

Transport for the North Board - Northern Transport Charter

Item 13 - Appendix 3

Subject: Decision Making and Governance Model

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1.0 Purpose of the Report

- 1.1 Both the Strategic Transport Plan and the Northern Transport Charter make clear that TfN should target a position where it agrees and controls a long-term, multi-modal funding settlement, with agreed devolution and powers, for strategic transport infrastructure in the North, underpinned by a revised governance and decision-making structure.
- 1.2 This report provides an update on the development of the decision making and governance model that would be required in order for Transport for the North (TfN) to be able to manage successfully an enhancement budget. Demonstrating how effective investment decision making could be implemented will be a critical element of the case to HM Government for a devolved budget. The update set out in this paper reflects the outcomes of the Member Working Group meetings in November 2019 and February 2020.

2.0 How does the decision-making process work at moment?

- 2.1 TfN's current statutory powers are derived from the Local Transport Act 2008, amended by the Cities and Local Government Devolution Act 2016. These include:
- Providing statutory advice on the pan-Northern priorities to the Secretary of State for Transport
 - Become a statutory partner in rail investment decisions through the Rail North Partnership
 - Oversee (jointly with the Department for Transport) franchised rail services covering Northern and TransPennine Express franchises
 - Promote highways improvements of Northern significance, with the agreement of Government and relevant local transport and highway authorities

- Prioritise investment on the transport network.

2.2 The Regulations that formed TfN are clear that we can make proposals to the Secretary of State about the role and functions of TfN. A key assumption has been that TfN will seek to be a project sponsor and not a delivery body, thus focussing on investment decisions and holding delivery bodies to account for successful project delivery.

2.3 The table below summarises how in broad terms how transport enhancements are currently developed, and TfN's role in these processes:

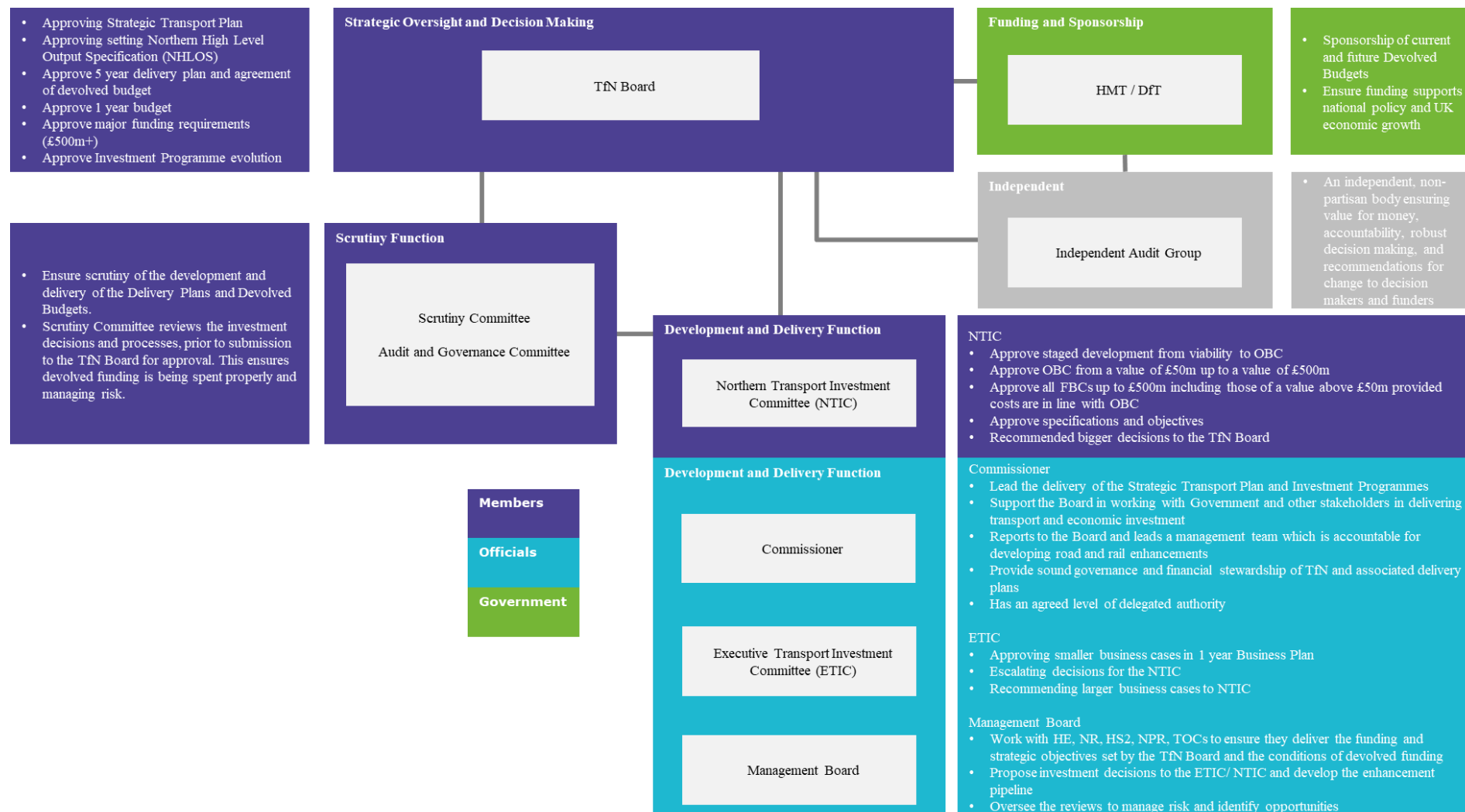
	Current development process	TfN's current role
Rail Services	<p>Railway franchises are decided by DfT, who design the boundaries and terms of service, and award contracts to the train operating companies.</p> <p>Under the devolved administration arrangements, franchises for ScotRail and Caledonian Sleeper are awarded by Transport Scotland, London Overground is awarded by TfL, and the Wales and Borders franchise is awarded by Transport for Wales.</p> <p>The Williams review may radically alter the status quo.</p>	<p>TfN through the Rail North Partnership has a joint management role, allowing TfN to input to the specifications for Northern and Transpennine franchises.</p> <p>While it is a joint management arrangement, there are considerable reserved matters for DfT decision making.</p>
Rail Infrastructure	<p>Network Rail owns and maintains the North's railway network.</p> <p>Prioritisation and funding of enhancements is based on decision making by Network Rail and DfT/HMT</p> <p>Current examples include the Skipton-Colne viability assessment, Transpennine Route Upgrade and Central</p>	<p>TfN inputs its evidence and advice in to shaping schemes.</p> <p>Providing specific formal advice to the Secretary of State on particular investment decisions.</p> <p>TfN are co-clients for the development of NPR – though the NPR</p>

	<p>Manchester enhancements – all of which DfT will decide whether to invest and the level of investment.</p> <p>Scotland has rail infrastructure largely as a devolved matter – which has allowed projects such as the reopening of the Borders Railway to be prioritised locally.</p>	development budget is not devolved.
Road Infrastructure	<p>Highways England (HE) owns and manages the Strategic Road Network (SRN), and the Major Road Network (MRN) is owned and managed by local authorities.</p> <p>DfT with HE decide what projects will be included in each 5 year SRN funding period and what projects will be developed for consideration for future funding periods.</p> <p>For the MRN, TfN have assessed and proposed schemes, in conjunction with local partners, for the north in response to eligibility requirements set by DfT.</p>	<p>TfN submits its advice to DfT for consideration in relation to SRN prioritisation and funding.</p> <p>There is joint working on developing the strategic road studies (such as the Trans Pennine Tunnel), though decision making is still reserved to DfT.</p>

3.0 How do we make timely and efficient decisions in 'a new model' for investment in the North?

- 3.1 Strengthened decision making arrangements will be an essential pre-requisite to any further devolution of powers and oversight. At the Members Working Group in November 2019, TfN officers provided some high-level models to understand the views of the group. Work since then has been focused on developing a single decision making / governance structure, reflecting feedback received from Members. The resultant proposed new governance structure is summarised in Figure 1 below:

Figure 1 – Initial Proposed New Governance



- 3.2 The proposed roles and forums identified in Figure 1 are described briefly below, as a starting point for discussion:

HM Treasury and DfT

As set out previously, TfN recognises that Government will still play a role in TfN through the sponsorship of current and future Devolved Budgets. They will need to ensure funding supports national policy and UK economic growth.

TfN Board

Made up of the 20 constituent authorities and co-opted members, the Board would be the ultimate decision-making body for enhancement decisions, across road, and rail track and train services in the North. It would approve the Strategic Transport Plan, and the specification and objectives of the funding of the multi-year, multi-modal budget. Major funding and project requirements would be approved by the Board. Crucially, the decision as to which projects are included in the overall Investment Programme would reside with the Board. The Board would also hold overall accountability for ensuring that TfN and Delivery Partners are delivering on the strategic outcomes agreed by the Board.

Northern Transport Investment Committee (NTIC)

Recognising the increased responsibilities and oversight would have, it is proposed a Northern Transport Investment Committee is established. Made up of members, they would have an agreed level of delegation to progress schemes through the enhancement pipeline. An agreed capital value of the scheme would be set, with anything above this being escalated to TfN Board for approval.

Commissioner

With Delivery Bodies now accountable for delivering enhancement schemes in the North through TfN funding, a Commissioner role would be established. The role would ensure that the ambitions and direction of the Board is undertaken by the Delivery Bodies. The Commissioner would support the Board in working with Government and other stakeholders in delivering transport investment. The Commissioner would be the point of call for the Board and leads a management team which is accountable for developing road and rail enhancements. On a working basis, they would also have an agreed level of delegated authority to progress work programmes.

Executive Transport Investment Committee (ETIC)

This would provide similar functionality to DfT's BICC committee which reviews business cases, allocates development funding, and makes recommendations to Ministers for approval. With a devolved budget, and a strengthened governance, a Committee, chaired by the Commissioner and made up of transport leads from TfN's partners, ensuring local input from TfN's partnership. They would sign off business cases up to a delegated amount, with larger decisions escalated to the NTIC and/or TfN Board for consideration.

TfN Management Board

At an executive level, there would be a level of delegation for approval, as is the case for TfN currently, but larger decisions would be escalated to ETIC and potentially onwards to NTIC/TfN Board. The Management Board would also ensure that all work programmes by the delivery partners enhancement programmes, both track and train, are feeding in to and updating on progress to the TfN Board and NTIC. This increased working level coordination of delivery bodies should identify and manage risks, and put in place mitigation measures.

Independent Audit Group

As has been the case with other statutory bodies with multi-billion pound programmes, and conditions of other devolution deals, an Independent Audit Group function would need to be established, and align with a revised TfN Assurance Framework. This would set out a programme of evaluation, potentially agreed at the outset with HM Treasury as the funder, and would undertake regular independent assessments of the economic benefits and impacts of the investments made under the enhancement pipeline and multi-year funding periods, including whether the projects have been delivered on time and to budget.

They provide independent assurance and expert advice to the Board concerning the Investment Programme. This would allow the Group to take a wholistic view of TfN's Investment Programme and ensure good governance and assurance, whilst allowing day to day decisions making to be made by TfN and Partners. This is akin to TfL's Independent Investment Programme Advisory Group (IIPAG) and Audit Scotland's role in looking at the performance of Transport Scotland.

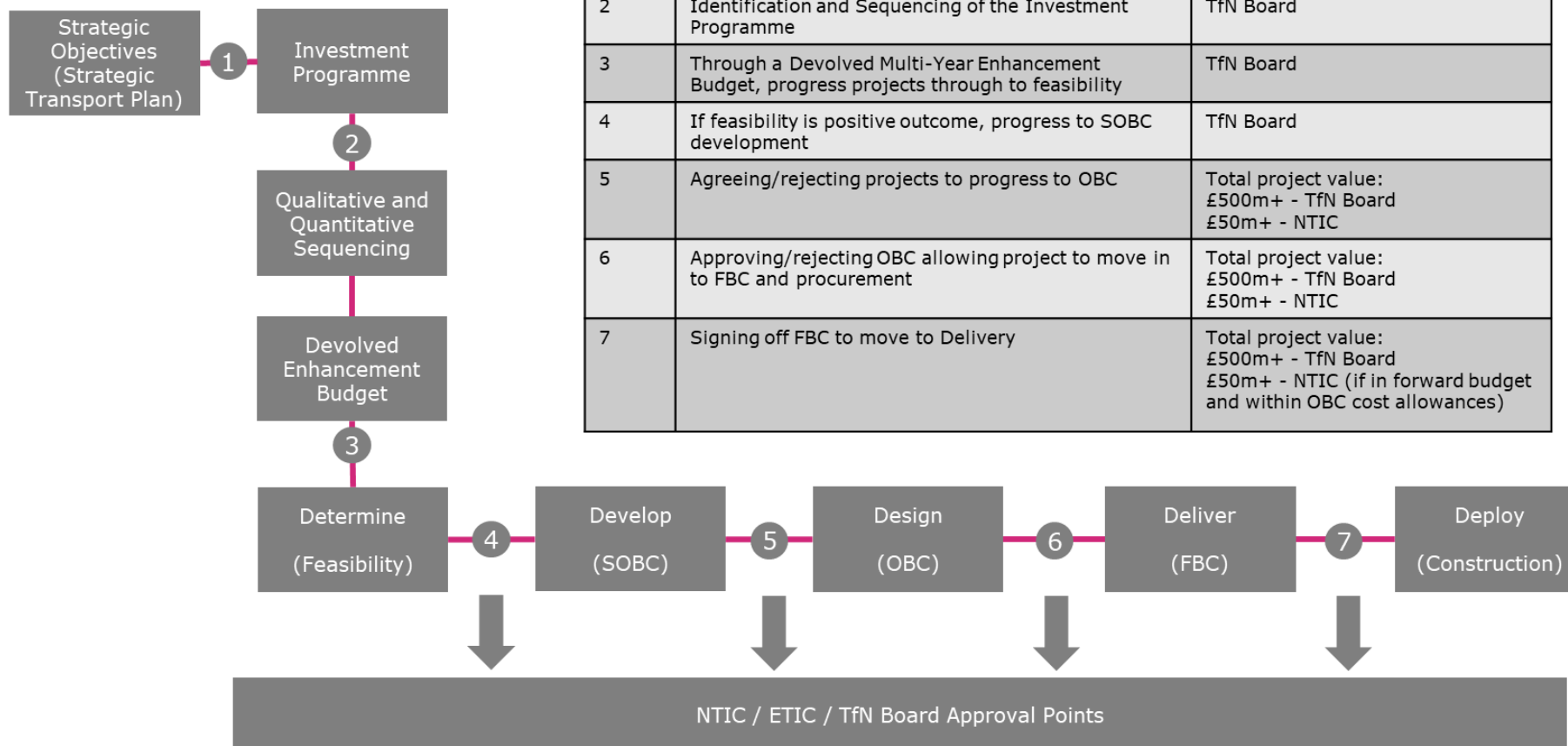
Scrutiny Committee and Audit and Governance Committee

As is the case already in TfN's governance, these committees, made up of constituent members and some independent members, will scrutinise the development and delivery of the Delivery Plans and Devolved Budgets. Scrutiny Committees could review the approach to investment decisions and could receive copies of reports generated by the Independent Audit Group.

- 3.3 Figure 2 below sets out the key stages in an outline investment decision making cycle, summarising how the Board and Committees above align with this process at a high level:

Figure 2 – 7 Stages for Investment Decision and Business Case Approval

7 Stages of Delivery



- 3.4 In conceptual terms, the approach set out above could be described as having many 'industry standard' features. It is presented at this juncture as a starting point for to allow agreement of broad principles. Much detail would still need to be worked through with members and their officers (e.g. financial thresholds in any scheme of delegation, which for the time-being should be treated as illustrative).

3.5

It is also to be determined as to who owns business case developments, and whether this is TfN or Delivery Partners, or a combination of both. The key aspect is that TfN acts in the sponsor role deciding what projects are taken forward through the investment decision making process, rather than necessarily carry out the production of all business cases.

- 3.6 Any changes to the governance of TfN would also require amendments to TfN's constitution, including the membership of the Board and Committees identified below. TfN recognises that increased oversight of a multi-billion pound budget will require increased resource. This will include a different working relationship with Delivery Bodies, but also briefings to TfN Board and NTIC members.

3.6

Although TfN is developing pan-Northern strategic transport schemes, which have wider corridor benefits, it recognises there will be sub-regional and local sensitivities. TfN will explore how this could managed, potentially through sub-committees, to ensure local impacts, concerns and opportunities are fully captured and addressed, in addition to the statutory requirements when delivering new transport schemes. This is all intended to ensure TfN's new model allows greater transparency, effectiveness, and efficiency in decision-making.

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