

ENGLAND'S ECONOMIC HEARTLAND

CONCEPT REPORT

Developing the case for a Sub-National Transport Body

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1 Executive Summary

- 1.1 The England's Economic Heartland Strategic Alliance (**the Alliance**) area covers 12,0000 sq. km between London and the Midlands, representing a key growth corridor from Oxfordshire through Milton Keynes and across to Cambridgeshire, known as the Heartland. The Heartland is home to 3.45 million people, providing over 1.6 million jobs and with an economy of over £92.5bn each year. The Heartland has a wide range of commerce and industry and is the central to the UK's global competitiveness particularly in the fields of science, technology and innovation. The Heartland aims to increase its economic output by up to 20%, to achieve this requires a focus on transport planning and spatial planning, in particular housing, across the Heartland corridor.
- 1.2 However, poor connectivity through the area, particularly east-west connectivity, threatens to hinder economic growth. The current connectivity can be slow, infrequent and lacks direct services between the regions key hubs, often forcing passengers to travel lengthy routes via London or the Midlands.
- 1.3 The Alliance aims to play a key role in increasing the economic output of the Heartland region through collaborative working adopting a 'one voice' approach on strategic transport investment. This Report sets out the options for the Alliance to consider in relation to how and if the Alliance should proceed to develop the case for becoming a Sub- National Transport Body (**STB**) to address the current issues and to enhance economic growth in the Heartland region.
- 1.4 The Report is structured as follows:
 - 1.4.1 This **Executive Summary** forms section 1.
 - 1.4.2 Section 2 sets out the **Background** to the proposals, setting out some key issues for transport planning in the Heartland area and the potential to take a co-ordinated approach to transport planning by forming an STB.
 - 1.4.3 Section 3 describes the **current transport planning** arrangements on the road and rail networks and the options presented by devolution.
 - 1.4.4 Section 4 outlines some **potential benefits of establishing an STB** including the ways in which it could act for the benefit of transport users in the Heartland region.

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1.4.5 Section 5 outlines **the potential functions of an STB**. Some of these will apply whichever type of STB is preferred, such as setting a transport strategy for the region, advising Ministers, and co-ordinating the exercise of functions. It is also possible for STBs to exercise specific transport functions instead of or as well as other bodies. Potential functions that could be exercised by an STB are set out in **Appendix 1**.

1.4.6 As no STB has yet been formed, there is no prescribed model yet. **Section 6** sets out **the four different options** that are under contemplation:

- (a) Continuing with the existing informal arrangement;
- (b) Adopting a more formal, but non-statutory arrangement (for instance a joint committee of the constituent authorities);
- (c) Becoming a statutory STB with relatively limited functions;
- (d) Becoming a statutory STB with more extensive functions.

The Report recommends that the decision on which model to adopt should be informed by the functions that the Alliance wants the STB to undertake. It is theoretically possible for an incremental or phased approach to be taken, so that the STB evolves from one model to another over a period of time.

1.4.7 Section 7 describes the **process for creating an STB**, and gives more detail of the types of powers that an STB could have.

1.4.8 Section 8 gives an overview of the way in which an **STB might exercise its functions**.

1.4.9 As some transport authorities could potentially be members of more than one STB, section 9 describes some of the **geographical issues** that should be addressed when developing an STB proposal.

1.4.10 Section 10 sets out the **next steps** in the process.

2 Background

- 2.1 England's Economic Heartland (EEH), in its original form, the Strategic Alliance, was formed in 2014 and represents 8 local authorities, 4 Local Enterprise Partnerships (LEPs), Network Rail, Highways England, the Department for Transport (the DfT), Oxfordshire Growth Board, and other organisations such as the Transport Systems Catapult, Civil Engineering Contractors Association and various public transport operators.
- 2.2 Together, the Alliance and the DfT are developing a transport strategy that identifies the major infrastructure projects needed to improve the connectivity across the region to help drive economic growth through increasing the productivity of existing business and creation of new jobs.
- 2.3 As part of the work to develop this strategy, the Alliance has identified the following key investment priorities:
- Delivery of East-West Rail;
 - Investment in an East-West Expressway road;
 - Investment in the key transport hubs;
 - Support for the identification of a Major Road Network; and
 - Investment in strategic local connectivity.

Key issues for the Alliance area

- 2.4 The strategic planning processes for both highways and railways are complex, and lack opportunities for a multi-modal perspective across the Heartland to be put forward. Similar gaps exist in other strategic transport planning functions, including funding, accountability and scheme prioritisation. The Alliance can address this by taking a wider view of the needs and investment priorities of the whole region, beyond the scope of each individual authority and their area. For example a key priority for the region is to address the poor east-west connectivity throughout the region, and potential solutions for both road and rail are being considered and developed. An STB could enhance a region-wide collaborative approach to transport planning by helping to identify the gaps and potential improvements which would benefit both the local region and nationally.

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- 2.5 This report provides a high level summary of what an STB is, how the Alliance could become one, and the potential powers and functions available to different types of STB. It also summarises the advantages and disadvantages of the Alliance becoming an STB and exercising particular powers, in order to help stakeholders take a view on the future direction of the Alliance.

A coordinated approach to transport planning

- 2.6 This report outlines how an STB may facilitate the development and implementation of transport strategies in the Heartland, and thereby further the objective of economic growth in the region. It summarises how strategic transport planning has been conducted in the region to date, identifies potential gaps, and how a coordinated approach to transport planning could offer benefits across the region.

The formation of an STB

- 2.7 The formation of an STB is an untested process; as there are currently no STBs yet in place, and no guidance from the DfT as to how the process should work. However, there are lessons that can be drawn both from the outline process as set out in the amended Local Transport Act 2008 (**the LTA 2008**) and from the experiences of both Transport for the North (**TfN**) (which has submitted its formal proposal and received approval in principle from the Secretary of State) and Midlands Connect (which is in active discussions with the DfT about its proposal).
- 2.8 From their experience, it is clear that the DfT see the development process for STBs as a 'bottom-up' process, with a different approach needed for each potential STB which is highly dependent on the views of the constituent authorities.
- 2.9 In order for the Secretary of State to establish an STB, through regulations, he must be satisfied that:
- the STB would facilitate the development and implementation of transport strategies for its area; and
 - economic growth in the area would be furthered by the development and implementation of such strategies.

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- 2.10 STB proposals are therefore closely linked to the emerging transport strategy, and should be progressed together with the strategy. The purpose of the transport strategy is to set out how the exercise of transport functions within the area could be improved and the effectiveness and efficiency of transport to, from or within the area.

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3 Current transport planning and options for devolution

- 3.1 There are several gaps and inconsistencies in the current structure of transport planning in the Heartland region, which are obstacles to the Alliance's ambitions to improve connectivity across the region. Therefore, consideration is being given to constituting the Alliance as an STB under the LTA 2008, as amended by the Cities and Local Government Devolution Act 2016 (**CLGD 2016**). The LTA 2008 gives an STB powers to set the strategy for transport in its geographical area and the potential to carry out several other functions. This could potentially help to plug those gaps and deliver benefits to transport users and to the Heartland's economy generally.
- 3.2 An STB can have wide powers in relation to transport in its area, potentially enabling it to ensure that the improvements identified by the Alliance are delivered. The Alliance is considering what powers and functions it may wish to apply for from the DfT in order to achieve its aims. Potential functions could include:
- governance and oversight of the implementation of the Alliance's policy programme;
 - the development of new forms of financing; and
 - making strategic transport decisions such as:
 - agreeing the Roads Investment Strategy (**RIS**) for the area in conjunction with Highways England;
 - agreeing the High Level Output Specification (**HLOS**) for the area in conjunction with Network Rail; and
 - setting the goals and overseeing delivery of rail franchising and rail network capital investment.

Highway Network

- 3.3 Highways England has responsibility for the Strategic Road Network (**SRN**) (Motorways and Trunk Roads). It develops its infrastructure programme through the RIS process. The Government launched RIS1 (covering the period 2015/16 to 2020/21) in April 2015. In developing RIS1, the Highways Agency (as it then was) identified schemes across its network according to a set of largely independent routes, many of which extended across large parts of the country and do not naturally

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fit with functional economic geographies. The outputs were termed the Route-Based Strategies and defined priority improvements on each route to be taken forward in RIS1.

3.4 Highways England has now re-commenced this route strategy process with a similar definition of routes to inform the process of formulating RIS2 and ultimately Highways England's programme up to 2025/26. It is understood that Highways England are engaging with the Alliance in its current capacity, the emerging STBs are key stakeholders to be consulted as part of the new route strategy process. Additionally, while the route strategy process seeks to consider multi-modal options, it is necessarily focused primarily on road traffic. At a strategic planning level, therefore, consideration of the entire Heartland region multi-modal connectivity is also constrained.

3.5 In the current RIS, Highways England identified fourteen schemes for development during this Road Period (2015 – 2020) and delivery within the next Road Period (expected to be 2020 – 2025) which are wholly or partially located in the Heartland area. These schemes are:

- A14 Kettering bypass widening
- M1 Junctions 13-19
- A45/A6 Chowns Mill Junction Improvement
- A43 Abthrope Junction
- A14 Junction 10a
- A5 Towcester Relief Road
- A14 Cambridge to Huntingdon
- A5-M1 Link Road
- A47 Guyhirn Junction
- A428 Black Cat to Caxton Gibbet
- M11 Junction 8-14 Technology Upgrade
- A47 Wansford to Sutton
- A34 Oxford Junctions
- A34 Technology Enhancements

3.6 The current RIS also identifies the A45 Standwick to Thrapston scheme will be developed for the next Road Period. There are also commitments to undertake new strategic studies for areas which will affect the Heartland with the intention of these schemes being developed in RIS2:

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- Oxford to Cambridge Expressway
- A1 East of England
- M25 South West Quadrant

3.7 The Government published a Strategic Study, Stage 3 Report for the Oxford to Cambridge Expressway and A1 East of England in November 2016 and for the M25 South West Quadrant in March 2017.

3.8 Local Highway Authorities (**LHAs**) are responsible for the major road network of 'A roads' that are not part of the Highways England SRN but provide a key strategic function in linking locations across the Heartland, and linking them to the SRN. One of the Alliance's key investment priorities is to support the identification of a "Major Road Network" across the Heartland – the next level down in the road network from the SRN, which is not currently fully defined or co-ordinated. Improvements to these roads are planned and funded differently, predominantly through the local major scheme process through the Single Local Growth Fund for which funding decision-making is devolved to Local Enterprise Partnerships (**LEPs**). The schemes are however planned and delivered by the LHAs. Across the Alliance area there are 4 partner LEPs and 8 LHAs, making achieving a regional perspective to this major road network potentially challenging.

3.9 The challenge is exacerbated by the different planning, prioritisation and funding processes adopted by Highways England for the SRN and the LEPs/LHAs for the major road network. This is particularly important as, in the main, access to the SRN from the key hubs and potential future employment locations in the Heartland is via the major road network. It is emphasised, though, that joint working between stakeholders, supported by statutory requirements for co-operation between local authorities and between LHAs and Highways England, means that planning for the SRN and the major road network is undertaken collaboratively. Nevertheless, the planning and decision-making process is not necessarily aligned to taking a regional perspective. An STB offers the opportunity to improve this, in particular by co-ordinating funding in the areas where the effects are most likely to be felt by regional travellers, through improved journey-time reliability or journey-time savings.

Rail Network

3.10 Network Rail's forward programme is defined as part of the Long Term Planning Process (**LTTP**) that is informed by market studies (which define overall future demand for rail services, passenger and freight) and route studies (which examine options for future services on individual routes taking into account stakeholder aspirations and considers investment choices). The programme is defined by Control

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Periods (**CP**), the current CP is CP5 which covers the period up to 2018 and then CP6 will cover the five year period up until to 2024.

- 3.11 As with the SRN, the way in which routes are defined does not align with the functional economic geography of the Heartland. There are numerous route studies that cover parts of the Heartland to varying degrees; a key challenge is that the routes are broadly aligned around north-south axes and not east-west (for example the West Midlands and Chilterns Route Strategy covers the route from the West Midlands through the Chilterns into London and the Anglia Route Study covers east-west movements to/from Anglia to Peterborough and Cambridge though the main focus remains on routes to/from London). In addition, the route studies are at different stages of completion- the Anglia Route Study was published in March 2016, however the West Midlands and Chilterns Route Study was published in winter 2016 and refers to the ambitions for East West Rail. The Alliance and its partners are contributing to the LTPP through the stakeholder engagement process and are engaging regularly with Network Rail and will continue to do so moving forward. Nevertheless, the process does not necessarily enable a regional perspective to be easily injected into the planning and prioritisation process.
- 3.12 Additionally, the routes are aligned differently to those of Highways England's route strategy categorisation making, and differently also to the LHAs' highway network scope of control, potentially constraining potential multi-modal and integrated rail/highway solutions being developed and considered.
- 3.13 There is no single rail hub within the Heartland but a number of potential hubs in need of further investment and development. Rail capacity and reliability plays a critical role in the Heartland's economic strategy ensuring the use of the classic network and development of East West Rail as a catalyst for growth.
- 3.14 Although Alliance partners have a role in contributing to the franchise specification process through consultation, this does not necessarily enable the Alliance's regional priority connectivity challenges to be addressed because of the focus of the franchises and the fragmentation across the region.
- 3.15 It is worth noting that Rail Planning process explicitly takes account of affordability issues. The DfT is obliged to provide a Statement of Funds available (**SoFA**). The potential role of an STB in this process is not yet clear, particularly where there is significant operational overlap with rail services outside a devolved authorities' area.

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Other Planning Functions

- 3.16 Transport's role in supporting and driving economic growth is recognised in the Strategic Economic Plans (SEPs) produced by each of the LEPs. These 5-year plans are non-statutory but set out the case for funding to the LEP areas from the Single Local Growth Fund and set a trajectory for future growth. At a regional level there is no requirement for these plans to be complementary.
- 3.17 Local planning authorities have a statutory requirement to produce local plans that determine future location of new development. There is no requirement for the plans to be complementary at a regional level, and there is no body that has a formal role to align growth aspirations set out in local plans with strategic connectivity needs. An STB with a formal role in relation to all local plans in the Heartland would potentially address this issue.

Funding periods

- 3.18 A further potential gap is the ability for the Alliance to confidently define and prioritise a long-term transport strategy given the different time horizon perspectives and constraints of its partners. All existing bodies are constrained to varying degrees by the focus on short-term funding periods and the confidence to plan beyond the immediate funding horizon. Many of the options the Alliance is currently developing would need to be funded and delivered over the next 20-30 years. Highways England is already planning for RIS2. Network Rail's position on CP6 and beyond is still under review because of the challenges that have emerged on CP5. Typically, local authorities have the shortest time horizon perspective because of funding uncertainty, though those with city deals have the opportunity to look longer term.

Engagement and Accountability

- 3.19 The summary of the strategic planning processes above illustrates the challenge of effectively engaging with Highways England, Network Rail, the DfT, LEPs and local authorities on the Heartland regional connectivity issues and priorities. Given that there are many different processes in play at any one time (RIS2, rail route studies, local planning process etc.), clearly the making for the case for the Heartland connectivity priorities is challenging. Currently each of the Alliance partners has its own interest and often a statutory role in engaging with a range of different delivery bodies. Potentially this weakens the regional connectivity message and makes accountability for representing and championing the Alliance priorities complex. Whereas an STB could more easily make the case for regional issues.

Digital Connectivity and Logistics

- 3.20 One area of potential benefit for transport users is the increasing potential of digital connectivity, particularly smart ticketing. However, not all authorities will necessarily have the capability or funding to implement such schemes, and risks for operators would be high. As an STB, the Alliance would be able to cut across the existing commercial and legal frameworks and provide the resource and economies of scale to deliver smart ticketing. This in turn could deliver clear user benefits through schemes like carnets or part-time worker tickets.

Technical Processes for Scheme Identification and Prioritisation

- 3.21 Each of the delivery bodies (Highways England, Network Rail, the DfT, LEPs, local authorities) have their own technical processes by which transport schemes are developed and prioritised. While all are consistent with Treasury Green Book assessments of investment case and the transport-specific guidance defined by the DfT, the processes do have attributes which mean they are potentially not aligned with looking at transport challenges and investment priorities at a regional level across the Heartland. This is an area of considerable technical debate, but broadly the issues can be summarised as:

3.21.1 **Scope of interventions considered** – as discussed above the processes adopted do not explicitly and fully address multi-modal solutions which could preclude some types of solution being considered.

3.21.2 **Current business case processes employed do not adequately represent the potential transformational impact of certain types of schemes** - especially the impact on economic growth (jobs, GVA) – resulting in them not meeting value for money thresholds and not being prioritised for investment. Typically greater credence is given to schemes which have large benefits driven by congestion reduction benefitting existing well-established patterns of movement rather than schemes that could, by establishing transformational connectivity improvements, drive new economic activity and thereby create new demand for travel. Many of the transport challenges that the Alliance is seeking to tackle fall into the transformational category.

3.21.3 **Synergies between schemes** – business case processes often seek to establish the investment case of a single scheme rather than a package or collection of schemes on the grounds that the smaller scheme needs to demonstrate a viable business case. For small schemes with generally

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localised impacts this approach is acceptable. But for the types of regional connectivity improvements the Alliance is examining; treating schemes as sub-components will underestimate the wider benefits arising from synergies.

3.21.4 **Decision-making processes and prioritisation mechanisms** that focus on generic outcomes rather than reflect the specific economic, social and environmental priorities of a region.

3.22 There is a potentially strong case for tailoring the technical scheme development and prioritisation processes specifically to the needs of transformational infrastructure and service improvements being considered by the Alliance. It is noted that the DfT is actively re-assessing its mandated approach to the above issues.

4 The benefits of establishing the Alliance as an STB

4.1 Below are a number of different ways in which establishing the Alliance as an STB could deliver benefits for the Heartland:

- 4.1.1 Working as a stronger client, and so passing on efficiencies to local transport users.
- 4.1.2 Being a stronger advocate for the user.
- 4.1.3 Acting as a single regional voice in national discussions.
- 4.1.4 Financial innovation and reform.
- 4.1.5 Delivery of wider reform.
- 4.1.6 Providing a single voice for the users when dealing with third party providers.

Working on behalf of the user as a stronger client of the private sector

4.2 In the UK the public sector has a strong record of working with the private sector through a range of contractual structures in order to successfully deliver new and enhanced infrastructure, and service delivery of a consistently high quality. The success of devolved bodies such as Transport for London demonstrates how such benefits can be further captured by enhancing the public sector 'client' function in relation to the specification and management of third party contracts, in addition to ensuring that an STB of the scale of the Alliance, would be of a sufficient scale to capture additional competitive efficiencies from procurement and other processes.

4.3 This in turn should pass through to cost savings for infrastructure work, and more effective implementation, resulting in quicker improvements to the existing networks, which in turn would benefit users by delivering improved reliability and journey times more quickly than works procured where the contracting authority has less "clout".

A stronger advocate for the user

4.4 As is the case in any dynamic economy, policy and practice around the delivery of transport infrastructure and transport services will continue to evolve, particularly in an era of potentially disruptive technologies and public sector funding constraints. Establishing the Alliance as an STB will allow it to protect and develop the interests

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of the regional transport user in a changing technological and policy environment – for example in the event of further reform and development of national structures for the delivery of transport, e.g. Network Rail, the Alliance would be able to represent the interests of the user in the development of any reformed structures.

- 4.5 It would also have the depth of knowledge and resource to be able to innovate to meet the future challenges facing transport users. This potentially enables more improvements to be delivered for the benefit of the user than would occur where individual LHAs had to co-ordinate to make the case for them. In short, those national bodies are more likely to respond to a single regional voice than to a number of fragmented, and potentially contradictory, local voices.

The role of the Alliance in the context of wider UK reform of transport delivery

- 4.6 The proposal to establish the Alliance as an STB is being made in the context of wider national reform, and neighbouring areas (e.g. TfN for the North and Midlands Connect for the Midlands) are developing their own proposals for becoming STBs. In this context, it is essential for the economy of the Heartland region as a whole that it is able to rely upon a 'state of the art' transport delivery body. Otherwise, continuation of the current arrangements in a situation where other regional groupings had established STBs would result in sub-optimal outcomes for the Heartland region, by potentially diverting funding and improvements to those other areas.

Financing Innovation and Reform

- 4.7 Although the current statutory powers of STBs in relation to the raising of finance are limited, the introduction of STBs is taking place in the context of potentially significant debate and reform around the financing of infrastructure in the UK. Key issues on the reform agenda include the potential pooling of local authority pension fund assets to fund infrastructure schemes, the taking of early steps in relation to the bond financing of local authority financing requirements, and the increasing use of asset financing structures. In such a developing environment, the establishment of the Alliance as an STB is essential so that it can fulfil the role of an engaged and committed advocate for the delivery of financial innovation in the interests of the transport user (not the financing interest alone) and the region.

Delivery of wider reforms

- 4.8 The position of an Alliance STB as an advocate for the user interest, and as a transport policy and delivery innovator, and as a stronger public sector client to the

private sector, would underpin its ability to ensure successful delivery of wider reforms – such as the potential ability to introduce bus franchising, for example, due to the ability of an Alliance STB to promote and specify more efficiently mapped franchise arrangements across overlapping boundaries.

User interfaces with third party infrastructure

- 4.9 Privately specified, financed and operated third party infrastructure has a critical role to play in the airports and freight sectors in the region. Whilst the private sector will continue to have an independent and vital role to play there is a critical role for the Alliance to play in coordinating and enhancing the user outputs and benefits that are delivered by private sector infrastructure, particularly in relation to the airport infrastructure that is the vital international gateway for the region. Again, a single regional voice is more likely to be influential than multiple, potentially contradictory voices.

5 The potential powers and functions of the Alliance as an STB

- 5.1 The LTA 2008 is not prescriptive and envisages STBs with a large range of powers and duties. Some of the potential functions which the Alliance needs to consider are summarised below.

Preparing a transport strategy for the area

- 5.2 The Alliance's transport strategy will effectively be a document containing the Alliance's STB proposals for the promotion and encouragement of sustainable, safe, integrated, efficient and economic transport facilities and services to, from and within the area of the STB. The working group preparing the Alliance's transport strategy should ensure they liaise closely with the Strategic Transport Forum and Transport Officers Support Group to ensure a consistent approach is adopted. If the Alliance has formal statutory status, its transport strategy will also have such status.

Advising the Secretary of State about the exercise of transport functions

- 5.3 The Alliance could advise the Secretary of State about the exercise of transport functions in the Heartland region, functions exercisable by the Secretary of State or others. Again, depending on the Alliance's formal status, its advice might also have statutory status.

Co-ordination of transport functions

- 5.4 The Alliance could play a central role in co-ordinating the carrying out of transport functions that are exercisable by different constituent authorities with a view to improving the effectiveness and efficiency in the carrying out of those functions.

Exercising specific transport functions

- 5.5 If an STB considers that a transport function (whether exercised by a local transport authority or any other public body) would be more effectively and efficiently carried out by the STB itself, it can make a proposal to the Secretary of State for the transfer of that function to the STB. The LTA 2008 allows for some powers and functions to be undertaken by an STB alone and some powers and functions to be undertaken jointly with local authorities or other public bodies. The types of functions that might be exercised by the STB are set out in **Appendix 1**.

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- 5.6 If the Alliance becomes a statutory STB, it could potentially exercise a range of different transport-related functions that are currently exercised by other public bodies. These include both powers exercised by local authorities, and powers exercised by other public bodies, such as the Secretary of State.

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6 The potential models of STB

- 6.1 There are a number of models for the Alliance to consider, with each model there are benefits and disbenefits for the Alliance. The models can be summarised as:
- 6.1.1 maintaining the current status quo as an informal partnership - relying on existing institutions and economic and policy development frameworks to deliver the Alliance's aspirations; or
 - 6.1.2 developing Alliance as a more formalised but non-statutory partnership - to carry out a co-ordinating role, but without any statutory requirement for its strategies or recommendations to be taken into account; or
 - 6.1.3 establishing Alliance as a formal STB (statutory), but with a narrow range of functions - focused primarily on the production of a statutory transport strategy, give the Alliance formal ability to give advice and become a formal consultee requiring other authorities to consider the Alliance's strategy and the views of the Alliance in relation to relevant matters within its area; or
 - 6.1.4 establishing Alliance as a more extensive "devo-max" role - carrying out functions currently exercisable by other public bodies (this can theoretically extend almost to network commissioning, although the DfT, Highways England and Network Rail have so far been reluctant to contemplate such extensive devolution).
- 6.2 It can be seen that the precise model of STB depends in part on the range of functions exercisable by it. More detailed analysis of the potential models of an STB is set out in **Appendix 1**.

Phasing of the options

- 6.3 It should be noted that it is potentially possible to take a phased approach to the creation of an STB and its endowment with functions. For instance, the Alliance could:
- 6.3.1 opt to develop itself as a more formalised but non-statutory partnership for now, to develop the partnership's functionality and build stronger relations;
or
 - 6.3.2 opt to develop itself as a more formalised but non-statutory partnership for now, to develop the partnership's functionality and build stronger relations;
and

- 6.3.3 apply to the Secretary of State at a later date to be established as an STB;
or
- 6.3.4 apply now to be established as an STB, initially with a narrow range of functions; and
- 6.3.5 once established and with a track record for delivery, seek further functions at a later date. This would require a further submission to the Secretary of State explaining how these additional functions would be more effectively and efficiently exercised if they were the responsibility of the STB.
- 6.4 Though consideration needs to be given to the risk that the current policy towards devolution and STBs in particular may change, there is no guarantee that any future Secretary of State will be amenable to establishing an STB or amending the functions of an existing STB through regulations at a future date. Thus the Alliance needs to consider what model would be most appropriate at present and in the future, to the extent that it can.

Maintenance of the current status quo of the Alliance as an informal partnership

- 6.5 In the event that it was decided not to develop the Alliance as an STB, the key features of the existing status quo, would continue. In the absence of further institutional development of the Alliance model, the aim would be that the aspirations identified by the Alliance would be delivered by the existing institutions. In these circumstances, the Alliance as a whole would have less control over delivery.
- 6.6 The existing status quo for delivery is summarised below:
- 6.6.1 **Road Investment Strategy (RIS)** - the RIS is the statement which outlines the long-term programme for the national road network/trunk road network in England during a fixed period and the funding needed. The Secretary of State for Transport (Secretary of State) sets and varies the RIS. Highways England implements it as the strategic highways company.
- 6.6.2 **Rail High Level Output Specification (HLOS)** - the HLOS is a statement published by the Government which sets out what objectives the Secretary of State wants to be achieved by railway activities during a fixed review period, and identifies the public funds that will be available to secure delivery of those objectives. Currently the Secretary of State must provide the Office of Rail and Road (**ORR**), the regulator, with information about the Secretary of State's objectives for railway activities during the review period as outlined in the HLOS.

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- 6.6.3 **Rail franchises** - the Secretary of State designates which passenger services are to be covered by a franchise agreement.
- 6.6.4 **Bus and other ticketing schemes** - local transport authorities have the power to make ticketing schemes requiring bus operators to make and implement arrangements on how people may purchase tickets which enable them to make journeys on two or more services, irrespective of whether those services are operated by the same provider, pursuant to the Transport Act 2000, as amended by the Bus Services Act 2017 (these powers come into force in June 2017).
- 6.6.5 **Highways and traffic regulation** – the Secretary of State is the highways authority for the national road network/trunk road network. His functions are exercisable by Highways England as strategic highways company. The county council, unitary authority or metropolitan district council is the highway authority and traffic authority for each road in England outside the trunk road network. LHAs have a range of powers enabling them to provide and improve highways, and to regulate the use of roads by particular traffic within their area.
- 6.6.6 **Existing and proposed third party infrastructure assets and developments** – there are a number of existing and proposed third party assets in the Heartland area which would continue to be relevant in the event of the continuation of the status quo, such as London Luton Airport.
- 6.7 In each case, the Alliance (in its current form) will have the opportunity to influence each of these matters, but those with statutory responsibility would not be required to take account of the Alliance's representations.

Developing the Alliance as a more formalised but non-statutory partnership

- 6.8 The current structure of the Alliance is that of an informal partnership working collaboratively to achieve its objectives. The Alliance could decide not to form a statutory STB, but instead to progress the Alliance as a more formal partnership. This could be done in a variety of methods, including the creation of joint committees (as is the case for the Welsh regional transport bodies), or structures similar to a “super-LEP”, with involvement from private sector partners. Developing the existing partnership is also likely to be easier to develop as there will be fewer formalities required than there would be to establish a new statutory body. Developing the

partnership will also help the Alliance to develop more coherent and cohesive policies for the region.

- 6.9 This partnership could carry out several of the same activities as a statutory STB, such as producing a transport strategy, co-ordinating funding decisions and prioritisation, or making representations about the development of transport networks within its area. However all of these would have to be done on a non-statutory basis.
- 6.10 A partnership would enable greater flexibility for members in terms of how they may interact with other partnerships and any other STBs, once created, whilst also maintaining their involvement with the Alliance. This may be particularly helpful for areas that have the potential to be included in more than one STB, or by involving national bodies such as Network Rail or Highways England.
- 6.11 In delivering this, the Alliance would be very clearly working with existing delivery partners, and would not be seeking to acquire or replace existing powers and responsibilities that are discharged by existing bodies. Such a partnership model would reflect a view that nationwide (“big picture”) transport strategies and allocation of funding (generally) is best left to central / local Government. However, the Alliance will undoubtedly want to have a role in the development or co-production of nationwide strategies in relation to its area to ensure the priorities of the area are best met.
- 6.12 In this context, consideration needs to be given to the level of input to national and other third party strategies that the Alliance should have. For example through a development of the existing partnership model the Alliance could be responsible for identifying the major road networks and investment priorities in its area and produce a report which would feed into the RIS- the Alliance would submit its report to the Secretary of State in parallel with Highways England’s report. The Secretary of State would remain responsible for setting the RIS but would take into consideration the reports produced by Highway England, the Alliance and any other STB(s), and determine to what extent the priorities identified are compatible. The DfT may be amenable to this level of devolution if the benefits of this collaborative approach can be evidenced.
- 6.13 However, while a non-statutory STB constituted as a joint committee would be able to exercise the powers delegated to it by its constituent authorities, generally speaking an informal partnership would be persuasive but it will not be able to obtain the statutory powers of an STB and therefore the level of influence the Alliance would have is likely to be less than it would if it were to become a statutory STB. In particular, other public bodies would not have to take full account of the Alliance’s transport strategy, nor would it necessarily have a direct input into those bodies’ own proposals. Such influence would depend on the co-operation of its constituent bodies and the agreement of those it sought to influence. If either were to breakdown, its

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influence would diminish significantly. A non-statutory partnership would also be less able to take direct advantage of policy and legislative developments, particularly in relation to how it will be funded, as it will be less likely to have access to financing which may be available to it if it became a statutory body. It would also arguably be more exposed to changes in the existing status quo. Further analysis is set out in **Appendix 1**.

- 6.14 If the Alliance opted to enhance the existing partnership but remain a non-statutory body it could, in relation to roads for example seek to contribute to the next RIS (2020-2025) by undertaking initial development studies in the Heartland to help identify key priorities for the area e.g. improve journey times and reliability. Though as noted above, without statutory powers the Alliance would have less influence in relation to the RIS and Highways England would not be required to consider the Alliance's recommendations, though it may choose to.

The Alliance as a statutory STB - a narrow range of functions or a more extensive "devo-max" role

- 6.15 Under a non-statutory model, it is envisaged that the Alliance's functions might include:

- governance and oversight of the implementation of the Alliance's policy programme;
- the development of new forms of financing - effectively taking funding powers currently wielded by the Secretary of State for itself;
- making strategic transport decisions such as agreeing the RIS for the area in conjunction with Highways England and/or setting the goals and overseeing delivery of rail franchising and rail network capital investment.

- 6.16 To move beyond these, it will be necessary to constitute the Alliance as a statutory STB, under the LTA 2008, as amended by the CLGD 2016.

- 6.17 Section 102H LTA 2008 (as amended by the CLGD 2016) sets out the general functions that all STBs have, as well as the type of additional functions that can be conferred on it. These are detailed below and include both the functions of local authorities (which could potentially be exercised concurrently with them), and those of other public bodies.

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- 6.18 If the Alliance opted to apply to be established as an STB it would give the Alliance statutory status which would increase the level of influence the Alliance would have. Other public bodies would be required to take account of the Alliance's transport strategy and it would give the Alliance more "clout" with national bodies such as Network Rail and Highways England, which would help to ensure the same level of treatment could be applied to roads and rail across the different local authorities' areas of the Alliance.
- 6.19 Another advantage of the Alliance becoming a statutory STB is that it would provide the opportunity for the Alliance to advise Ministers in relation to issues in the Heartland area. There would also be potential for funding from a centralised source, which may not necessarily be available if the Alliance remains a non-statutory body.
- 6.20 At the greatest extent, this could entail the Alliance having a "network commissioning" role (or a "devo-max" model) where for example the Alliance could seek to take responsibility for aspects of the SRN for regional routes, perhaps forming a regional Major Road Network. A similar devolution of primary powers would be sought in relation to the national rail network insofar as relevant to the Alliance's area of responsibilities, and could see the Alliance established as a primary specifier and funder of core infrastructure and service provision, in consultation with the existing delivery bodies and Local Authorities (including Combined Authorities). Such a proposal could be more controversial than other options, and depending upon the precise role sought could also require the passage of additional primary legislation, though it might be argued that the potential benefits of such an approach are correspondingly greater. Further pursuit of this approach will require careful assessment of what is practically and politically deliverable. Further analysis of this option is set out in **Appendix 1**.
- 6.21 Clearly, the wider the scope of any functions devolved to the Alliance, the greater resource it will need to be able to exercise those functions. For instance, it will need premises, personnel, and all the administrative support that these entail. There will be start-up costs involved, and at least a couple of years between the decision to establish the Alliance as an STB and the date at which it can be fully effective. The Alliance would need to consider the resource implications and how it would fund such resources, for example would each member contribute equally or to varying degrees.
- 6.22 The formation of an STB will require more work than would be the case if the Alliance decided to develop the existing partnership model, as an STB would be creating a new statutory body and there would be detailed consideration of its structure and governance and financing arrangements etc. There would need to be new formal planning and decision making processes established and the STB's interaction with local authorities would have to be established.

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- 6.23 Another consideration for the Alliance members is that if the Alliance is established as an STB powers would be more centralised in the STB and thus some control would be taken away from local authorities. The member authorities will thus need to consider whether they are comfortable to pass some of their powers/ responsibilities to the STB.
- 6.24 A composition of who may be a member of an STB is set out in the LTA 2008, not all members of the current Alliance would be able to be formal members of an STB either because they are not legal entities themselves e.g. LEPs, they are not an LTA or because they are members of another STB (once formed). Therefore an STB is less flexible with regards to its membership than a non-statutory partnership would be. However, there would be opportunities for those organisations who could not be a formal member of an STB to be involved in the Alliance as co-opted (non-voting) members.
- 6.25 If the Alliance applied to become an STB it could, in relation to roads for example, ask the Secretary of State to make regulations to provide for functions that are currently exercisable by a public authority (in relation to its area) to become exercisable jointly or concurrently by the Alliance. That would be consistent with the “limited power” STB model. Alternatively, if the “devo-max” STB model was preferred, the Alliance could request those functions to be exercisable solely by the Alliance, instead of the public authority.
- 6.26 Furthermore, the Alliance could seek to enhance its influence on the decision-making process, for example if the Alliance wanted to adopt the “limited power” model of STB it could be responsible for identifying the major road network in its area, priorities for investment and produce a report to identify the local priorities which would feed into the RIS and Highways England would be required to consider the Alliance’s recommendations. The Alliance could also seek a role in the management of the major roads network. If the Alliance seeks a “devo- max” model the regulations could transfer the power to set the RIS in relation to highways that are wholly located in the Heartland to the Alliance, while making the Alliance a consultee in relation to the RIS so far as it relates to any cross-boundary highways, such as the M1. The Alliance could even consider becoming a strategic highways company under the Infrastructure Act 2015.

7 The type of powers an STB could have

The process for creating an STB

7.1 An STB is created by the Secretary of State making regulations, which must be approved by Parliament. The Secretary of State may only do this if the authorities in the area of the proposed STB have made a proposal to the Secretary of State that there should be an STB, and they have each consented to the making of the regulations that formally establish it. In addition, the Secretary of State must consider that:

- the establishment of the STB would facilitate the development and implementation of transport strategies for the area; and
- the objective of economic growth in the area would be furthered by the development and implementation of such strategies.

7.2 Formal consultation must take place with all adjoining “appropriate authorities”, namely the counties and unitary authorities which adjoin the proposed STB area, as well as with any other persons whom the constituent authorities of the STB consider it appropriate to consult. The Secretary of State may also require further consultation under the LTA 2008. While this consultation, which must take place before a proposal is made for an STB, could involve representatives of the public (such as Transport Focus), it does not necessarily require consultation with the public at large. However, each constituent authority of the proposed STB must itself resolve to make the proposal, and consent to the regulations establishing the STB which the Secretary of State intends to make. These decisions may be subject to public consultation and engagement in line with each constituent authority’s own arrangements.

7.3 Once established, the STB must carry out a public consultation prior to publishing or revising its transport strategy under the LTA 2008. This includes consultation with various named stakeholders as well as the public at large.

The powers of an STB

7.4 The specific powers sought - whether under a more “limited model” or “devo-max” proposal - will need to be carefully considered to ensure they reflect the aspirations of the Alliance, its stakeholders and funders. The priority powers sought will inevitably relate to the Alliance’s ability to exercise its proper functions as an STB.

7.5 Certain powers are conferred on statutory STBs automatically, namely:

- preparing a transport strategy for the area, (effectively a document containing the STB's proposals for the promotion and encouragement of sustainable, safe, integrated, efficient and economic transport facilities and services to, from and within the area of the STB);
- providing advice to the Secretary of State about the exercise of transport functions;
- co-ordinating the carrying out of transport functions that are exercisable by different constituent authorities with a view to improving the effectiveness and efficiency in the carrying out of those functions; and
- if an STB considers that a transport function would be more effectively and efficiently carried out by the STB itself, it can make a proposal to the Secretary of State for the transfer of that function to the STB.

7.6 Such functions clearly enable an STB to formulate and put in place its own vision on how to deliver efficiencies in the transport functions of its area, including subsuming functions carried out by other bodies if it is more efficient to do so. This potentially delivers benefits to users, by enabling such improvements to be implemented more effectively, efficiently and quickly.

7.7 Clearly, the LTA 2008 envisages a large degree of discretion (subject to some qualification) to allow an STB to carry out its functions for the benefit of the user. It states that an STB may do 'anything it considers appropriate for the purposes of the carrying out of its functions (its 'functional purposes')...anything it considers appropriate for purposes incidental (whether directly or indirectly) to its functional purposes...anything it considers to be connected with any of its functions...anywhere in the United Kingdom or elsewhere'.

7.8 As such, once an STB's vision has been set (and the STB has followed the correct procedure in publishing its transport strategy and carried out public consultation), an STB has ample powers to deliver its chosen strategy – these powers clearly would not be available to the Alliance if it was determined to continue with the status quo or if the Alliance were to only function on the non-statutory partnership model.

Powers devolved from other public bodies

- 7.9 Various public authority functions relating to transport could be conferred to a formal STB. These include both functions of Local Authorities (including Combined Authorities (**CAs**)), and “other public authority functions” (which can include functions of Ministers of the Crown). The sort of functions that might be devolved from “other public authorities” if the “devo-max” model was adopted might include:
- The Secretary of State’s powers in relation to the RIS, under the Infrastructure Act 2015, insofar as the RIS relates to the Heartland.
 - The Secretary of State’s powers in relation to the HLOS and SoFA for rail, under the Railways Act 1993.
 - Devolution of Rail Franchising. Under the Railways Act 1993, the Secretary of State is responsible for rail franchising and the determination of the precise powers to be sought by the Alliance will be a key output of the current work package.
 - The Secretary of State’s functions under the Highways Act 1980 to enter agreements with other highways authorities for the construction, maintenance or improvement of particular roads. It should be considered whether this section be modified to include the Alliance as an authority having power to enter into such agreements - potentially enabling the formation of a separate category of roads - a regional priority network.
- 7.10 The DfT is concerned that the exercise of these functions by STBs needs to be co-ordinated in a way that addresses needs across England. It is potentially possible to achieve this by making these functions exercisable jointly with the Secretary of State, so that the DfT retains a co-ordinating role, to enable coherence for inter-regional routes in particular.
- 7.11 It will be critical to ensure that all of the issues are addressed on a consistent basis with each stakeholder.
- 7.12 The functions of an STB will be dependent on the regulations granted by the Secretary of State, it is possible to draw some comparisons with the functions of a CA, in particular the functions of the Cambridgeshire and Peterborough Combined Authority (**CPCA**), as granted by the **CPCA Order 2017**. Many of the transport functions under the CPCA Order 2017 are similar to those powers granted to other CAs across England, though some of the other CAs also have powers in relation to

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Passenger Transport Executives where relevant - this is not relevant for the Heartland area.

7.13 For example the transport functions which have been transferred to the CPCA under Part 3 of the CPCA Order 2017 are:

- the power to pay grants to upper-tier authorities in the CA area in relation to their highways functions;
- the functions in relation to local passenger transport services (Part 4 of the Transport Act 1985) and the financial provisions related to the local passenger transport services (Part 5 of the Transport Act 1985) previously exercisable by the upper-tier authorities;
- the functions under Part 2 of the Transport Act 2000 in relation to the local transport plans and strategies, previously exercisable by the upper-tier authorities; and
- the power to enter into agreements with the Minister or Highways England (and any other strategic highways company) that relate to the exercise of functions with respect to trunk roads, previously exercisable by the upper-tier authorities.

7.14 The CPCA has already assumed some of the functions which were previously exercisable by the upper-tier authorities within the CPCA's area. The LTA 2008 allows for some of these functions to be exercised by an STB (subject to the regulations made) but the extent to which there would be an appetite to transfer such powers would need to be considered by the Alliance. It may be considered more appropriate for the Alliance, if it became an STB, to be jointly responsible for some of these functions with a CA and other bodies.

7.15 The Alliance should also bear in mind whether any other CA may be established within the Heartland and how the Alliance could interact with any such CA.

Powers shared with other local authorities

7.16 If the Alliance opted to become a statutory STB, it could be granted the ability to exercise functions of Local Authorities, including CAs. These functions could be

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granted to the Alliance to exercise concurrently with the authority concerned (so the authority would also retain the ability to exercise the power), or potentially subject to a direct request for assistance from the Local Authority concerned before exercising it in their area. The local functions that might usefully be conferred on the Alliance might include:

- the equivalent well-being powers of a CA under the LTA 2008;
- local transport authority functions in relation to ticketing schemes;
- the proposed functions in relation to advanced quality partnership schemes, enhanced partnerships, and franchising schemes under the Bus Services Act 2017;
- local authority functions to promote and oppose private and hybrid bills and Transport and Works Act Orders;
- local authority functions to give capital grants for the provision of public passenger transport facilities;
- highway authority and traffic authority functions in relation to a specified Major Road Network;
- the powers of highway authorities to construct highways and bridges;
- the powers to acquire land for highways purposes; and/or
- designation as a local authority under the Local Authorities (Goods and Services) Act 1970.

7.17 In the context of any transfer of powers, there should be an operating agreement between the Alliance and the constituent authorities providing, inter alia, for the drawing up of agreed protocols in relation to the exercise of concurrent functions. Such protocols would be kept under regular review.

7.18 In addition, it is not necessary for any of these transport functions to be exercisable by the Alliance instead of by the authority concerned, but to be most effective these

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functions are likely to be exercisable concurrently with the authorities that currently exercise them. It seems unlikely that that the DfT will object to many of these if the constituent local authorities are content.

- 7.19 The opportunities for an STB to have similar or some of the same powers as CAs/LAs, but only to be used when the other body specifically requests assistance, is within the scope of the regulations that would establish the Alliance as an STB. The LTA 2008 provides that those regulations can make a function exercisable by the STB 'subject to conditions or limitations as may be specified in the regulations'.
- 7.20 The powers under the Bus Services Act would not automatically be available to the Alliance as an STB, though potentially could be conferred on it through the making of subsequent regulations, for example the ability to make advanced quality partnership schemes, enhanced partnerships, and franchising schemes. If it has the powers under the LTA 2008 (as it will be amended by the Act) to make advanced quality partnership schemes, the STB will need to carry out public consultation before entering into any such scheme. If it has the power to make franchising schemes as proposed by the Act, it will need to consult beforehand. It cannot do this until it has assessed the proposed scheme and had the assessment audited.
- 7.21 The implications for local authorities of the different STB models are summarised in **Appendix 1**.

Potential benefits of alternative STB powers

- 7.22 **Appendix 1** summarises the benefits that could potentially arise through different powers described in the main document that the Alliance could potentially assume as an STB, and whether these are available under the partnership model or only under the statutory STB model. In line with standard approaches to regulatory impact assessment the potential pros/cons are attributed to impact groups. In this instance these are defined as:

- users – i.e. transport network users;
- local authorities (including CAs);
- network operators (including Highways England, Network Rail, passenger rail operators, airports), and the wider business community (including potential inward investors to the Heartland);
- the economy (representing business);
- Central Government – i.e. the DfT.

8 How the functions of the Alliance as an STB could be discharged

8.1 To avoid duplication caused by local authorities and the Alliance exercising the same functions, liaison with those authorities would be necessary. For example local authorities already have a role in the ORR's five-yearly Periodic Review process in the form of taking part in Network Rail Route Studies. The creation of the Alliance STB could protect and enhance this collaborative relationship.

8.2 Where broader, more strategic functions are involved, the Alliance should consider undertaking the following steps:

- Establish the overall context in which investments are sought. The Alliance will need the resource to develop these explanations, taking account of the overall context.
- Establish an evidence basis for the existing performance of both individual modes and multi-modal factors, in order to later justify various intervention and investment proposals, and influence transport planning and provision. This is likely to require detailed modelling of existing networks - perhaps relying on, and partly funding, the existing Network Modelling Framework for rail - and close co-operation with Network Rail, Highways England and the DfT.
- The resulting HLOS and RIS proposals should arise from a detailed analysis of all possible options / solutions that can address identified issues. There needs to be a business case for each (starting with "do nothing") and one for the total package, and so the Alliance will need to have or procure the resource to carry out this analysis, and to prioritise the various proposals. The Alliance may also consider procuring sufficient resource to quality assure / second guess the analysis. It should be possible to match and even exceed the analytical standards of central government, particularly given that the Alliance will be able to work on a multi-modal basis, whereas the DfT works in mode-specific siloes.
- Describe, compare and contrast demographics across the region, obtaining evidence to demonstrate how the various features can be addressed through investment proposals.

8.3 There is a value in linking the above strategies to the extent possible with land use planning i.e. demonstrating the right balance with housing, business, retail and educational activities. This may best be achieved via local planning authorities'

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resources, though the Alliance will also require its own resource to achieve regional co-operation.

- 8.4 Any plans put forward by the Alliance should demonstrate consultation with and support from the community. Where there might be disagreement, this should be acknowledged and an understanding of opposing views should be demonstrated, especially in addressing matters of noise, vibrations, emissions, severance of communities and so on. A sound consultation audit trail should be maintained. The Alliance will therefore need resource to carry out and report consultation and engagement activities.
- 8.5 The Alliance should demonstrate how capital schemes can be delivered, with both project sponsorship and project management resource based regionally. The Alliance should therefore establish a professional team to support accurate cost estimation of projects.

Financing an STB

- 8.6 The LTA 2008 provides limited scope for STBs to raise finance for the operation of it as a separate entity for example its staffing and operational costs. The Alliance will need to carefully consider how it may be financed. However, the LTA 2008 enables the Secretary of State to make grants to STBs, and to require their constituent authorities to contribute towards their costs. Understandably, local funding has been popular in other STB areas than central government funding, but it will be necessary for Alliance and the DfT to agree how this will be split.
- 8.7 Further fiscal powers could potentially be devolved from the Secretary of State to the STB by agreement. Some possible funding sources may include:
- Private sector (developer s106 grants, pension funds, innovative funding structures developed with Alliance input).
 - Train operators investing greater capital levels.
 - Locally raised (community funding).
 - Potentially, funding raised by Alliance members and deployed in support of Alliance.

- 8.8 As stands, it may be difficult for an STB to provide further funding for its functions. This may change in the future. As the thinking around the STB evolves, the Alliance would want to explore the options for funding. These could take the form of issuing bonds, exercising the powers under the Transport Act 2000 to implement a road user charge or workplace parking levy, seeking borrowing powers, or the ability to implement a Supplemental Business Rate, or Tax Increment Financing, effectively increasing the size of the funding envelope available. Such arrangements will require careful discussion with Treasury as well as the DfT, and could form a significant part of a wider national reform agenda.

What fiscal powers could be available for leveraging third party funding to deliver the strategy

- 8.9 As above, the ability of the constituent authority to contribute to the STB's costs under the LTA 2008. In addition, the STB could seek the input of private sector bodies through section 106 and CIL contributions, through road user charging (including charges on high emission vehicles), or workplace parking levies.

Interaction with local authorities, national government and other public bodies

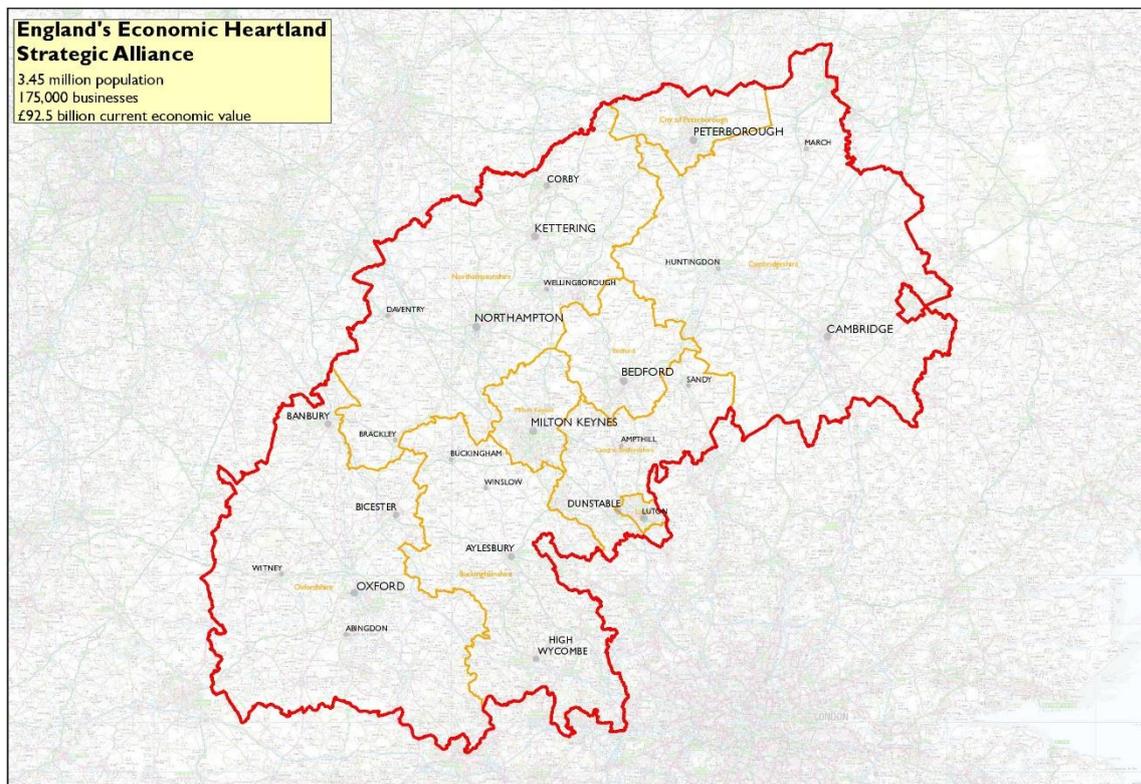
- 8.10 Engagement with the members of Alliance, district councils, the DfT and other stakeholders such as LEPs, Network Rail and Highways England is crucial and needs to be ongoing as the proposals for Alliance are considered and developed.
- 8.11 The Alliance Strategic Transport Forum allows the partners to work together to formulate and develop the region's infrastructure strategy and its membership includes all of the potential members of the STB, the LEPs, the DfT, Highways England, Network Rail, various delivery partners represented by the Civil Engineering Contractors Association and other organisations involved in infrastructure in the Heartland region.
- 8.12 In addition to these meetings the Alliance has regular discussions with the DfT, Highways England and Network Rail as well as with the National Infrastructure Commission (**NIC**). The Alliance maintains regular dialogue with the NIC.

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9 Geographical scope of a proposal to establish an STB

- 9.1 The membership of the STB is likely to be drawn from the current membership of the Alliance (see **Figure 1**). This is currently an informal partnership of various local authorities, LEPs, national agencies and other interested entities representing the Heartland region. The Strategic Transport Forum has been established and meets regularly to consider the how the transport needs of the region can be best addressed and the potential role of an STB.

Figure 1



Governance requirements and voting

- 9.2 The DfT have been keen to ensure that the local accountability of any statutory STB is commensurate with the powers it exercises. Accordingly, a strong level of oversight and democratic scrutiny is crucial.
- 9.3 The LTA 2008 makes it clear that only LTAs may be constituent authorities of an STB with full voting rights. Other bodies such as local planning authorities, LEPs, Network Rail and Highways England may be “co-opted” non-voting members of the STB. Other bodies which could be co-opted non-voting members are those entities which

are incapable of being a member of an STB because they are not a transport authority and transport authorities that are part of another STB but who are interested in working with the Alliance on the relevant cross-boundary matters. Alternatively, neighbouring STBs themselves could be co-opted.

- 9.4 While it is clearly preferable for the STB to make decisions by consensus, there will be occasions when it needs to vote, and the formal STB proposal will need to set out arrangements for this. This could include identifying topics (such as the strategy itself or the annual budget) that might appropriately be subject to a requirement of unanimity amongst members.
- 9.5 In other regions, the voting weight of each member has been controversial, and careful consideration must be given as to how each member could vote in the absence of unanimity. There are a range of options, including the following:
- One approach could simply be that each member has one vote;
 - Another option is for the voting weight to be based on the agreed contribution of each member;
 - Another option could be different weighting for each type of authority, for example one weight for a CA, one for county council and another for a unitary council; or
 - Alternatively the votes could be weighted by the population of each member's area.
- 9.6 An example of how other potential STBs have approached voting is set out in **Appendix 2**.
- 9.7 It should also be noted that the constituent authority will be the voting member, so for example where there is a CA in an STB, it is the CA, not its member authorities who has the right to vote. Where that CA has an elected Mayor, it is permissible for the Mayor to be the voting member. Similarly, in two tier areas, only the County Council would have voting rights.
- 9.8 Furthermore, under the LTA 2008 the Alliance would need to set out the proposed the executive arrangements of the STB and the functions of any executive body of the STB.
- 9.9 In the case of a statutory Alliance STB, therefore, its members would currently be drawn from:

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- the elected Mayor or a member of Cambridgeshire & Peterborough Combined Authority
 - Oxfordshire County Council
 - Northamptonshire County Council
 - Buckinghamshire County Council
 - Milton Keynes Council
 - Bedford Borough Council
 - Central Bedfordshire Council
 - Luton Borough Council
- 9.10 Through engagement, the Alliance would look to discuss with neighbouring local authorities, for example: Hertfordshire; Lincolnshire; Suffolk; Norfolk; and Swindon, as to whether there would be synergies to build upon.
- 9.11 It would be beneficial to consider establishing a leaders' group (made up of the leaders of all constituent authorities, including any elected mayors where these exist) to give strategic direction. This could be the Strategic Transport Forum. There should be explicit rules to ensure that the chair of any scrutiny committee is not from the majority party on the STB. It will also be valuable to consider sub-regional committees to ensure appropriate attention is paid to the views of more rural authorities, as well as the larger conurbations.
- 9.12 Delegation to committees, sub-committees and officers, as well as voting arrangements - including matters for supermajority voting - should be set out in the STB's constitution.
- 9.13 As many of the STB's proposals will be likely to have an impact on the environment, a substantial amount of the information that it holds will be "environmental information" for the purposes of the Environmental Information Regulations. This means that a high level of information transparency will be required, above that which ordinarily applies to local authorities.
- 9.14 The regulations establishing the STB should be framed to give a sufficient lead-in period before the Alliance is formally established as an STB. This would enable shadow governance arrangements to be put in place to enable a transition from the current to future arrangements.

- 9.15 During the bid process, it will be beneficial to seek regular feedback from both the Transport Officers Support Group as well as the Strategic Transport Forum with representatives from each of the constituent authorities. These groups should be given overall strategic guidance by the leaders' group.
- 9.16 Once the STB is established, an executive group comprising executive officers of the Alliance itself as well as senior executive officers from its constituent authorities, would help to co-ordinate the STB's work with those authorities'.

The role and responsibilities of a full member or an associate member

- 9.17 A full member of an STB- referred to in the LTA 2008 as a constituent authority, namely a CA, Integrated Transport Authority (ITA), county council, or unitary authority in the region of the STB - will be a voting member of the STB, and have a direct influence over its strategies and policies.
- 9.18 The LTA 2008 sets out that an STB must 'consist of the whole of the area of two or more relevant authorities' and lists relevant authorities. This makes it clear that the whole of any authority must be in the STB. The LTA 2008 goes on to say that the relevant authorities are also the "constituent authorities" of the STB, in other words, its full members. Relevant authorities/constituent authorities are the:
- CAs and ITAs within the STB area;
 - any county councils which are not part of the area of a CA or ITA; and
 - any unitary district councils which are not part of the area of a CA or ITA.
- 9.19 This means that the constituent authorities of a CA or ITA (whether counties or districts) cannot be constituent authorities/full members of an STB; the CA is the full member instead. However, the constituent members of a CA could seek to be an associate or co-opted member of an STB.
- 9.20 An associate or co-opted member of an STB may not vote, though such members would also be able to influence, through participation in committees and meetings. The Alliance might wish to consider Highways England, Network Rail, HS2, the DfT, the LEPs, neighbouring transport authorities, district councils, or representatives of business as co-opted members.

The constitutional arrangements for each membership type

- 9.21 Constitutional arrangements of STBs themselves are governed by the LTA 2008, though it is for the Secretary of State, through the regulations, to set out the constitutional arrangements in relation to an STB. Such constitutional arrangements include:

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- the membership of the STB (including the number and appointment of members of the STB);
- the voting powers of members (including provision for different weight to be given to the vote of different descriptions of member);
- the executive arrangements of the STB;
- the functions of any executive body of the STB; and
- to determine whether members are to be made up of elected members of the constituent authorities or non-elected “co-opted” members without voting rights.

Potential members of more than one STB

9.22 Our view is that potential members who could be constituents of more than one STB should take account of similar factors to those that the Secretary of State will have in mind when deciding whether an STB should be established, and those which an STB must have regard to when preparing or revising its transport strategy, namely:

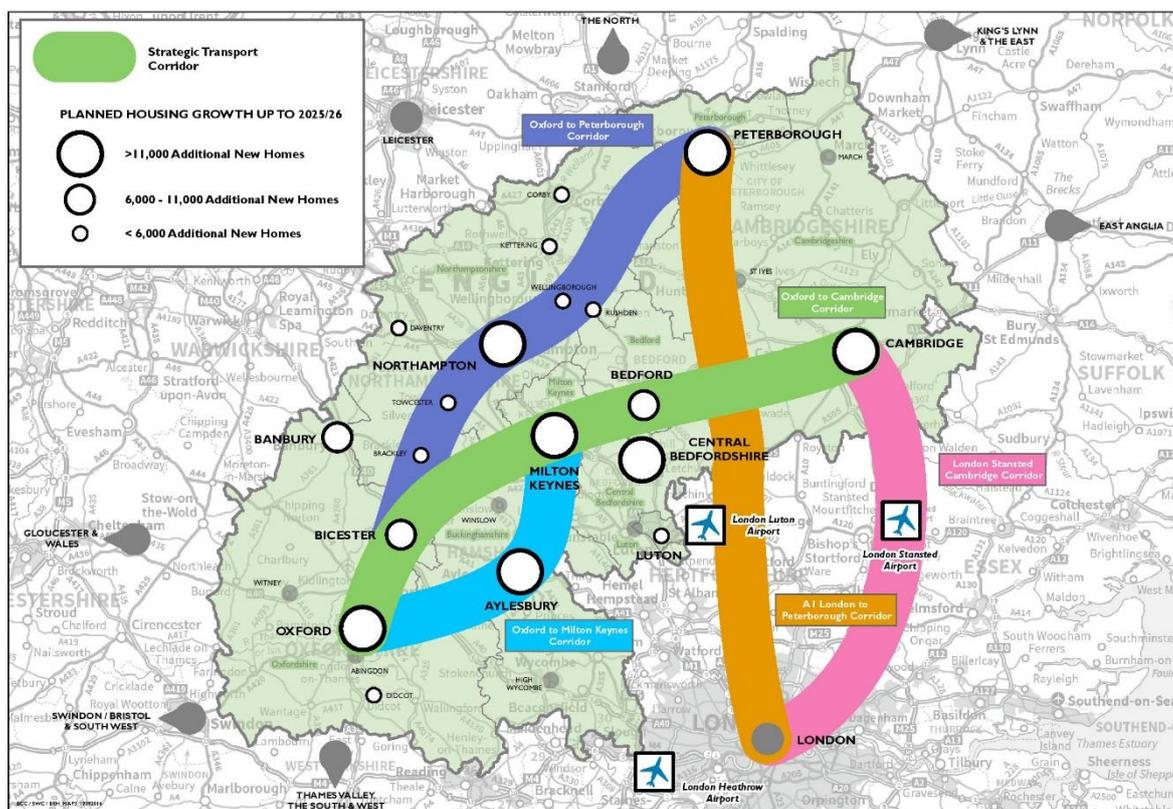
- which STB would more likely to facilitate the development and implementation of transport strategies for the authority's area;
- which STB would be more likely to further economic growth in the area;
- which STB would have more of an impact on social and environmental factors in the area;
- which STB would be more likely to improve co-ordination of the carrying out of transport functions in relation to the area, with a view to improving the effectiveness and efficiency in the carrying out of those functions;
- which STB would be more likely to promote and encourage sustainable, safe, integrated, efficient and economic transport facilities and services to, from and within the area, meeting the needs of persons living or working in, or visiting, the area, and the needs of freight in the area; and
- the views of the public on the matter.

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Collaboration arrangements with neighbouring areas

- 9.23 The LTA 2008 provides for the co-option of bodies other than constituent authorities. This mechanism can be used to enable collaboration arrangements with neighbouring areas.
- 9.24 In our view, this power can best be used to involve those neighbouring authorities which border the Heartland, for example those authorities which are within one of the identified strategic corridors which are partially outside the Alliance's area. It may then be helpful for the Alliance to establish committee or working group arrangements for each strategic corridor on which those neighbouring authorities participate e.g. the A1 London to Peterborough Corridor and London-Standed-Cambridge Corridor. See **Figure 2** for the identified strategic corridors.
- 9.25 So far as neighbouring STBs are concerned, it appears the DfT will favour a mechanism whereby different STBs co-operate in relation to wider strategic functions. Collaboration arrangements should be put in place on a region-to-region basis in order to make these successful.

Figure 2



Collaboration arrangements with wider national devolution agendas

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- 9.26 There are a number of national agencies for which collaboration arrangements would need to be considered. For example if the Alliance aspires to be involved in the HLOS and the SoFA which provide key information to feed into the ORR's five-yearly Periodic Review of railway charges, it would benefit from collaborating with the ORR. As the ORR already has a role of balancing the DfT's and Transport Scotland's proposed HLOS and SoFA, this could potentially be extended to cover proposals made jointly between the Secretary of State and an STB. These could potentially be divided up between STBs so far as best coincides with Network Rail's own devolution proposals. We are aware that the DfT wish to avoid anything that would require further legislative change (e.g. changes to the existing Railways Act regime), but wider collaboration arrangements with the ORR would help the ALLIANCE to put forward proposals that reflect the interests of the Heartland area.
- 9.27 Similarly, if the Alliance is to have an involvement in the RIS, it will help to come up with collaboration arrangements with both the ORR and Highways England. Indeed the DfT has floated the idea of creating separate "strategic highway companies" for each STB area; although our current understanding is that they do not favour such wholesale change, it is potentially worth exploring with them and Highways England, whether an enhanced collaboration mechanism can have a similar effect.
- 9.28 Another important player in the prioritisation of regional transport spending will be the NIC. The NIC was established as a permanent executive agency of HM Treasury in January 2017. The role of the NIC will be as a long term strategic decision maker which will enable effective and efficient investment in UK infrastructure. The Alliance already has arrangements in place for regular discussions with the NIC so that the region's priorities are being fully taken into account by the NIC as demonstrated in the NIC's 2016 '*Cambridge-Milton Keynes-Oxford Corridor: Interim Report*' which encourages the consideration of an STB as well as the investment priorities identified by the Alliance.

10 Next steps

- 10.1 There are a number of potential options for the Alliance, each stakeholder needs to carefully consider how it feels the Alliance could assist with the current gap in transport planning in the Heartland and what steps, if any, the Alliance should take next. In The Alliance Members' views are to be sought on their preferred model.
- 10.2 This Report will be updated following feedback from the Strategic Transport Forum, which is meeting on 28 June 2017. A final version of this Report will be circulated to the Strategic Transport Forum and Transport Officers Support Group following the Strategic Transport Forum's meeting, it is anticipated the final version will be circulated in early July 2017.
- 10.3 The Alliance will need to be developing its Transport Strategy at the same time as considering the future structure of the Alliance.
- 10.4 If the Alliance decided it does wish to apply to the Secretary of State to become an STB it will need to develop its proposal which would form the basis of the regulations, this would be anticipated to take place between August to October 2017. Each Member and other relevant entities will be consulted on the draft proposal and each Member would need to formally ratify the proposal before it can be submitted to the Secretary of State, which is anticipated may take place around spring 2018.



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APPENDIX 1

Functions	Maintain the current status quo	The Alliance as a formalised non-statutory partnership	The Alliance as a statutory STB with limited powers model	The Alliance as a statutory STB with extensive powers – “devomax” model
Road Investment Strategy (RIS)	Under the Infrastructure Act 2015 the Secretary of State can set and vary the RIS and Highways England implement the RIS as the strategic highways company.	<p>If the Alliance opts for a more enhanced informal partnership structure it could seek to contribute to the next RIS (2020-2025) by undertaking initial development studies in the Heartland area to help identify key priorities for the area e.g. improve journey times and reliability. Without statutory powers the Alliance will have less influence in relation to the RIS.</p> <p>Pros:</p> <ul style="list-style-type: none"> • The Alliance takes less 	<p>Under the updated LTA 2008 the Secretary of State may by regulations provide for functions that are exercisable by a public authority in relation to its area to become exercisable jointly by the Alliance and the public authority.</p> <p>Furthermore, the Alliance could seek to enhance its influence on the decision-making process- for example the Alliance could be responsible for identifying the major road network in its area, priorities for investment and produce a report to identify the local priorities which would feed into the RIS. The Alliance could also seek a role in the management of the major</p>	<p>The Secretary of State can by regulations, provide for functions to be exercisable solely by the Alliance instead of the public authority.</p> <p>The Secretary of State can make regulations making “incidental, consequential, transitional or supplementary provision for the purposes of, or in consequence of”. Under the LTA 2008 regulations may include “provision amending, modifying, repealing or revoking any enactment, whenever passed or made”.</p> <p>Accordingly, the regulations conferring powers on the Alliance can amend the</p>

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		<p>risk by contributing to the RIS without taking full responsibility for it.</p> <ul style="list-style-type: none"> • Greater flexibility for members. • The Local Authorities can identify any part of the SRN which is within their area and requires improvement, and lobby through the Alliance for those works to be included in RIS2. The Alliance can act as “one voice” for the Heartland. <p>Cons: Without statutory powers the Alliance will have less influence in relation to the RIS.</p>	<p>road network.</p> <p>Pros:</p> <ul style="list-style-type: none"> • A collaborative approach would drive efficiencies, open up neighbouring areas and increase social mobility. • Co-ordinating and consolidating the priorities of the different transport authorities and other stakeholders across the Heartland will enable better integration of the regional economy, and more integrated strategic transport planning by presenting a single, coherent regional voice. • Coordination at a regional level could help avoid the duplication of work at local authority level. <p>Cons:</p> <ul style="list-style-type: none"> • Some members will be more persuasive than others, due to their central position, population, 	<p>Infrastructure Act so that the Secretary of State is under a duty to consult, or agree with, the Alliance before exercising certain functions.</p> <p>If the Alliance seeks a “devo- max” model the regulations could transfer the power to set the RIS in relation to highways that are wholly located in the Heartland to the Alliance, while making the Alliance a consultee in relation to the RIS so far as it relates to any cross-boundary highways, such as the M1. The Alliance could consider becoming a strategic highways company under the Infrastructure Act 2015.</p> <p>Pros: The Alliance gets greater influence over what is included in the RIS.</p> <p>Cons:</p> <ul style="list-style-type: none"> • The Alliance takes greater risk by taking control of the RIS in relation to its area and has to manage balancing the area’s
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			<p>economic factors, or otherwise.</p> <ul style="list-style-type: none"> • It may not be possible to prioritise schemes of genuinely regional potential that are located in a single area, if it is necessary to spread resources across the region. • The Alliance risks duplicating the work done at local or national level, thereby giving rise to inefficiencies and conflicts. 	<p>competing priorities.</p> <ul style="list-style-type: none"> • There is greater risk of the Alliance not being compatible with other regional and/or the Highways England's national RIS. • Local Authorities may have less control/ influence with regards to investment priorities in the Heartland.
<p>Rail High Level Output Specification (HLOS)</p>	<p>Under the Railways Act 1993 (as amended) the Secretary of State must provide the Office of Rail and Road (ORR) with information about what he wants to be achieved during the review period and identifies the public</p>	<p>If the Alliance opts for a more enhanced informal partnership structure rather than an STB, it could seek to contribute to the next HLOS, for Control Period 6, by identifying areas of priority within the Heartland.</p> <p>Pros:</p> <ul style="list-style-type: none"> • The Alliance takes less risk by contributing to 	<p>The updated LTA 2008 enables the Secretary of State's functions in relation to the HLOS to be exercised jointly by the Secretary of State and an STB, in relation to railway activities within its area.</p> <p>As all of the franchises serving the Alliance's area also serve other areas, this could theoretically be done by amending the Railways Act to require the ORR to have regard to the</p>	<p>Alternatively, if the Alliance is seeking a "devo- max" model it could seek the regulations transfer the Secretary of State's functions in relation to the HLOS to the Alliance, in relation to railway activities within its area.</p> <p>Pros:</p> <p>The Alliance gets greater influence over what is included in the HLOS.</p> <p>Cons:</p>

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	<p>funds that will be available to secure delivery of the objectives set out in the HLOS.</p>	<p>the HLOS without taking responsibility for it.</p> <ul style="list-style-type: none"> • Greater flexibility for members. • The Local Authorities can identify any part of the rail network which is within their area and requires improvement and lobby through the Alliance for those works to be included in the HLOS. The Alliance can act as “one voice” for the Heartland. <p>Cons: Without statutory powers the Alliance will have less influence in relation to the HLOS.</p>	<p>Alliance’s HLOS, and require the Alliance to be consulted on, or agree with, the Secretary of State’s HLOS so far as it relates to cross-boundary services.</p> <p>Pros:</p> <ul style="list-style-type: none"> • A collaborative approach would drive efficiencies, open up neighbouring areas and increase social mobility. • Assist the Alliance with achieving its goals of improving connectivity across the region, rail journey times and services. • Co-ordinating and consolidating the priorities of the different transport authorities and stakeholders will enable better integration of the regional economy, and more integrated strategic transport planning. • Coordination at a regional level could help avoid the duplication of work at local authority level. 	<ul style="list-style-type: none"> • The Alliance takes greater risk by taking control of the HLOS in relation to its area and has to manage balancing the area’s competing priorities. • There is greater risk of the Alliance’s HLOS not being compatible with other regional and/or the national HLOS. • Local Authorities may have less control/ influence in regards to investment priorities in the Heartland.
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			<p>Cons:</p> <ul style="list-style-type: none"> • Some members will be more persuasive than others, due to their central position, population, economic factors, or otherwise. • It may not be possible to prioritise schemes of genuinely regional potential that are located in a single area, if it is necessary to spread resources across the region. • The Alliance risks duplicating the work done at local or national level, thereby giving rise to inefficiencies and conflicts. 	
Rail franchising	Under the Railways Act 1993 (as amended) the Secretary of State may designate which passenger services	If the Alliance opts for a more enhanced informal partnership structure rather than an STB, it could seek to liaise with the Secretary of State in relation to franchises	Under the LTA 2008 the regulations could confer functions to an STB to be exercisable jointly with the Secretary of State.	<p>The Secretary of State could continue to designate what franchises are required, but make the Alliance the franchising authority.</p> <p>The regulations could enable that the</p>

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	are to be covered by a franchise agreement.	<p>within its area.</p> <p>Pros:</p> <p>The Alliance takes less risk.</p> <p>Cons:</p> <p>Without statutory powers the Alliance will have less influence in relation to franchises within its area.</p>	<p>Pros:</p> <ul style="list-style-type: none"> The Alliance would have greater influence in relation to franchises operating in its area e.g. East West Rail. Assist the Alliance with achieving its goals of improving rail journey times and services. <p>Cons:</p> <p>Greater risk for the Alliance with increased responsibility.</p>	<p>Alliance must be consulted in relation to, or agree franchise awards in its area.</p> <p>Pros:</p> <ul style="list-style-type: none"> The Alliance would have greater control in relation to franchises operating in its area. Assist the Alliance with achieving its goals of improving rail journey times and services. <p>Cons:</p> <p>Greater risk for the Alliance with increased responsibility.</p>
Bus and other ticketing scheme	Local transport authorities can make ticketing schemes requiring bus operators to make and implement arrangements under which persons may purchase tickets enabling them to make journeys on two	<p>If the Alliance opts for a more enhanced informal partnership structure rather than an STB, it could seek to liaise with the local transport authorities in relation to bus ticketing schemes within its area.</p> <p>Pros:</p>	<p>The Transport Act 2000 allows two or more local transport authorities acting jointly to make a scheme cover the whole or any part of their combined area (subject to the Bus Services Act). This power could be exercised by the Alliance, concurrently with the local transport authorities.</p> <p>Pros:</p>	<p>The Alliance could seek to exercise these powers solely, instead of the local transport authorities.</p> <p>Pros:</p> <p>The Alliance would have greater control in relation to bus ticketing schemes in its area, which could contribute to improved journey times and greater social mobility.</p>

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	<p>or more services, irrespective of whether those services are operated by the same provider.</p>	<ul style="list-style-type: none"> • The Alliance takes less risk. • The Local Authorities can take a more strategic regional approach to bus services through the Alliance. <p>Cons: Without statutory powers the Alliance will have less influence in relation to franchises within its area.</p>	<ul style="list-style-type: none"> • The Alliance would have greater influence in relation to bus ticketing schemes in its area, which could contribute to improved journey times and greater social mobility. • The Local Authorities can input into a more strategic regional approach to bus services through the STB which will have statutory powers. <p>Cons: Greater risk for the Alliance with increased responsibility.</p>	<p>Cons:</p> <ul style="list-style-type: none"> • Greater risk for the Alliance with increased responsibility. • Local Authorities may have less control/ influence in regards to the bus services in the Heartland if the STB has extensive powers.
<p>Impact on Local Authorities</p>	<p>Resourcing would continue as it is presently with staff, equipment and office space being provided by one or a number of the Local Authority Members.</p>	<p>A more formal arrangement may be appropriate in terms of personnel and office space being provided by one more of the Local Authority members of the partnership.</p>	<p>The STB will need resources in terms of personnel, office space and office equipment.</p>	<p>The STB will need resources in terms of personnel, office space and office equipment. Certain functions may be exercised by STB instead of, or as well as, local authorities.</p>

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APPENDIX 2

TfN's proposal is that most business is determined by simple majority voting, with each authority's vote weighted so that it has one vote per 200,000 population (or part thereof). However, to protect smaller and rural authorities, the following matters require both a 75% super-majority of the weighted vote (63 of the 84 votes if all members vote) and a majority of all members (10 of the 19):

- approving and revising the transport strategy;
- approving the budget; and
- changing the constitution.

Any decision to require a statutory contribution from a member authority must be passed unanimously.

Any decision relating to Rail North Limited (which would become wholly owned by TfN) is to be weighted by the share of each authority in the overall rail patronage of those services.

Authority	Population	Suggested Weighted Vote
Greater Manchester CA	2,732,854	14
West Yorkshire CA	2,264,329	12
North East CA	1,952,473	10
Liverpool CR CA	1,517,463	8
Sheffield CR CA	1,365,847	7
Lancashire CC	1,184,735	6
Tees Valley CA	666,237	4
North Yorkshire CC	601,536	4
Cumbria CC	497,874	3
Cheshire East	374,179	2
East Riding of Yorkshire	337,115	2
Cheshire W. and Chester	332,210	2
Hull City	257,710	2
Warrington	206,428	2
City of York	204,439	2
North Lincolnshire	169,247	1
NE Lincolnshire	159,804	1
Blackburn with Darwen	146,743	1
Blackpool	140,501	1
Total		84