



## Department for Transport

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From the Secretary of State  
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Thank you for your proposal to formally establish Transport for the North (TfN) as a Sub-national Transport Body (STB), which I received on 14<sup>th</sup> October 2016. I am pleased to be able to respond and confirm my agreement to establishing TfN as a statutory body.

I would like to take this opportunity to congratulate you on all that TfN and its northern partners have achieved to date. Collaboration on this scale, between 19 local authorities, is a clear indication of the passion and willingness of the North's leaders to embrace opportunities and to work together to deliver the Northern Powerhouse. As a single voice for the North TfN's establishment as a statutory body will be essential in developing an increasingly prosperous future for the region, and for ensuring that transport interventions not only improve journeys but are also targeted at unlocking the economy's true potential.

As you highlighted in your letter to me, your early work has done much to develop the evidence base for the Northern Powerhouse initiative. I noted that your Independent Economic Review has demonstrated not only the current economic importance of the North to the UK as a whole, but also captured its as-yet untapped potential. The opportunity for an additional 850,000 new jobs and an extra GVA of £97bn by 2050 means improved opportunities for all, higher living standards, and a more balanced economy. This is a prize I know we are all committed to achieving.

With respect to the STB Proposal that you submitted I am satisfied that the necessary statutory tests have been met, and that TfN meets the qualifying criteria to be established as an STB. I have therefore given significant consideration to each of the individual requests made in your proposal based on the extensive analysis that my officials have undertaken to

understand their legal and practical implications. In taking my decisions I have been mindful that the establishment of an STB must demonstrate clear benefits and that any changes ensure that:

- Decisions are being taken at the right level and geography;
- Democratic accountability is maintained;
- The coherence of our national networks is maintained;
- Demonstrable improvements for passengers and transport users are delivered.

On this basis I have decided that the key functions for TfN as the inaugural STB will be:

- The preparation of a Northern Transport Strategy;
- The provision of advice on the North's priorities, as a Statutory Partner in the Department's investment processes;
- The coordination of regional transport activities, (such as smart ticketing), and the co-management of the Transpennine Express and Northern rail franchises through the acquisition of Rail North Ltd.

The implementation of these functions will require bespoke mechanisms through which TfN will engage with my Department to ensure that the North's priorities are understood and recognised in national decision making. My officials are already working with you to establish these arrangements so that the value of TfN's expertise and analysis can be formalised as soon as possible. For your information I have attached an annex to this letter containing more detail of my decisions and the supporting rationale.

I believe that establishing TfN with these functions strikes the right balance between national and regional priorities. It will ensure that a strategic approach to transport is taken across the North and that its priorities for investment are fully understood and rigorously considered at all stages of decision making. This unprecedented access to investment decision making is only possible as a result of TfN's unique role as the single voice for the North and the legitimacy that statutory status will give it to prioritise potential investments across the region. You're setting an example that others will follow and I have every confidence that these new arrangements will produce better outcomes for passengers and transport users across the North.

I look forward to working with you over the coming months and years as we work to deliver the Northern Powerhouse, with a strong TfN at its heart.

Yours sincerely,

## **Rt Hon Chris Grayling MP**

### **SECRETARY OF STATE FOR TRANSPORT**

#### **Annex**

##### The Legislative Requirements

In assessing TfN's STB Proposal, the Department has – first - to be mindful of the statutory tests that must be met before an STB can be established. These tests require that Ministers are satisfied that:

- a) Establishing TfN as an STB would facilitate the development and implementation of transport strategies in the North; **and**
- b) That the objective of economic growth in the area would be furthered by the development and implementation of such strategies.

In assessing TfN's proposal the Department noted that TfN, in its shadow form, is already actively involved in developing a Strategic Transport Plan and has completed analysis such as the Northern Powerhouse Independent Economic Review and the already published Northern Transport Strategy to feed into the development and rationale of their long-term plan. In addition, their proposal also provides a sound rationale for the economic benefits for the North of agglomeration, long-term strategic planning and integrating those plans with regional economic and spatial objectives.

It was on this basis that officials advised that these two statutory tests have been satisfied and that establishing TfN would lead to the development of a transport strategy for the North that would further economic growth.

##### Infrastructure Investments: TfN's Advisory Role

The Department agrees that as a statutory body, and single voice for the North, TfN requires a strong, formal role in the Department's investment process insofar as they relate to the North, over and above that which is available to individual local or combined authorities. Therefore, TfN should become a statutory partner in both the road and rail investment processes, TfN would be responsible for the setting of the North's objectives and priorities in regards to strategic road and rail investments. Whilst the SofS would remain the final decision maker, as a statutory body, decisions relating to the North would have to take account of TfN's priorities.

##### Rail Franchising

The Department is highly supportive of TfN's desire, once it becomes a statutory body, for the ownership of Rail North to be transferred to TfN. It sees the creation of one organisation with responsibility for promoting/delivering transport services will affirm TfN's ability to speak with one voice for the North across modes and services. To this end, and to ensure that TfN and Rail North can be effective in their role, the Department agrees that TfN should be consulted in relation to franchise agreements for services to, from, or within its area, and to enter into agreements with the SofS or franchisees in relation to such services.

### Local Government Powers

The Department's assessment of TfN's requests for local authority powers and the supporting rationale provided has resulted in the Department agreeing that TfN should have the following powers (to be reflected as appropriate in statutory provisions):

- Smart ticketing powers – Enabling TfN to carry out the necessary work to drive forward multi-modal smart ticketing in the North.
- Power to pay capital grants – Enabling TfN to support the funding and delivery of joint projects.
- The local road powers and the Transport and Works Act powers– Enabling TfN to promote, coordinate and fund transport schemes.

The Department also considered TfN's request to be granted the power to promote the economic, social or environmental well-being. Whilst the Department is supportive of TfN being able to carry out the sort of activities which might be envisaged by this power, its legal assessment showed that TfN do not require the explicit power in order to carry out these functions. This is because the primary legislation that allows for the creation of STBs already provides them with a functional power of competence. The Department believes that this would enable an STB to do anything it considers appropriate for the purposes of the carrying out of any of its transport functions, including anything an STB could do under the wellbeing power (relating to its functions).

The Department recognises that TfN remains concerned about this issue and will work with them throughout the drafting of the Statutory Instrument to ensure that the necessary reassurances are provided.

### Funding

As an STB the role of TfN will be to operate between the Department and the North's local authorities, undertaking analysis and providing advice to both parties on strategic transport interventions that will help transform the economy of the North. This is a key role and the Department recognises that long term central Government support for TfN will be needed.

At present the Department has committed funding to support the administration of TfN up until the end of this Parliament. Whilst future funding decisions will inevitably remain the responsibility of governments at the time, the Department recognises the value that STBs such as TfN will bring to transport decision making and ensuring that passengers and transport users get the best return for the taxpayer's investment.