
Report to: Overview and Scrutiny Committee

Date: 17 January 2020

Subject: **Strategic transport issues**

Director: Alan Reiss, Director Policy, Strategy and Communications

Author(s): Liz Hunter, Alice Rowland and Richard Crabtree

1. Purpose of this report

1.1 To provide the Overview and Scrutiny Committee with information on strategic transport issues and their potential impact on the West Yorkshire Combined Authority. The issues for discussion are:

- The sale of West Yorkshire bus operators (First and Arriva) and the Combined Authority's possible participation;
- The Transforming Cities Fund submission.
- The potential impact of the Blake-Jones Review, Williams Rail Review and Oakervee HS2 Review on the Combined Authority;

2. Information

Sale of bus companies

- 2.1 On 29 May 2019 First Group PLC made an announcement to shareholders that it is "pursuing structural alternatives to separate our First Bus operations from the Group" as part of a process of re-structuring the company.
- 2.2 Protecting, developing and improving the bus network for West Yorkshire residents is a key objective. At its meeting on 10 October 2019, the Combined Authority resolved to explore options arising from the sale of First West Yorkshire Ltd and to commission legal and technical advice in this regard, in order to inform decisions about how to manage risks to bus provision and to secure the continuity and growth of bus services in West Yorkshire.
- 2.3 It is understood that the sale of First West Yorkshire and the other First bus operating companies will be undertaken through an open process. There is therefore a potential opportunity to participate in the sale.

- 2.4 To better understand the potential implications for the Combined Authority, and anticipating the Combined Authority's need, technical and legal support has been procured, in order to:
- Assess the options available.
 - Understand the legal implications of possible next steps
 - Develop a value for money case for investment in bus operations
 - Undertake market due diligence.
- 2.5 Whilst the brief for this technical support has been developed in response to the particular circumstances of the sale of the bus companies, the work has considered how the Combined Authority might influence the provision of the region's bus services.
- 2.6 West Yorkshire Combined Authority remains committed to the on-going partnership work with bus operators for the benefit of West Yorkshire communities. This partnership helps to ensure communities get the best from the net £70 million of public funding that goes into buses in West Yorkshire each year.
- 2.7 Alongside this, it will be important to learn from the experiences of Greater Manchester in developing bus franchising and the emerging position in Merseyside. In actively looking at options to acquire elements of local bus operations, consideration will also be given to how other publicly funded transport such as that provided in the health and social care sectors might be integrated.
- 2.8 The Combined Authority should only embark on any model if that furthers the overall bus strategy aims to increase patronage and through that secure the wider goals of an inclusive economy and tackling the climate emergency by reducing carbon emissions. Protecting the bus network for West Yorkshire residents is an overriding key objective.
- 2.9 The work commissioned will help to give a better understanding of the strategic, financial and legal implications for the Combined Authority. Once the sale process starts formally will there be much more data available about the company and more work would be needed on the implications for the Combined Authority.
- 2.10 Bus franchising will feature in the context of continued conversations regarding a devolution deal for this region. The lessons learnt from Greater Manchester and Merseyside and the outcomes of the work commissioned to inform the options to take in the sale of First, will assist the Combined Authority as it develops the best approach to secure bus services for the region.

Transforming Cities Fund (TCF) bid

- 2.11 As part of the Government's Industrial Strategy and the National Productivity Investment Fund, the Transforming Cities Fund (TCF) aims to drive up productivity through improved connections between urban centres and suburbs. To do this, the Transforming Cities Fund provides a significant

opportunity to invest in infrastructure to improve public and sustainable transport connectivity in some of England's largest cities. The national £2.4 billion fund is a capital only pot which must be delivered by 2023.

- 2.12 Of the £2.4 billion fund, half was awarded directly to mayoral combined authorities on a per capita basis, and half was available for other city regions to bid for a share. Twelve city regions passed the initial expression of interest stage and were eligible to submit a bid for a share of the funding, including the Leeds City Region.
- 2.13 On 28 November 2019, the West Yorkshire Combined Authority submitted a bid on behalf of the Leeds City Region local authorities (Barnsley was formally represented in South Yorkshire's submission). The full Strategic Outline Business Case and supporting appendices is published on the Combined Authority's website at this link <https://www.westyorks-ca.gov.uk/improving-transport/transforming-cities-fund/>.
- 2.14 The Leeds City Region TCF Programme focuses on infrastructure improvements to:
 - Transform access to employment and skills opportunities for communities in areas of persistent poverty
 - Create smart, clean and liveable places to make cycling and walking the obvious choice for accessing town and city centres – improving air quality
 - Transforming the public transport and active travel offer to and from housing and employment sites
 - Making travel by bus an attractive and more reliable offer for commuters by spreading the benefits of 'Connecting Leeds' to the rest of the city region
- 2.15 The TCF Programme is made up of 22 packages of interventions which build on existing work and seek to fill strategic investment gaps across the City Region. The content of the bid was developed in partnership across the region. District partners and the Combined Authority put forward schemes for inclusion in the bid, and these were shortlisted through a process of multi-criteria analysis against the Department for Transport's TCF objectives. Through this process a shortlist of schemes was developed.
- 2.16 The Department for Transport required the bid to include three funding scenarios: low, core and high. These are set out in Table 1 below.

Table 1: Leeds City Region TCF Funding Scenarios

Scenario	Low	Core	High
TCF Financial Ask	£292.2m	£406.3m	£480.5m

- 2.17 It is expected that the Department for Transport will make a funding decision on TCF allocations by the end of March 2020. In parallel to this, each project within the TCF Programme is progressing through the Combined Authority's Assurance Process, to ensure readiness to start to deliver once a funding decision is made. To date, all packages have completed Decision Point 1

(Strategic Assessment) and all packages are working towards Decision Point 2 (Strategic Outline Case).

- 2.18 The Government requirement to deliver the programme by 2023 means that the timescales are challenging. Work is underway at pace to put in place governance and resourcing plans to ensure the Combined Authority and district partners are able to deliver the Programme effectively, efficiently and swiftly when a funding decision is made.

HS2 and rail reviews

- 2.19 Reviews were undertaken in 2019 covering various rail matters, all of which the Combined Authority responded to and which have potential implications for the Combined Authority. In turn, these reviews are the Oakervee Review into the future of HS2, the Blake Jones Review following the May 2018 timetable crisis, and the Williams Rail Review.

Oakervee Review

- 2.20 In August 2019 the Government commissioned a review led by Douglas Oakervee into HS2, following the Prime Minister's stated wish to review whether and how HS2 proceeds. The review will use all existing evidence on the project and consider its:
- benefits and impacts;
 - affordability and efficiency;
 - deliverability; and
 - scope and phasing, including its relationship with Northern Powerhouse Rail.
- 2.21 Leeds City Council and the Combined Authority submitted evidence to the review panel in September 2019 working with Cllrs Judith Blake, Susan Hinchcliffe and the West and North Yorkshire Chamber of Commerce. The original aim was for the Review to report in Autumn 2019, but this has been delayed and is expected early in 2020.
- 2.22 If the Oakervee Review is published by the time Overview and Scrutiny Committee meets, a verbal update will be provided as necessary.

Blake Jones Review

- 2.23 The introduction of the May 2018 rail timetable changes in the North led to severe disruption for passengers and businesses. Cllr Blake on behalf of Transport for the North (TfN), and the Minister for Rail at the Department for Transport (DfT) undertook a joint TfN / DfT Review into the issues published as the Blake Jones Review of the Rail North Partnership. A small review team was established consisting of officials from TfN, DfT and West Yorkshire Combined Authority and views were obtained from Local Transport Authorities in the North, LEPs, Transport Focus, train operators, TfN, DfT and the Rail North Partnership.

- 2.24 The Combined Authority agreed its key points for input into the Review at its meeting on 2 August 2018. These focused on the need for strengthened regional oversight and greater accountability to secure passenger interests in decision making. The Review was known as the Blake Johnson Review at this point, reflecting the name of the relevant Minister with rail responsibilities at the time.
- 2.25 The Review was published in July 2019 and makes recommendations for improved functioning of the current rail devolution arrangements in the North, as well as recommendations to the Williams Rail Review for more fundamental reform. A key theme is putting passenger interests at the heart of decision making, including a new ‘Passenger Promise’, and greater political oversight. A summary of the [Blake Jones Review recommendations was set out in the papers for the Combined Authority meeting on 1 August 2019.](#)
- 2.26 Transport for the North (TfN) has developed a Blake Jones implementation plan which is resulting in changes to the Rail North governance arrangements, with greater accountability for the Rail North Partnership Board of appointed officials through better reporting via the Rail North Committee. Details for implementation of the Passenger Promise are being developed, with an emphasis on better capturing and reporting of impacts of crowding and disruption on passengers. These reforms will continue in 2020. The Blake Jones Action Plan (as of 8 Jan 2020) can be found here:
<https://transportforthenorth.com/wp-content/uploads/10.1-RNC-080120-Blake-Jones-Appendix-1-1.pdf>

- 2.27 The Combined Authority is already participating in and supporting the Rail North governance at officer and Member levels. This includes financial contributions to the TfN Strategic Rail function, as well of dedicated officer time. The emphasis of the Review is to improve the effectiveness of these arrangements, so the resource implications for the Combined Authority are marginal in the short term. In the medium term, the more significant change for the Combined Authority will come in the context of the anticipated Williams Review reforms.

Williams Rail Review

- 2.28 Government established the Williams Rail Review in September 2018 to look at the structure of the whole rail industry and the way passenger rail services are delivered. The review will make recommendations for reform that prioritise passengers’ and taxpayers’ interests. The review was launched in response to the evident need for substantial structural reform of the rail industry, not least as evidenced by the widespread chaos caused by the May 2018 timetable change.
- 2.29 The outcome of the Review will be published as a White Paper setting out reforms to be followed by legislation as necessary for implementation. This was expected to be published in late 2019. The new Government is now expected to publish the White Paper in the early part of 2020.

- 2.30 The Review has sought evidence on an iterative basis, and in response to issues papers. The Combined Authority's first submission to the review was agreed by the Combined Authority at its meeting on 14 February 2019. This highlighted that the current organisational and commercial railway frameworks are not working for our region.
- 2.31 The Combined Authority submitted its second response at the end of April 2019. This was agreed by Leaders and Transport Committee members by correspondence and subsequently endorsed by the Combined Authority at its meeting on 27 June 2019. This response also informed the Combined Authority's contribution to the Transport for the North submission. The second response set out the need for:
- clarity of objectives for the railway: social, economic, and environmental and permeating the railway from top to bottom;
 - network outputs driven by these objectives (without conflicting incentives);
 - value for money in day-to-day operation and in delivery of new infrastructure;
 - a coordinated and integrated rail system with a 'controlling mind' with clear lines for influence and accountability;
 - a railway operationally independent of government (but accountable to it nationally and regionally), with a focus on investing in skills and research; and
 - devolution to ensure that objectives reflect local priorities and conditions, with accountability to those most affected by the railway.
- 2.32 Further officer discussions took place with the Williams Review team over summer 2019 to refine input into the Review based on the agreed submissions.
- 2.33 Whilst the outcome of the Review is currently unknown, it is now widely trailed that it will result in substantial reforms that will mark the end of rail franchising in a bid to make the structure of the industry much simpler. A much stronger role for local areas has also been trailed via political speeches.
- 2.34 This will almost certainly result in an expanded role and greater influence for the Combined Authority over rail matters. In calling for such reform the Combined Authority has also made it clear that this must be accompanied with increased resources through the parallel devolution of powers and funding.
- 2.35 Until the outcome of the Review is known it is not possible to plan in detail for its implications on the Combined Authority. This will also depend on the ultimate role of Transport for the North in day-to-day rail matters. Meanwhile, the Combined Authority is working to bolster its working relationship with the rail industry in developing and influencing investment plans. This includes refreshing the Authority's evidence base on rail demand, future patronage and connectivity priorities. Officers from partner councils have been engaged in this activity and Members will continue to be engaged at appropriate points.

3. Financial Implications

- 3.1 There are no financial implications directly arising from this report. However, the Committee should note the following associated financial matters:
- Bus Sale: At its meeting on 10 October 2019, the Combined Authority approved expenditure of up to £200,000 on technical advice to inform the Authority's options in response to the current situation. Further funding will be required to progress on any acquisition or franchise options;
 - Transforming Cities Fund: The Government is expected to make a decision about Transforming Cities Fund allocations by March 2020;
 - Williams Review: It has been made clear as part of wider devolution activity that any expanded role of the Combined Authority in rail matters will need to include commensurate devolution of funding from government.

4. Legal Implications

- 4.1 There are no legal implications directly arising from this report. As set out above, legal advice has been procured in relation to the future of bus services.

5. Staffing Implications

- 5.1 There are no staffing implications directly arising from this report.

6. External Consultees

- 6.1 No external consultations have been undertaken specifically for this report.

7. Recommendations

- 7.1 That the Overview and Scrutiny Committee note the content of the report and provide comment to the issues raised in the report.

8. Background Documents

HS2 independent review: terms of reference ('Oakervee Review'), available here: <https://www.gov.uk/government/publications/hs2-independent-review-terms-of-reference>

Terms of Reference for Blake Johnson Review, and Combined Authority's key points for submission to the Review. Contained in **Item 6** – West Yorkshire Combined Authority, 2 August 2019. Available via:

<https://westyorkshire.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=740&Ver=4>

Blake Jones Review: Rail North Partnership Review. Summary report and technical annex, available here:

<https://www.gov.uk/government/publications/blake-jones-review-rail-north-partnership-review>

Summary of Blake Jones Review of the Rail North Partnership, including recommendations. Contained in **Item 7** – West Yorkshire Combined Authority,

1 August 2019. Available via:
<https://westyorkshire.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=834&Ver=4>

Blake-Jones Review Action Plan (8 Jan 2020, Rail North Committee):
<https://transportforthenorh.com/wp-content/uploads/10.1-RNC-080120-Blake-Jones-Appendix-1-1.pdf>

The Williams Rail Review. Terms of reference, call for evidence, evidence papers and announcements, available here:
<https://www.gov.uk/government/collections/the-williams-rail-review>

Summary of Combined Authority response to Williams Rail Review Call for Evidence. Contained in **Item 5** – West Yorkshire Combined Authority, 14 February 2019. Available via:
<https://westyorkshire.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=743&Ver=4>

Combined Authority response to Williams Rail Review Second Call for Evidence. Contained in **Item 16** – West Yorkshire Combined Authority, 27 June 2019. Available via:
<https://westyorkshire.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=745>

9. Appendices

None.