularly the impact of reduced demand due to the pandemic.

- 6.2 It is recommended that the Committee endorses the approach set out in the report to the 2021/22 business plan. This would then be included in the draft budget provided to the Transport for the North Board in January 2021, subject to the caveats set out in the report relating to the current uncertainty in the budget process as a result of Covid-19 and the CSR timescale.
- 6.3 That the Committee considers the proposed forward plan set out in Appendix 2 and consider any further papers they would like to commission.
- 6.4 That the Committee gives consideration to amending the date of the meeting currently planned for 17 March 2021 as set out in the report.

7. Appendices:

- 7.1 Appendix 1 – Draft Budget and Proposed Member Contributions in 2021/22
- 7.2 Appendix 2 – Committee Meeting Forward Plan

Appendix 1: Draft Budget and Proposed Member Contributions

The draft budget is set out below. This is subject to further revision as part of Transport for the North's business planning process and a further draft will be presented to Transport for the North's Board in January 2021 for discussion.

| Draft budget for 2021/22 | | | |
|----------------------------------|--------------|--------------|------------------------------|
| | Revised | Proposed | |
| Budget (£000s): | 2020/21 | 2021/22 | |
| TfN Strategic Rail | 1,254 | 1,261 | |
| Rail North Partnership | 1,081 | 1,184 | |
| Total Base | 2,335 | 2,445 | Base |
| TRU Project (RNP) | 234 | 275 | |
| Esk Valley (Strat Rail) | 75 | 81 | |
| Blake Jones Implementation (TBC) | 176 | 427 | |
| | 2,820 | 3,228 | Total |
| Resourced from (£000s): | | | |
| TfN Core Grant | 1,036 | 1,119 | Subject to confirmation |
| Rail Grant (Members) | 559 | 567 | Indexed as per agreement |
| RNP Grant (DfT) | 681 | 698 | Assumed 2.5% uplift |
| Partner Contributions | 40 | 41 | Indexed as per agreement |
| Additional Partner Contributions | 19 | 20 | Net of contributions in kind |
| NYCC (Esk Valley) | 75 | 81 | Cost recovery on project |
| TRU Funding (Network Rail) | 234 | 275 | Cost recovery on project |
| Blake Jones Funding | 176 | 427 | Subject to confirmation |
| | 2,820 | 3,228 | |

The proposed total Members contributions (as defined in Transport for the North's Franchise Management Agreement) are:

- Member Contributions: £40,828 (including indexation) 'Cash' contribution
- Additional Contributions: £40,828 (including indexation) 'Cash' or 'in kind' contribution.
- Supplemental Payments: £567,54 (including indexation) Combined Authorities/PTEs only

Previously 'in kind' contributions have been permitted or the Additional Contributions in the form of staff time (for example Local Transport Authority staff working on specific projects or programmes on behalf of Transport for the North). Specific members' contributions are set out in the Franchise Management Agreement and are based on voting metrics.

Appendix 2: Committee Meeting Forward Plan

Rail North Committee Forward Plan 2021

| | | | | | |
|---|---|--|-----------------|---------------|--------------|
| <p>★ Update Paper: December 2021 timetable change and COVID build back better.</p> <p>★ Update Paper: Manchester OBC for 2030 – Services and Infrastructure.</p> <p>★ Discussion: Future of Service Contracts.</p> <p>★ Update Paper: Performance reporting; new format</p> | <p>★ Update Paper: Infrastructure Update.</p> <p>★ Discussion: Decarbonisation of Rail.</p> <p>★ Update Paper: Central Manchester services and infrastructure update.</p> <p>★ Update Paper: Future of franchising; Proposal post ERMA's.</p> | <p>★ Update Paper: LTRS Delivery Plans.</p> <p>★ Update Paper: Northumberland Line Update.</p> | 12 January 2021 | 17 March 2021 | 23 June 2021 |
| <p>◆ Decision Paper: December 2021 Incremental timetable change and 2022 Central Manchester service specification and consultation proposal.</p> | <p>◆ Decision Paper: Williams review response (subject to DfT publishing)</p> | <p>◆ Decision Paper: Central Manchester services and infrastructure OBC for 2030.</p> | | | |

List of Background Documents:

There are no background papers to this report.

Required Considerations
Equalities:

| | | |
|-------------------------|-----|----|
| Age | Yes | No |
| Disability | Yes | No |
| Gender Reassignment | Yes | No |
| Pregnancy and Maternity | Yes | No |
| Race | Yes | No |
| Religion or Belief | Yes | No |
| Sex | Yes | No |
| Sexual Orientation | Yes | No |

| Consideration | Comment | Responsible Officer | Director |
|----------------------|---|----------------------------|-----------------|
| Equalities | A full Impact assessment has not been carried out because this does not deal with specific proposals. | Salim Patel | David Hoggarth |

Environment and Sustainability

| | |
|-----|----|
| Yes | No |
|-----|----|

| Consideration | Comment | Responsible Officer | Director |
|---|---|----------------------------|-----------------|
| Sustainability / Environment – including considerations regarding Active Travel and Wellbeing | A full impact assessment has not been carried out because the report does not contain any specific proposals. | Salim Patel | David Hoggarth |

Legal

| | |
|-----|----|
| Yes | No |
|-----|----|

| Consideration | Comment | Responsible Officer | Director |
|----------------------|--|----------------------------|-----------------|
| Legal | Transport for the North Legal Team has confirmed there are no new legal implications for Transport for the North as a result of this report. | Deborah Dimock | Julie Openshaw |

Finance

| | |
|-----|----|
| Yes | No |
|-----|----|

| Consideration | Comment | Responsible Officer | Director |
|----------------------|--|----------------------------|-----------------|
| Finance | The budgetary expenditure values included in this report (Appendix 1) are largely in draft form at this stage but have been prepared in line with prudent assumptions. | Paul Kelly | Iain Craven |

Resource

| | |
|-----|----|
| Yes | No |
|-----|----|

| Consideration | Comment | Responsible Officer | Director |
|----------------------|--|----------------------------|-----------------|
| Resource | The resource implications are being developed as part of the 2021/22 Business Plan | Stephen Hipwell | Dawn Madin |

Risk

| | |
|-----|----|
| Yes | No |
|-----|----|

| Consideration | Comment | Responsible Officer | Director |
|----------------------|---|----------------------------|-----------------|
| Risk | A risk assessment has not been carried out. The report highlights the risk if sufficient resources are not available. | Salim Patel | David Hoggarth |

Consultation

| | |
|-----|----|
| Yes | No |
|-----|----|

| Consideration | Comment | Responsible Officer | Director |
|----------------------|--|----------------------------|-----------------|
| Consultation | This report forms part of the consultation on the draft business plan with Transport for the North member authorities. | Salim Patel | David Hoggarth |