

Strategic Transport Forum

22nd June 2018

Agenda Item 8: Midlands Connect: Sub-national Transport Body Consultation Response

Recommendation: It is recommended that the Forum:

- a) Support in principle the establishment of a Sub-national Transport Body for the Midlands
- b) Support the proposed functions as set out in the draft Sub-national Transport Body proposal

1. Context

- 1.1. The Strategic Transport Forum is being consulted by Midlands Connect in respect of its proposal to establish a statutory Sub-national Transport Body.
- 1.2. The consultation paper prepared by Midlands Connect is attached as Annex 1.

2. Proposed Response

- 2.1. The consultation paper includes a limited number of specific questions, some of which are not relevant to this Forum.
- 2.2. It is recommended that the Forum express its support for the principle of Midlands Connect being established as a statutory Sub-national Transport Body and the proposed functions as set out in the document.

Martin Tugwell
Programme Director

June 2018



The STRATEGIC CASE for

Midlands Connect as a statutory Sub-National Transport Body

Consultation Paper

Purpose:

- This document sets out why Midlands Connect seek to be a statutory Sub-National Transport Body and the draft Midlands Connect proposal to HM Government to be formally established this under Part 5A of the Local Transport Act 2008.
- This proposal is still in draft form and any comments will be taken into consideration before individual constituent authorities consider the proposal formally.
- Any responses to the consultation should be sent to MCAdmin@MidlandsConnect.uk.

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1 **Executive Summary**

- i. Midlands Connect's core purpose is to support a Midlands Engine that powers the UK economy and competes on the world stage. Through the work of the Midlands Engine's 'Vision for Growth', our ambition is to bring the area's Gross Value Added (GVA) up to match or exceed the national average which would add £54 billion to the Midlands and UK economies by 2030.
- ii. Midlands Connect is a core pillar of the Midlands Engine. Our unrivalled civic and business leadership are best placed to understand the potential for economic growth in our area. Our landmark 2017 strategy sets out that transport enhancements alone would unlock up to £5 billion GVA per annum and 300,000 jobs by 2040.
- iii. This proposal sets out how Midlands Connect can act as a valuable statutory partner for the Government to ensure infrastructure investment delivers growth across the whole of the Midlands. Our enhanced role would enable Midlands Connect to continue to support local aspirations, including through further Devolution and Local Industrial Strategies; add value to, but not replace, any existing local powers and responsibilities; and, provide an effective and co-ordinated voice for Government.
- iv. This proposal would provide Midlands Connect with the vital abilities in regards to:
 - a. Publishing a formal Transport Strategy and providing advice to further economic growth across the Midlands (paras 4.1);
 - b. Ensuring a consistent roll-out of smart ticketing across the Midlands, including the capability for Midlands Connect where requested by a relevant authority to procure and deliver smart ticketing infrastructure in their area (paras 4.4-4.7);
 - c. Using capital grants to develop and support the delivery of programmes with partners (para 4.8);
 - d. Acting as a statutory consultee for Rail Franchises in our area, to provide effective advice to DfT's rail programmes, concurrently with West Midlands Rail and other relevant Local Transport Authorities (paras 4.9-4.11).
 - e. Establishing bespoke governance arrangements to support national investment programmes, like the Road Investment Strategy (Chapter 5);
- v. Midlands Connect's annual business plan sets out how we are making a difference throughout the Midlands. As recent Government reports reiterate, there is a pressing need to utilise stronger local and business leadership to unlock the UK's productivity, acting as a single voice to optimise investment programmes throughout their life cycles. The capability and functions proposed here would give Midlands Connect the ability to drive the right investment and showcase the Midlands on a global scale. Our role would add mutual benefit to Government, driving the best economic outputs from national programmes, for the benefit of our residents and businesses.
- vi. We are proposing an effective and appropriate suite of functions to deliver our ambitions including influencing strategic national programmes like the Major Road Network to drive

strategic infrastructure across our area. Further local transport functions are not fundamental to make this work, our unique partnership will continue to act as a 'bridge' between local and central Government to deliver the economic benefits we all aspire to.

- vii. Midlands Connect's proposal builds on our existing governance, a clear and robust public strategy and the strength of commitment from our partners. The proposed constitutional arrangements, as set out in Chapter 3, maintain continuity with our existing structure and include options to develop shadow/interim/alternative arrangements to further strengthen our leadership base, as set out further in Chapter 6.
 - a. To ensure the long term success of our partnership, decisions are expected to be made on a consensual basis. Our existing governance demonstrates how regular Steering groups and a Strategic board can add valuable leadership and accountability to our programmes. A new Partnership Board will provide overall accountability to our constituent members.
 - b. A number of voting options were considered to find a preferred option that represents a straightforward mechanism, the characteristics of the partnership and which does not provide any single authority with an effective veto.
- viii. This draft proposal should be considered by the Strategic Board in February 2018 and any updates considered following a consultation by Midlands Connect on behalf of 'constituent members', with neighbouring authorities and other appropriate organisations and individuals.

2 Rationale

The Midlands Connect partnership's role is to coordinate the enhanced transport and communications connectivity required to power the Midlands Engine. Our remit is to unlock the Midlands; driving economic growth, trade and productivity.

This proposal sets out how the evolution of Midlands Connect as the UK's second statutory Sub-National Transport Body would ensure our residents and businesses secure the full benefits of our 2017 Transport Strategy, which can unlock up to £5 billion GVA per annum and 300,000 jobs by 2040.

Introduction

The Midlands

- 2.1 The Midlands has a strong industrial history, a vibrant manufacturing base and pioneering businesses. It is the second largest economy in the UK, with a growing economy worth £207bn GVA per annum, and is home to the densest cluster of rail manufacturers, world-leading automotive businesses and 20 world-class universities.
- 2.2 The Midlands will continue to play a key role on the global stage boosting national investment – already the only UK region with a trade surplus with China. Our partners believe that together the Midlands is best placed to shape our future.
- 2.3 By strengthening our governance and providing all our stakeholders and suppliers with long term business certainty, Midlands Connect can drive the infrastructure investment required across the Midlands. Our strategy already sets out how we can benefit the whole of the country, but only with statutory status can our partners all have the long-term security to align plans across national and local Government for the best collective outcomes.

Midlands Engine

- 2.4 The Midlands Engine was established in December 2015 to co-ordinate and drive growth across the region. The 'Vision for Growth', published in September 2017, sets out the ambition to bring the area's GVA up to match or exceed the national average. This ambition would add £54 billion to the Midlands and UK economies by 2030.
- 2.5 In 2018/19, the Midlands Engine will play a key part in ensuring the Midlands drives the UK economy, boosting trade opportunities in a global market, unlocking housing and business growth and driving civic renewal.
- 2.6 Ensuring effective connectivity and business confidence across the Midlands will be vital and can showcase the UK economy as a vibrant market to invest in. Vital investment is already arriving in the Midlands and through commitments to cities, like in the Transforming Cities Fund, they will work with Government to expand this growth

potential further – from Wales to the Lincolnshire coast. But to ensure the Midlands Engine can showcase the whole of the Midlands driving ‘UK PLC’ on the global stage, the Midlands Engine need a statutory transport strategy that can provide the certainty for private investment.

- 2.7 Midlands Connect is a key pillar in the Midlands Engine partnership bringing transport and infrastructure investment into a joined-up consideration around the area’s skills, innovation and trade priorities.

Midlands Connect

- 2.8 Midlands Connect was established in October 2014 and represents 16 constituent members, 9 Local Enterprise Partnerships, Network Rail, Highways England, Birmingham and East Midlands Airports, the Department for Transport, and the business community via the East and West Midlands Chambers of Commerce. Together we aim to work for the best results for residents and businesses, to maximise the potential for economic growth across the Midlands. Only through Midlands Connect’s leadership can such broad partnerships work effectively across multiple local authorities and geographies.

- 2.9 Midlands Connect offers a unique and forward-thinking approach which seeks to make the most of our unparalleled civic and business leadership. We aim to exemplify the aspirations of the Industrial Strategy, which noted in the Green Paper that,

“Accountable place-based governance – with a clear business voice – will be critical to making the most of this additional [infrastructure] investment.”¹

Midlands Connect’s priorities will set the framework for how the Midlands can fully embrace the opportunities from the Government’s Industrial Strategy and Housing White Paper.

- 2.10 Midlands Connect published our landmark strategy in March 2017. The strategy sets out a programme of cost-effective transport investments alongside the governance and funding to support this. It sets out how our transport priorities can unlock up to £5 billion GVA per annum and 300,000 jobs by 2040.
- 2.11 The Midlands Connect 2017 strategy covers a 25 year horizon but current programmes are based on a funding package until 2020 and business plans covering annual cycles. To be an effective partner and a credible ‘bridge’ to local and central government this proposal seeks to formalise our arrangements that have worked to date, to take the partnership to the next level and help partners have the confidence to plan together.

¹ Industrial Strategy Green Paper, HMG, January 2017, p21
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/611705/building-our-industrial-strategy-green-paper.pdf

Only as a long-term, statutory body, can Midlands Connect develop the financial backing to work over a longer timeframe.

Sub-National Transport Bodies

2.12 The Government introduced the power to establish Sub-National Transport Bodies through the Cities and Local Devolution Act 2016, amending the Local Transport Act 2008. The primary legislation sets out that Sub-National Transport Bodies would have General Functions, including to establish a Transport Strategy for the area and advice to Government regarding the strategy. The Secretary of State must have regard to proposals contained in the transport strategy. Constituent members can also propose that a Sub-National Transport Body have specific transport functions, in our case primarily relating to smart ticketing.

2.13 The Government's Transport Investment Strategy published in July 2017 highlights the added value Sub-National Transport Bodies can provide to Government investment programmes. The strategy states:

"...This unprecedented access to investment decision making is only possible as a result of STB's unique role as the single voice for their region and the legitimacy that statutory status gives them to prioritise potential investments based on their regional transport strategies".²

2.14 The Midlands Connect ambition to become an STB will have a positive impact on every aspect of our strategy. It meets the criteria the Secretary of State must consider as set out in the Local Transport Act 2008, specifically that:

"102F 1(a) its establishment would facilitate the development and implementation of transport strategies for the area, and, 1(b) the objective of economic growth in the area would be furthered by the development and implementation of such strategies."³

2.15 It will allow us to go further, working with Government as a strong and credible statutory partner, providing the evidence base and advice from an assured footing and an effective and responsive long-term strategy to deliver benefits for residents and businesses for decades to come.

2.16 Midlands Connect aims to be the second Sub-National Transport Body in the country. Widening the reach of Sub-National Transport Bodies will enable Government to have a comprehensive picture of opportunities across the country. The Midlands will offer a strong and united voice for our partners and Government. Our long term role and strategy will remove any uncertainty in our investment priorities and reduce the risk

² Transport Investment Strategy, HMG, July 2017, para 4.23

<https://www.gov.uk/government/publications/transport-investment-strategy>

³ <http://www.legislation.gov.uk/ukpga/2016/1/crossheading/subnational-transport-bodies/enacted>

and costs of short term policy changes. Together we can achieve more and on a statutory footing we would reduce the risk of changing infrastructure priorities.

Powering the Midlands Engine

2.17 Midlands Connect 2017 Strategy highlighted the key areas where we can make a difference and support the Midlands Engine Vision for growth. Evolving into a STB will have a material impact on each of these strands.

Statutory Consultee and Influencing National Programmes

2.18 Midlands Connect's aim is to be a lasting and effective partner to our stakeholders and Government. To ensure we can offer this support throughout the life cycle of our programmes and to feed future national road and rail investment programmes beyond 2024 and 2025 respectively, including to ensure the optimal outputs are delivered from HS2 opening from Birmingham in 2026.

2.19 Our Annual Business Plan sets out how Midlands Connect continues to evolve to deliver more from our 2017 strategy. This includes how we will 'make a difference' by shaping and driving national programmes.

2.20 In 2018/19, Midlands Connect will act as a credible partner with Government accelerating cost-effective solutions to deliver optimal outputs for jobs and homes across the Midlands. This will include inputting into the:

- Shaping the future of England's strategic roads (RIS2);
- Proposals for the creation of a Major Road Network;
- Rail investment programmes;
- Cross Country Franchise tendering;
- HS2 – Phase 1 delivery, Phase 2a Parliamentary consideration, Phase 2b bill drafting;
- National Infrastructure Commission's first National Infrastructure Assessment;
- National Infrastructure Commission's report into freight;
- Final Airports National Policy Statement;
- Aviation Strategy.

2.21 We are already working with partners on the landmark investment into HS2. Our proposals, through the East Midlands Gateway study (Toton) and Midlands Rail Hub in particular, will offer Government cost-effective proposals to unlock new jobs and homes across the country – north, south, east and west – alongside the opening of HS2.

2.22 By becoming a statutory Sub-National Transport Body, Midlands Connect would lead an effective, statutory Transport Strategy across all 16 Constituent Authorities. As the Transport Act 2008 sets out, the Secretary of State must have regard to proposals contained in the transport strategy and constituent authorities must exercise transport functions with a view to securing the implementation of the strategy.

- 2.23 Midlands Connect believe that by becoming a statutory Sub-National Transport Body we would offer mutual benefits to both Government and our partners, including working together to develop and prioritise national programmes like the Major Road Network.

Innovation and Improving Customer Journeys

- 2.24 Midlands Connect will continue to consider opportunities to apply innovation and technology such as integrated ticketing solutions, open data and driverless cars we can enhance journeys, provide transport planning solutions and reduce the need for expensive infrastructure.
- 2.25 Our partners are already pioneering Autonomous Vehicles, Smart Motorways and Smart Ticketing to support the passenger experience, reduce congestion and prepare for the future of business. With long term business confidence, Midlands Connect can help elevate the potential for global investment across the Midlands, unlocking our whole economic geography and pioneering new ideas across larger scales.
- 2.26 In 2017/18 we will be testing new technology – alternative fuels, for instance in regards to Devolution and Local Industrial Strategies
- 2.27 As a formal body and with a statutory Transport Strategy, the Midlands Engine would have a firm and long-term framework to showcase the Midlands across the world. Only with the long term certainty can Midlands Connect fully embrace future challenges.
- 2.28 Evolving to a statutory Sub-National Transport Body will give business partners and global investors the confidence that the whole Midlands is a vibrant testbed for infrastructure innovation.

Driving Sub-National Priorities, including East-West Connectivity

- 2.29 Midlands Connect is already delivering a technical programme that can accelerate investment into the Midlands. Our partners are all unanimous that major improvements, particularly east-west connectivity, are central to unlocking economic growth across the Midlands. Midlands Connect alone can offer Government the clear and comprehensive opportunities to unlock growth across the country and help rebalance the economy. Our statutory role would facilitate better relationships between different government departments in order to encourage investment throughout the Midlands.
- 2.30 Our partnership extends from Transport Authorities, LEPs and business representatives to enable the most comprehensive assessment of growth opportunities available. Together we offer Government a lasting and unique voice and demonstrate the benefits of joined-up planning. Our approach exemplifies Highways England's conclusion in their 'Assessment of Growth Impacts' which recognised that, "the

economic impact of Strategic Road Network schemes is maximised when aligned with local economic priorities”⁴.

- 2.31 We are already demonstrating the success of this approach with our focus on east-west connectivity, including the A50/A500 programme and A46 study, from Gloucestershire to Lincolnshire coasts.
- 2.32 Becoming a statutory STB will further enhance our role with the ability to provide Capital Grants to help fund and unlock these transformational projects.
- 2.33 Our statutory STB will embed this joint working for the long term providing Government with an effective voice in shaping local investment priorities. A statutory transport strategy will help the Midlands achieve our full potential.

Elevating pan-Midland priorities

- 2.34 Midlands Connect will focus attention on pan-Midland opportunities, widening access to markets, supply chains and labour markets, to release the full potential across our whole region.
- 2.35 Our unique cross-boundary perspective has the ability to understand benefits beyond traditional transport business cases. We will use our co-ordinating role to embed joint working across the Midlands and will elevate local programmes that otherwise would not recognise the full benefits available.
- 2.36 Our priorities, like the Herefordshire by-pass and Midlands Rail hub, go further than any previous efforts and are demonstrating how collectively there is a greater potential for unlocking jobs and homes. Midlands Connect will provide co-ordination and input, for instance developing the Major Road Network, ensuring a consistent approach to unlocking economic growth through across our transport network.
- 2.37 Having a statutory Transport Strategy will provide the robust and consistent framework for prioritising local programmes that can be elevated on a regional basis. The long-term strategy would provide all partners with the confidence to shape priorities on an appropriate scale.

Conclusion

- 2.38 By evolving to a statutory Sub-National Transport Body and providing all our stakeholders and suppliers with long term business certainty, Midlands Connect can drive the infrastructure investment required across the Midlands.

⁴ P60. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/600257/SEGP_-_Underpinning_Report_-_Assessment_of_Growth_Impacts.pdf

- 2.39 Our transport strategy already sets out how we can benefit the whole of the country, but only with statutory status:
- Will we become a statutory consultee putting the Midlands at the centre of national investment programmes,
 - Will we give business partners and global investors the full confidence that the whole of the Midlands is a vibrant testbed for infrastructure innovation;
 - Will we have the ability to manage Capital Grants programmes to unlock the transformational, sub-national projects, including east-west connectivity;
 - Will we provide the robust and consistent framework to elevate local programmes within our statutory Transport Strategy.
- 2.40 The next decade is a crucial time for the UK economy and embedding the business confidence to deliver over the longer term, our transport priorities can drive investment to unlock up to £5 billion GVA per annum and 300,000 jobs by 2040. With this formalised role, Government can be confident of having a strong, united voice for the Midlands and our partners will have the long-term security to align activities for the best collective outcomes.

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3 Constitutional Arrangements

Midlands Connect's proposal to form a Sub-National Transport Body builds on our track record to date and our objective to 'Make it work' – acting as a strong voice for the whole of the Midlands. Our draft proposal sets out how Midlands Connect would strengthen existing arrangements, ensuring we align with primary legislation. This proposal sets out a summary of our proposal which should be proportionate and effective to build on our current strength of business and civic leadership.

Requirements from Legislation

Name

- 3.1 The name of the Sub-National Transport Body would be 'Midlands Connect' and the area would be the effective boundaries of our 'constituent members'. A map would be provided as part of any formal proposal.

Members

- 3.2 The membership of the Sub-National Transport Body is listed below:

- Derby City Council
- Derbyshire County Council
- Herefordshire Council
- Leicester City Council
- Leicestershire County Council
- Lincolnshire County Council
- Nottingham City Council
- Nottinghamshire County Council
- Rutland County Council
- Shropshire Council
- Staffordshire County Council
- Stoke-on-Trent City Council
- Telford and Wrekin Council
- Warwickshire County Council
- West Midlands Combined Authority
- Worcestershire County Council

Partnership Board

- 3.3 The current Partnership Advisory Board is the only place where all 'constituent members' are represented at an elected member level. Therefore this Board will need to have a more formal role, including in ratifying key decisions. This would effectively become the new 'Partnership Board' and meet at least twice per annum. The Partnership Board could agree through Standing Orders if it prefers to meet more regularly.

- 3.4 Each constituent authority will appoint one of their councillors / members or their elected mayor as a member of Midlands Connect on the Partnership Board. Each constituent authority will also appoint another one of their councillors / members or their elected Mayor as a substitute member. (This includes directly elected Mayors as under the Local Government Act 2000). The person appointed would be that authority's elected mayor or leader, provided that, if responsibility for transport has been formally delegated to another member of the authority, that member may be appointed as the member of the Partnership Board, if so desired.

Co-opted Members

- 3.5 Midlands Connect propose that governance arrangements for a statutory Sub-National Transport Body should maintain the strong input from our business leadership, including LEPs and other business representatives. The regulations should provide for the appointment of persons who are not elected members of the constituent authorities to be co-opted members of the Midlands Connect Partnership Board.
- 3.6 A number of potential co-opted members is also set out in the draft legal proposal. Co-opted members would not have voting rights.

Chair

- 3.7 The Partnership Board will agree to a chair and vice-chair of the Partnership Board. Midlands Connect currently benefits from an independent chair, which should remain an option going forward. The draft legal proposal sets out that an Independent Chair could be appointed for the Partnership Board and have no voting rights. The Partnership Board may also appoint a single or multiple Vice-Chairs from the constituent members. Where the Chair or Vice-Chair is the representative member from a Constituent Authority they will have a vote.
- 3.8 It is expected that the Independent Chair for the Partnership Board will also chair the Strategic Board, this would be agreed by the Partnership Board.

Proceedings

- 3.9 Lessons have been learnt from past experience and those of neighbouring authorities, which range from a 'one authority, one vote' arrangement to a 'population weighted' approach. It is expected that the Partnership Board will continue to work by consensus but to have an agreed approach to voting where necessary.
- 3.10 Whilst there is a clear expectation that the Partnership Board would work by consensus, certain decisions would need an agreed mechanism to reach decisions. Such decisions will be:
- The approval and revision of Midlands Connect's transport strategy;
 - The approval of Midlands Connect's annual budget;
 - Any changes to Midlands Connect's constitution;

- d. Any matters referred to the Partnership Board from the Midlands Connect Strategic Board.
- 3.11 A number of voting options were considered to find a preferred option that represents a straightforward mechanism, the characteristics of the partnership and which does not provide any single authority with an effective veto. We also considered how the voting metrics provide a balance between county and other authorities, urban and rural areas and is resilient to any future changes in local government structures.
- 3.12 The Steering group considered these options and preferred the population weighted (based on 200k population) option. All options were based on decisions requiring both a super-majority consisting of two-thirds of the weighted vote in favour of the decision and a simple majority of the constituent authorities appointed. The population weighted vote would provide a total of 50 weighted votes, with no single veto and at least 34 weighted votes to form super majority. The preferred option ensures that authorities from both the east and west Midlands would need to be in favour to secure a two-thirds majority.
- 3.13 The population basis for the weighted vote will be based on ONS statistics from 2014 and reviewed every 10 years.
- 3.14 The Partnership Board is expected to meet twice per year, where full attendance cannot be achieved, the Partnership Board will be quorate where Constituent Members are representative of 75% (6 from 8) of the East Midlands authorities and 75% (6 from 8) of the West Midlands authorities.

Scrutiny Committee

- 3.15 Legislation requires that a Sub-National Transport Body set out arrangements for the review and scrutiny of the discharge of functions. Midlands Connect will establish a scrutiny committee and each 'constituent authority' will be entitled to appoint a member to the committee and a 'substitute' nominee. Such appointees cannot be otherwise members of Midlands Connect, including at the Partnership Board or Strategic Board.
- 3.16 The scrutiny committee appointed by Midlands Connect may not include a member, substitute member or co-opted member of Midlands Connect, but may include co-opted persons representative of non-constituent authorities and non-councillor representatives of passengers, road users, employers and employees.

Executive

- 3.17 Midlands Connect will consider options to carry out the required functions of a Head of Paid Service, a Monitoring Officer and a Chief Finance Officer whilst considering possible interim arrangements. This proposal seeks a number of miscellaneous functions which would enable the effective and efficient running of Midlands Connect.

3.18 The Partnership Board may delegate the discharge of agreed functions to its officers in accordance with a scheme of delegation or on an ad hoc basis. Further detail of officer groups and a list of delegations will be developed through a full Constitution.

Governance

Strategic Board and Steering Group

3.19 The Partnership Board will appoint a Strategic Board, aligning with current governance arrangements, to provide regular leadership and accountability to Midlands Connect's programmes. The Strategic Board's focus is and will continue to be to provide oversight on operational matters, including ensuring value for money is achieved and the timely delivery of work programmes.

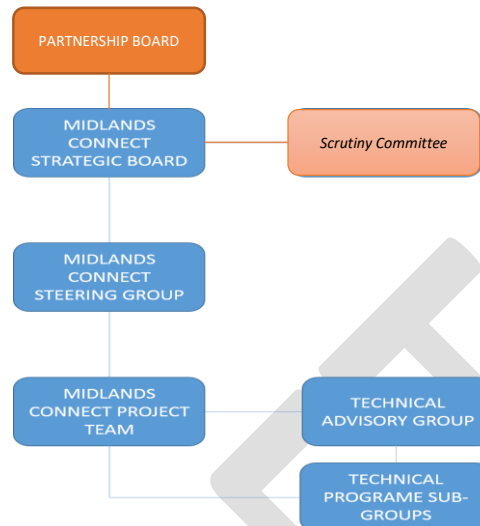
3.20 The Strategic Board will consist, as it currently does, of:

- a. [three West Midlands Local Transport Authority Leaders,
- b. three East Midlands Local Transport Authority Leaders,
- c. two West Midlands Local Enterprise Partnerships,
- d. two East Midlands Local Enterprise Partnerships, and
- e. various key partners of Midlands Connect,]

3.21 The Strategic Board will meet three times a year and be chaired by the person appointed by the Partnership Board as the Chair. The Partnership Board may also appoint a Vice-Chair for the Strategic Board, who will chair the Strategic Board when the Chair is not present.

3.22 The Strategic Board's terms of reference will be agreed as part of the full Midlands Connect Constitution by the Partnership Board. It is envisaged that the Strategic Board will provide leadership and accountability during the development of programmes, ensure value for money and transparency, and promote the work of Midlands Connect at national and international levels.

- 3.23 The Strategic Board will be complemented by a Steering Group representing members at official level providing expertise and co-ordination to the Midlands Connect programme. The Steering Group will meet six times per year.



Standing Orders

- 3.24 Midlands Connect will need to be able to make, vary and revoke standing orders for the regulation of proceedings and business, including of the scrutiny committee. This will ensure that the governance structures can remain appropriate to the effective running of the organisation.
- 3.25 In regards to changing boundaries and therefore adding or removing members, Midlands Connect would have to make a new proposal to Government under Section 102Q of the Local Transport Act 2008 and require formal consents from each Constituent Authority.

Miscellaneous

- 3.26 It may be necessary that certain additional Local Authority enactments are applied to Midlands Connect as if Midlands Connect were a Local Authority, including matters relating to staffing arrangements, pensions, ethical standards, and provision of services etc. These are set out in the draft legal proposal.
- 3.27 Midlands Connect also proposes to seek the functional power of competence as set out in section 102M of the Local Transport Act 2008.

Funding

- 3.28 Midlands Connect has funding, including for specific programmes, until 2020. The proposal for statutory Sub-National Transport Body status would provide the permanence and business confidence to develop and support programmes going forward. But Midlands Connect also recognise that the Government's current spending

period is until 2020/21 so funding security for the long term future will remain open to discussion.

- 3.29 Midlands Connect is therefore content for the same provision as Transport for the North on funding subject to the guarantee each constituent members will have to consent to any funding contribution.
- 3.30 Midlands Connect will work with partners and DfT to consider a sustainable approach to establishing the formal Sub-National Transport Body as effectively as possible.

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4 **Functions**

Midlands Connect's proposal is to become a statutory Sub National Transport Body as set out in section part 5A of the Local Transport Act 2008. The precise legal proposal is set out in a separate document but includes the following functions.

General Functions

- 4.1 Midlands Connect proposes to have the **'General Functions' as set out in Section 102H (1)** including:
- a. to prepare a Transport Strategy for the area;
 - b. to provide advice to the Secretary of State about the exercise of transport functions in relation to the area (whether exercisable by the Secretary of State or others);
 - c. to co-ordinate the carrying out of transport functions in relation to the area that are exercisable by different constituent authorities, with a view to improving the effectiveness and efficiency in the carrying out of those functions;
 - d. if the STB considers that a transport function in relation to the area would more effectively and efficiently be carried out by the STB, to make proposals to the Secretary of State for the transfer of that function to the STB;
 - e. to make other proposals to the Secretary of State about the role and functions of the STB. (2016, 102H (1))⁵
- 4.2 The General Functions are regarded as the core functions of a Sub-National Transport Body and will build on the initial work and strategy of Midlands Connect from being an informal partnership. The quality of the Midlands Connect partnership will depend on the quality and advice proceeding from the Transport Strategy. To make further proposals to the Secretary of State regarding constitution or functions, Midlands Connect will need formal consents from each 'Constituent Member'.
- 4.3 Midlands Connect recognise that under current proposals the Secretary of State will remain the final decision-maker on national transport strategies, but critically that the Secretary of State must have regard to a Sub-National Transport Body's statutory Transport Strategy. This sets an important expectation of the strong relationship Midlands Connect aims to demonstrate with Government on major programmes like the Major Road Network and Rail Upgrade Plan.

⁵ Cities and Local Government Devolution Act, 2016
<http://www.legislation.gov.uk/ukpga/2016/1/section/21/enacted>

Local Transport Functions

Smart ticketing

- 4.4 Midlands Connect proposes to act jointly with the Local Transport Authorities and Combined Authorities to create multi-modal ticketing schemes to cover any part of their areas, where requested or consented to.
- 4.5 Midlands Connect is already working with Government and partners to support the roll-out of smart ticketing options by the end of 2018. **Midlands Connect's aspiration is that effective smart ticketing will be available across the whole of the Midlands from the Welsh border to North Sea coast by 2026.** Midlands Connect aims to work with DfT and HS2 Ltd to ensure smart ticketing is enabled across all bus and rail options in our area.
- 4.6 Midlands Connect is already supporting our authorities pioneering smart ticketing, for instance in the West Midlands, Nottingham, Derby and Leicester. We propose to have the **capability to support other local authorities, where they consent, to develop the procurement and delivery of any necessary digital infrastructure in their area, to ensure seamless travel with a smart ticket right across the Midlands.** This capability would enable the benefits of smart ticketing to be consistently and efficiently provided for our whole area. The functions would not propose Midlands Connect take on any concessionary or operational functions of any constituent authority and therefore any relevant authority or operating company would be required to agree to the proposed delivery of any specific scheme.
- 4.7 Midlands Connect will also work with partners to consider effective options to develop capability that can support **Account-Based Ticketing for the Midlands** and be able to integrate with any national programme ensuring early benefits for transport users in our area.

Capital Grants

- 4.8 Midlands Connect aims to work in partnership with other bodies to deliver our objectives, for instance with national agencies, local authorities and other external bodies. Having the ability to make capital grants, including jointly with our partners, is therefore essential to ensure the effective delivery of our programmes.

Franchise agreements

- 4.9 Midlands Connect should have the same powers and rights of a Passenger Transport Executive or Combined Authority under section 13 of the Railways Act 2005 including rights to be consulted in relation to franchise agreements for services to, from or within its area. This will not replace or infringe any existing powers of local transport authorities in this capacity.

- 4.10 A memorandum of understanding will be developed with West Midlands Rail and Transport for East Midlands, and any future Passenger Transport Executives in our area, to ensure Midlands Connect offer a supportive and complementary role in considering advice on franchising.
- 4.11 Through the General Functions, Midlands Connect will also consider opportunities to work with Local Transport Authorities to make proposals for the development and delivery of rail franchises which are within the Midlands Connect Area. This will be in the form of recommendations to the Secretary of State and not infringe on any existing functions of existing Passenger Transport Executives or Local Transport Authorities.

Possible Functions not being Proposed

- 4.12 Midlands Connect can achieve all of our early ambitions without further local transport functions. Midlands Connect will work with partners and Government to deliver better outcomes for residents and businesses. We do not propose having further functions in relation to:
- a. Carry out any transport functions instead of by the Local Authority or Passenger Transport Executive.
 - b. Being responsible for any operational or maintenance responsibilities.
 - c. Set priorities for local authorities for roads that are not part of the Major Road Network areas of responsibility.
 - d. Take on any consultation function instead of an existing local authority.
 - e. Give directions to a constituent authority about the exercise of transport functions by the authority in their area.
 - f. Take on responsibility for any concessionary or operational functions.
- 4.13 This proposal does not seek local transport functions other than those set out above. If Midlands Connect wanted to consider further functions it would need to make a further proposal to Government and therefore the consents of all 'Constituent members'. Where any future proposals may look at local transport functions, Midlands Connect could set out further safeguards to ensure any specific schemes require the consent of any relevant local authority, for instance requiring consents from any relevant local authority in advance of using such functions.

5 Non-legislative Roles

- 5.1 Midlands Connect will use the general functions to develop a specific role which will ensure we can act as an effective, formal partner with Government. These will build on our existing work to progress our landmark strategy and provide formal advice to Government throughout the life-cycle of programmes.
- 5.2 During 2018/19, Midlands Connect will use the DfT consultation on the Major Road Network (MRN) to advocate a clearly defined strategic role in ensuring the maximum benefits are realised throughout the programme. These proposals will be tested with Government in advance of becoming a statutory body and would further embed Midlands Connect as a formal and effective partner in overseeing benefits from major infrastructure programmes.
- 5.3 In particular, Midlands Connect will play a key role in developing and overseeing implementation of the Midlands' vital Major Road Network. We are working with Government to provide three main strategic functions for the Major Road Network:
- Setting performance expectations for the MRN (a) to guide priorities for future investment and (b) as a foundation for monitoring performance across the region.
 - Prioritising investment in the MRN by co-ordinating regional submissions for financial support from the National Roads Fund, and other major capital funding streams for MRN roads.
 - Co-ordinating implementation of investment programmes to encourage alignment of forward plans, to optimise service to the road user and to protect current, and facilitate future, regional economic activity.
- 5.4 The strategic input of Midlands Connect should benefit both Government and local partners and therefore success will be judged on how effectively our evidenced-based proposals and Transport Strategy inform outputs. As such, Midlands Connect have been working with DfT on how working arrangements can be strengthened for key investment processes, including developing broader bespoke governance arrangements.
- 5.5 Midlands Connect proposes to develop our role through governance arrangements that do not require regulations. These will entrench our activities carried out through our General Functions. Our role should include:
- Establish bespoke governance arrangements regarding the Road Investment Strategy** – by formally agreeing to a 'Highways Midland' proposal. This would include the sharing of information and the ability to submit advice to decision-making groups within DfT, for instance on the Road Investment Strategy. This would not be a decision-making group nor would limit any abilities of individual Local Transport Authorities to make representations to DfT. The proposal would ensure Midlands Connect can provide a strong united voice



within Government and have the vital visibility and direct engagement on key investment decisions that will ensure the best outcomes for the Midlands.

- b. Midlands Connect will be statutory partner in the Department's investment processes, including providing advice on the Department's national rail enhancements pipeline, the development, design and delivery of pipeline schemes in the Midlands Connect area, and future High Level Output Statements** – we will work with DfT to consider how STBs can best inform future programmes. The Midlands Connect strategy sets out a number of rail investment opportunities which can release pressure on the existing network and envisage the need to support DfT by making informed recommendations to Government. Midlands Connect will work with local authorities to ensure recommendations are complementary to any local representations. Midlands Connect will continue to support the aspirations and activities of Transport for West Midlands (TfWM) and Transport for East Midlands (TfEM) and will ensure strong working arrangements with each organisation.

- 5.6 Midlands Connect will work with existing bodies including national agencies, like Office for Rail and Road and Transport Focus, and local bodies, like Local Enterprise Partnerships, to provide a more systematic review of impacts from infrastructure investment in the Midlands. We propose to develop a role that will combine the vital monitoring of performance of transport programmes, including from Network Rail and Highways England, and review the impact and benefits of programmes for economic growth in the Midlands. This will ensure the benefits for residents and businesses we are aspire for are effectively recognised and where benefits are not achieved that appropriate lessons can be learnt. Joined up scrutiny can help ensure the Highways England 'Road to Growth'⁶ and DfT's 'Connecting people: a strategic vision for rail'⁷ fully realise their ambitions to support Economic Opportunity Areas across the country.

6 Interim Proposal

- 6.1 Midlands Connect recognises that DfT expect it to be unlikely to formally establish Sub-National Transport Bodies in 2019/20 as Parliamentary time will be focused on post-EU legislation.
- 6.2 This proposal is being developed and could be formally submitted ahead of Autumn Budget 2018 to ensure that we show commitment to strengthened governance alongside the development of our technical programmes. Midlands Connect is considering in parallel how to effectively and efficiently manage the structure and roles of the organisation for 2019/20 and beyond to ensure our governance arrangements

⁶ 'Road to Growth: Our Strategic Economic Growth Plan', Highways England, March 2017
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/600275/m160503_the_road_to_growth_our_strategic_economic_growth_plan.pdf

⁷ 'Connecting People: A Strategic Vision for Rail', DfT, November 2017
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/663124/rail-vision-web.pdf

are fit for our shape and scale of ambition and activity. By demonstrating commitment to strengthened governance and evolving to fit the scale of ambition of partners we aim to continue our case for effective and long-term investment across the Midlands.

- 6.3 We will use the opportunity up to March 2020 to consider shadow/interim/alternative governance options in parallel to a formal Sub-National Transport Body proposal. Midlands Connect already carries out annual governance reviews alongside agreeing an annual Budget. The governance structures include regular engagement at all levels of the partnership which will be used to test and lead the evolution of our proposals.
- 6.4 A shadow arrangement could demonstrate and test the options for:
- The Partnership Advisory Board to act as the full 'Partnership Board', where proposed 'constituent members' would have the full voting rights;
 - A 'scrutiny committee' would be established to ensure effective monitoring;
 - Identifying the roles to account for responsibilities in relation to monitoring and finance;
 - Setting out an effective and efficient approach to resourcing, including use of secondments.
- 6.5 It is proposed that any changes in governance be considered where it serves to benefit the outputs of the Midlands Connect work programmes, as defined by the annual Business Plan.

7 Next steps

- 7.1 Following the consultation, the Midlands Connect Strategic Board will consider responses and any proposed changes.
- 7.2 The Partnership Advisory Board is due to meet on 9th July where it can consider next steps and if further drafting is required. If each 'constituent authority' consents, a formal proposal could be made to Government as early as autumn 2018.

8 Responding to the Consultation

- 8.1 Consultees are welcome to send comments through to Midlands Connect via MCAdmin@MidlandsConnect.uk or through correspondence addressed to Midlands Connect, 16 Summer Lane, Birmingham, B19 3SD.
- 8.2 **Please provide responses by Tuesday 26th June 2018.**
- 8.3 Respondents are welcome to answer all or only some of the questions set out below, they are offered as prompt questions.



Prompt Questions:

Midlands Connect are looking at the options to establish a statutory Sub-National Transport Body (STB) for the Midlands, following TfN as the first STB in the country. This would enable the Midlands to have a formal and unified voice, influencing Government decision making. The prime functions for an STB would be to publish a pan-Midlands strategy and provide advice to Department for Transport (DfT) Secretary of State on investment opportunities across the area.

1. **Do you, in principle, support the establishment of a Sub-National Transport Body for the Midlands (including the ability to publish a transport strategy and advise central Government on transport matters in the Midlands)?**
 - a. **What do you regard as the benefits Midlands Connect will provide as a statutory Sub-National Transport Body?**

Midlands Connect has set out a draft proposal, including the constituent members and a number of co-opted members. Primary legislation sets out what bodies can be considered as 'constituent authorities'⁸.

2. **Do you, in principle, think your relevant Local Transport Authority should be a member of the Midlands Connect Sub-National Transport Body?**

Beyond general functions of an STB, Midlands Connect could make a proposal to DfT for other transport functions to be exercised by it, either alone or together with the Secretary of State or local transport authorities, eg in relation to constructing new highways. Any proposal to DfT would need formal consent from each 'constituent member' and any regulations would also need formal consent from all 'constituent members'. The draft proposal stipulates some concurrent functions but that any such functions could be exercised only if the proposed use is consented to by the relevant Local Transport Authority whom the use may affect.

3. **Are you content with the proposed functions in the draft STB proposal?**
4. **What other functions do you think an STB should have/not have?**
 - a. **Would you be content with an STB having such functions if any use of those functions required the consent of the relevant Local Transport Authority?**

⁸ See Part 5A of the Local Transport Act section 102E (5)
<http://www.legislation.gov.uk/ukpga/2016/1/section/21/enacted>