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**Meeting:** Transport for the North Board  
**Subject:** Rail Reforms  
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**Sponsor:** Martin Tugwell  
**Meeting Date:** Wednesday 24 November 2021

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**1. Purpose of the Report:**

- 1.1 This report summarises recent discussions with the rail industry on the implementation of the Rail Reform White Paper. It seeks endorsement of the approach and sets out planned next steps including detailed engagement with the Great British Railways Transition Team.

**2. Recommendations:**

- 2.1 The Board is asked to:
1. Note the progress on working with the industry on implementing the Rail White Paper in the North.
  2. Endorse the approach set out in the paper.
  3. Mandate officers to engage with Great British Railways (GBR) Transition Team, Mayoral Combined Authorities and Local Transport Authorities to work collaboratively on developing the proposals.
  4. Support the case for locating the new Headquarters for Great British Railways in the North.

**3. Main Issues:**

***Background***

- 3.1 Transport for the North has consistently identified the potential for transformation of the North's transport system to realise economic potential and economic productivity gains and used its analytical tools to demonstrate the value to the national economy. The Rail White Paper signals a radical transformation of the national rail network and highlights the need for strong partnerships at regional and local levels to help achieve this.
- 3.2 At the last meeting of this Board members endorsed an initial response to the Rail White Paper setting out a strong partnership offer to the new GBR organisation based on four pillars:
1. A strategic partnership with GBR
  2. Transport for the North as the lead on multi-modal strategy and investment priorities in the North
  3. Transport for the North as the provider of evidence and analysis
  4. Transport for the North as the link between local devolution (including in the city regions) and GBR regions.
- 3.3 The White Paper set out sweeping reforms to the structure of the rail industry to improve customer focus, accountability and make it simpler. The reforms will require legislation and are unlikely to be fully implemented until 2023/24. The Government has set up a transition team headed by Andrew Haines (who is also

Chief Executive of Network Rail) to oversee the changes and, where possible, deliver some of the desired outcomes ahead of structural change.

- 3.4 Transport for the North Board member Sir Peter Hendy (Chair of Network Rail) indicated the desire for Network Rail to work with Transport for the North on how the reforms will be implemented in the North. Initially Sir Peter arranged for Network Rail's Strategy and Planning Director, Graham Botham to work with the Transport for the North Executive on proposals.
- 3.5 Since the last meeting of the Board, positive discussions have taken place, including a workshop with senior Transport for the North officers and Network Rail staff. This collaborative work has highlighted that there is a real opportunity now for the North to take a pioneering approach by building on existing successes and evidence to harness the clear ambition of the North, together with the expertise of industry.
- 3.6 This report covers some of the main principles discussed for members' input and endorsement. The discussions have very much focussed on outcome and principles rather than structural change and governance, which would form part of a further phase of work with the Transition Team.

### **Overview**

- 3.7 Initial joint work on implementing the White Paper has highlighted that there are already strong building blocks in the North including Transport for the North's Strategic Transport Plan, the Rail North Partnership (which is the first stage of devolution) and city regions that are well-placed to deliver on integrated local public transport. There is also some very strong joint working taking place across the industry (for example on strategic planning and future, more responsive timetables) as well as local initiatives such as new stations and multi-modal ticketing linked to Bus Service Improvement Plans and new rail passenger routes such as the Northumberland Line. For this reason, there is a huge opportunity for Transport for the North and its partners to build on this work and implement a step change in the North. The North is therefore able to move more quickly than other parts of the country and can be a pathfinder for the reform in a way that starts to deliver tangible passenger (and freight) benefits sooner.
- 3.8 The initial discussions focussed on the following elements that would form the core of the new partnership in the North:
- A. A Strategic Transport Plan that establishes the need for transformation of our transport system
  - B. Through that Plan identify the role and outputs required of the rail sector in support of realising the North's economic potential
  - C. A prioritised pipeline of investment – expressed in terms of outcomes and against which detailed interventions are developed
  - D. The principle of 'double devolution' used to empower City Regions (and other areas) to enable integration of services at the local level , with increased oversight and local accountability
  - E. Decision making and advice at the regional/local level to be shaped by a 'profit and loss' account for the North that guides strategic choices, investment and service specification

### **A. A Strategic Plan for Transformational Rail Outcomes**

- 3.9 The Northern Powerhouse Independent Economic Review (NPIER) identified the extent to which realising the economic potential of the North is dependent upon transforming the connectivity between the North's great towns and cities. The

importance of rail to the economic outcomes of the North was emphasised in the aftermath of the May 2018 timetable problem where a report by the Northern Powerhouse Partnership put the immediate economic impact at £38m. More recently the recovery from the pandemic where the North's rail services have been at the leading edge of the national recovery emphasises the relative economic importance of rail.

- 3.10 Transport for the North's statutory Strategic Transport Plan (STP) for the North is built upon a strong evidence base including the NPIER. The Strategic Transport Plan sets out the key role that improved rail connectivity has to play in achieving that transformation, enabling the North's requirements to shape the strategic direction of the rail sector. In so doing the Strategic Transport Plan provides the mechanism by which strategic choices can be better aligned to support and enable investment by individual Mayoral Combined Authorities and Local Transport Authorities.
- 3.11 This approach has the advantage of being able to identify where rail is the best mode to address the specific challenge and may also provide opportunities to determine priorities across modes and also look across funding streams (e.g where rail can relieve pressure on highways). Working with Mayoral Combined Authorities and Local Transport Authorities it should also be possible to ensure that the strategy reflects 'place-based design' and delivers the right outcome for local communities including meeting their decarbonisation targets.
- 3.12 Transport for the North is about to embark on a refresh of the Strategic Transport Plan and associated Long Term Rail Strategy over the next 18 months. The Great British Railways Transition Team is also developing the 30-year Whole Industry Strategic Plan so there is an opportunity to work together in the North over the next 12 months to develop a common view of the long-term strategy for rail in the North. Transport for the North's review of the NPIER will enable changes in the economy post pandemic to be reflected in our planning moving forward which will in turn be used help update the Strategic Transport Plan. The context provided by the work of Transport for the North needs to be a key input into the development of Whole Industry Strategic Plan.
- 3.13 This work would aim to reflect the ambition and economic needs set out in Transport for the North's STP, but also take into account the likely funding available over the period to ensure the outcomes sought are prioritised appropriately. Transport for the North can bring its analytical framework and modelling suit to support decision-making and business cases. Naturally, there will be greater certainly about funding available in the near term (for example the next 5-year control period) and greater short-term prioritisation.
- 3.14 Transport for the North's Long-Term Rail Strategy has the planned NPR network at its heart and Transport for the North and Network Rail has already commenced work on a 'Combined Train Service Specification' for the whole of the North's network once NPR is implemented. This will set out the level of service and connectivity to be delivered across the network including both HS2/NPR and the existing network. It will inform future timetables and provide the North's partners with the opportunity to shape future service contracts. In the discussions with Network Rail this was identified as a potential early collaboration between GBR and Transport for the North as it will set out the future shape of services and how NPR is integrated into the wider network to maximise the benefits.
- 3.15 Taking these actions together, there is the opportunity (over the next 12 months) to set out a clear shared vision for the rail network in the North which would be used to shape earlier investment decisions and priorities.

## ***B. A Prioritised Investment Pipeline***

- 3.16 Key objectives of the White Paper are to join up decision-making and delivery between track and train and make the whole system simpler. In part, historic disjoints between franchise commitments and infrastructure delivery contributed to the problems that flowed from the May 2018 timetable change. Transport for the North has existing powers to provide advice on investment priorities and the mechanism for this is the Rail North Partnership. In recent months significant progress has been made on joining up infrastructure requirements and service changes through a 'Railmap' for addressing the Central Manchester congestion problems. There is an opportunity to roll this approach out across the North (for example on the East Coast Main Line) to set out how infrastructure and service changes will, over time, build towards the shared vision set out in the strategy. Building on our input to the Union Connectivity review we will look to strengthen the working relationships with both Transport Scotland and Transport for Wales with a view to ensuring that future developments plan for improved connectivity.
- 3.17 The other key element will be to jointly develop a pipeline of enhancements, service and rolling stock changes, suitably sequenced according to anticipated funding availability, and also taking into practical delivery and passenger disruption (drawing on industry knowledge and the views of stakeholders). The advantage of a pipeline approach alongside a clear vision for the network is that early development work can be undertaken on projects in the pipeline and schemes can be brought into the programme as and when funding becomes available. An indicative funding envelope (including indicative capital funding and revenue funding for services) will equip the Transport for the North Board with the advice to make informed choices on joined up priorities for investment in infrastructure and services across the North.
- 3.18 There is also a significant opportunity to ensure that the investment programme reflects local 'place-based' priorities (for example ensuring that station developments don't stop at the boundary and are better integrated into the townscape) including tapping into local funding opportunities including from Local Transport Authorities (for example through Local Transport Plans) and third parties.
- 3.19 Following the Spending Review, the Government intends to publish an update of the Rail Network Enhancements Programme which will include a programme of schemes in the North. This will provide a starting point for the development of the pipeline which could be developed in parallel with the strategy and combined train service specification over the next 12 months.

## ***C. Setting the Outputs Required from the Rail Sector***

- 3.20 Service specifications are the remit of the Rail North Partnership which is already a joint entity between Transport for the North and DfT. DfT's role in the Rail North Partnership is expected to transfer to GBR under the White Paper and provides a strong building block for the wider partnership and further devolution in the future (In fact there is a specific provision for further stages of devolution in the Partnership Agreement). RNP will be overseeing the move to National Rail Contracts and including the objectives set out in the White Paper so there is an opportunity to collaborate on these to tailor them to meet the needs of the North, for example plugging in to local markets and integrating with other modes. Initial steps have already been taken to improve collaboration including inviting Network Rail to attend Rail North Partnership Board meetings.
- 3.21 As with investment, understanding the funding envelope and financial performance of services (including the required level of subsidy) is key to being

able to prioritise services and drive changes to allocate resources to where they can deliver more either in financial terms or wider policy objectives.

- 3.22 There are several specific elements of the existing Partnership Agreement that could be utilised to provide some progress ahead of wider changes. This includes the provision for devolved fares setting that already exists for Transport for the North. Members have previously explored proposals to utilise this power to simply the fares structure in the North of England. This would need to be at a point where the transformation of services in the North was visible to passengers and in the context of a wider national reform plan to deliver better value for money and smarter fares for customers.
- 3.23 Given that there are now plans for a national roll out of smart ticketing including Pay and You Go on rail, there is an opportunity to work together to create a simplified fares structure in the North which will help maximise the benefits of national investment in smart technologies. Transport for the North can draw on initial work and learning from the former IST Programme in collaboration with train operators. Given the strong progress on smart, multi-modal ticketing in the city regions there is an opportunity for Transport for the North to work collaboratively with these areas to join up local initiatives across modes and geographies.
- 3.24 Freight is an important element of the Strategic Transport Plan in terms of its economic and decarbonisation contributions. There is a need to give greater emphasis on planning for rail freight - reflecting the commitment in the Williams-Shapps Review. The planned partnership between Transport for the North and GBR will enable this by bringing together the economic and demand analysis for freight contained within the STP with the network planning role of GBR and the passenger contract role of Rail North Partnership. This approach would help ensure that, for example, the economic benefits of freeports are fully realised. Transport for the North would also be able to provide advice to GBR on the trade-offs between freight and passenger services.

#### ***D. Double Devolution to Empower City Regions***

- 3.25 Alongside Transport for the North's role in the Rail North Partnership the North has the advantage of strong examples of local devolution working in practice. These include the Tyne and Wear Metro operated by Nexus and the Merseyrail service contract which is fully devolved to the Liverpool City Region. Whilst these areas are operationally separate from other parts of the network, the city regions have been able to secure significant local investment, for example for the new trains that are currently being rolled out in Liverpool and are due in the North East from 2023/4. In Liverpool, this local specification has facilitated the first example of truly level boarding and spearheaded innovation in battery technology to allow the electric trains to operate beyond the electrified network and therefore expand the catchment and demand reach of the network. The Merseyrail network has also consistently topped the national league table of performance.
- 3.26 Whilst devolution aspirations differ across the North, Transport for the North will work with local areas and GBR across boundaries to facilitate the right local arrangements and ensure that cross-boundary and inter-regional issues are addressed, thereby assisting GBR to ensure that the benefits of an integrated network approach are not lost. This approach to double devolution has been welcomed by the rail sector.
- 3.27 A quick win is the provision (in the Rail North Partnership Agreement) for devolved Business Units within the Partnership Agreement. These are designed to facilitate much greater local involvement in the specification and monitoring of services. The North East authorities have already established a successful

business unit (NERMU) working across the North East. The Partnership Agreement would allow this to be developed further and become in effect a form of 'double devolution' within the Rail North framework. This could be rolled out to other areas (e.g individual city regions or groups of city regions working together) as a first step to fully devolved responsibilities. In particular it would facilitate a direct dialogue with operators with the local area and local decisions on timetable changes and priorities for change, fares etc. and help deliver the aspirational 'London style' local networks and ticketing. The geography of Business Units does not have to be linked to Mayoral/Combined Authorities and there would be the flexibility to develop the right type of devolution for each area (e.g a more strategic outcome focussed role or one focused more on local service outputs).

- 3.28 It is proposed to engage with the Mayoral/ Combined Authorities (in the first instance) to develop appropriate business units that are aligned with local integrated networks and provide a greater level of local oversight and accountability.

### ***E. Local Decision Making Shaped by a 'Profit and Loss' Account for the North***

- 3.29 Running throughout the themes above is a proposition for a 'Profit and Loss' account for the North's railways which will guide prioritisation of both infrastructure and services. It would be a step towards Transport for the North's Northern Transport Charter aspiration of a devolved budget for the North and would enable industry and Transport for the North to make informed choices across the whole industry (i.e track and train).
- 3.30 Transport for the North is already using its tools and analytical frameworks to enable wider economic, social and environmental considerations to shape decision making. This will enable wider economic, social and sustainability measures to be included alongside financial metrics in line with the recent changes to the Treasury Green Book. This will help demonstrate how the continued transformation of the rail network in the North can play a key role in the levelling up agenda and realising the full potential of the North.
- 3.31 In addition to guiding prioritisation at each stage of the process, the Account for the North would also facilitate an assessment of the outcomes achieved from particular proposals and provide an important loop back from delivery to the strategy. Given that there is already a North of England Enhancements Programme which is about to be refreshed following the Spending Review, and that Rail North Partnership already has the responsibility for monitoring the financial metrics of TransPennine Express and Northern operators it should be possible to create an initial account relatively quickly as a pilot. Over time this could be developed and disaggregated further to facilitate a Northern region within GB Railways and also more local disaggregation at a city region business unit area.
- 3.32 The overall account would be used to shape regular dialogue between Transport for the North Board and the GB Railways (who it is assumed would become a board member as a strategic partner) as a way of monitoring the impact of joint decisions and informing future priorities. Through the Board, Transport for the North will also bring the voice of business through the LEP representatives. Coupled with the investment pipeline, it would be the cornerstone of a new strategic relationship between Transport for the North Board and GB Railways.

### ***Conclusion and Next Steps***

- 3.33 There are already some very strong building blocks in the North including Transport for the North's Strategic Transport Plan (rooted in economic analysis) and the Rail North Partnership which has a number of provisions which can assist

with early enactment of some of the outcomes in the White Paper. Working collaboratively with the GBR Transition Team and Mayoral/ Combined Transport Authorities, the North is able to move quickly to become a pathfinder for the Government's reforms and bring significant early benefits to customers.

- 3.34 Subject to views from the Board, it is proposed to engage with both the GBR Transition Team and city regions in the North to develop the proposal further to develop a proposition in parallel to pursuing the quick wins highlighted.

### ***Great British Railways Headquarters***

- 3.35 DfT has indicated that it is going to launch a competition to host the new Headquarters of GBR which will be outside of London. Several areas in the North have already expressed an interest although, at the time of writing, the formal process for inviting expressions of interest had not commenced. Locating the HQ in the North of England would send a strong signal on levelling up and whilst it is for individual areas to put forward specific proposals, it is proposed the Transport for the North supports the location of the new Headquarters in the North.

## **4. Corporate Considerations**

### ***Financial Implications***

- 4.1 Transport for the North Finance Team has confirmed there are no financial implications. Dependant on the implementation of the GBR Target Operating model there may be structural, resource and skills implications for Transport for the North. This will be kept under review and the Board appraised as this proposal evolves.

### ***Resource Implications***

- 4.2 Dependant on the implementation of the GBR Target Operating model there may be structural, resource and skills implications for Transport for the North. This will be kept under review and the Board appraised as this proposal evolves. The organisation recognises UNISON, should changes to the delivery model subsequently be required, full and proper consultation will be undertaken with UNISON and any employees potentially affected.

### ***Legal Implications***

- 4.3 There are no apparent immediate legal implications arising from this report.

### ***Risk Management and Key Issues***

- 4.4 There are no new risk implications arising from this report and thus a risk assessment is not required.

### ***Environmental Implications***

- 4.5 This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore does stimulate the need for SEA or EIA

### ***Equality and Diversity***

- 4.6 A full Impact assessment has not been carried out because it is not required for this report.

### ***Consultations***

- 4.7 Transport for the North's partners have been informally consulted on our approach and will have the opportunity to provide further input as the proposition evolves. Transport for the North's initial response to the White Paper was considered by Transport for the North's Scrutiny and Rail North Committees.

## **5. Background Papers**

5.1 None

## **6. Appendices**

6.1 There are no Appendices to this report.

### **Glossary of terms, abbreviations and acronyms used (*if applicable*)**

a) <i>DfT</i>	<i>Department for Transport</i>
b) <i>GBR</i>	<i>Great British Railways</i>
c) <i>RNP</i>	<i>Rail North Partnership</i>
d) <i>NPR</i>	<i>Northern Powerhouse Rail</i>
e) <i>STP</i>	<i>Strategic Transport Plan</i>
f) <i>NPIER</i>	<i>Northern Powerhouse Independent Economic Review</i>
g) <i>IST</i>	<i>Integrated Smart Travel</i>