

## **Developing the Rail North Partnership**

### **1. Overview**

Following the meeting between the Secretary of State for Transport and a delegation of Rail North Leaders on 21 November 2013, DfT officials and representatives of the Local Authorities and PTEs in the north of England have been discussing arrangements for an initial partnership structure for the refranchised Northern and TransPennine Express services that would support the devolution of rail services in the North.

This document sets out proposals for the structure of the relationship between the north of England authorities and DfT during two distinct phases of activity:

- franchise design and procurement; and
- franchise management.

These proposals will be presented for discussion at a meeting between the Secretary of State and Leaders on 24 January 2014.

### **2. Objectives and principles of devolution**

The DfT – Rail North statement of 22 November reiterated the Secretary of State's support for the principle of devolution in the North, with DfT taking a role within an initial partnership structure. This approach will be based on Rail North proposals which include the Long Term Rail Strategy for the North of England, the devolution proposition and business case submitted to the Secretary of State, and the structure for decision-making in the North set out in that devolution proposition.

The shared objectives that will underpin the partnership include:

- 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.

The development of a DfT / Rail North partnership will split into two distinct phases:

- partnership working between DfT and Rail North (working on behalf of the north of England authorities) which would be the basis for regulating our relationship in the lead-up to the award of the 2016 franchises; and
- a formal integrated partnership structure with substantial decision making authority created between Rail North and DfT which it is intended should take on substantive franchise management responsibilities at the point at which the new franchise contracts come into force.

As indicated in the Secretary of State's letter of 21 November, the nature of the partnership relationship will reflect a distinction between:

- the franchise design and procurement processes, in which Rail North and DfT will work jointly and collaboratively, but with the Secretary of State responsible for final decisions and letting the contracts; and
- the development and implementation of a formal integrated partnership structure to manage the new franchises, on which decisions will be made jointly.

### **3. Franchise design and procurement phase**

DfT will be responsible for running the design and procurement projects and letting the franchise contracts. The north of England authorities will be fully involved during this period and contribute to the achievement of a set of critical milestones.

The principles of joint working will include:

- full and open disclosure between DfT and Rail North (subject to any confidentiality obligations which apply and the need for confidentiality agreements);
- collaborative design of franchises, recognising the Secretary of State's responsibilities including securing affordability and value for money, and remaining consistent with the Government's response to the Brown Review of Rail Franchising
- joint decisions on the arrangements for a single integrated partnership structure to manage the franchises; and;
- a common programme and oversight structure.

Rail North will provide a number of senior staff to join the DfT team responsible for the refranchising process to support the collaborative approach, influencing both the scope of the options considered and conclusions reached.

A Joint Officials Group including representatives of Rail North and DfT will oversee the partnership work during this period, and will be supported by Joint Programme and Specification, and Commercial, Working Groups. In addition periodic meetings will be held between Rail North Leaders and the Secretary of State at key points in the timetable, and to address any specific issues as they arise.

The programme will be progressed so that it leads to a position on the key franchise objectives, outputs and commercial propositions which, while delivering the Department's policy objectives, value for money requirements and affordability targets, also meets the objectives of Rail North to the greatest extent possible.

The Department's franchising programme objectives and Rail North's key franchise objectives are set out in Annex A.

Key near-term milestones include:

- DfT Strategic Outline Business Case approvals;
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- Completion of OJEU, PQQ, prospectus and public consultation documents/plan;
- Development of draft ITTs; and,

- Further steps leading to finalisation of final ITTs and franchise awards.

A detailed timetable for reviews of key aspects of the franchise proposition by the Joint Officials Group has been prepared and agreed between officials.

In addition, during the franchise design phase, recognising the need to provide early clarity to the bidding market as to the proposed arrangements for managing the franchise:

(a) the local authorities in the North will further develop and formalise their decision making structures building on the initial work set out in the Rail North proposition and business case to government in September 2013. The north of England local authorities will establish structures comprising a formal Leaders' Committee and an SPV (probably a company limited by guarantee) called Rail North Ltd with an independently chaired Board. These bodies will be the focus for overseeing local authority input into the design of the franchise, including most significantly the specification and commercial arrangements. The aim is to have these structures formally established by May 2014; and

(b) DfT and Rail North will jointly develop proposals for a single integrated partnership structure with substantial decision making authority to manage the franchises with the aim of agreement of Heads of Terms by the Joint Officials Group in May 2014 and initial establishment of the structure by July 2014.

Once the formal partnership vehicle is established, it will be formally consulted on the further development of the franchise proposition prior to the final ITT being issued.

#### **4. Franchise management phase**

The detailed options and arrangements for the constitution of the integrated partnership structure for managing the franchises, and its role in managing the rights and obligations set out in the DfT franchise agreements, including in relation to change, need early further work. This will take account of the proposition from Rail North that:

- an executive team should have substantial delegated responsibility to take the lead in day-to-day franchise management and development of rail outputs;
- on major decisions, voting rights should reflect the level of risk which is assumed by each party. Risk, and related voting rights, could change over time as the parties may agree;
- the executive team should be overseen by a Board comprising local authority officers (representing Rail North Ltd) and DfT officials which could have an independent Chair, possibly the independent Chair of Rail North Ltd.

It is intended that once the franchises have been let the integrated partnership structure will assume direct responsibility for managing the franchises.

It is proposed that accountability would be achieved by Rail North directors reporting back to a north of England Leaders' Committee and DfT officials reporting back to Ministers. Periodic reviews between Ministers and a smaller group of Leaders could

be established to review overall progress in delivering the partnership objectives and address any specific issues as they arise.

Department for Transport  
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## **ANNEX A: DfT and Rail North franchise objectives**

DfT's franchise programme objectives set out in the March 2013 PIN are:

- Deliver consistently excellent standards in customer service including train and station presentation, passenger information and retail, by harnessing technical innovations and investing in new solutions where the case merits it.
- Develop and exploit the full potential within existing rail markets, grow new markets, spread demand and improve seat utilisation, innovate and invest in partnerships to tackle capacity constraints and improve industry planning for demand.
- Deliver consistently excellent train and station services as well as managing journey disruption in ways that measurably impress passengers and minimise their inconvenience.
- Increase the long term value to the taxpayer of the franchise businesses, their resources, staff and assets through improvements in overall management and investment.
- Achieve whole industry benefits including efficiency, better rail performance and rail industry planning by working jointly or in alliance with other industry members and stakeholders, with a commitment to improved transparency, to help reduce industry costs by £3.5 billion a year by 2019 as identified in the Rail Command Paper "Reforming our Railways: Putting the Customer First".
- Deliver sustainable long term socio-economic benefits for communities and the wider UK economy whilst investing in new solutions that reduce the industry's overall energy consumption, waste, carbon emissions and other harmful environmental impacts.

The Rail North prospectus, proposition and business case set out its key franchise objectives as:

- a baseline set of services broadly equivalent to today's level of service, and which can form a commitment between Government and Northern authorities;
- service development in line with the economic and connectivity objectives of the Northern Hub programme, electrification, and other initiatives;
- additional capacity to support growth;
- multimodal smart ticketing;
- increasing the quality of the passenger offer through replacement of life-expired trains with modern equivalents and refurbishment of older carriages; and,
- station improvements focussing on passenger security, retail/information and car/cycle parking.