

Agenda Item No. 4(a)

DERBYSHIRE COUNTY COUNCIL

**MEETING OF THE CABINET MEMBER – HIGHWAYS, TRANSPORT AND
INFRASTRUCTURE**

8 June 2017

Report of the Strategic Director – Economy, Transport and Communities

RAIL NORTH LTD

(1) **Purpose of Report** To provide an update on Rail North Ltd (RNL) activities, seek approval to the Council's 2017-18 subscription for associate membership of Transport for the North (TfN) and authorise the Council's involvement in the approval of a new Regional Director and Deputy.

(2) **Information and Analysis** RNL is a consortium of 25 Northern Local Transport Authorities and Combined Authorities set up to jointly manage, with Department for Transport (DfT), the Northern and Trans Pennine rail franchises, focusing on the area between North Derbyshire, right up to the Scottish border. This arrangement which commenced in April 2016 was established to overcome the lack of rail investment in the North's rail services and its effect on economic activity through a lack of connectivity. The new approach will provide new and refurbished trains and enhanced rail services, which will begin to be delivered later this year. In 2018, new trains will start to be delivered to enhance services. Four Derbyshire routes are affected: the Manchester to Glossop, Buxton and Sheffield (through the Hope Valley) and Leeds–Sheffield-Nottingham, the services for which are currently provided by Arriva Rail North (trading as Northern) and the TransPennine Express, operated by First, which runs along the Hope Valley line, however, only a few of these trains currently stop in Derbyshire at Chinley.

The East Midlands regional representation on RNL (comprising Derbyshire, Lincolnshire and, Nottinghamshire County Councils and Nottingham City Council) is 9% of the total RNL voting rights with Derbyshire County Council's (DCC's) individual share at 1.4%. The administrative costs of RNL in total have been artificially capped for Partner Authorities at a £36,000 level for the 2015-16 and 2016-17 financial years as RNL has been in receipt of Rail Administration Grant monies from City Combined Authorities (the former Passenger Transport Executives), as well as DfT administrative contributions. DCC's share of the original £36,000 bill was a payment of £504 in 2015-16. The original £36,000 level was increased to £36,900 and a £515 contribution in 2016-17 to cover inflation.

In terms of governance, each of the 25 authorities eligible to join RNL is a member of the Association of Rail North Partner Authorities. The Cabinet Member for Highways, Transport and Infrastructure (HTI) in the previous administration was the County Council's representative. Each Partner then becomes a member of RNL and regional members select one partner to be a Regional Director, with a Deputy. For the East Midlands, the Derbyshire Cabinet Member (HTI) was elected as the Regional Director, with his counterpart at Nottingham City Council his deputy. Following the County Council elections in May 2017, the Regional Director and his deputy roles will need to be revisited and agreed with the other East Midlands councils.

Financial risk of franchise failure remains with DfT up to the end of the franchise (expected to be 2024) as part of a wider RNL/DfT Partnership agreement. Any Local Authority can withdraw from RNL with 18 months' notice and it is recommended that this continues to be kept under review. Nothing has yet emerged with RNL governance which gives rise to concern.

The Rail North Members Agreement covers the roles and responsibilities of the organisation in relation to the Association of Rail North Partner Authorities, RNL, and the DfT/RNL Strategic Partnership Board. This was approved and signed by all 25 Authorities during 2015-16. It allows the Director of RNL to be responsible for delivering its governance, engagement with all 25 members and obligations to consult them. The Agreement also covers business planning processes and hosting arrangements with West Yorkshire Combined Authority at its offices in Leeds.

For 2017-18, the RNL Business Plan focuses on the need to update the RNL Long Term Rail Strategy which sets out the parameters for services and their future enhancement. This aligns with the rapid establishment of TfN as the first Sub National Strategic Transport body to cover the majority of the Rail North area, which has been approved by the Secretary of State for Transport. It is intended that TfN and RNL merge their activities in the next year and this presents an issue for the East Midlands Local Authority members as their Sub National Strategic Transport body will be Midlands Connect, not TfN. Authorities cannot be a member of two Transport Bodies. As the East Midlands' focused services provided by Northern will still need to be managed by TfN/RNL, it has been agreed, in principle, by TfN that the East Midlands Authorities will become Associate Members of TfN through their membership of RNL with full voting rights and details will be negotiated shortly. This is not expected to change the current degree of control and representation from the East Midlands.

The Business Plan also supports the 500 new carriages for both Northern and TransPennine Express which have been ordered and are being built for delivery next year. Coupled with refurbishment of the majority of the existing fleet, this will increase the number of trains by around 40% and finally remove

the outdated Pacer trains by the end of 2019. Service and customer performance from the operators have improved, and new staff recruited, although an industrial dispute regarding the future role of Northern's drivers and conductors began in March 2017 which has resulted in 4 days of industrial action with heavy curtailment of normal service levels. Investment to enhance the rail infrastructure is beginning to appear, such as new links in central Manchester and delivery of electrification schemes in the north-west.

With the merging of RNL and TfN at some point in the future, it is appropriate that any new agreement with TfN in relation to East Midlands Authorities (either collectively or individually) and the Northern and TransPennine Express franchise agreements, together with Associate Membership with full voting rights, is entered into to ensure that existing arrangements continue.

(3) **Financial Considerations** For 2017-18, the basic agreed administration fee for each of the 25 RNL Authorities remains the same: in the County Council's case this is still 1.4% of the total administration costs, based on a £36,000 figure in 2015-16, which has increased with inflation to £36,900 in 2016-17, and is likely to be increased by a similar amount in 2017-18. The County Council's bill is likely to be around £525. This cost can be met from the Public Transport Rail Policy budget. However, at the last Association of Rail North Partner Authorities meeting on 16 March 2017, it was agreed that each Partner would also be liable for an Additional Contribution of the same amount as the 2017-18 annual subscription to cover the increasing RNL workload. This could be waived if Partner Authorities provided some Officer resource to cover that cost. It is proposed that some officer time on specialist working groups to assist RNL be offered to waive the need to pay the Additional Contribution, but Cabinet Member approval is sought to enable payment should the need arise. RNL anticipates that 75% of the additional contribution will be provided by offers in kind rather than direct funding. This cost could also be met from the Public Transport Rail Policy budget.

(4) **Legal Considerations** The RNL Members Agreement was signed by the Director of Legal Services on behalf of the Council in 2016.

The Director of Legal Services will provide further guidance in relation to any new agreements required in respect of TfN.

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, social value and transport considerations.

(5) **Key Decision** No.

(6) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(7) **Background Papers** Held on file within the Economy, Transport and Communities Department. Officer contact details – Kevin Williams, extension 36747.

(8) **OFFICER'S RECOMMENDATIONS** That the Cabinet Member:

8.1 Notes the update in Rail North Ltd and Transport for the North activities.

8.2 Approves the payment of the estimated £525 subscription to Rail North Ltd for 2017-18 to cover administration costs, and approves the payment of the same amount as an Additional Contribution to Rail North Ltd, should the offer of some Officer support not be agreed.

8.3 Approves that the Director of Legal Services to sign a new Rail North Membership Agreement involving Associate Membership of Transport for the North with full voting rights.

8.4 Authorises Member involvement in agreeing the roles of Rail North Ltd/ Transport for the North Regional Director and Deputy.

Mike Ashworth
Strategic Director – Economy, Transport and Communities