



Leadership Board

Tuesday 17th November 2015 at 2.00 pm

Meeting to be held at Gateshead Civic Centre, Regent Road, Gateshead, NE8 1HH

www.northeastca.gov.uk

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer).

Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the Previous Meeting**

1 - 6

4. **Updates from Thematic Leads**

(a) **Economic Development and Regeneration**

7 - 14

(b) **Employability and Inclusion**

15 - 28

(c) **Transport**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

5. **Devolution Update**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

6. **Quality Contracts Scheme Update**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

7. **Treasury Management Mid-Year Update**

29 - 36

8. **Draft Budget 2016/17 and Transport Levies**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

9. **North East Rail Management Unit and Rail North Members Agreement**

37 - 128

10. **Project Approvals**

129 - 140

11. **Date and Time of Next Meeting**

Tuesday, 19 January 2016 at 2pm at North Tyneside Council.

12. **Exclusion of Press and Public**

Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.

13. **Confidential Minutes of the Previous Meeting**

141 - 142

Contact Officer: Tel: 0191 211 5118 E-mail: victoria.miller@newcastle.gov.uk

To All Members

North East Combined Authority

North East Leadership Board

15 September 2015

Meeting held: Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

Present:

Councillor S Henig (Chair)

Councillors G Davey, N Forbes, M Henry, I Malcolm and P Watson and Mayor N Redfearn

10 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr Woolston and Ms Hall of the North East Local Enterprise Partnership.

11 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

12 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 14 July 2015 were approved as a correct record and signed by the Chair.

13 **DEVOLUTION UPDATE**

Submitted: A report of the Head of Paid Service (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the work to negotiate devolution of funding, powers and responsibilities to the Combined Authority.

The Chair, on behalf of the Leadership Board, thanked Members, Officers and business partners, including from the North East Local Enterprise Partnership (LEP), for the work to prepare the Statement of Intent. The Chair confirmed that negotiations were underway and these would continue in the following weeks. Members received confirmation of the input from the LEP and the involvement of other partners from the business community in the work on devolution.

RESOLVED – That the report be noted.

14 UPDATES FROM THEMATIC LEADS

(a) Economic Development and Regeneration

Submitted: A report of the Thematic Lead for Economic Development and Regeneration (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the progress of activities under the Economic Development and Regeneration theme. During the ensuing discussion clarification was provided on the prioritisation of potential sectors for the regional Inward Investment function.

RESOLVED – That the report be noted.

(b) Transport

Submitted: A report of the Thematic Lead for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the major transport developments and announcements, including in relation to the Transport for the North partnership, Transport Vision for the North East, Local Growth Fund transport schemes, rail, other public transport, sustainable transport, aviation and digital connectivity.

Members thanked T Hughes, the Managing Director (Transport Operations), and his team for the quality of their representation during the cross-examination by the Quality Contract Scheme Board and the Counsel during the recent oral evidence sessions.

RESOLVED – That the report be noted.

15 APPOINTMENT OF INDEPENDENT PERSON

Submitted: A report of the Monitoring Officer (previously circulated and copy attached to Official Minutes).

Members considered the report which recommended the appointment of Stella Gardner as the Independent Person for the Combined Authority (NECA).

RESOLVED – That:

- Stella Gardner be appointed as the Independent Person for the NECA for a period of 3 years; and
- the payment of an annual fee of £1,000 for undertaking this role on behalf of the NECA be agreed.

16 FINANCIAL MONITORING UPDATE

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the delivery of the 2015/16 capital programme and the revenue budget for the period up to 31 July 2015. It was noted that the second paragraph of section 2.8 of the report should be inclusive of the following header: "Northumberland County Council Lead Mental Health Trailblazer".

During the consideration of the report Members received an update on the approaches to secure written confirmation of funding for future years from the Department for Communities and Local Government, Department for Business, Innovation and Skills and Treasury. The current position remained that no formal confirmation could be given until after the Spending Review. Members commented on the difficult and unacceptable position in relation to the lack of certainty of funding and the risks this presented for the planned schemes. Members also commented on the importance of continuing to request the Government to follow up on its promises.

RESOLVED – That:

- I. the report be noted;
- II. the information provided about the revenue budget position for 2015/16, which estimated that revenue spending would be within budget for the year, including the use of the NECA reserves to meet additional costs associated with activity relating to the Devolution agenda be noted; and
- III. the information provided about the capital programme for 2015/16 be noted.

17 ANNUAL REPORT AND ACCOUNTS

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

Members considered the report which presented the final accounts for approval and also summarised the findings of the audit. As an update, it was noted that at its meeting on 11 September 2015 the Governance Committee had considered the final accounts. At that meeting the Committee had received a detail presentation and asked questions; and recommended the final accounts to the Leadership Board for approval.

During the ensuing discussion Members received clarification on the position in relation to the sign off of the LEP's grants and loans.

The Chair, on behalf of the Leadership Board, thanked Deloitte for their work. The Chair also thanked officers in constituent authorities and organisations who had been working on preparing the first annual report and accounts for the Combined Authority.

RESOLVED – That:

- I. The report of the External Auditor (Appendix 1) be noted;
- II. The Chief Finance Officer be authorised to sign the Letter of Representation (Appendix 2) on behalf of the Authority;
- III. The final NECA Accounts for 2014/15 (Appendix 3) be approved, taking into account views from the Governance Committee;
- IV. The Chair and Chief Finance Officer be authorised to sign the NECA and Group Accounts;
- V. The Annual Governance Statement (Appendix 4) be approved;
- VI. The Chair and the Head of Paid Service be authorised to sign the Annual Governance Statement; and
- VII. A report be provided on the approval process in relation to the LEP's grants and loans.

18 **EUROPEAN STRUCTURAL AND INVESTMENT FUNDS: SUSTAINABLE URBAN DEVELOPMENT**

Submitted: A joint report of the Chief Executive of South Tyneside Council and the Head of Paid Service of the Combined Authority (previously circulated and copy attached to Official Minutes).

Members considered the report which invited the Leadership Board to undertake the Intermediate Body role for the Sustainable Urban Development element of the European Regional Development Fund.

RESOLVED – That:

- I. Agreement be given in principle that the Leadership Board would undertake the role of the Intermediate Body for the North East Sustainable Urban Development (SUD) Strategy within European Regional Development Fund (ERDF);
- II. The proposals for the governance model and arrangements to fulfil the North East Combined Authority's role as Intermediate Body be agreed in principle;
- III. A further report be provided on the proposed governance arrangements following further clarification from the Department for Communities and Local Government (DCLG) on the allocation of roles and responsibilities in delivering the SUD Strategy prior to final commitment to undertake the role of the Intermediate Body; and
- IV. The SUD Strategy be submitted to the Government before the deadline of 25 September 2015.

19 ENTERPRISE ZONE BID SUBMISSION

Submitted: A report of the Head of Paid Service and Chief Finance Officer (previously circulated and copy attached to Official Minutes).

Members considered the report which set out information on the preparation of a bid for additional Enterprise Zones. Members discussed the importance of keeping control over the contents of the submission which could change following rounds of discussions with the Government.

RESOLVED – That:

- I. Approval be given to the proposed enterprise zone package and its consideration by the LEP; and
- II. The Chair and the Head of Paid Service be authorised to agree the final package to be submitted to DCLG following its approval by the LEP Board.

20 LINDISFARNE ROUNDABOUT (PROJECT APPROVALS)

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the proposed revisions to the Lindisfarne Roundabout Strategic Economic Plan transport scheme and sought approval for the revisions.

RESOLVED – That:

- I. Agreement be given in principle to the proposed revision of scope and cost of the Lindisfarne Roundabout Scheme to capitalise on opportunities to support local economic growth and maximise access to and from the regionally significant A19 corridor, subject to final approval of the full business case; and
- II. Agreement be given in principle that the estimated £2.1m shortfall in the revised Lindisfarne Roundabout Scheme would be funded through:-
 - An increased contribution by South Tyneside Council of the local capital funds by £0.48m to a £1m contribution in total; and
 - A Local Growth Fund allocation increased by £1.62m to £5.10m in total, accommodated by the overall regional Local Growth Fund programme management and specifically by corresponding reductions of the Local Growth Fund allocations to future transport schemes promoted by South Tyneside Council (subject to those future transport schemes receiving confirmation of funding from the Government following the forthcoming spending announcements) and subject to approval of the proposed Local Growth Fund reprogramming by the LEP Board.

21 **DATE AND TIME OF NEXT MEETING**

Tuesday, 17 November 2015 at 2pm

22 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the remainder of the meeting for the duration of the consideration of agenda item 14 - Enterprise Zone Bid Submission, Additional Information - because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

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DATE: 17 November 2015

SUBJECT: Economic Development and Regeneration Theme Update

REPORT OF: Economic Development and Regeneration Thematic Lead

EXECUTIVE SUMMARY

This report provides an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

RECOMMENDATIONS

The Leadership Board is recommended to receive this report for information.

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1.0 Executive Summary

- 1.1 This report provides an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

The Leadership Board is recommended to receive the update for information.

2.0 NECA Inward Investment Function

2.1 Investment Projects

- 2.2 A breakdown, by sector, of the investments across the NECA area for the months April – September 2015, is as follows:

In total there have been 48 inward investments leading to the creation of 1,979 new jobs (plus thousands safeguarded in the case of the new Nissan Juke investment). The numbers of separate investments in different sectors are outlined below.

Sector	Foreign Direct Investment	UK-owned investment from outside region
Digital/ICT/Creative	9	3
Business/Professional Services	0	3
Offshore	3	0
Life Sciences/Pharma	6	2
Automotive	5	0
Other Advanced manufacturing	5	2
Other	6	4
Total Investments	34	14
Total jobs	1,537	442

Nine of these investments were from foreign companies new to the region. 24 were from foreign companies already located in the region (eg Nissan) and one is counted as an acquisition of a UK business by a foreign company.

Investments in this period came from companies headquartered in 16 different countries, including six from USA and three each from Germany, Ireland and India.

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2.3 Development of Sector-Based Propositions

2.4 In the first half of 2015, a piece of work was undertaken, led by Dr Piers Willson who was on secondment from UKTI, focussing on what sector based strategy the NECA should adopt to attract inward investment to the region.

2.5 Following in-depth analysis, recommendations have been provided as to the sectors and sub-sectors most likely to provide opportunities for foreign direct investment (FDI) for the North East. The work included identifying which strengths should be prioritised within propositions and what needs to be done to create compelling messages.

2.6 The key sectors identified, where it is perceived the North East has particular strengths, are (in no particular order):

- Software/IT
- Creative (Gaming and Virtual Reality)
- Space and Satellite Applications
- Financial, Professional and Business Services (specific elements of this broad sector)
- High Value Engineering with specific niches in:
 - Automotive
 - Rail
- Life Sciences
- Oil and Gas
- Offshore Wind

2.7 Consultants have recently been appointed to develop a suite of sector propositions based on the sectors listed above. These will be able to be used both reactively and proactively to promote the sector strengths of North East England and to increase the amount of inward investment flowing into the area. They will be drawn upon to enable the NECA Inward Investment service to respond to investment enquiries and to work proactively, developing client specific, value propositions. The final propositions are due to be provided in December 2015.

2.8 Each sector proposition will take the form of a 'compendium proposition' (a report plus data sets and case studies). One element of each proposition will be a market-facing, executive summary which draws attention to key selling messages backed up by the critical facts and statistics. These will be used in the development of marketing collateral, the production of which will be procured in a separate contract.

2.9 The executive summaries of each proposition will be circulated to leaders and officers when received, and they will be presented to the EDRAB and Leadership Board for consideration. Access to the full propositions will also be arranged for the seven local authorities.

2.10 Development of the Inward Investment Service

2.11 Three posts have been identified to make up the expanded team, following the allocation of resources from the NECA and NELEP. The enhanced

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capacity will enable the team to be proactive and make best use of the aforementioned sector propositions and marketing collateral, working as before, within hub and spoke arrangements with the seven local authority investment teams. To date, with only the Gateway Manager in post, the function has largely been reactive. The three posts are:

- Invest North East England Director (the re-named Investment Gateway Manager post)
- Inward Investment Project Executive
- Business Support Executive

2.12 With the Director in place (Guy Currey), a recruitment process has been undertaken for the other posts. The outcome of the interviews which took place during the week commencing 9 November, will be reported to the meeting. It is hoped that the full team will be in place by the end of the year to coincide with the completion of the sector propositions.

2.13 In addition to 'business as usual' (responding to inward investment enquiries, developing relationships with key partners, attending events such as MIPIM London and hosting visits from companies and UKTI), by the end of December 2015 it is planned that the following will be in place:

- Full team recruited and operational;
- Full suite of sector propositions completed;
- Inward Investment Service Business Plan / Strategy complete;
- A contract to produce the sector marketing collateral awarded and work underway.

2.14 The Director attended MIPIM UK (the UK's largest property conference/exhibition) at the end of October alongside a number of the local authority economic development / business investment teams, in order to promote a range of sites across the NECA area. The response was very positive and an analysis of the benefits and outcomes will be undertaken for the Leadership Board's consideration.

3.0 Development of a Regional Investment Plan

3.1 As mentioned in the previous update to the Leadership Board, it is important for the NECA to have an understanding of the potential to enhance the region's economic assets, and work has been undertaken to collate the proposed private and public sector projects relating to important employment and housing sites across the region. All seven local authorities have been involved in this work, which has been led by Durham County Council. This work has:

- Produced a database of draft projects relating to employment sites and housing sites over roughly a 10 year period.
- Given a clear picture of the extent, potential impact and scale of readiness of the proposals currently in development relating to economic assets.

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- Produced a draft spatial narrative that links employment growth to housing development in a coherent way and one that will help inform future developments and the investment of devolved funds.
- 3.2 The draft housing sites compiled have been reviewed by the HCA to assess deliverability and consider the delivery of housing sites over the next ten years, set against funding arrangements. Further work is still required to undertake a deliverability assessment of the employment sites.
- 3.3 The draft spatial narrative sets out the approach to delivering more and better jobs and more and better homes across the NECA area. The approach will help encourage the right quality and quantity of development in the right places to meet demand and aspirations, building on the existing infrastructure and areas of opportunity. The narrative demonstrates the ambitions of the NECA to support the operation of labour markets and trade, and connect people and places across the region. It recognises the key drivers for growth and emphasises the relationship between places and infrastructure, main transport routes, connected settlements, the cities and the rural and coastal areas.
- 3.4 Whilst still in draft form, already the work on developing a list of prospective employment sites has been useful. It was a helpful starting point from which to identify a suitable set of candidate sites within the NECA area for a bid into the Government's second Enterprise Zone programme in September.
- 3.5 Both the database of projects and the spatial narrative are in the process of being presented to the Chief Executives' Group by Economic Directors and will be presented to the EDRAB and Leadership Board in the near future, for consideration.
- 4.0 Working with Businesses**
- 4.1 The EDRAB agreed at its first meeting in July, that there would be significant benefit in having enhanced private sector input to the work of the Board.
- 4.2 The option exists to co-opt private sector, non-voting members onto the Board but it was felt that other options should also be explored. During discussions, Board Members queried the time and capacity of many business representatives to commit to attending EDRAB meetings on a permanent basis, as co-opted members. It was felt that the main focus should be on considering how best to engage with business and business leaders and facilitate their contribution to NECA decision making processes.
- 4.3 A sub group comprising a number of the business representative organisation members of the EDRAB, therefore explored the option of involving private sector representatives in meetings as 'invited guests', on a time limited and issue specific basis, making it more manageable and relevant for business representatives.
- 4.4 The EDRAB is therefore in the process of establishing a network of 'advisors' from

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the business community, who would be willing to provide essential private sector insight and advice on key issues within the EDRAB's remit. The network will be drawn from all key sectors ultimately, but it is proposed to start with one of the priorities emerging from the Inward Investment Strategy currently under development.

4.5 It is proposed that the network initially be built up from the wide range of business people who are already actively involved in the work of the NECA and NELEP on various boards, panels and workstreams. Beyond this group, there are the much broader memberships of the representative organisations (CBI, NECC, FSB) which will be an additional means of identifying those who might be suitable candidates to provide advice to the EDRAB.

4.6 The commitment required from advisors would be to provide views and advice on issues relevant to them and the sectors they represent via agreed communication channels (e.g. dedicated website/online hub and conference calls) and possible attendance at EDRAB meetings on a one-off or time limited basis, where a given advisor's expertise would provide fresh insight and aid the Board's discussion.

5.0 Potential Impact on Objectives

5.1 The report sets out issues that will support the Authority in meeting its objectives.

6.0 Finance and Other Resources

6.1 There are no additional financial implications arising directly from this report.

7.0 Legal

7.1 There are no specific legal implications arising from this report.

8.0 Other Considerations

8.1 Consultation/Community Engagement

There are no issues arising from this report for consultation.

8.2 Human Rights

There are no specific human rights implications arising from this report.

8.3 Equalities and Diversity

There are no specific equalities and diversity implications arising from this report.

8.4 Risk Management

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It will be important to ensure that the Regional Investment Plan discussed in section 3 of the report is completed and agreed in the near future, to underpin and inform the development of arrangements for devolved funds to the NECA, and the potential creation of a North East Investment Fund. It will also be important to establish the network of advisors from the business community discussed in section 4, to coincide with the production of the sector propositions for investment, towards the end of the calendar year.

8.5 **Crime and Disorder**

There are no specific crime and disorder implications arising from this report.

8.6 **Environment and Sustainability**

There are no specific environment and sustainability implications arising from this report.

9 **Background Documents**

- 9.1 North East Strategic Economic Plan – More and Better Jobs

10 **Links to Plans in the Policy Framework**

- 10.1 This report links to the Strategic Economic Plan and other plans in the Policy Framework.

11 **Appendices**

- 11.1 None.

12 **Contact Officers**

- 13.1 Beverley Poulter, beverley.poulter@sunderland.gov.uk, 0191 561 1150

14 **Sign off**

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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Date: 17 November 2015

Subject: EMPLOYABILITY, INCLUSION AND SKILLS UPDATE

Report Of: Thematic Lead for Employability and Inclusion

Executive Summary

This report provides an update as to the latest progress being made in delivering the Employability and Inclusion; and Skills themes of the Strategic Economic Plan (SEP) for the North East.

Recommendations

It is recommended that the Leadership Board note the contents of this report.

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1 Employment Support

Intelligence

- 1.1 The Labour Market Intelligence (LMI) Portal for the North East is currently being redesigned to include real time access to Office for National Statistics data sets and to incorporate vacancy data available through the Labour Insight Tool. The data will be available at a NELEP/NECA and Local Authority levels and a large amount of the new data is already available at: <http://www.labourmarketnortheast.co.uk/>. North Tyneside Council is also developing an LMI Portal for Schools and an LMI E-Bulletin specifically targeted at Teachers, Parents and Pupils. The Portal will include lesson plans to support the curriculum with focused materials on specific sectors prominent in the local economy.
- 1.2 In October, the Tyne and Wear Research and Information (TWRI) focused its annual conference on the challenges associated with LMI. It covered a range of issues, as seen in official statistics at international, national and local scales; and featured presentations from academics, government departments and agencies, and local authorities.

Work Programme Localism

- 1.3 In preparation for future commissioning of welfare-to-work interventions, including Work Programme, programme design options are being scoped and assessed. A key element will be establishing Local Integration Boards to facilitate a more locally appropriate approach which can best utilise a range of public services. The experience of Greater Manchester in taking a similar approach is being monitored. Consultation with Welfare to Work sector providers will take place as part of wider stakeholder engagement. Discussions with the Department of Work and Pensions (DWP) are expected to follow the announcements of the devolution deal and the Comprehensive Spending Review at the end of November.
- 1.4 The Combined Authority has been asked to contribute to Local Government Association (LGA) proposals to Government for a re-designed replacement for Work Programme with greater local influence. LGA aims to present a programme model to DWP to inform Work Programme re-commissioning to be adapted by local areas depending on their ambitions.

Work Programme Leavers Pilot (via the DWP Opt-in process)

- 1.5 An overview was given at the Leadership Board in July of the proposed DWP 'Opt-In' opportunity utilising the European Social Fund (ESF). The purpose is to test a locally designed programme to support more long term unemployed residents into work. As too many people in the NECA/NELEP area leave DWP Work Programme without a job outcome, particularly Employment Support Allowance (ESA) claimants, the programme will deliver a more intensive intervention to prevent them becoming even

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more detached from the labour market. As many people in this group have health conditions which act as a barrier to work, more specialist support integrated with other services is needed.

- 1.6 The DWP opt-in arrangement allows for local design of the programme and involvement in the commissioning process, with DWP commissioning and managing the contract. As series of discussions with DWP secured an acceptable level of NECA/NELEP involvement and assurances that the programme will be managed in line with local priorities and requirements. The proposal is now within the DWP 'project pipeline' to produce a service specification. NECA/NELEP will scrutinise the draft specification in consultation with DWP and will have final approval before the £6m ESF is committed and the contracting process begins.
- 1.7 The final proposal was submitted in late August but DWP has not yet confirmed timescales for the approval process. If the programme goes ahead it is projected that the contracting process will allow delivery to begin in April 2016.

Mental Health Trailblazer

- 1.8 Leadership Board received an update in July on the North East Mental Health Trailblazer and development work to date. The North East is one of four trailblazer areas (with West London, Greater Manchester and Blackpool) piloting an approach to improve job outcome rates for unemployed people with mental health conditions into employment. The core group the pilot will support is out-of-work benefit claimants (principally ESA and JSA) who are long term unemployed and have a mental health condition acting as a barrier to work.
- 1.9 The programme will integrate employment support into CCG commissioned Increasing Access to Psychological Therapies (IAPT) services to deliver an Individual Placement and Support (IPS) pilot. The IPS model delivers job brokerage support to people undergoing the range of therapies provided by IAPT. It prioritises intensive and tailored support to help participants to move quickly into paid employment and continued support to help them sustain work.
- 1.10 An award of £1.1m through the DCLG Transformation Challenge Award (TCA) was paid to NECA in August. An application for 50% European Social Fund (ESF) match was submitted in early September; an outcome is expected before the end of October. Due to the delay in the European programme the programme is now expected to begin implementation by the end of 2015 and run for two years. The North East will be the first of the four trailblazer areas to become operational and DCLG will publicise the launch.
- 1.11 All IAPT service providers across the seven LA areas have been engaged with and are ready to support the programme by integrating employment coaches into their clinical delivery teams. Providers include:
 - Gateshead and South Tyneside Talking Therapies

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- Newcastle Talking Therapies
- Northumberland Talking Therapies
- Sunderland Psychological Wellbeing Service
- Talking Changes Durham

- 1.12 Northumberland County Council is acting as lead on behalf of NECA and will project manage and recruit and employ all staff. A project manager was appointed in late August and recruitment of employment coaches will begin by late October. Contingent upon successful recruitment staffing will be in place to start implementation activity by late November.
- 1.13 Performance management will be carried out in area clusters: North Tyne (Northumberland, North Tyneside and Newcastle), South Tyne (Gateshead, South Tyneside and Sunderland) and a separate Durham group in recognition of the different DWP / CCG boundaries and ESF regional categorisation. A multi-agency group with representatives of local authorities, CCGs, NHS Trusts and DWP will continue to provide strategic direction and scrutiny. Health and Well Being Boards will receive progress reports.
- 1.14 Government has commissioned the Behavioural Insights Team to conduct an evaluation of all four trailblazers. CCGs and NHS have been consulted on the evaluation methodology and NHS ethical approval will be secured by early November.

Universal Services Delivered Locally

- 1.15 Universal Services Delivered Locally (USDL) is a 12 month pilot programme funded by DWP and managed by Northumberland County Council. It is run in partnership with Northumberland Emergency and Transition Scheme (NETs – the Council's welfare support fund), and South Tyneside Homes in Jarrow and Hebburn. The purpose of the pilot is to test how best to support our communities to transition as smoothly as possible on to Universal Credit when it is rolled out, and to identify barriers that might prevent people in need from accessing welfare benefits that they are rightfully entitled to.
- 1.16 The pilot uses the same triage and diagnostic 'tool kit' in both geographic areas to identify the support needs of individuals, is used in different ways in each location. In South Tyneside, which is a relatively small and highly urbanised area, a face to face approach is predominantly being applied but in Northumberland where rural accessibility is a significant issue, the trial is telephone based.
- 1.17 The diagnostic 'tool kit' identifies whether an individual has support needs in three main areas – digital inclusion, financial inclusion, or emotional resilience, (by which we mean their capacity to cope with life's ups and downs); and gives them a score of Low, Medium or High need, which determines the level and type of support offered.

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- 1.18 Learning from the pilot across both areas shows that 50% of participants are in the high/medium support needs categories, suggesting that there will be significant need for support to take up Universal Credit successfully. Of these, most individuals have at least 2 areas of medium or high support needs suggesting that multiple and complex barriers are more prevalent than originally anticipated.
- 1.19 The pilot has been granted a short extension period to the end of October 2015 by DWP, to allow us to track and follow up programme participants and to undertake local evaluation. A report detailing findings will be produced by the end of November 2105.
- 1.20 This extension period is allowing us to return to programme participants to re do the triage and diagnostic process to both check that participants we assessed correctly in the first instance, and for those who scored medium and high and were referred to specialist support, to determine if that support has been successful in increasing skills and capacities, and if not, why it has not been. This will be particularly helpful in gathering learning from the project and for future programme development.
- 1.21 To give a more illustrative picture of trial participants and to show the wider range of issues that are impacting on our most vulnerable Universal Credit claimants we will also be developing a number of case studies that will illustrate the 'participant journey' to highlight some of the key issues found by the trial.
- 1.22 The pilot evaluation will also look at a comparison between how effective telephone based and face to face services are in supporting the core participant group, and the relative costs of these models.

2 Youth employment

Generation NE

- 2.1 Generation NE is now fully operational and the programme is supporting 1268 young people, of which 491 have moved into employment to date, 183 of those have now sustained employment for 6 months or more.
- 2.2 Initial performance within the programme when compared to resource deployed has been strong and a further expansion in capacity has been undertaken; this has doubled the front line advisor team working with young people to 11, and will see an externally commissioned Peer Mentoring Service begin to take referrals in January 2016.
- 2.3 The recruitment of three 'Vacancy Coordinator' Apprentices has supported the business facing team in coordinating Generation NE's response to employer demand and improvements are being seen in the quality and responsiveness of the service given to employers as a result.

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- 2.4 A central In-Work Service has been established to test new models of supporting young people in work through Social Media, its aim is to drive efficient and responsive in-work support focussed on progression of young people into better and more secure employment over the medium term.
- 2.5 Work undertaken to increase the rate of referral of young people from Jobcentre Plus has begun to deliver higher and more stable referral numbers, which will continued to be monitored.

Youth Employment Initiative

- 2.10 Progress with the Youth Employment Initiative (YEI) for County Durham (ESF & Cohesion Funds) continues. The YEI programme looks to support the progression of 16-24 year olds into work or to achieve higher learning outcomes. Particular emphasis will be provided to young people with multiple or complex needs and will also include a focus on care leavers. Given the target age range, part of the development work has sought to ensure a fit with proposed NEET activity as well as an interface and enhancement to the existing Generation North East Programme delivery across County Durham, with elements of delivery mirroring the processes and procedures already established. This linkage will continue at a strategic as well as operational level, with Generation North East representation within the YEI programme governance structures.
- 2.11 The final stage application for European monies was submitted in September 2015 with an expectation of the appraisal being reported to the ESF sub-committee in November and grant determination by December. All activity under the YEI programme is to be concluded by July 2018. At this point, it is hoped that the experience gained through the YEI programme and Generation North East will shape the employment support interventions developed and delivered in the later stages of the ESF programme.
- 2.12 The extensive development process associated with YEI has led to a programme structure of 22 delivery partners and a number of specialist providers. Planning timescales developed through the year have focussed on recruitment to posts during late 2014 with a programme start in January 2016. To date conditional appointments have been made to a number of YEI programme management posts, with recruitment also underway for a range of front line delivery posts.
- 2.13 Final programme outcome targets and programme value continue to be debated as part of the ESIF evaluation exercise and will be confirmed at the next update.

Apprenticeship Levy consultation

- 2.14 In the Summer Budget, the Government announced the introduction of a levy on large employers to help fund 3 million new, high quality apprenticeships this Parliament to support the development of the skills base and help to drive

North East Combined Authority

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productivity over the longer-term. The levy is intended to be both simple and proportionate. It is considered that over time the levy could lead to higher apprenticeship investment, as employers train apprentices rather than recruiting staff from competitors or overseas. Furthermore, as employers will be in control of the funding, the Government maintains that they will be in a better position to negotiate a better priced, fit for purpose training programme. The scheme will therefore have greater value for those employers who are serious about training their workforce.

- 2.15 On this basis The Government opened a six-week consultation on 21 August 2015 with regard to the implementation of the levy. More detail on the levy rate and scope will be provided later in the year.
- 2.16 It confirmed that the scheme will apply to employers in all sectors, but the levy will only apply to larger employers. The Government intends that the size of employers will be calculated in relation to the total number of employees and views were sought as to what constitutes a “large” employer. Equally, the Government recognises that larger employers shouldn’t be the only ones who are in control of their apprenticeships. For that reason the proposal is that employers of all sizes in England will use the same digital voucher system to pay for the apprenticeship training they want. As such, all employers, both those who pay the levy and those who do not, will use the same system.
- 2.17 In addition the Government wants the new funding system to reward those employers who commit both to their own growth and the growth of the wider economy by using apprenticeships to get the skills they need. The levy presents the opportunity to level the playing field between those larger employers who do train, and invest to do so, and those who do not, by re-directing unused funding. In other words, those employers that are committed to apprenticeship training will be able to get back more from the levy than they put in, because not all employers will choose to carry out sufficient apprenticeship training to use their contribution in full. To achieve this additional spending power, it is envisaged that employers will receive ‘top-ups’ to their levy account over and above their own contribution. To this end, views were sought as to how long employers should have to use their levy funding before it expires and is recycled for use by another employer.
- 2.18 A joint NELEP/NECA response was made to the consultation. Whilst welcoming the opportunity to inform the process, it was made clear that only a limited response could be given due to the level of detail provided. As such, an invitation to continue to be consulted informally to develop the detail of the proposed levy was expressed. The main concern was whether a “one size fits all” approach was appropriate; particularly as the north east has a high dependency upon smaller businesses with low numbers of larger, independent employers. On this basis, local solutions and flexibilities might be a better way forward in delivering greater outcomes for all our employers, including our smaller employers and individuals.

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NECA scrutiny of Apprenticeships

- 2.19 At the request of the NECA Overview and Scrutiny Committee, a report summarising the work to date on increasing the quantity and quality of apprenticeships was presented. It confirmed that there was much good operational work going on and that all the local authorities were taking a pro-active approach; however, it was different across the CA area which suggested that something needed to be done about the role of NECA, around promotion and in terms of perception.
- 2.20 Initially the Committee discussed what a genuine apprenticeship was and the basic principles underpinning the role. It was explained that whilst an apprenticeship contract could not guarantee a job at the end of it; it was also certainly not about exploiting cheap labour. A fundamental part of apprenticeships is the training element particularly in developing transferable skills which open up a range of job opportunities.
- 2.21 From the subsequent discussion, a number of issues were raised:
- the quality of careers advice in highlighting the variety and range of available apprenticeship opportunities and the emphasis in schools on exam results
 - the lower take-up of higher level apprenticeships and the potential reasons for this
 - the lower take-up of women and girls within certain sectors, often associated with science, technology, engineering and mathematics (STEM)
 - the scope to use role models as a way of showcasing the benefits of an apprenticeship
 - the importance of personal development within the apprenticeship – particularly for more vulnerable young people
 - the challenge of doubling the number of apprenticeships in the North East from 6,500 to 13,000 over the next four years
 - the lack of political input to the Apprenticeship Growth Partnership
- 2.22 The main actions arising were:
- a) That the thematic lead, Councillor Grant Davey, be invited to become a member of the Apprenticeship Growth Partnership (APG)
 - b) Personal development options and support for young women be added as additional criteria to the barriers to employment and
 - c) Work be undertaken across the seven constituent member authorities to build a portfolio of best practice with regard to careers advice.

These will be taken forward by the Employability, Inclusion and Skills Steering group.

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Information, Advice and Guidance (IAG)

- 2.23 From June 2015 and in partnership with The Gatsby Foundation, North East LEP has been piloting the Good Career Guidance benchmarks. This provides the opportunity to test the benchmarks in action; lead the development of practice which will have local impact and national profile; and improve the quality of provision and opportunity for young people.
- 2.24 Over two academic years (2015/16 and 2016/17), Gatsby will invest around £500,000 to support up to 16 schools and FE Colleges in the North East Local Enterprise Partnership area (covering Northumberland, Newcastle, Gateshead, North Tyneside, South Tyneside, Sunderland and Durham) to develop careers guidance and education in their setting by meeting the Good Careers Guidance Benchmarks.
- 2.25 A facilitator for the project has now been recruited. This post-holder will play a key role in developing good practice, influencing national policy and creating capacity in schools to provide effective Careers guidance.
- 2.26 All of the participants are currently undergoing an audit process against the eight benchmarks and, alongside the Facilitator, are developing action plans in to ensure they achieve and embed the benchmarks.
- 2.27 The evaluator for the pilot is currently being procured by the Gatsby Foundation and will provide a full report on the pilot, case studies, good practice guides, a lessons-learned toolkit. The North East LEP will be rolling these out via a series of events and activities during the course of the pilot.

3 Inclusion

Community Led Local Development (CLLD)

- 3.1 Within the current European Programme, there is scope to adopt a community development approach through a single methodology. This Community Led Local Development (CLLD) approach allows for the connected and integrated use of the different Funds to make it easier to create multi-funded strategies that are better tailored to the needs and potential of an area.
- 3.2 CLLD is a specific tool which:
- focuses on specific sub-regional areas that cover a population of between 10,000 and 150,000 residents;
 - is community-led, by local action groups (LAGs) composed of representatives of local public and private socio-economic interests, with at least 50% of the decision-makers not being representatives of public authorities;
 - is carried out through integrated and multi-sectoral area-based local development

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strategies which:

- take into consideration local needs and potential; and
- include innovative features in the local context, networking, and where appropriate co-operation

3.3 On this basis, CLLD is intended to:

- encourage local communities to develop integrated bottom-up approaches in circumstances where there is a need to respond to territorial and local challenges calling for structural change;
- build community capacity and stimulate innovation (including social innovation), entrepreneurship and capacity for change by encouraging the development and discovery of untapped potential from within communities and territories;
- promote community ownership by increasing participation within communities and build the sense of involvement and ownership that can increase the effectiveness of EU policies; and
- assist multi-level governance by providing a route for local communities to fully take part in shaping the implementation of EU objectives in all areas.

3.4 Within this context, the European Structural and Investment Fund (ESIF) Strategy for the North East, makes financial provision for such an approach to be applied across the NECA/NELEP area. On this basis, the Department for Communities and Local Government (DCLG) has now issued an open call to trigger the initial stage 1 process. It remains open until 30 November 2015 and invites the completion of a full application for up to £40,000 per prospective CLLD area – this is based on 50% of that amount (i.e. £20,000) coming from local funding sources.

3.5 It further confirms that the outcomes from this Preparatory Stage should lead to the following Stage 1 outputs:

- A functioning Local Action Group for a targeted area
- A draft CLLD Strategy for agreement by Government
- Identification of a proposed Accountable Body able to apply for Stage 2 and lead the implementation of the agreed CLLD Strategy

3.6 Where the Managing Authorities approve the proposed CLLD Strategy at Stage 1, the Accountable Body nominated will automatically progress to Stage 2 and be invited to submit a Full Application for both ERDF and ESF resources to implement the agreed Strategy.

3.7 The open call has also confirmed the level of resources available to the North East for CLLD, as follows:

	ESF	ERDF	Total
Northumberland and Tyne & Wear	£6.6m	£3.6m	£10.2m
County Durham	£1.8m	£3.8m	£5.6m

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4 Skills

Reviewing post-16 education and training institutions

- 4.1 In addition to the expansion of the Apprenticeship programme, the Government identified as part of the Summer Budget that further reform of the post-16 education offer was required in order to establish:
- Clear, high quality professional and technical routes to employment, alongside robust academic routes, which allow individuals to progress to high level skills valued by employers; and
 - Better responsiveness to local employer needs and economic priorities, for instance through local commissioning of adult provision, which will help give the sector the agility to meet changing skills requirements in the years ahead, building on the agreements with Greater Manchester, London and Sheffield.
- 4.2 The Government's view is that these objectives can only be delivered by strong institutions, which have the high status and specialism required to deliver credible routes to employment, either directly or via further study. To this end, major reform of post-16 education and training institutions is now necessary, in a way which also addresses the significant financial pressures on institutions including a declining 16-19 population and the need to maintain very tight fiscal discipline in order to tackle the deficit.
- 4.3 The Government anticipates that this will involve a move towards fewer, often larger, more resilient and efficient providers. Within this, it is expected to enable greater specialisation, creating institutions that are genuine centres of expertise, able to support progression up to a high level in professional and technical disciplines, while also supporting institutions that achieve excellence in teaching essential basic skills – such as English and maths. This will need to be done while maintaining broad universal access to high quality education and training from age 16 upwards for students of all abilities including those with special educational needs and disabilities.
- 4.4 On this basis, the Government has announced that the Departments for Education (DfE) and Business, Innovation and Skills (BIS) will facilitate a programme of area-based reviews to review 16+ provision in every area, and do so quickly. These reviews will provide an opportunity for institutions and localities to restructure their provision to ensure it is tailored to the changing context and designed to achieve maximum impact. The focus will be on FE and sixth-form colleges, although the availability and quality of all post-16 academic and work-based provision in each area will also be taken into account.
- 4.5 The aim of these reviews is to ensure that there is the right capacity to meet the needs of students and employers in each area, provided by institutions which are

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financially stable and able to deliver high quality provision. Reviews may either be proactively initiated by a group of institutions in a local area, or by Government where it sees a need to progress rapidly, in particular where there are concerns about some or much of the quality of the provision, capacity, or financial sustainability of individual institutions.

- 4.6 Within the context of the recently signed Devolution Agreement, it is envisioned that such a review for the North East would be a primary and initial task of the new Employment and Skills Programme Board to be chaired by the Commercial Secretary to the Treasury, Lord O'Neill and as such would commence in the spring of 2016

Education Challenge

- 4.7 The external support secured to support the development of the Challenge work plan was completed by James Kempton in August. This work contributed to the Great North Futures Alliance, comprising Local Authorities, Schools and LEPs to develop the Challenge proposition. The report incorporated all activity across the North East and set out a proposal to initiate the programme. Within Tees Valley, 4 local authorities have combined funding to create a focussed business unit to take forward some key actions. It was agreed that the regional Challenge approach should focus on best practice sharing between NE LEP area and Tees Valley. Work in the North East LEP area will now be more focussed on priority actions and developing programme capacity.

Enterprise Advisor Programme

- 4.8 In June, the Career & Enterprise Company wrote to all Local Enterprise partnerships with an offer to jointly fund the roll out of Enterprise Advisors.
- 4.9 This provided an opportunity for North East LEP to be part of a key nationwide initiative rolling out a network of volunteers from the world of work (Enterprise Advisors) who will work directly with schools and college leaders to bridge the gap between the worlds of education and employment.
- 4.10 Enterprise Advisors will be the cornerstone of national programme. They will work with an Enterprise Coordinator to support schools and colleges to navigate the range of possible employer interactions and to help them create a whole school strategy for careers, enterprise and employer engagement. Equipped with a toolkit developed by The Careers and Enterprise Company and localised by the North East LEP, Enterprise Advisors will work closely with the leadership team of a specific school or college.
- 4.11 Funding (to be 50% matched) is being provided by The Career & Enterprise Company, to support the North East LEP in rolling out this programme over the coming months. On this basis, recruitment of the Enterprise Coordinator is currently

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underway and the Skills Team at North East LEP is developing the project plan including key engagement and communications strategies.

5 Potential Impact on Objectives

- 5.1 The work being taken forward is consistent with the Combined Authority's stated objectives.

6 Finance and Other Resources

- 6.1 Financial plans will be developed and reported to the Board as appropriate.

7 Legal

- 7.1 The legal implications of the work will be considered as delivery progresses.

8 Other Considerations

8.1 Consultation/Community Engagement

No consultation or community engagement has been undertaken at this stage in the work programme.

8.2 Human Rights

There are no specific issues arising from this report.

8.3 Equalities and Diversity

There are no specific issues arising from this report.

8.4 Risk Management

Appropriate risk management arrangements will be put in place as delivery progresses.

8.5 Crime and Disorder

There are no specific issues arising from this report.

8.6 Environment and Sustainability

There are no specific issues arising from this report.

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9 Background Documents

None

10 Links to the plans and policy framework

Strategic Economic Plan – More and better Jobs

North East Devolution Agreement

11 Appendices

None

12 Contact Officers

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13 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

North East Combined Authority

Leadership Board

Date: 17 November 2015

Subject: Treasury Management Mid-Year Update

Report Of: Chief Finance Officer

Executive Summary

The purpose of this report is to summarise treasury management activity in the first six months of 2015/16 and to update the prudential indicators agreed by the Leadership Board in January 2015, in the light of the most up to date available information on capital expenditure and financing and actual performance for 2014/15. The investment criteria and limits have also been revised in response to changes within the financial services sector.

Recommendations

It is recommended that the Leadership Board agree to:

1. The revised investment criteria and limits set out in section 2.9; and
2. The updated 2015/16 prudential indicators set out in section 2.10.

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1 Background Information

- 1.1 In line with the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice, the Authority is required to approve a treasury management strategy (including a range of prudential indicators) before the start of each financial year and to monitor / report performance against these prudential indicators during the year, (with a mid year review) and following the year end.

2 Proposals

Borrowings

- 2.1 External interest rates payable in the first six months of the 2015/16 financial year were at the level assumed in the treasury management strategy. The early repayment of £25.6m of external debt in April 2015 has enabled the Authority to reduce its financing charges. All borrowing currently relates to Tyne and Wear, and the costs of this borrowing are charged to the Tyne and Wear transport levy; the Tyne Tunnels budget and the Nexus budget as appropriate.
- 2.2 No new loans have been taken out during the year to date. The following table shows the movement between opening and closing level of external loans during the first six months of the year and known repayments to the year end.

Table 1: External Loans

Figures in £m	Actual	Authorised
Level of external loans as at 1 April 2015	196.967	240.000
New loans taken out in first six months of year	-	-
Loans repaid in first six months of year	(25.634)	-
Level of external loans as at 30 September 2015	171.333	240.000
Estimated further net decrease in external loans	(1.333)	-
Estimated level of external loans as at 31 March 2016	170.000	240.000

- 2.3 As can be seen from the above table, the overall level of borrowing has decreased to just over £171m in the first six months of the year. This is due to some loans coming to maturity and being repaid without being replaced, and other borrowings being repaid early where appropriate. This level of borrowing is well under the authorised limit for the year, as the Authority has used internal funds in place of external borrowing to part fund its capital financing requirement. The authorised limit has been retained at a consistent level despite repayment of external borrowing, to allow the flexibility to undertake external borrowing if required later in the year.
- 2.4 The Authority strives to minimise the interest rate risk it faces and maintain stability by seeking to maintain an appropriate debt maturity profile (i.e. the profile of when external loans need to be repaid), which is shown in Table 2 below.

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Table 2: External Debt Maturity Profile

Loans repayable:	01/04/2015 (actual) £m	30/09/2015 (actual) £m	31/03/2016 (estimate) £m
In less than one year	26.967	1.667	1.667
Between one and two years	2.667	2.667	2.667
Between two and five years	3.667	3.667	3.667
Between five and ten years	3.333	3.000	2.000
In more than ten years	160.333	160.333	160.000
Total	196.967	171.333	170.000

- 2.5 As can be seen from the above table, the profile is weighted heavily towards long-term borrowing. This is because most of the borrowing relates to the New Tyne Crossing Project, where long-term borrowing was preferable to provide certainty of payments to enable accurate financial modelling over the period of the operating concession. As short-term loans have matured, they have not been replaced.
- 2.6 The current average rate of external interest payable (i.e. 4.28%) is in line with the assumptions made when the 2015/16 budget was set and total external interest charges to the year-end will be within budget.

Investments

- 2.7 At 1st April the Authority had £28m invested in short term deposits and held short term cash or cash equivalent investments of £68m.
- 2.8 Due to the receipt of £53.910m Local Growth Deal funding in April 2015, the Authority has had a higher level of cash during 2015/16 than in previous years and the level of external investments has therefore increased. This requires additional flexibility and options to manage investments. Based on the current level of planned capital expenditure and use of revenue balances in 2015/16 and the expected profile of payments which is expected to be weighted towards the year end, the level of external investments is expected to be around £20m by the end of the financial year.
- 2.9 The current weighted average rate of external interest receivable is 0.56%. Investments of cash balances will be extended to periods of up to 12 months in order to secure an increased average rate of return, with increased interest income used to help fund the costs of the Authority.
- 2.10 The primary objective of the Authority's investment strategy is to ensure the security of the funds invested, and to achieve a reasonable rate of return commensurate with the level of security required. The Authority's investment criteria have been revised in response to changes within the financial services sectors and to give increased flexibility to place investments adopted by its constituent councils. The changes and are shown in bold in the following revised table.

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Table3 : Investment Limits

Type of institution	Financial Limit	Time Limit
UK central government (Debt Management Office)	Unlimited	Unlimited
UK banks with AAA, AA+, AA, AA-, A+, A credit ratings	£15m each	1 year
UK banks with A- credit ratings	£10m each	1 year
UK Local authorities	£10m each	3 years
UK building societies whose lowest published long-term credit rating is BB <u>and</u> societies without credit ratings with assets greater than £250m	£5m each	1 year
UK money market funds and similar pooled vehicles whose lowest published credit rating is AAA	£5m each	1 year
Local Authority controlled companies in the NECA area	£10m each	20 years
NECA Current Account (Co-operative Bank / Lloyds Bank).	See Note 1 below	1 year

2.10 The changes are highlighted in bold and explained below: -

- UK Banks with an 'A' rating have been included with the group of banks with a £15m, rather than a £10m limit.
- Explicit reference is made to Money Market Funds, which are a secure form of investments with high credit ratings, which gives increased flexibility and are used by other local authorities in the NECA area.
- Local authority controlled companies have been included to give increased flexibility to invest in/provide loans to local authority controlled companies in the NECA area.

Note 1 – NECA's (formerly TWITA's) bank account was with the Co-operative Bank, which has a current rating of B. We are currently transferring our account to Lloyds Bank Ltd, which has a Fitch rating of A+. To reduce risk we have been minimising cash holdings with the Co-operative bank on a daily basis.

Prudential indicators

2.11 The treasury management strategy agreed by the Leadership Board in January 2015 included a range of indicators to ensure the prudent use of the Authority's borrowing powers set out in the Local Government Act 2003. The Authority's borrowing powers extend to Transport related activity and, as a result, the prudential indicators are currently focused on that area of NECA activity. These prudential indicators have been revised based on the most up to date capital expenditure / financing position and are set out in the following table.

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Table 4 : Prudential Indicators

	2014/15 actual	2015/16 estimate	2016/17 estimate	2017/18 estimate
Capital expenditure (Transport capital programme)	58.830	88.194	90.000	90.000
Financing costs to Net Revenue Stream				
Tyne & Wear Transport levy	68.207	67.200	66.120	66.120
Tyne & Wear Transport financing costs	2.270	2.169	2.099	2.033
%	3.3%	3.2%	3.2%	3.1%
Nexus levy plus direct grants	93.224	92.931	92.500	92.500
Nexus financing costs	3.868	3.717	3.572	3.432
%	4.1%	4.0%	3.9%	3.7%
Tunnels tolls income	26.116	27.457	29.527	30.245
Tunnels financing costs	6.447	6.419	6.486	6.565
%	24.7%	23.3%	22.0%	21.7%
CFR at end of year				
Tyne Tunnels and Tyne & Wear Transport	161.117	158.978	156.854	154.744
Nexus	45.236	43.403	41.637	39.938
Total	206.353	202.380	198.492	194.682
Incremental impact of CF decisions (impact on Transport levy)	(0.070)	(0.101)	(0.070)	(0.066)
Operational Boundary for External Debt	235	235	235	235
Authorised Limit for External Debt	240	240	240	240
Actual External Borrowing	197	170	168	168

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Treasury Management Activity in 2016/17

- 2.12 Proposals are currently being discussed by the Directors of Resources Group around the potential for pooled Treasury Management arrangements which could drive potential savings for local authorities on their Enterprise Zones infrastructure funding requirements and increase the opportunity to early higher rates of interest on investments. Consideration is also being given to potential for taking out longer-term investments (beyond 1 year) where resources are not required to be drawn down in the short term to maximise interest returns.
- 2.13 Maintaining the authorised limit at the current level of £240m, which is above the level of the Capital Financing Requirement and level of actual external debt will allow the Authority the flexibility to explore opportunities for pooled treasury management arrangements, and to carry out any additional borrowing or debt restructuring which could achieve savings for NECA and authorities across the NECA area. The level of the Authorised Limit for future years will need to reflect the outcome of bids for further Enterprise Zones and the Devolution agreement, which involve infrastructure funding which could be funded by additional borrowing. This will be reflected in an updated report as part of the 2016/17 budget.

3 Next Steps

- 3.1 Proposals for the 2016/17 strategy will be developed further by officers and discussed with Governance Committee during December, and presented for approval by the Leadership Board with the budget report in January.

4 Potential Impact on Objectives

- 4.1 Effective treasury management enables financing charges to be minimised and interest income maximised while maintaining security of the Authority's liquid assets. This supports the Authority's overall budget position which enables it to deliver all of its objectives more effectively.

5 Finance and Other Resources

- 5.1 There are no additional direct financial implications arising from this report, other than the potential for reduction in net interest costs.

6 Legal

- 6.1 There are no direct legal implications arising from this report.

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7 Other Considerations

7.1 Consultation/Community Engagement

There are no consultation or community engagement implications arising from this report.

7.2 Human Rights

There are no direct human rights implications arising from this report.

7.3 Equalities and Diversity

There are no direct equalities and diversity implications arising from this report.

7.4 Risk Management

The main risk consideration relates to external interest rates. This is being mitigated by maintaining a balance of predominantly longer-term borrowing, while seeking to minimise interest charges through reducing the total level of external borrowing as opportunities are presented. The risk of investments being lost due to the financial difficulties of a third party is being mitigated by revising the Authority's investment criteria to reflect the most up to date information on credit worthiness from external treasury management advisers.

7.5 Crime and Disorder

There are no direct crime and disorder implications arising from this report.

7.6 Environment and Sustainability

There are no direct environment and sustainability implications arising from this report.

8 Background Documents

8.1 CIPFA Treasury Management in the Public Services: Code of Practice

9 Links to the Local Transport Plans

9.1 There is no direct link to the Local Transport Plans.

10 Appendices

10.1 None.

North East Combined Authority

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11 Contact Officers

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12 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

13 Glossary

CIPFA – Chartered Institute of Public Finance and Accountancy
PWLB – Public Works Loans Board

North East Combined Authority

Leadership Board

Date: 17th November 2015

Subject: North East Rail Management Unit and Rail North Members Agreement

Report of: Chief Executive Officer for Transport

Executive Summary

This report updates the Leadership Board on progress made in improving vital local rail services. Through membership of Rail North, the NECA has helped to secure significant investment in the next Northern Rail franchise, including a requirement for the creation of a specific North East management unit. It is now proposed that the NECA, alongside its regional neighbours in the Tees Valley, North Yorkshire and Cumbria, collaborate formally to create a local franchise management body. This body, the 'North East Rail Management Unit', would be nested within the wider Rail North/DfT Partnership structure. Through this vehicle, the NECA can lay the groundwork for continued local rail improvements and alignment with wider local transport policy. As part of this process, it is also recommended that the NECA enters into the Rail North Members Agreement, which will define how member authorities, including the NECA, will interact with this new Partnership body.

Recommendations

The Leadership Board is asked:

1. To note the proposed Rail North Members Agreement, which defines how member authorities including the NECA will interact with the wider organisation.
2. To authorise the Monitoring Officer to enter into the Members Agreement, appended to this report, subject to any changes being approved by the Monitoring Officer in consultation with the Head of Paid Service and the Thematic Lead for Transport.
3. To note the proposed arrangements for a North East Rail Management Unit ("NERMU"), to be nested within the wider Partnership arrangements between Rail North and the Department for Transport.
4. To authorise the Monitoring Officer to enter into the Collaboration Agreement, appended to this report, which defines the NERMU governance and operational structure, subject to any changes being approved by the Monitoring Officer in consultation with the Head of Paid Service and the Thematic Lead for Transport.
5. To appoint the Thematic Lead for Transport to represent the NECA on the NERMU Board.

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6. To authorise Nexus officers to produce a proposition to the Rail North Ltd Board, seeking the delegation of appropriate franchise management tasks to the NERMU.

1 Background Information

- 1.1 Northern Rail provide local rail services across the North of England under a franchise agreement with the Department for Transport (DfT). Northern Rail's services in the North East are geographically distinct from the remainder of the franchise. Operating from Heaton depot in Newcastle, services cover the entire NECA and Tees Valley geographies with only limited overlap into Cumbria via the Tyne Valley line, and North Yorkshire via the Esk Valley line. These services provide vital intra-regional connectivity, serving the majority of major towns and cities within the NECA area.
- 1.2 Despite their important role providing access to employment, education, healthcare and leisure facilities throughout the NECA area and the wider North East region, these services are currently characterised by poor quality rolling stock, low frequencies, inconsistent station facilities and poor journey times. Although punctuality and reliability is consistently strong, satisfaction with the service amongst passengers remains below the national average, according to Transport Focus' most recent National Rail Passenger Survey.
- 1.3 With the current franchise due to expire at the end of March 2016, Local Transport Authorities (hereafter LTAs) have taken a positive role in shaping the future of local rail services across Northern England. Through the Rail North consortium, vital investment has been secured which will deliver a transformational improvement in services, including new trains and extra services, during the next franchise period.
- 1.4 However, this investment only represents the starting point if services in the North East are to be truly reinvigorated. Greater local influence over the delivery and strategic direction of the new franchise, starting in April 2016, will be required if services are to better reflect local economic and social needs.

2. Rail North

- 2.1 The issues faced by local rail services in the North East, described in 1.2 above, are symptomatic of a general lack of rail investment across the North of England. The current Northern Rail franchise was let in 2004, based upon an inaccurate assumption that there would be no growth in ridership over the course of the franchise term, an assumption which has led to stagnation of services and quality, as well as overcrowding in many areas.

- 2.2 In response to a 2012 DfT consultation on rail decentralisation, LTAs across

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the North of England formed the Rail North organisation, and submitted a proposal to the Secretary of State for the full devolution of services operated by the Northern and TransPennine Express franchises commencing from their renewal in 2016.

2.3 The proposal reflected Rail North's overarching objectives for rail services in the North of England which seek to address the issues currently faced:

- delivering more rail capacity and greater rail connectivity,
- improving the quality of railways with a better offer to passengers to encourage more growth, and;
- delivering a more efficient railway to secure greater value for money from the support from the public purse.

2.4 To underpin the proposition, Rail North commissioned, for the first time, the development of a Long Term Rail Strategy for the North of England. Whilst devolution primarily focuses on the Northern and TransPennine passenger rail franchises, the long term strategy covers all operators as well as freight services.

2.5 The strategy was approved by Rail North's Leaders Committee, on which the NECA is represented by the Thematic Lead for Transport, in 2014 and a copy can be found at www.railnorth.org/strategy. The strategy places economic growth at its heart and has the following priorities for enhancing rail across the north:

- Connectivity
- Capacity
- Coherence
- Cost effectiveness

2.6 In his November 2013 response to Rail North's proposition, the Secretary of State stated that, although he supported the principle of devolution, he wished to see a lower risk, more evolutionary approach with the establishment of a partnership structure between DfT and Rail North.

2.7 Rail North Leaders endorsed this approach in January 2014, along with the following set of shared objectives that underpin the partnership:

- growing the railway to maximise the benefits of infrastructure investment and linking this to railway efficiencies;
- having a platform for determining investment priorities within the Partnership;
- risk and reward sharing between members of the partnership, including the potential for revenue or profit-sharing mechanisms that could allow reinvestment into rail services; and,
- a partnership structure that allows the balance of risk to change over time.

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- 2.8 Since that time, Rail North has worked jointly and collaboratively with DfT during the design and procurement phase of the new franchises, and has entered into a formal Partnership Agreement to underpin a joint approach to franchise management. This Agreement will see the new franchises managed from the North of England for the first time once they commence in April 2016, with Rail North-appointed officers populating the executive structure.
- 2.9 In parallel, Rail North has taken steps to evolve from an informal grouping of LTAs to a formalised organisation with a robust governance structure. A local government association, the 'Association of Rail North Partner Authorities', and a company limited by guarantee, 'Rail North Limited', have both been established. In September 2014, the North East Leadership Board authorised the Monitoring Officer to make arrangements to permit the NECA's membership of both organisations, and nominated the Thematic Lead for Transport to represent the NECA on the Leadership Board of the Association and Board of Rail North Ltd.

3 Northern Rail Franchise ITT

- 3.1 The Invitation to Tender (ITT) for the next Northern franchise (starting April 2016) was published by the DfT in February 2015. Throughout the design phase, Rail North officers, working jointly and collaboratively with DfT, made the case for significant improvements in line with the Long Term Rail Strategy.
- 3.2 The published ITT reflected these efforts, with a number of improvements being secured within the minimum specification. Included in these improvements are the removal of the outdated 'Pacer' vehicles, the procurement of at least 120 new vehicles, more services to operate on certain routes (including the Tyne Valley line and new Sunday services between Newcastle and Morpeth), and the successful bidder will have to invest significant sums in station facilities and on-train wifi provision.
- 3.3 In the NECA area, these improvements were complemented by a requirement for bidders to provide for a North East management unit within their structure, focussed solely on routes within this region. As well as creating this unit, the next franchisee will be required to work alongside local authorities to improve passenger information, marketing & branding and service development.
- 3.4 The deadline for bid submissions passed on 24th June, and NECA officers engaged in constructive dialogue with prospective bidders prior to the deadline, advocating further investment in the North East beyond the minimum requirements. A successful bidder is expected to be announced later in 2015.
- 3.5 These requirements will deliver a long-overdue improvement in local rail

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services in the North East. However, it is important that the service continues to improve and develop over the coming years to underpin economic development and social cohesion across the region, and to provide a viable alternative to road-based transportation.

4 Rail North/DfT Partnership Agreement & Franchise Management Structure

4.1 As well as working jointly with DfT during the franchise design phase, Rail North has developed a structure which will deliver a joint approach to franchise management.

4.2 Currently, the Northern Rail franchise is managed from the DfT's offices in Westminster. The five North of England PTEs, including Nexus, are co-signatories to the Franchise Agreement and undertake some limited franchise management duties within their respective areas. PTEs currently receive funding in the form of a Rail Administration Grant to cover the cost of these activities.

4.3 In March 2015, the Rail North Ltd Board agreed that the company should enter into a formal Partnership Agreement with DfT (hereafter the 'Partnership'), which defines this joint approach to franchise management. Under the Agreement, the next franchises will be managed from the North of England for the first time. It has since been agreed that the Partnership's officers will be based in Leeds.

4.4 The Partnership will have a joint executive structure, comprising a Strategic Board with an Independent Chair, and a Management Team consisting of the contract and commercial managers responsible for the day-to-day management of the franchises. An organisational chart is attached as Appendix A. The senior officers nominated to sit on the Strategic Board are accountable to the Board of Rail North Ltd and the Leaders Committee of the Association, and are currently being appointed and nominated into roles.

4.5 These arrangements will ensure that local rail service providers are far more accountable to the communities and economy they serve. They will also provide the North of England with a combined voice when inputting into wider industry processes, such as those determining the scope and scale of future investment.

4.6 However, the North East must not lose its ability to speak as a region with a unique set of requirements, which often differ substantially from those of major city regions dominated to a greater extent by urban commuter travel. The Management Team of the Partnership will be required to cover a large geography, and will naturally not be able to focus solely on the needs of any one particular region.

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4.7 In order to ensure that the interests of this region are fully secured, it is therefore proposed that the NECA enters into the Rail North Members Agreement, which will define how member authorities, including the NECA, will interact with the new Rail North / DfT Partnership body and furthermore that a North East Rail Management Unit is established. More details of both these proposals are given below.

5. Members Agreement

5.1 Rail North Ltd has adopted Articles of Association which establishes its governance arrangements. In September 2014, the North East Leadership Board nominated the Chair of the Thematic Lead for Transport to represent the NECA on the company Board. The Articles provide the NECA with a 6.5% share of the voting rights.

5.2 A Members Agreement has now been drafted to establish how the governance and management process will work in practise. The Agreement was developed by legal officers from the North of England Combined Authority areas, including Nexus acting on behalf of the NECA. A draft version was later circulated to all 29 member authorities and amendments made based on the feedback received. The Rail North Ltd Board approved the draft Agreement at its meeting on 15th September 2015, and it was accepted by the Association meeting on 6th October 2015. Following acceptance, the Agreement will be issued to member authorities, including the NECA, for signature.

5.3 The final Members Agreement and an accompanying summary document are attached to this report as Appendix D. The key clauses within the Agreement are summarised below. Whilst it is not expected that this agreement will change, it is proposed that any alterations to the wording appended to this report are considered and approved by the Monitoring Officer in consultation with the Head of Paid Service and the Thematic Lead for Transport.

6. Regional Business Units and Consultation Protocols

6.1 The Members Agreement requires any Rail North member authority proposing a Regional Business Unit to undertake consultation with the other Rail North authorities, prior to submitting a fully costed and sufficiently-resourced proposal to the Rail North Ltd Board. If approved by the Board, the proposal will be submitted to the Strategic Board for consideration. It is proposed that this process commences at the earliest opportunity following signature of the NERMU Collaboration Agreement by the NECA and its North East partners.

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6.2 Following successful establishment of a Regional Business Unit, it will act as a single member authority within the Rail North structure, and be empowered to exercise rights on behalf of its constituent authorities.

7. Rail North Business Plan, Budget and Funding

7.1 The Members Agreement establishes a protocol for the agreement of the annual Rail North Business Plan and Budget. The process enables member authorities to comment on a draft Business Plan, prior to a vote on its approval to take place no later than two months before the start of the subsequent Financial Year. The approval of the annual Business Plan and Budget is defined as a Reserved Matter, and as such requires parties collectively holding at least 75% of the voting rights to vote in its favour.

7.2 Nexus, alongside the four other former PTEs in the North of England, have provided funding to support Rail North's activities to date. Nexus have funded its contribution through its Rail Administration Grant. Under the terms of the Partnership Agreement, the Secretary of State has guaranteed £500k p.a. to the Combined Authorities (through the former PTEs within their geographies) to fund Rail North's on-going costs for three years commencing from the 2016/17 financial year. Although the distribution of this £500k p.a. is still to be determined, Nexus expects to receive circa £50k p.a. which it will be required to allocate to support Rail North.

7.3 In addition to this funding, it is proposed that the Rail North member authorities contribute a further £36k p.a. (indexed) between them. This cost is proposed to be distributed according to the voting rights within the Articles of Association. Under this proposal, the NECA would be required to contribute £2340 p.a. in addition to the funding Nexus will receive from the Secretary of State. It is proposed that this additional cost is funded from within Nexus' residual Rail Administration Grant.

7.4 Under the annual Rail North Business Plan development process described above, Rail North can propose to undertake additional activities. This may include developing proposals for the further devolution of powers to the North of England. Where these activities are estimated to require funding above the base £536k p.a. secured by the Partnership and Members Agreements, Rail North may propose that any or all of the member authorities make additional financial contributions to cover the shortfall.

7.5 Any such additional costs, and their proposed sources of funding, must be clearly identified in the draft Budget. An 'Impaired Plan', which sets out what Rail North is able to deliver on the basis of no additional contributions being required, must be presented as an option. Where member authorities are unwilling or unable to commit to additional contributions, a revised Business Plan and Budget would be produced based only on agreed additional contributions. Those authorities who did not agree to additional contributions would be prevented from voting on this revised Plan.

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8. Service Quality Programmes & Franchise Output Adjustments

- 8.1 The next Northern Rail Franchise is expected to contain a service quality regime, which would incentivise the Franchisee to deliver against a set of KPIs designed to represent good quality service and presentation. Failure to achieve these KPIs could trigger a financial penalty being levied against the Franchisee.
- 8.2 Under the Members Agreement, member authorities and Regional Business Units would have the right to propose a programme of works or services, to be partly or wholly funded by these deductions – a ‘Service Quality Programme’. The Strategic Board will determine whether a Service Quality Programme is acceptable and notify the proposing party of its decision.
- 8.3 In addition, member authorities and Regional Business Units may propose a change to the Franchise Agreement, to deliver amended outputs. This mechanism could be used, for example, to increase the frequency of train service on a specific route or routes or introduce a new passenger service altogether. Any such proposal must contain details of the costs, as well as how those costs would be funded. Following a consultation process with the other member authorities, the Rail North Ltd Board will consider the proposal by way of a majority vote. If approved, the proposal will be considered by the Strategic Board.

9. Termination and Withdrawal

- 9.1 Any Rail North member authority is entitled to give notice of its voluntary withdrawal from Rail North membership. Such notice can be provided at least 12 months prior to the end of the next Franchise Agreement, or 18 months prior to the start of any Financial Year.
- 9.2 Where such notice is served, the withdrawing authority would be required to meet its financial contributions pro rata until its exit from the Members Agreement.
- 9.3 Should authorities representing a 50% or greater share of the voting rights withdraw from the Agreement, the remaining authorities would be required to agree changes to the Articles and the Members Agreement.

10. North East Rail Management Unit

- 10.1 The new North East management unit, to be created within the next Northern franchise in accordance with 3.3 above, provides an opportunity to create a complementary regional franchise management body within the wider Rail North structure. This body – the North East Rail Management Unit (‘NERMU’) - would comprise the NECA, along with the five Tees Valley

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LTA, North Yorkshire and Cumbria County Councils – the entire geography of the North East’s Northern Rail services.

- 10.2 To define this unit, a Collaboration Agreement has been drafted which would legally underpin the arrangement. This draft Agreement between the LTAs named in 5.1 above is attached to this report as Appendix B. Whilst it is not expected that this agreement will significantly change, it is proposed that any alterations to the wording appended to this report are considered and approved by the Monitoring Officer in consultation with the Head of Paid Service and the Thematic Lead for Transport.
- 10.3 It is proposed that the NERMU would have two principal objectives:
- To deliver local influence over the delivery of rail services in North East England.
 - To develop rail services to facilitate and stimulate economic growth and support the social cohesion of the North East, delivering high quality, integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.
- 10.4 The NERMU would progress these objectives through an annual Business Plan, supported by a Budget. A fundamental requirement of each Business Plan will be securing the delegation and retention of franchise management duties from the Partnership Management Team. Once the NERMU has been established, an early task will be to submit a proposal to the Partnership Strategic Board to secure these powers. Such a proposal would require the support of the Rail North Ltd Board.
- 10.5 A new NERMU Board would be created to oversee the delivery of the Business Plan. It is proposed that the NECA, Tees Valley, North Yorkshire and Cumbria are all represented on the NERMU Board, with NECA retaining 49% of the voting share. The remaining 51% share would be divided amongst the other parties.
- 10.6 It is proposed that the Thematic Lead for Transport is nominated as the NECA representative on the NERMU Board, to sit alongside one representative from each of the Tees Valley, North Yorkshire and Cumbria. Such a nomination would provide a useful link between the local NERMU arrangements and the wider Rail North organisation. This appointment would facilitate strong support for a delegation proposal on the Rail North Ltd Board.
- 10.7 Beneath the NERMU Board, a Steering Group of officers drawn from across the North East geography will provide regular progress updates to the Board and provide local advice to inform the execution of the Business Plan. It is

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proposed that the Steering Group is drawn from the existing Rail Officers Working Group arrangements. The organisational structure illustrated in Appendix A has been amended to include this new North East regional structure, and is attached to this report separately as Appendix C.

- 10.8 It is proposed that Nexus utilises its Rail Administration Grant on behalf of the NECA, to fund the resource required to deliver the Business Plan. It is assumed that one full time officer will be required, although this assumption will be tested prior to the establishment of the NERMU. Any officers appointed would become employees of Nexus but with responsibility to act on behalf of the NERMU parties.
- 10.9 Should any reduction in Nexus' Rail Administration Grant funding impinge upon its ability to fund the NERMU resource requirements, Parties to the NERMU, including the NECA, may wish to provide a contribution towards this shortfall, the total value of which is unlikely to be more than £55k p.a.

11. Proposals

- 11.1 It is recommended that the North East Leadership Board agree to take the steps set out in the Recommendations paragraph of this Report.

12. Next Steps

- 12.1 If the North East Leadership Board decides that the NECA should become party to the NERMU Collaboration Agreement then appropriate steps will be taken to ensure this happens as soon as possible. In parallel, a proposition will be drafted with the intention of tabling it at the Rail North Ltd Board meeting in due course.
- 12.2 If the North East Leadership Board determines that the NECA should become party to the Rail North Members Agreement then appropriate steps will be taken to ensure this happens as soon as possible.

13. Potential Impact on Objectives

- 13.1 Securing greater influence over the delivery of rail services in the NECA area will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

14. Finance and Other Resources

- 14.1 Nexus currently receives funding in the form of Rail Administration Grant

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(RAG) amounting to £257,000 per annum from DfT in order to support Heavy Rail activities in its area. DfT are expected to confirm that of this, £50,000 will be required from the NECA in order to support Rail North's estimated running costs. Whilst it is likely that this element of the RAG will continue to flow to Nexus, its status is effectively that of a 'top-slice' earmarked for a new commitment. This will therefore require Nexus to re-assess what the remainder of the RAG can effectively fund.

14.2 It is also proposed that Nexus utilises the RAG in order to fund the resource required to deliver the NEMRU Business Plan. This represents another new commitment for Nexus to fund and whilst the exact cost is not yet known, a prudent estimate would put this in the order of £60,000. In addition, a further £2,300 contribution to Rail North's running costs (over and above the £50,000 highlighted in the paragraph above) is sought. In total, this equates to an estimated £115,000 of new commitments.

14.3 Additionally, there is a risk that DfT might withdraw the remaining £207,000 of RAG either in part or in full; it is envisaged that more will be known after the Spending Review announcement in November 2015.

14.4 It is therefore possible that, in addition to funding these new commitments, Nexus could also lose all £257,000 of its existing revenue support for Heavy Rail activities. This is a risk that Nexus will need to consider within the context of compiling its budget for 2016/17 and which the NECA will also need to consider when agreeing the Tyne and Wear transport levy for 2016/17.

15. Legal

15.1 This report provides authority for the Monitoring Officer to enter into the Rail North Members Agreement and the Collaboration Agreement. The Members Agreement sets out how the governance and management processes of Rail North Limited will work in practice. The Collaboration Agreement sets out the NERMU governance and operational structure. The main terms of both these agreements are set out in this report.

Other Considerations

16.

Consultation/Community Engagement

Not applicable.

16.1 Human Rights

There are no specific human rights implications arising from this report.

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16.2 Equalities and Diversity

There are no specific equalities and diversity implications arising from this report.

16.3 Risk Management

As described in paragraph 14.2 above, it is proposed that Nexus utilises its Rail Administration Grant to fund the resource required to deliver the Business Plan. It is, however, expected that this Grant will be considered as part of the on-going Spending Review, underway within central Government departments. There is therefore a risk that Nexus may see this Grant funding reduced in future years.

16.4 Crime and Disorder

There are no specific crime and disorder implications arising from this report.

16.5 Environment and Sustainability

Delivery of an improved rail service within the NECA area should assist in generating more rail traffic and thus contribute to our objectives for a more sustainable transport system and improved air quality.

17. Background Documents

None.

18. Links to Plans in the Policy Framework

This report has no direct link to plans in the policy framework.

19. Appendices

Appendix A – Rail North Organisational Structure
Appendix B – Rail Collaboration Agreement
Appendix C – Rail North Organisational Structure incl. NERMU
Appendix D – Rail North Members Agreement and Summary Document

20. Contact Officers

Pat Ritchie, Chief Executive Officer for Transport

North East Combined Authority

Leadership Board

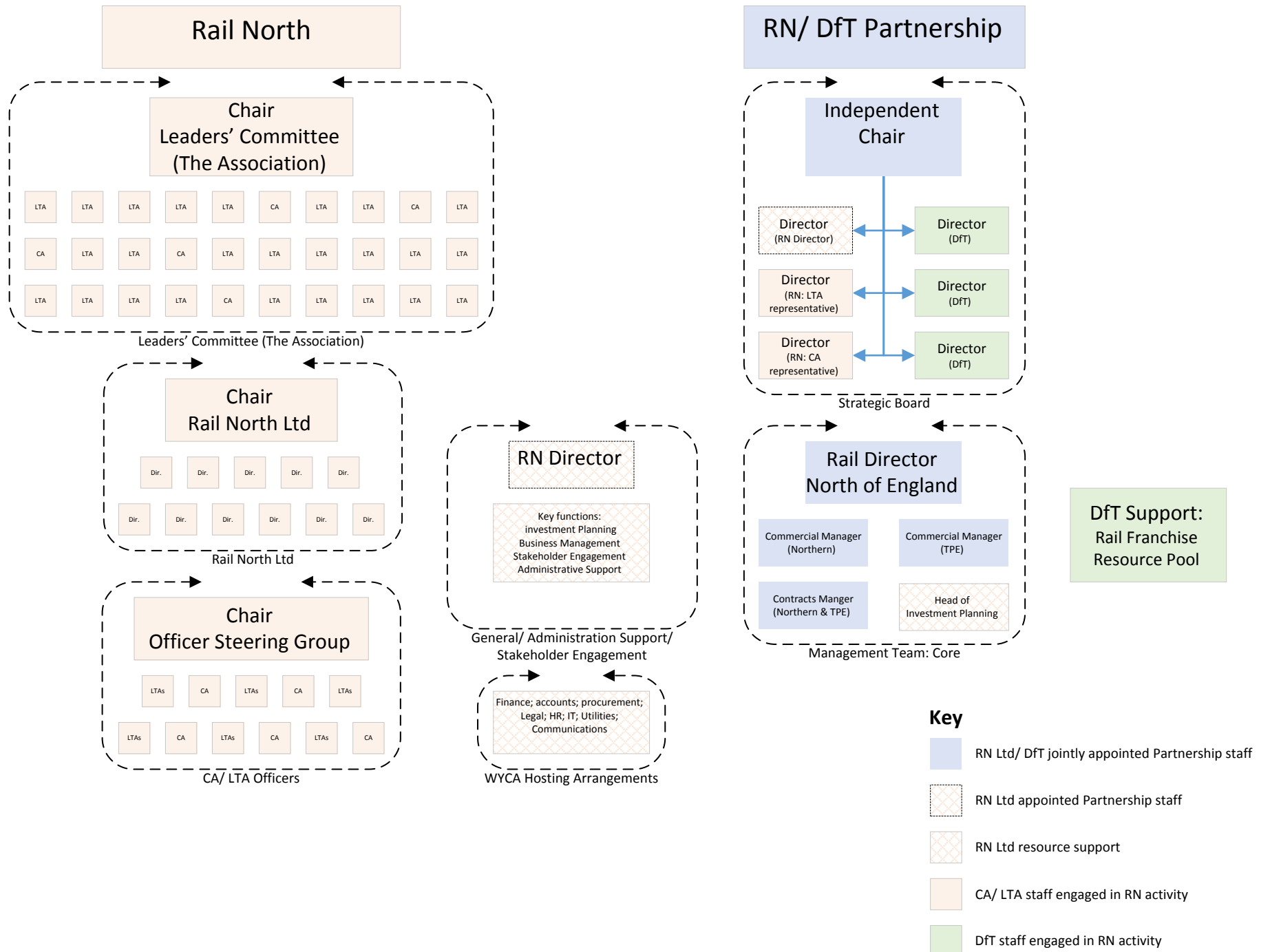
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Tobyn Hughes, Managing Director, Transport Operations
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(0191) 203 3246

21. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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**Cumbria County Council
Darlington Borough Council
Hartlepool Borough Council
Middlesbrough Borough Council
The North East Combined Authority
North Yorkshire County Council
Redcar and Cleveland Borough Council
and
Stockton-on-Tees Borough Council**

**North East Rail Management Unit
Collaboration Agreement**

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DRAFT

This Agreement is dated day of 2015

Between

- (1) Cumbria County Council, The Courts, Carlisle, Cumbria, CA3 8NA (“**Cumbria CC**”);
- (2) Darlington Borough Council, Town Hall, Feethams, Darlington, County Durham, DL1 5QT (“**Darlington BC**”);
- (3) Hartlepool Borough Council, Civic Centre, Victoria Road, Hartlepool, Cleveland, TS24 8AY (“**Hartlepool BC**”);
- (4) Middlesbrough Borough Council, Town Hall, Middlesbrough, Cleveland, TS1 2QQ (“**Middlesbrough**”);
- (5) The North East Combined Authority, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY (“**NECA**”);
- (6) North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD (“**North Yorkshire CC**”);
- (7) Redcar & Cleveland Borough Council, Redcar and Cleveland House, Kirkleatham Street, Redcar, Yorkshire, TS10 1RT (“**Redcar & Cleveland BC**”); and
- (8) The Council of the Borough of Stockton-on-Tees of Municipal Buildings, Church Road, Stockton-on-Tees, Cleveland, TS18 1LD (“**Stockton BC**”).

Together, (“**the Parties**”)

[DN: The Agreement will need to accommodate the creation of a Tees Valley Combined Authority – potentially through Cl.16 Variations]

Background

- (A) On 22 November 2013 the Secretary of State for the Department for Transport (“**Secretary of State**”) and Rail North Limited issued a statement on how they would take forward their proposals to devolve decision-making on rail services across the North of England.
- (B) In 2014, each of the Parties formally agreed to become members of the Association of Rail North Partner Authorities and Rail North Limited.
- (C) The Parties are local transport authorities in the North of England and they agreed to establish and manage Rail North Limited, a company limited by guarantee which was incorporated under the Companies Act 2006 on 22 September 2014 for the purposes of, inter alia, promoting and improving rail services and managing the Franchise Agreements. The Parties each nominated a director to represent them on the Rail North Limited Board.
- (D) On 20 March 2015 the Secretary of State and Rail North Limited entered into an agreement which sets out the arrangements as to how Rail North Limited will manage the Franchise Agreements and how the Secretary of State and Rail North Limited will work together to transition further devolution in the future (“**Partnership Agreement**”).

- (E) The Partnership Agreement outlines the management structure of the Partnership, and requires the creation of a joint Strategic Board and a Management Team, populated by Rail North and Department for Transport representatives. Pursuant to the Partnership Agreement, the Strategic Board will be responsible for the day to day management of the Franchise Agreements
- (F) The Partnership Agreement allows for the delegation of activities undertaken by the Management Team to Regional Business Units – which are defined as a group of two or more Rail North Limited parties formed to jointly oversee rail matters in their geographic areas.
- (G) [DN once drafted and agreed, insert some background here regarding RN Members Agreement].
- (H) The local rail network within the scope of this Agreement is as follows:
- i. The 'Durham Coast' route – between Middlesbrough and Newcastle via Hartlepool, Sunderland and east Durham;
 - ii. The 'Tyne Valley' route – between Carlisle and Newcastle via west Northumberland;
 - iii. Newcastle to Chathill via the East Coast Mainline (most services terminate at Morpeth currently);
 - iv. Darlington to Saltburn via Thornaby, Middlesbrough and Redcar;
 - v. Middlesbrough to Whitby;
 - vi. Bishop Auckland to Darlington; and
 - vii. Peak services between Saltburn and Newcastle via Darlington and Durham.
- (I) The Parties are seeking to establish a single consolidated resource base through which the parties can progress the delivery of their strategic rail objectives, known as the North East Rail Management Unit ("the NERMU") as more fully described in the NERMU Business Plan as defined below.
- (J) The NERMU is a Regional Business Unit as defined in the Partnership Agreement between Rail North Limited and the Secretary of State for Transport.
- (K) In order to establish and implement the NERMU, the Parties are entering this Collaboration Agreement to mutually commit resource and funding to the NERMU and set out the terms which are to govern the relationship between each of them in relation to the NERMU.
- (L) Each of the Parties has powers of general competence under the Localism Act 2011 (to be exercised having regard to their sustainable community strategy) or in the case of the NECA under s99 Local Transport Act 2008.
- (M) Nexus, as a body corporate by statute, has powers delegated to it under the Transport Act 1968 (as amended). Nexus is also an executive body of the NECA for the purposes of Part 5 of the Local Transport Act 2008 and Part 6 of the Local Democracy, Economic Development and Construction Act 2009. Nexus has power to discharge any function that is the subject of arrangements entered into

with the NECA. In the application of section 101 of the Local Government Act 1972 (arrangements for the discharge of functions), Nexus is to be treated as if it was an officer of the NECA.

(N) Under s99 of Local Transport Act 2008 the NECA may delegate its wellbeing functions to Nexus. Under s10 Transport Act 1968, Nexus has the power to do all things which are in its opinion necessary to facilitate the proper carrying out of its business.

In consideration of the grant finance that may be provided by each of the Parties towards the NERMU and the mutual benefit to the Parties of the NERMU, **it is now agreed as follows:-**

1. **Interpretation**

1.1. The definitions and rules of interpretation in this clause apply in this Agreement.

"Administrator"	means the person nominated by the NECA under paragraph 3.4 of Schedule 2;
"Attendee"	Any person who is attendant at Board or Steering Group meetings but is not a Representative;
"-Board"	means the Board constituted with representatives of the Parties which represents (or together represent) or acts as a decision making forum for the Parties;
"Contributions"	means the sums set out in Schedule 3;
"Commencement Date"	means [DN to be advised] or if later the date of this Agreement;
"DPA"	means the Data Protection Act 1998 as amended or any re-enactment thereof;
"EIR"	means the Environmental Information Regulations 2004;
"Financial Year"	means the period from 1 April to 31 March inclusive;
"FOIA"	means the Freedom of Information Act 2000;
"Force Majeure"	means any cause materially affecting the performance by a Party of its obligations under this Agreement arising from any act beyond its reasonable control and affecting any Party, including without limitation: acts of God, war, industrial action and protests by persons other than the Parties' personnel or contractors, fire, flood, storm, tempest, epidemic, explosion, acts of terrorism, national emergencies or the failure of a third party supplier to the NERMU;
"Franchise Agreement"	means the Northern Franchise Agreement and

the Transpennine Express Franchise Agreement, and "**Franchise Agreement**" shall be construed accordingly;

"Head of Paid Service"		means the Chief Executive as Head of Paid Service of each Party or such other officer discharging that role;
"Local Transport Authority"		has the meaning given to it in Section 108(4) of the Transport Act 2000;
"NERMU Business Plan"		means the NERMU business plan as detailed at Schedule 3;
"Nexus"		is the trading name of the Tyne and Wear Passenger Transport Executive, a body corporate by statute, whose principal place of business is Nexus House, St James' Boulevard, Newcastle upon Tyne, NE1 4AX;
"Nexus Management Team"	Corporate	means the team of senior employees who are responsible for the corporate management of Nexus;
"Nominated Proxy"		means a person from a Party who votes at either a Board meeting or Steering Group meeting on behalf of an absentee Representative and who is of equivalent standing to that of the absentee, as set out in paragraph 4.2.7 of Schedule 1;
"North East"		means the area described in paragraph 4.4 of Schedule 3 of this Agreement;
"Objectives"		means the objectives of the NERMU as set out in the NERMU Business Plan in Schedule 3;
"Principles of Co-operation"		means the principles set out in Schedule 5;
"Quarterly"		means a period of three (3) months starting on 1 April, 1 July, 1 October and 1 January;
"Rail Administration Grant"		means the funding received annually by Nexus from the Department for Transport that is to be spent on rail administration;
"Rail North Limited"		means a company registered in England and Wales (company number 09229441) whose registered office is at Transport for Greater Manchester, 2 Piccadilly Place, Manchester, M1 3BG;
"Rail North Agreement"	Members	means the agreement entered into on [TBC—];
"Representative"		means a Party's or Parties' representative appointed to the Board or Steering Group;

"Steering Group"	means the group established under clause 3;
"Tees Valley Authorities"	means Darlington BC, Hartlepool BC, Middlesbrough, Redcar & Cleveland BC and Stockton-on-Tees BC;
"Term"	means the period determined in accordance with clause 2.1; and
"Working Days"	means a day (other than a Saturday or Sunday) on which banks are open for domestic business in the City of London.

- 1.2. Clause, Schedule and paragraph headings shall not affect the interpretation of this Agreement.
- 1.3. A person includes a natural person, corporate or unincorporated body (whether or not having a separate legal personality) and that person's legal and personal representatives, successors and permitted assigns.
- 1.4. The Schedules form part of this Agreement and shall have effect as if set out in full in the body of this Agreement. Any reference to this Agreement includes the Schedules.
- 1.5. A reference to a company shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.6. Words in the singular include the plural and vice versa.
- 1.7. A reference to one gender shall include a reference to the other genders.
- 1.8. A reference to a statute or statutory provision is a reference to it as it is in force for the time being, taking account of any amendment, extension or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.9. A reference to writing or written includes faxes but not email.
- 1.10. Documents in agreed form are documents in the form agreed by the Parties and initialled by them for identification.
- 1.11. References to clauses and Schedules are to the clauses and Schedules of this Agreement; references to paragraphs are to a paragraph of the relevant Schedule.
- 1.12. Where the words include(s), including or in particular are used in this Agreement, they are deemed to have the words "without limitation" following them and, where the context permits, the words other and otherwise are illustrative and shall not limit the sense of the words preceding them.
- 1.13. Any obligation in this Agreement on a person not to do something includes an obligation not to agree that thing to be done.

2. **Commencement and Duration**

- 2.1. This Agreement shall begin on the Commencement Date and shall continue on the terms of this Agreement.

2.2. This Agreement wholly supersedes all earlier agreements, arrangements or understandings relating to the NERMU between the Parties and each of the Parties mutually releases and discharges the others from all future claims, demands, actions and proceedings in respect of such agreements or arrangements but without prejudice to any antecedent liabilities.

3. **Vires and Governance**

3.1. In order to ensure that the NERMU Business Plan is implemented and managed in an efficient manner the Parties agree to establish the Board on the Commencement Date and the Parties acknowledge and agree that the Board shall be responsible for and shall be entitled to allocate and amend from time to time functions and responsibilities as set out in Schedule 6.

3.2. The Board shall be constituted and governed by the provisions of Schedule 1.

3.3. In order that the Board ensures that the NERMU Business Plan is implemented and managed in an efficient manner the Parties agree to establish the Steering Group. The Parties acknowledge and agree that the Steering Group shall be responsible for those responsibilities as set out in Schedule 4.

3.4. The Steering Group shall be constituted and governed by the provisions of Schedule 1.

3.5. Each Party represents and warrants to each of the other Parties that it has the power to enter into this Agreement and has the powers required to execute the NERMU Business Plan, including establishing the single consolidated resource, the NERMU, through which the parties can progress the delivery of their strategic rail objectives.

3.6. Each Party separately represents and warrants to the other Parties that it has the power to enter into this Agreement and has and will properly delegate its authority for the matters which are the subject matter of Schedule 1 to the Representatives who will sit on the Steering Group and agrees that decisions of the Board in accordance with this Agreement and of the Steering Group made in accordance with the provisions of Schedule 1 will be binding upon it.

3.7. The Steering Group shall as soon as practicable and in any event within three (3) calendar months of the Commencement Date submit to the Board for its approval cost estimates and project plans for the NERMU which shall, in such form as may be approved by that Board, then become part of the NERMU Business Plan.

3.8. The NECA is authorised to delegate the implementation of the NERMU to Nexus so far as it is legally able to do so.

4. **The Objectives**

4.1. Each of the Parties acknowledges that the purpose and objectives of the NERMU consist of the following:

4.1.1. Deliver meaningful local influence over the delivery of rail services within North East England.

4.1.2. Develop rail services to facilitate and stimulate economic growth and support the social cohesion of the North East, delivering high quality,

integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.

5. **Finance**

- 5.1. Each Party will make the Contributions to the NERMU in the amounts set out opposite their names in Schedule 2 but shall not be obliged to make any further or other commitment of funds or resources to the NERMU save as set out in this Agreement.
- 5.2. Each Party may make Contributions over and above those listed at the Commencement Date in Schedule 2 if agreed pursuant to the annual NERMU Business Plan and NERMU Budget setting process defined in clause 6 of this Agreement.
- 5.3. Each Party will ensure that its Contribution is paid to Nexus and irrevocably committed to the NERMU on or before the Commencement Date and on or before the start of each subsequent Financial Year.
- 5.4. The Contributions shall be maintained by Nexus who shall ultimately apply the Contributions only in accordance with the NERMU Business Plan.
- 5.5. Nexus shall, subject to the other Parties complying with their obligations under this clause, apply the Contributions solely towards the NERMU Business Plan.
- 5.6. Title to the assets and software licences acquired using the Contributions shall be held by the NECA (or as it may direct Nexus on its behalf).
- 5.7. This Agreement may be terminated prior to the expiry of the Term only on the recommendation of the Board and with the written agreement of a majority of the Parties and in that event any unused Contributions shall be returned to the Parties in proportion to the Contributions made by them subject to deduction of any sums liable to be payable under any outstanding contractual or other obligation which has arisen under the NERMU.

6. **NERMU Business Plan**

- 6.1. The Parties shall produce and seek the ratification of a NERMU Business Plan annually.
- 6.2. The Parties acknowledge and agree that each NERMU Business Plan shall include:
 - 6.2.1. the NERMU Budget;
 - 6.2.2. the Contributions required by the NERMU Budget;
 - 6.2.3. details of resourcing for the forthcoming Financial Year; and
 - 6.2.4. outline details of any Further Devolution Proposal, Service Quality Programmes, or Franchise Output Adjustments required to deliver the NERMU Business Plan.
- 6.3. The Parties agree that the process for agreeing the NERMU Business Plan in respect of each Financial Year shall be as follows:

- 6.3.1. not less than six (6) months prior to the end of each Financial Year, NECA shall prepare a draft NERMU Business Plan, including draft proposals for the matters set out in clause 6.1;
- 6.3.2. where the draft NERMU Budget would require Contributions above the value of those set out in Schedule 2 of this Agreement, the NERMU Budget shall clearly identify the proposed funding sources for such Contributions.
- 6.3.3. NECA shall issue the draft NERMU Business Plan prepared pursuant to clause 6.3.1 to all Parties not less than six (6) months before the end of each Financial Year.
- 6.3.4. Parties shall be entitled to comment to NECA on the draft NERMU Business Plan, provided that such comments are provided not less than four (4) months prior to the end of each Financial Year.
- 6.3.5. NECA shall take into account comments received by Parties pursuant to clause 6.3.4 and shall prepare a revised version of the NERMU Business Plan and shall issue this revised version to all Parties as soon as reasonably practicable, but in any event not less than three (3) months prior to the end of each Financial Year;
- 6.4. The Board shall vote to approve the NERMU Business Plan not less than two (2) months prior to the start date of the next Financial Year.
- 6.5. If the NERMU Business Plan is not approved pursuant to clause 6.4 as a result of the requirement for Contributions, NECA shall amend the NERMU Budget to include only Contributions which have been agreed by those Parties that have agreed to pay Contributions and amend the NERMU Business Plan accordingly, and shall inform the Parties promptly of any decision.
- 6.6. The Interim NERMU Business Plan, for the remainder of the 2015-2016 Financial Year, is detailed in Schedule 3. By entering into this Agreement, the Parties acknowledge and agree to the Interim Business Plan.

7. **Operations**

- 7.1. The NECA:
 - 7.1.1. is authorised to act on behalf of the Steering Group in executing the NERMU Business Plan and delivery of the Steering Group Responsibilities, as defined in Schedule 4;
 - 7.1.2. is authorised to delegate that Nexus shall act as project manager for the NERMU and shall not be liable for the acts or omissions of Nexus in relation to the implementation of the NERMU;
 - 7.1.3. subject to it complying with its other obligations under this Agreement shall not be liable to reimburse any Party in respect of any claw back which may be imposed in respect of the Contributions; and
 - 7.1.4. without prejudice to clause 22 shall not be responsible to the Local Authorities for any loss or damage, claw back or other loss of use which arises from any act of Force Majeure.

- 7.2. Each of the Parties agrees to abide by the Principles of Co-operation.
- 7.3. The NECA and Nexus shall keep all written records and accounts relating to the NERMU for at least seven (7) years and shall make them available for inspection by any of the Local Authorities or their auditors at any reasonable time on reasonable notice.

8. **Procurement**

- 8.1. The NECA, acting as lead authority, warrants that the implementation of the NERMU will comply with all relevant procurement rules and regulations which are in force at the Commencement Date or which come into force during the Term.
- 8.2. Regarding those activities and projects listed in the NERMU Business Plan, the Parties agree that the NECA shall act as the lead authority and shall procure them on behalf of the Parties.

9. **Variations to this Agreement**

- 9.1. No variation of this Agreement shall be effective unless it is in writing and signed by the Parties (or their authorised representatives).

10. **Termination and withdrawal**

- 10.1. Any Party will cease to be a Party to this Agreement with effect from the date that it is no longer a Local Transport Authority.
- 10.2. Should any Party withdraw from Rail North Limited under the mechanism set out in the Rail North Members Agreement, then it shall immediately withdraw from this Agreement.
- 10.3. Subject to clause 10.4, a Party shall be entitled to give notice of its voluntary withdrawal from this Agreement:
- 10.3.1. Twelve (12) months prior to the end of the next Franchise Agreement renewal; or
- 10.3.2. Eighteen (18) months before the start of a Financial Year;
- such notice to be provided to each Party ("**Withdrawal Notice**").
- 10.4. The NECA may give notice at any time prior to the start of a Financial Year of its voluntary withdrawal from the Agreement for that Financial Year in the event that it will not receive the Rail Administration Grant in its entirety, or it receives an amount of Rail Administration Grant that it deems is insufficient.
- 10.5. Where a Party has issued a Withdrawal Notice pursuant to clause 10.3, the Board shall meet within thirty (30) Working Days of such notice to discuss the Withdrawal Notice, and may agree to terminate this Agreement or continue with this Agreement without the relevant Party.

11. **Liability and indemnity**

- 11.1. Nothing in this Collaboration Agreement shall limit or exclude a Party's liability:

- 11.1.1. for death or personal injury caused by its negligence, or that of its employees, agents or sub-contractors;
 - 11.1.2. for fraud or fraudulent misrepresentation;
 - 11.1.3. for breach of any obligation as to title or quiet possession implied by statute; or
 - 11.1.4. for any other act, omission, or liability which may not be limited or excluded by law.
- 11.2. Subject to clause 11.3, any Party who is in material breach of any of the provisions of this Agreement shall indemnify and keep indemnified the other Parties from and against all losses, liabilities, expenses and payments resulting from that breach, without prejudice to any other right or remedy of the other Parties howsoever arising PROVIDED that the limit of each Party's total liability in this regard shall be the amount of its Contribution in that Financial Year.
- 11.3. No Party shall be liable to any other in contract, tort (including negligence or breach of statutory duty), misrepresentation or otherwise under or in connection with this Agreement for any of the following losses or damages, whether direct or indirect, and even if such losses and/or damages were foreseeable or known, or the relevant Party was advised of the possibility of them in advance:
- 11.3.1. loss of actual or anticipated profits;
 - 11.3.2. loss of business opportunity;
 - 11.3.3. loss of anticipated savings;
 - 11.3.4. loss of goodwill;
 - 11.3.5. loss of data; or
 - 11.3.6. any indirect, special, future or consequential loss or damage howsoever caused.

12. **Notices**

- 12.1. Any notice required by this Agreement to be given by any Party to any other shall be in writing and shall be served personally, by email or by sending it by registered post or recorded delivery to the appropriate address or email address notified to each of the others (and to the Administrator) for such purposes and the address for postal or personal service shall be as set out in clause 12.3.
- 12.2. Any notice served personally will be deemed to have been served on the day of delivery; any notice sent by post will be deemed to have been served 48 (forty eight) hours after it was posted; and any notice sent by email will be deemed to have been served immediately upon receipt.
- 12.3. The address to be used for the purposes of a notice served under the provisions of clause 12.1 above shall be the address listed in in this Agreement against that Party or such other address as shall be notified by that Party to all of the other Parties in accordance with clause 12.1.

13. **Relationship of Parties**

13.1. Nothing in this Agreement, and no action taken by the Parties pursuant to this Agreement, shall constitute, or be deemed to constitute, a partnership between the Parties, or shall constitute any Party as the agent, employee or representative of the other.

14. **Entire Agreement**

14.1. This Agreement constitutes the entire agreement between the Parties relating to the subject matter of the NERMU. This Agreement supersedes all prior negotiations, representations and undertakings, whether written or oral, except that this clause 14 shall not exclude liability in respect of any fraudulent misrepresentation.

15. **Publicity**

15.1. Without prejudice to the Parties' obligations under the FOIA or EIR, none of the Parties shall make any press announcements or publicise the NERMU or any part thereof in any way, except with the written consent of the Board (such consent not to be unreasonably withheld or delayed).

15.2. The Parties shall take all reasonable steps to ensure the observance of the provisions of this clause by all of their servants, employees, sub-contractors, agents, professional advisers and consultants.

16. **Data Protection**

16.1. Each Party shall (and any of its employees, servants or agents, involved in the provision of the NERMU shall) comply with any requirements under the DPA.

17. **Freedom of Information**

17.1. The Parties are each subject to the FOIA and the EIR ("the Acts and Regulations"). As part of each Party's duties under the Acts and Regulations, they may be required to disclose information forming part of this Agreement to anyone who makes a reasonable request. Each Party has absolute discretion to apply or not to apply any exemptions under the Acts and Regulations.

17.2. Each of the Parties shall assist and cooperate with each other to enable any Party to comply with the information disclosure requirements under the Acts and Regulations and in so doing will comply with any timescale notified to it by the Party subject to the request.

18. **Quality and Delivery**

18.1. Each Party is required to collaborate with the other Parties during the term of this Agreement to achieve continuous improvement in the quality and delivery of the NERMU in accordance with each Party's 'best value' obligations under Part I of the Local Government Act 1999.

19. **Variation**

19.1. No variation or modification to the Agreement is valid unless it is in writing and signed by each of the Parties.

20. **Third Party Rights**

20.1. This Agreement is enforceable by the original Parties to it, by their successors in title and permitted assignees. Any rights of any other person to enforce the terms of this Agreement pursuant to The Contracts (Rights of Third Parties) Act 1999 are excluded.

21. **Waiver**

21.1. Failure by any Party at any time to enforce any one or more of the provisions of this Agreement or to require performance by the other Parties of any of the provisions shall not constitute or be construed as a waiver of the provision or of the right at any time subsequently to enforce all terms and conditions of this Agreement nor affect the validity of the Agreement or any part of it or the right of the Parties to enforce any provision in accordance with its terms.

21.2. No waiver of any of the provisions of this Agreement shall be effective unless it is expressed to be a waiver in writing and communicated in accordance with clause 12.

22. **Force Majeure**

22.1. No Party shall be liable for failure to perform its obligations under this Agreement if such failure results from Force Majeure.

23. **Severance**

23.1. If any provision of this Agreement shall become or shall be declared by any court of competent jurisdiction to be invalid or unenforceable in any way, such invalidity shall not impair or affect any other provision all of which shall remain in full force and effect.

24. **Costs and Expenses**

24.1. Each of the Parties will pay their own costs and expenses incurred in connection with the negotiation, preparation, execution, completion and implementation of this Agreement.

25. **Law and Jurisdiction**

25.1. This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales.

26. **Counterparts**

26.1. This Agreement may be executed in any number of counterparts each of which shall be an original, but the counterparts shall together constitute one and the same Agreement.

This Agreement has been signed by the Parties and takes effect on the Commencement Date.

Schedule 1- Governance

1. Structure of the Board

- 1.1. Each Party agrees that the Board shall consist of:
 - 1.1.1. one (1) elected member from the NECA;
 - 1.1.2. one (1) elected member from the Tees Valley Authorities;
 - 1.1.3. one (1) elected member from North Yorkshire CC; and
 - 1.1.4. one (1) elected member from Cumbria CC.
- 1.2. Each Party shall inform the Administrator of the identity and contact details for its Representative, any Attendees, and any changes from time to time.

2. Structure of the Steering Group

- 2.1. Each Party agrees that the Steering Group shall consist of:
 - 2.1.1. seven (7) senior officers from the NECA;
 - 2.1.2. five (5) senior officers from the Tees Valley Authorities;
 - 2.1.3. one (1) senior officer from North Yorkshire CC; and
 - 2.1.4. one (1) senior officer from Cumbria CC.
- 2.2. Each Party shall inform the Administrator of the identity and contact details for its Representatives, any Attendees, and any changes from time to time.

3. Delivery

- 3.1. The NECA shall:
 - 3.1.1. act as the lead authority in delivering the NERMU Business Plan; and
 - 3.1.2. take the fullest account of any decisions by the Steering Group as to the preferred or recommended method of implementation of the NERMU Business Plan; and
 - 3.1.3. so far as it is legally able to do so engage Nexus to implement the NERMU Business Plan.
- 3.2. The Steering Group shall act as an advisory and consultative body to the Board in implementing the NERMU Business Plan and will oversee the delivery of the NERMU Business Plan by NECA.
- 3.3. The Steering Group may at any time submit a report to the Board on any aspect of the NERMU Business Plan which it considers it appropriate for the Board to be aware of.
- 3.4. The NECA shall arrange to provide necessary services to support meetings of the Steering Group (and shall nominate an Administrator to co-ordinate such support)

the reasonable costs of which (as agreed by the Steering Group) shall be met by the NERMU Budget.

4. **Meetings and voting of the Board**

- 4.1. Meetings of the Board shall be held Quarterly, or more frequently if agreed by the Board members.
- 4.2. Every meeting of the Board that is convened more frequently than Quarterly shall be governed by the following provisions:
 - 4.2.1. a meeting may be called by any two (2) Board Representatives notifying the Administrator;
 - 4.2.2. a meeting may be held at such time and place convenient to the Parties as the Board Representatives calling the meeting think fit and notify to the Administrator;
 - 4.2.3. a notice of meeting specifying the place, day and time of the meeting and containing a statement of the matters to be discussed and Attendees present at the meeting, shall be served by the Administrator on all of the Board Representatives;
 - 4.2.4. except in the case of an emergency, not fewer than 10 (ten) Working Days' notice of a meeting shall be given to all Board Representatives, provided that shorter notice shall be valid if all the Board Representatives attend the meeting or if it is ratified by the majority of Board Representatives at a subsequent Board meeting. If not sent with the notice of meeting, any report for the meeting shall so far as practicable be provided to each Board Representative no later than two Working Days before the Board meeting;
- 4.3. The NECA and Tees Valley Representative shall serve as the Chair of the meeting on a rotational basis;
- 4.4. Each Board Representative shall be entitled to one (1) vote with votes being weighted as follows:
 - 4.4.1. The Representative from NECA's vote shall be worth 49%;
 - 4.4.2. The Representative of the Tees Valley Authorities' vote shall be worth 37%;
 - 4.4.3. The Representative of North Yorkshire County Council's vote shall be worth 7%; and
 - 4.4.4. The Representative of Cumbria County Council's vote shall be worth 7%.
- 4.5. The quorum for a Board Meeting is four (4) Board Representatives attending in person or by a Nominated Proxy present in person or by telephone or by video-link.
- 4.6. Where the quorum is not present within fifteen (15) minutes of the start time stated in the notice of the meeting the meeting shall be adjourned to a date not less than two Working Days later provided that any resolution passed at a meeting which is

not quorate shall be deemed to have been passed if it is ratified later by the required majority in attendance at a subsequent duly convened quorate meeting;

- 4.7. Minutes shall be prepared of all meetings and shall be approved by a meeting and signed by the Chair of the meeting as evidence of the proceedings and the contents of the duly signed minutes shall be evidence of the proceedings and may be relied upon as authority for the matters set out therein until amended by any subsequent meetings or resolution of the Board.
- 4.8. A Board Representative may, in writing, appoint another Board Representative or a single named individual to be his/her Nominated Proxy with the right to attend and vote on his behalf at any meeting of the Representatives. Any named individual shall be nominated to hold the position for not less than three calendar months and such Nominated Proxy shall also be sent any papers which are sent to the Board Representative at the same time as they are sent to the Board Representative.
- 4.9. Where a matter requires the decision of the Board Representatives under this Agreement, such matter shall be determined by the Board Representatives by simple majority vote (subject to paragraph 4.2.6) at a duly convened meeting.
- 4.10. A written resolution signed by all the Board Representatives (or their Nominated Proxies) shall be valid as if it had been passed at a meeting of the Board Representatives.
- 4.11. The Nominated Proxy of a Representative may:
 - 4.11.1. exercise that Representative's powers; and
 - 4.11.2. carry out that Representative's responsibilitiesin the absence of the Representative.
- 4.12. Any Nominated Proxy, appointed in accordance with this Schedule shall be counted in the quorum for the meeting.

5. **Reporting**

- 5.1. Following each Board meeting, the Chair of the Board shall within 20 Working Days of the meeting ensure that a copy of the minutes of such meeting is submitted to the Representative of each Party.
- 5.2. The Chair of the Board shall also procure that there is issued to each Representative and to each Head of Paid Service in advance of each Quarterly meeting of the Board a written statement on the progress of the NERMU Business Plan setting out progress towards the Objectives which shall include at least the following:
 - 5.2.1. a summary of the progress against the NERMU Business Plan to date;
 - 5.2.2. a summary of the current NERMU Budget;
 - 5.2.3. a summary of the expenditure committed to the NERMU and the funds available;

- 5.2.4. any other issues which are considered, by the Chair or the Board relevant for inclusion in the report; and
- 5.2.5. the report ("**the Monitoring Report**") shall be issued by the Chair of the NECA but with the endorsement of the Board not more than 20 Working Days after the expiry of the relevant 6 month period.

6. **Meetings and voting of the Steering Group**

- 6.1. Meetings of the Steering Group shall be held as often as the Representatives deem appropriate but in any event an ordinary meeting of the Steering Group shall be convened at least once in every alternate calendar month by the Administrator.
- 6.2. Every meeting of the Steering Group that is convened will be governed by the following provisions:
 - 6.2.1. a meeting may be called by any two (2) Steering Group Representatives notifying the Administrator;
 - 6.2.2. a meeting may be held at such time and place convenient to the Parties as the Steering Group Representatives calling the meeting think fit and notify to the Administrator;
 - 6.2.3. a notice of meeting specifying the place, day and time of the meeting and containing a statement of the matters to be discussed and Attendees present at the meeting, shall be served by the Administrator on all of the Steering Group Representatives;
 - 6.2.4. except in the case of an emergency, not fewer than 10 (ten) Working Days' notice of a meeting shall be given to all Steering Group Representatives, provided that shorter notice shall be valid if all the Steering Group Representatives attend the meeting or if it is ratified by the majority of Steering Group Representatives at a subsequent Steering Group meeting. If not sent with the notice of meeting, any report for the meeting shall so far as practicable be provided to each Steering Group Representative no later than two Working Days before the Steering Group meeting;
 - 6.2.5. a Steering Group Representative shall serve as the Chair of the meeting;
 - 6.2.6. the NECA and Tees Valley Representative shall serve as the Chair of the meeting on a rotational basis;
 - 6.2.7. each Steering Group Representative shall be entitled to one (1) vote, with the Chair having a casting vote in the event of a tie;
 - 6.2.8. each Steering Group Representative shall be entitled to 1 (one) vote and;
 - 6.2.8.1. the quorum for a meeting is that number of Steering Group Representatives attending in person or by a Nominated Proxy present in person or by telephone or by video-link;

- 6.2.8.2. where the quorum is not present within 15 (fifteen) minutes of the start time stated in the notice of the meeting the meeting shall be adjourned to a date not less than two Working Days later provided that any resolution passed at a meeting which is not quorate shall be deemed to have been passed if it is ratified later by the required majority in attendance at a subsequent duly convened quorate meeting;
- 6.2.8.3. minutes shall be prepared of all meetings and shall be approved by a meeting and signed by the Chair of the meeting as evidence of the proceedings and the contents of the duly signed minutes shall be evidence of the proceedings and may be relied upon as authority for the matters set out therein until amended by any subsequent meetings or resolution of the Steering Group.
- 6.2.9. a Steering Group Representative may, in writing, appoint another Steering Group Representative or a single named individual to be his Nominated Proxy with the right to attend and vote on his behalf at any meeting of the Representatives. Any named individual shall be nominated to hold the position for not less than three calendar months and such Nominated Proxy shall also be sent any papers which are sent to the Board Representative at the same time as they are sent to the Steering Group Representative.
- 6.2.10. Where a matter requires the decision of the Steering Group Representatives under this Agreement, such matter shall be determined by the Steering Group Representatives by simple majority vote (subject to paragraph 6.2.6) at a duly convened meeting.
- 6.3. A written resolution signed by all the Steering Group Representatives (or their Nominated Proxies) shall be valid as if it had been passed at a meeting of the Steering Group Representatives.
- 6.4. The Nominated Proxy of a Representative may:
- 6.4.1. exercise that Representative's powers; and
 - 6.4.2. carry out that Representative's responsibilities
- in the absence of the Representative.
- 6.5. Any Nominated Proxy, appointed in accordance with this Schedule shall be counted in the quorum for the meeting.

Schedule 2- Contributions

1. Party Contributions

1.1. The Parties agree to provide the following Contributions at the start of each Financial Year beginning with the 2016-2017 Financial Year. Parties may provide Contributions above the amount listed in this Schedule pursuant to clause 5.2 of this Agreement.

Cumbria County Council	£nil
Darlington Borough Council	£nil
Hartlepool Borough Council	£nil
Middlesbrough Council	£nil
North East Combined Authority	£TBC
North Yorkshire County Council	£nil
Redcar and Cleveland Borough Council	£nil
Stockton on Tees Borough Council	£nil

Schedule 3 - Interim NERMU Business Plan

1. Purpose

1.1. This Interim NERMU Business Plan sets out the process through which the Parties will establish a functioning management unit during the remainder of the 2015-2016 Financial Year. The to deliver meaningful local influence over the delivery of North East rail services and achievement of the North East Rail Statement and Rail North Long Term Rail Strategy. These processes will describe how the North East Rail Management Unit will function within the Rail North Partnership, clearly identifying the allocation of tasks between both organisations.

2. Timescale

2.1. This plan shall commence from [01 September 2015] and extend until the commencement of the new Northern and TransPennine Express rail franchises, expected to be 01 April 2016. It is expected that a revised Business Plan will be produced to commence from 01 April 2016.

3. Objectives

3.1. The North East Rail Management Unit has two primary Objectives:

3.1.1. Deliver meaningful local influence over the delivery of rail services within North East England.

3.1.2. Develop rail services to facilitate and stimulate economic growth and support the social cohesion of the North East, delivering high quality, integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.

3.2. Neither of the two primary Objectives set out at paragraph 3.1 of this Schedule will be achieved in their entirety before the commencement of the new Northern and TransPennine Express rail franchises. In particular, the second primary objective will require several years of co-ordinated engagement and investment, through national rail industry processes and local investment channels.

3.3. This NERMU Business Plan will set out a series of specific tasks to be achieved during the remainder of the 2015/16 financial year ('**Year 0**') which will create a platform on which the Parties can base progress towards the realisation of the primary Objectives in subsequent years. It is recommended that a full Business Plan for Year 1 onwards, which reflects on progress made during Year 0, is agreed prior to 01 April 2016.

4. Context: North East Rail Services

4.1. Passenger rail services in North East England are delivered through a combination of long distance, inter-regional and local operators. In Tyne and Wear, this mix is complemented by the Tyne and Wear Metro.

4.2. Long distance and inter-regional services serve the North East through its principal north-south infrastructure, the East Coast Main Line, either directly or via secondary routes into key regional centres such as Middlesbrough and Sunderland. These long distance and inter-regional services provide vital connectivity between North East England and key markets throughout the rest of

the UK – in London, Scotland, Yorkshire & Humber, the North West and the Midlands. These services also have an important function in providing local connectivity, principally between centres located along the East Coast Main Line corridor, and connecting centres in the Tees Valley and along the Durham Coast route.

4.3. Whilst some improvements to long-distance and inter-regional services have been secured through refranchising, journey times are still lengthy and infrastructure capacity risks limiting future enhancements if not addressed – this could yield overcrowding, stifle demand, and lead to unpalatable choices between services

4.4. Away from the principal routes, the rail geography within the North East is relatively self-contained. As the local operator, Northern Rail currently provides services between the main centres and smaller communities across the North East, with limited direct connectivity into neighbouring areas. The local North East routes currently encompass:

- The Durham Coast – between Middlesbrough and Newcastle via Hartlepool, Sunderland and east Durham;
- The Tyne Valley – between Carlisle and Newcastle via west Northumberland;
- Newcastle to Chathill via the East Coast Mainline (most services terminate at Morpeth currently);
- Darlington to Saltburn via Thornaby, Middlesbrough and Redcar;
- Middlesbrough to Whitby;
- Bishop Auckland to Darlington; and
- Peak services between Saltburn and Newcastle via Darlington and Durham.

Heaton traction maintenance depot in Newcastle provides the majority of the rolling stock fleet which operate on these routes. These local routes comprise the primary focus on the NERMU.

4.5. Although there have been minor improvements in some areas, local services are characterised by low frequencies, poor quality rolling stock, slow journey times and inconsistent station facilities – all symptomatic of a historic lack of investment in services and infrastructure.

4.6. Alongside the passenger services described above, the North East rail infrastructure provides freight access to international gateways including the key ports of Teesport and Port of Tyne. Via the region's principal routes, freight services can access national distribution hubs and key consumers such as power stations.

4.7. The Nexus-owned Metro infrastructure is contained solely within Tyne and Wear, with dual-running operations on infrastructure with Network Rail between Pelaw junction and Sunderland. Rolling stock is stabled and maintained at South Gosforth depot.

4.8. Improvements to services and infrastructure throughout North East England will be required if rail is to adequately support and stimulate economic growth. The Parties endorse the Rail North Long Term Rail Strategy, which sets out a series of recommendations to improve rail in the North of England. In a sub-regional context, the Parties endorse the North East Rail Statement, produced in 2014 to articulate a series of short, medium and long term improvements required to develop rail within the North East.

5. Context: Current Rail Management Arrangements

5.1. Since the creation of the NECA on 15 April 2014, Nexus has functioned as an executive delivery body of the NECA within Tyne and Wear, with Durham and Northumberland County Councils acting as delivery agents in their respective areas. The five Parties within the Tees Valley are consulting over a proposal to form a Combined Authority.

5.2. Local (Northern) rail services are currently operated under a Franchise Agreement between the Department for Transport and the Operator. Nexus, along with the other four former PTEs in the North of England, are co-signatories to this Agreement. Co-signatory status grants Nexus certain limited rights and influence over the delivery of services within Tyne and Wear.

5.3. The other Parties to the NERMU Collaboration Agreement currently have no contractual influence over the current Franchise Agreement, but interact with the Operator as local authority stakeholders.

5.4. In 2014, each of the Parties formally joined the Association of Rail North Partner Authorities, and nominated a representative to the Leaders' Committee. The Parties also nominated four Directors to the Board of Rail North Limited – representing the geographic areas of NECA, Tees Valley, North Yorkshire and Cumbria (the latter through the Director representing the Lancashire and Cumbria region, including Blackpool and Blackburn with Darwen).

5.5. At its first formal meeting on 19 March 2015, the Board of Rail North Ltd agreed that the company should enter into a formal Partnership Agreement with the Secretary of State for Transport, to oversee the management of the new Northern and TransPennine Express rail franchises, which are expected to commence on 01 April 2016.

5.6. The Partnership Agreement outlines the management structure of the Partnership, requiring the creation of a joint Strategic Board and a Management Team, populated by Rail North and Department for Transport representatives.

5.7. The Partnership Agreement allows for the delegation of activities undertaken by the Management Team to Regional Business Units – which is defined as a group of two or more Rail North Parties formed to jointly oversee rail matters in their geographic areas.

6. Achieving the Objectives – Year 0 Plan

6.1. This Plan will define the milestones during Year 0 which should be achieved to realise meaningful progress towards the primary Objectives. Many of these milestones will represent the completion of 'one-off' tasks, necessary to establish the steady-state processes which will define how the NERMU functions from Year 1 onwards. By doing so, a package of tasks will be identified which can be assessed for their resource, and subsequently funding, requirements. The Year 0

Plan will group milestones under each of the primary Objectives. A summary Year 0 programme accompanies the Year 0 Plan.

7. Deliver meaningful local influence over the delivery of rail services within North East England.

7.1. Establishing the governance and management processes for the NERMU will be a crucial task in Year 0. The body must have a full and clear understanding of its delegated responsibilities, carried out on behalf of the Rail North Partnership. To define these, a proposal should be put forward to the Strategic Board as early as possible. Locally, the Parties must populate the governance and management structures described within the Collaboration Agreement, and ensure any necessary dedicated resource is identified as soon as possible. Interim milestones for the achievement of this task are set out below:

7.2. Establishing the NERMU Board [October 15]

7.2.1. The Parties should nominate representatives and deputies to the NERMU Board at the earliest opportunity, ideally prior to the production of the proposal to the Rail North Partnership Strategic Board, but by no later than [September 2015].

7.3. Establishing the NERMU Steering Group [October 15]

7.3.1. Similar to the above, the Parties should nominate representatives and deputies to the NERMU Steering Group. This should be achieved prior to the submission of the NERMU proposal to the Strategic Board to ensure the proposal has been robustly consulted and agreed by all Parties.

7.3.2. In the interim, it is recommended that officers drawn from the Rail Officer's Working Group and/or the Virtual Secretariat Group form the NERMU Steering Group in shadow form until the Collaboration Agreement has been entered into by all Parties

7.4. Agreeing the NERMU 'Delegated Tasks' [October 15]

7.4.1. The Rail North Partnership Strategic Board must allocate activities to the North East 'Regional Business Unit' prior to the start date of the new Northern and TransPennine Express rail franchises. These activities are not defined within the Partnership Agreement. It is suggested that, at the earliest opportunity, a proposal is presented to the Strategic Board setting out the activities which the NERMU believes it should oversee to achieve its primary objective. These activities will need to be agreed by the Parties through the NERMU Steering Group, but may contain the following:

7.4.1.1. Acting as the key interface between the Parties and the Rail North Partnership, and the interface between the Parties and the Northern operator;

7.4.1.2. Visibility of performance data and reports to the level of detail required to manage performance;

7.4.1.3. Ability to liaise locally with the Operator to solve minor issues and discuss performance;

- 7.4.1.4. Ability to escalate contractual concerns to the Partnership Management Team;
- 7.4.1.5. Possess a clear mechanism to exercise the Rail North right of audit over service quality regime results;
- 7.4.1.6. Ability to develop local schemes (at either NERMU or local authority level) feeding in to the Partnership where appropriate;
- 7.4.1.7. Continuation of Nexus' formal consultee status for track access consultations and other industry processes, and the co-ordination of responses to other Rail North consultations on behalf of the Parties;
- 7.4.1.8. Ability to oversee the delivery of franchise Committed Obligations where they affect the North East rail geography; and/or
- 7.4.1.9. Be considered a single 'consultee' on Rail North Matters to the extent that they affect the Northern franchise within the North East rail geography.

7.4.2. It should be noted here that the Northern franchise invitation to tender contains a requirement for bidders to create a North East management unit within their structure. It is hoped that the successful bidder will commit to a series of North East-specific outputs, such as marketing and branding. The NERMU should directly oversee the delivery of any such commitments, working alongside the new franchisee's North East unit. However, it is not expected that these commitments will be known before December 2015. It is suggested therefore that a second proposal is taken to the Strategic Board following the announcement of the successful bidder. A placeholder should feature in the first proposal to identify this objective.

7.5. Defining relationship with CRPs [March 2016]

- 7.5.1. Several Parties have existing relationships with the Community Rail Partnerships within the North East, Cumbria and North Yorkshire. These organisations represent an important link between rail services and the communities they serve, and provide a useful source of information on service delivery and performance.
- 7.5.2. Whilst a formal relationship between the NERMU and the CRPs may be difficult to achieve, not least because the next Northern franchise is expected to create a Community Rail Business Unit, it would be useful for the NERMU to create and maintain strong links.
- 7.5.3. Once the full delegated tasks are understood, it is recommended that consideration is given for how these organisations could add value to the processes.
- 7.5.4. This should not fetter the ability of any Community Rail Partnership to carry out their usual functions, including the provision of services or the specification of fares.

7.6. Nominated contact with other TOC/FOCs [October 15]

- 7.6.1. As set out earlier in this Plan, long distance passenger and freight services provide vital connectivity to and from the North East. Whilst the Parties will

have no direct contractual influence over these Operators, it may be useful to establish (or maintain where this exists currently) regular contact with representatives of the Operators.

7.7. Nominated contact with Network Rail [October 2015]

7.7.1. The NERMU should establish its key points of contact within Network Rail, providing an interface through which to discuss infrastructure performance and future planning. It will be important to co-ordinate this function with the Operators to provide optimum value.

8. **Development of local rail services to facilitate and stimulate economic growth and to support the social cohesion of the North East. This should deliver high quality, integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.**

8.1. The Rail North Long Term Rail Strategy provides a strong vision for a transformed rail network in the North of England, supporting on-going economic growth throughout the region. The strategy provides a detailed list of outputs which should be delivered throughout the North to achieve this vision. On a sub-regional level, the North East Rail Statement identifies specific interventions necessary to support economic growth in the North East.

8.2. To provide a robust foundation on which to base future development work, it is recommended that a report is produced, identifying gaps against the LTRS outputs for local services and the specific objectives of the NERS. This study would then inform development work by the Parties in subsequent years. Ideally, the study should be delivered entirely during Year 0.

8.3. Brief for a Gap Analysis Study [October 15]

8.3.1. To deliver the study by the end of Year 0, it is recommended that a brief be produced and agreed by the NERMU Steering Group at the earliest opportunity.

8.3.2. The brief will need to recognise the achievements of the past 12-18 months, and provide an understanding of the emerging NERMU structure to prospective bidders.

8.3.3. The Strategic Economic Plans published by the Local Enterprise Partnerships will provide a useful understanding of future land use patterns and employment projections throughout the geography, and should be noted as a vital aspect of the baseline evidence provided to consultants.

8.4. Nomination of a project manager and establishment of project governance structure [October 2015]

8.4.1. Based on previous experience, it is likely that the study will require substantial project management time from within the NERMU, and a governance structure agreed that will facilitate consultation with the wider stakeholder community.

8.4.2. This task should be completed prior to the tendering of the brief for the study.

9. **Resourcing**

9.1. Based on the tasks above, it is likely that a full-time resource will be required to deliver the Year 0 plan. Whilst this assumption will need to be tested in due course, 1 FTE will be assumed to be required for the purposes of this Plan.

10. Funding

10.1. Nexus will receive Rail Administration Grant funding during Year 0 (2015/16), due to its co-signatory status to the current Northern rail franchise agreement. Nexus is willing to allocate a portion of this grant to fund the required resource until the end of Year 0.

10.2. Any persons employed to carry out this Plan would be appointed under Nexus' terms of employment and approved by the Nexus Corporate Management Team, with the necessary line management, accommodation and support functions (such as ICT, payroll, HR) being provided by Nexus.

10.3. The continuation of these arrangements beyond the end of Year 0 is dependent on the continuation, and value of, Rail Administration Grant. Once the status of this Grant in subsequent years becomes clear, a NERMU funding arrangement can be proposed. It is recommended that this forms part of the Year 1 business plan.

10.4. Funding for the Gap Analysis Study proposed in the Business Plan would be funded from existing funds within the Parties' contributions towards the NESTI scheme.

Schedule 4- Board and Steering Group Responsibilities

1. Board Responsibilities

1.1 The responsibilities of the Board shall include:

- Making changes to the NERMU Collaboration Agreement, name, material changes to the scope of NERMU, changes to the Objectives;
- Approving the annual NERMU Business Plan and NERMU Budget
- Endorsing key appointments;
- Withdrawal Notices and Termination;
- Approving documents deemed of strategic importance towards the achievement of the Objectives;
- Settling indemnity;
- Approving Regional Business Unit proposals to the Rail North Partnership Strategic Board; and
- Providing a feedback loop between the NERMU and the Rail North Ltd Board.

2. Steering Group Responsibilities

2.1 The responsibilities of the Steering Group shall include:

- Giving peer support to the resource appointed to execute the NERMU Business Plan;
- Providing an update report on progress towards the achievement of the NERMU Business Plan to each Board meeting;
- Preparing update/decision papers and recommendations to the Board;
- Providing [local] advice to inform the execution of the NERMU Business Plan;
- Consolidating [local] advice to inform responses to consultations; and
- Overseeing the selection and recommendation of appointments*.

Schedule 5- Principles of Cooperation

1. The NECA shall be the lead authority and the accountable body for delivery of the NERMU Business Plan and the NECA agrees to use its reasonable endeavours, working in conjunction with the Steering Group to work towards achieving the Objectives set out in the NERMU Business Plan.
2. Each Party agrees and acknowledges that the NECA shall be free to refuse to implement any recommendation of the Steering Group which would result in any action which would be ultra vires, in breach of any grant conditions imposed upon it in relation to the NERMU or which it otherwise considers would be inconsistent with the efficient or effective implementation of the NERMU Objectives.
3. Each Party is obliged and has a duty to co-operate to:
 - 3.1 use its reasonable skills and endeavours to promote and carry on the NERMU for the benefit of the Parties, and conduct itself in a proper and responsible manner, and devote such time and attention as is necessary for the proper performance of its duties under this Agreement;
 - 3.2 identify both its own particular needs in relation to the NERMU and the key issues for the NERMU and promptly to communicate these needs and issues to the Board and the Steering Group; and
 - 3.3 take reasonable steps to ensure that the Board and the Steering Group understands the needs and issues which have been communicated to the Board and the Steering Group.
4. Following communications from each Party in accordance with sub paragraph 3.2 above, the Board in liaison with the Steering Group shall:
 - 4.1 decide whether the identified needs and/or key issues can be met and if so, decide how the needs will be met; and
 - 4.2 in circumstances where the identified needs and/or key issues cannot be met, set out the options and decide on the most appropriate course of action.
5. The Steering Group, the Board and the other Parties shall work together to resolve problems through active co-operation in order to achieve so far as possible the Objectives of the NERMU Business Plan.

This document has been signed by the Parties and takes effect on the date stated at the beginning of it.

Signed by **Cumbria County Council** in
the presence of:

.....

Authorised Signatory Of Cumbria
County Council

Signature Of Witness

.....

.....

Printed Name of Signatory

.....

.....

Name and Address Of Witness

Position of Signatory

Signed by **Darlington Borough Council** in the presence of:

.....

Authorised Signatory Of Darlington
Borough Council

Signature Of Witness

.....

.....

Printed Name of Signatory

.....

.....

Name and Address Of Witness

Position of Signatory

Signed by **Hartlepool Borough Council** in the presence of:

.....

Authorised Signatory Of Hartlepool
Borough Council

Signature Of Witness

.....

.....

Printed Name of Signatory

.....

.....

Name and Address Of Witness

Position of Signatory

Signed by **Middlesbrough Council** in
the presence of:

.....

Authorised Signatory Of Middlesbrough
Council

Signature Of Witness

..... Printed Name of Signatory

.....

Name and Address Of Witness Position of Signatory

Signed by **the North East Combined Authority** in the presence of:

Authorised Signatory Of the North East Combined Authority

Signature Of Witness

..... Printed Name of Signatory

.....

Name and Address Of Witness Position of Signatory

Signed by **North Yorkshire County Council** in the presence of:

Authorised Signatory Of North Yorkshire County Council

Signature Of Witness

..... Printed Name of Signatory

.....

Name and Address Of Witness Position of Signatory

Signed by **Redcar and Cleveland Borough Council** in the presence of:

Authorised Signatory Of Redcar and Cleveland Borough Council

Signature Of Witness

..... Printed Name of Signatory

.....

Name and Address Of Witness Position of Signatory

Signed by **Stockton on Tees Borough**

Council in the presence of:

.....

Signature Of Witness

.....

Name and Address Of Witness

.....

Authorised Signatory Of Stockton on
Tees Borough Council

.....

Printed Name of Signatory

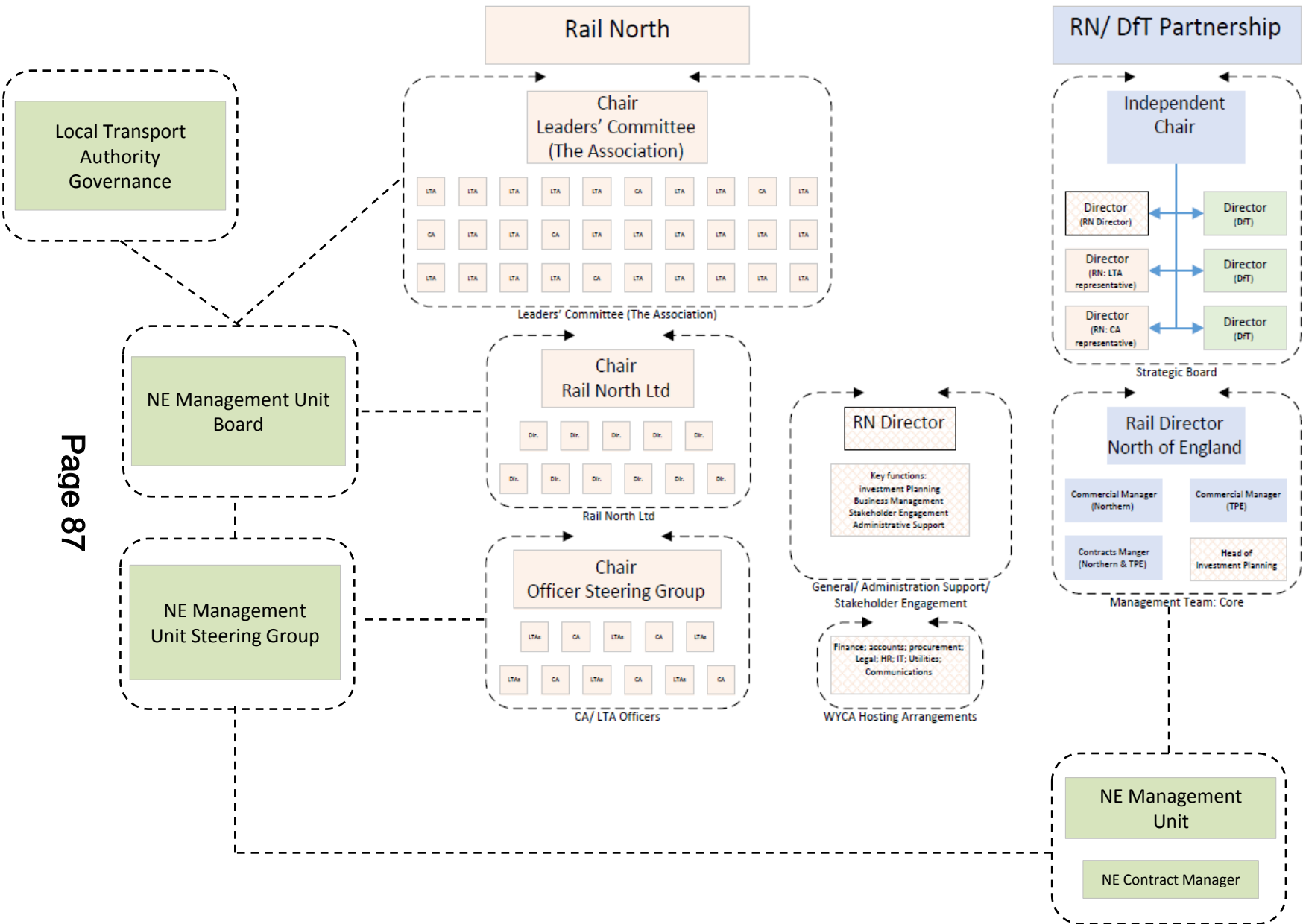
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Position of Signatory

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DATED

2015

(1) RAIL NORTH LIMITED

- and -

**(2) THE MEMBERS OF RAIL NORTH LIMITED LISTED IN SCHEDULE 1 TO THIS
AGREEMENT**

MEMBERS AGREEMENT

relating to
devolution of rail responsibilities in the North
of England including the management of the
Northern and Transpennine Express Franchise
Agreements

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THIS AGREEMENT is made on

2015

BETWEEN:

- (1) **RAIL NORTH LIMITED** a company registered in England and Wales (company number 09229441) whose registered office is at [West Yorkshire Combined Authority, Wellington House, 40 - 50 Wellington Street, Leeds, LS1 2DE] ("**Rail North**");
- (2) **THE MEMBERS OF RAIL NORTH LIMITED**, listed in schedule 1 of this Agreement ("**Members**").

BACKGROUND:

- A On 22 November 2013 the Secretary of State for the Department for Transport ("**Secretary of State**") and Rail North issued a statement on how they would take forward their proposals to devolve decision-making on rail services across the North of England.
- B The Members are local transport authorities in the North of England and they have agreed to establish and manage Rail North, a company limited by guarantee which was incorporated under the Companies Act 2006 on 22 September 2014 for the purposes of, inter alia, promoting and improving rail services and managing the Franchise Agreements.
- C On 20 March 2015 the Secretary of State and Rail North entered into an agreement which sets out the arrangements as to how Rail North will manage the Franchise Agreements and how the Secretary of State and Rail North will work together to transition further devolution in the future ("**Partnership Agreement**"). Pursuant to the Partnership Agreement, the Strategic Board will be responsible for the day to day management of the Franchise Agreements.
- D The Parties have agreed to enter into this Agreement to set out the terms on which the Members have agreed to participate as Members of Rail North and to govern the interface between the Franchisees, the Strategic Board, the Management Team and each Member of Rail North.
- E Prior to entering into this Agreement, Rail North has appointed a number of staff to manage the operation of this Agreement including the Rail North Strategic Board Members, one of which is the Rail North Lead Officer.

IT IS HEREBY AGREED:

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement the following words and expressions shall (except where the context otherwise requires) have the following meanings:

"**Additional Contributions**" has the meaning set out in clause 16.3;

"**Additional Matters**" means the matters which are set out in Part 2 of Schedule 2;

"**Agreement Change Notice**" has the meaning set out in clause 14.1;

"**Alternate Rail North Strategic Board Members**" means the employees of Rail North or the appointed officers of a Member with equivalent standing to the Secretary of State Strategic Board

Members appointed pursuant to clause 7.3.4 to act as Rail North Strategic Board Members from time to time and "**Alternative Rail North Strategic Board Member**" shall be construed accordingly;

"**Auditors**" means ◆ of ◆ or such other auditors of Rail North as the Members may from time to time appoint; [*Note: Rail North to confirm identity of auditors, if auditors are required.*]

"**Board**" means the board of directors from time to time of Rail North;

"**Budget**" means such budget as shall from time to time be prepared by Rail North as provided in clause 16;

"**Change**" means an amendment or variation to this Agreement effected pursuant to clause 14;

"**Cheshire and Potteries Regional Group**" means, for so long as any is a Member, Cheshire East Council, Cheshire West and Chester Council, Staffordshire County Council, Stoke-on-Trent City Council and Warrington Borough Council;

"**Clear Days**" means (in relation to a period of notice) that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

"**Commencement Date**" means the date of this Agreement;

"**Community Rail Partnership**" means a group, which can include rail operators, local authorities, community organisations and rail user groups, established to govern a line or service designated as a community rail route by the Secretary of State;

"**Consultation Protocol**" has the meaning given to it in clause 12.2;

"**Contracts Manager**" means a contracts manager responsible for day-to-day contact with both Franchisees where provisions of the Franchise Agreements have been delegated to the Management Team pursuant to the Partnership Agreement;

"**Criteria for Further Devolution**" means:

- (a) the record of the Management Team and the Strategic Board Members in the performance of their respective obligations pursuant to the Partnership Agreement in the management and development of the Franchise Agreements. For the avoidance of doubt, a failure by the Franchisee to perform its obligations under the Franchise Agreements which is not caused by a failure of the Management Team or the Strategic Board Members shall not adversely impact the assessment of the record of the Management Team and the Strategic Board Members against this criterion;
- (b) the maturity of Rail North's governance arrangements; and
- (c) the financial capacity of Rail North and the Members to bear additional risk;

"**CRP Proposals**" has the meaning given to it in clause 8.26;

"**Data Room**" has the meaning given to it in clause 11.1;

"**Designated Representative**" has the meaning given to it in clause 12.2;

"Director" means any director for the time being of Rail North including where applicable any alternate director;

"Dispute" has the meaning given to it in clause 29.1;

"East Midlands Regional Group" means, for so long as any is a Member, Derby City Council, Derbyshire County Council, Lincolnshire County Council, Nottingham City Council and Nottinghamshire County Council;

"EIRs" means the Environmental Information Regulations 2004 together with any guidance and/or codes of practice issued by the Information Commissioner or relevant Government Department in relation to such regulations;

"Expert" has the meaning given to it in clause 29.6;

"Financial Year" means the period from 1 April to 31 March inclusive;

"FOIA" means the Freedom of Information Act 2000 and any subordinate legislation made under this Act together with any guidance and/or codes of practice issued by the Information Commissioner or relevant Government Department in relation to such legislation;

"Franchise Agreements" means the Northern Franchise Agreement and the Transpennine Express Franchise Agreement, and **"Franchise Agreement"** shall be construed accordingly;

"Franchise Agreement Matters" means any matters which specifically relate to either Franchise Agreement;

"Franchisee" means a franchisee under either of the Franchise Agreements;

"Franchise Output Adjustment" means in relation to either Franchise Agreement an amendment to the Train Service Requirement under paragraph 9.4 of Schedule 1.1 of the Franchise Agreements or a Variation which is permitted under the terms of the relevant Franchise Agreement;

"Further Devolution Proposal" means a proposal for further devolution from the Secretary of State to Rail North and shall include:

- (a) any steps that are proposed to be taken towards achieving further devolution;
- (b) details of how the proposal shall comply with the Criteria for Further Devolution; and
- (c) details of the basis upon which funding will be provided for the further devolution in including any financial guarantees or other support to be provided; and
- (d) other relevant details of such proposal;

"Further Devolution Study" has the meaning given to it in clause 17.6;

"Greater Manchester Regional Group" means, for so long as it is a Member, Greater Manchester Combined Authority;

"Head of Investment and Planning" means a planning and investment manager;

"Humberside Regional Group" means, for so long as any is a Member, East Riding of Yorkshire Council, Hull City Council, North East Lincolnshire Council and North Lincolnshire Council;

"Impaired Plan" means a plan for the next Financial Year issued pursuant to clause 17.1 which sets out what Rail North is able to deliver on the basis of no Additional Contributions being required;

"Initial Dispute Board" has the meaning given to it in clause 29.3;

"Interested Member" means any Member or Regional Business Unit affected by any Rail North Matter;

"Liverpool Regional Group" means, for so long as it is a Member, Liverpool City Region Combined Authority;

"Local Transport Authority" has the meaning given to it in Section 108(4) of the Transport Act 2000;

"Management Team" means the team established pursuant to the Partnership Agreement to perform responsibilities allocated to it from time to time by the Strategic Board;

"Management Team Member" means any member of the Management Team;

"Members' Contributions" has the meaning given to it in clause 16.3;

"Member's Share" has the meaning given to it in clause 16.1;

"North East Regional Group" means, for so long as it is a Member, North East Combined Authority;

"North West Regional Group" means, for so long as any is a Member, Blackburn with Darwen Borough Council, Blackpool Borough Council, Cumbria County Council and Lancashire County Council;

"North Yorkshire Regional Group" means, for so long as it is a Member, North Yorkshire County Council;

"Northern Commercial Manager" means a commercial manager responsible for the management of those provisions of the Northern Franchise Agreement that have been delegated to the Management Team pursuant to the Partnership Agreement;

"Northern Franchise Agreement" means the franchise agreement in respect of the operation of inter-urban, commuter and local rail passenger services across northern England to be entered into between the Secretary of State and the successful bidder in the relevant franchise process pursuant to the notice published in the OJEU in June 2014 with reference 192429-2014 and such term shall include, for the purposes of this Agreement any ancillary agreement entered into by the Secretary of State required for the purposes of managing the Northern Franchise Agreement;

"Objectives" has the meaning given to it in clause 2.1;

"Officer Steering Group" means the group of representatives comprising of one representative from each of the eleven (11) Regional Groups;

"Partnership Agreement" has the meaning given to it in recital C;

"Partnership Lead Officer" has the meaning given to it in clause 9.2;

"Partnership Matters" means any matters which specifically relate to the Partnership Agreement;

"Passenger Benefits" means the delivery of enhanced facilities and/or services for the use of passengers travelling on services within the relevant Franchise Agreement;

"Pro Forma Hosting Agreement" has the meaning given to it in clause 19.1;

"Rail North Area" means that area in England which is served by the Franchise Agreements or any franchise, concession or operating agreement which may replace them;

"Rail North Articles" means the new articles of association adopted by Rail North on [*insert date*];

"Rail North Business Plan" means the initial business plan governing the operation of Rail North and each subsequent annual business plan;

"Rail North Franchise Output Adjustment" means a Franchise Output Adjustment that complies with the following criteria:

(a) it is cost neutral or cost reducing (in respect of both capital and operational costs) for the Secretary of State:

(i) in each Financial Year; and

(ii) in respect of the Secretary of State's costs under all franchise agreements, including the Secretary of State's likely costs under future franchise agreements (as determined by the Strategic Board pursuant to the Partnership Agreement, acting reasonably),

either:

(iii) on the basis that such Rail North Franchise Output Adjustment is self-funding; or

(iv) on the basis that one or more Members shall fund (or shall procure the funding of) any additional cost to the Secretary of State arising from such Rail North Franchise Output Adjustment; and

(b) it does not materially increase the risk of the Secretary of State under the relevant Franchise Agreement either:

(i) because there is no material change in risk profile as a result of such variation; or

(ii) because one or more Members has agreed to bear such additional risk (or procured that a third party bears such risk); and

(c) it does not in the reasonable opinion of the Secretary of State:

(i) give rise to any procurement law risk (including "material change" risk) to the Secretary of State;

(ii) conflict with any of the Secretary of State Duties (as defined in the Partnership Agreement),

always provided that:

(iii) any Member shall be entitled to propose a Rail North Franchise Output Adjustment which continues to have an effect following the expiry of the Franchise Agreements

provided that limbs (a) and (b) of this definition remain satisfied throughout the period that the Rail North Rail North Franchise Output Adjustment has effect; and

- (iv) such Rail North Franchise Output Adjustment may include, but not be limited to incremental changes to services provided under a Franchise Agreement.

"Rail North Lead Officer" means the lead officer employed by Rail North to oversee, on behalf of the Board, the discharge of Rail North's obligations under this Agreement, the Partnership Agreement and any other agreements Rail North enters into;

"Rail North Matters" means those matters set out in Part 1 of Schedule 2 and any matter which specifically affects the area of a Member or persons living or working in that area or visiting or travelling through that area;

"Rail North Policies" means the Rail North long term rail strategy and such policy and strategy documents approved by the Board;

"Rail North Prejudice" means the position of Rail North is prejudiced by:

- (a) any exercise or non-exercise by the Secretary of State of its rights under the Partnership Agreement; or
- (b) any other act or omission of the Secretary of State in connection with the Partnership Agreement,

such that Rail North is required to act in breach of its obligations or duties to the Members;

"Rail North Prejudice Notice" means the notice issued in respect of a Rail North Prejudice by Rail North to the Secretary of State pursuant to clause 6.16 of the Partnership Agreement;

"Rail North Strategic Board Members" means the three (3) senior officials of Rail North appointed on establishment of the Strategic Board pursuant to the Partnership Agreement;

"Rail North Support Payment" has the meaning given to it in clause 16.1;

"RBU Proposals" has the meaning given to it in clause 8.19;

"RBU Proposer" has the meaning given to it in clause 8.19;

"Regional Business Unit" means a group of two or more Members formed to jointly oversee rail matters in their geographical areas;

"Regional Group" means:

- (a) Cheshire and Potteries Regional Group;
- (b) East Midlands Regional Group;
- (c) Greater Manchester Regional Group;
- (d) Humberside Regional Group;
- (e) Liverpool Regional Group;

- (f) North East Regional Group;
- (g) North West Regional Group;
- (h) North Yorkshire Regional Group;
- (i) Sheffield Regional Group;
- (j) Tees Valley Regional Group;
- (k) West Yorkshire Regional Group,

collectively, the "**Regional Groups**";

"Request for Information" means a request for information or an apparent request for information under the FOIA or the EIRs;

"Requesting Party" has the meaning given to it in clause 25.1.1;

"Reserved Matters" has the meaning given to it in clause 5.1;

"Retail Prices Index" or **"RPI"** means the retail prices index for the whole economy of the United Kingdom and for all items as published from time to time by the Office for National Statistics as "RPI" or, if such index shall cease to be published or the Parties agree (acting reasonably) that there is a material change in the basis of the index, or if, at any relevant time, there is a delay in the publication of the index, such other retail prices index as the Parties shall agree (acting reasonably) is appropriate in the circumstances;

"Savings Franchise Output Adjustment" means a Franchise Output Adjustment where the Secretary of State as the result of a requirement to make savings from his departmental budget requires (acting reasonably) savings to be made from either Franchise Agreement;

"Secretary of State Strategic Board Members" means the three (3) directors or deputy directors of the Rail Executive of the Department for Transport appointed by the Secretary of State to be the Secretary of State's representatives on the Strategic Board;

"Service Quality Deduction" means a deduction made from a franchise payment pursuant to the Service Quality Regime in the Northern Franchise Agreement;

"Service Quality Regime" means a regime which establishes and monitors standards for the presentation of trains and stations pursuant to the Northern Franchise Agreement;

"Service Quality Saving" means the total amount of Service Quality Deductions in each Franchisee Year (as defined in the Northern Franchise Agreement);

"Service Quality Programme" means a programme of works or services to be carried out by a Franchisee pursuant to the Northern Franchise Agreement, Rail North or a Member funded in whole or in part by the Service Quality Savings;

"Sheffield Regional Group" means, for so long as it is a Member, Sheffield City Region Combined Authority;

"Strategic Board" means the board established pursuant to the Partnership Agreement which shall:

- (a) deal with franchise management with regard to the Franchise Agreements;
- (b) oversee matters relating to the Partnership Agreement;
- (c) act as the primary interface between the Secretary of State and Rail North in relation to the Purpose of the Partnership Agreement (as defined in the Partnership Agreement); and
- (d) oversee co-operation between the Secretary of State and Rail North with regard to investment planning in respect of rail services in the North of England;

"Strategic Board Business Plan" means the business plan for the operation of the Strategic Board and the Management Team set out at Schedule 4 to the Partnership Agreement and amended annually in accordance with Schedule 2 to the Partnership Agreement;

"Strategic Board Member" means any member of the Strategic Board;

"Tees Valley Regional Group" means, for so long as any is a Member, Darlington Borough Council, Hartlepool Borough Council, Middlesbrough Council, Redcar and Cleveland Borough Council and Stockton-On-Tees Borough Council;

"Termination Notice" has the meaning given to it in clause 18.3;

"Transpennine Commercial Manager" means a commercial manager responsible for the management of those provisions of the Transpennine Express Franchise Agreement that have been delegated to the Management Team pursuant to the Partnership Agreement;

"Transpennine Express Franchise Agreement" means the franchise agreement in respect of the operation of rail passenger services across northern England and Edinburgh and Glasgow to be entered into between the Secretary of State and the successful bidder in the relevant franchise process pursuant to the notice published in the OJEU in June 2014 with reference 192429-2014 and such term shall include, for the purposes of this Agreement any ancillary agreement entered into by the Secretary of State required for the purposes of managing the Transpennine Express Franchise Agreement;

"Variation" has the same meaning as in in the Franchise Agreements;

"West Yorkshire Regional Group" means, for so long as any is a Member, West Yorkshire Combined Authority and City of York Council; and

"Working Day" means a day (other than a Saturday or Sunday) on which banks are open for domestic business in the City of London.

1.2 In this Agreement, unless the context otherwise requires:

- 1.2.1 headings are for ease of reference only and are to be disregarded when interpreting this Agreement;
- 1.2.2 the singular includes the plural and vice versa;
- 1.2.3 the words "include", "including" and "in particular" are to be construed without limitation;

- 1.2.4 references to an agreement or any other document are references to that agreement (or document) as varied, amended, novated, supplemented or replaced from time to time;
- 1.2.5 any reference to a statutory provision shall include such provision as from time to time modified or re-enacted or consolidated whether before or after the date of this Agreement so far as such modification, re-enactment or consolidation applies or is capable of applying to any action taken under this Agreement;
- 1.2.6 the Interpretation Act 1978 shall apply to this Agreement in the same way that it applies to an enactment;
- 1.2.7 references to any clause, paragraph, schedule or recital is a reference to a clause, paragraph of a schedule, schedule or recital of this Agreement. All the schedules are an integral part of this Agreement; and
- 1.2.8 references to any person, including a party, include that person's successors, transferees or assignees;
- 1.2.9 reference to "**Parties**" means the parties to this Agreement and references to "**Party**" means one of the Parties; and
- 1.2.10 references to any amount being "indexed" or increased in accordance with RPI means that the relevant amount shall be multiplied by the Retail Prices Index for the month of April in the Financial Year in which such amount is indexed divided by the Retail Prices Index on the month of April in the Financial Year in which the Commencement Date falls.

2. THE OBJECTIVES

- 2.1 Each of the Members acknowledges that the purpose and objectives of Rail North consists of the following:
 - 2.1.1 promoting and improving rail services in the Rail North Area;
 - 2.1.2 arranging for the carriage of passengers by railway between locations in Great Britain;
 - 2.1.3 managing the performance of the relevant Franchisee's obligations under the Franchise Agreements; and
 - 2.1.4 supporting the delivery of the long term rail strategy of the Members;

together, the "**Objectives**". In carrying out the Objectives, Rail North shall not be required to exceed the powers contained in the constitution of each Member and shall have the powers set out in the Rail North Articles.
- 2.2 Each of the Members undertakes to the other Members that it shall:
 - 2.2.1 exercise all voting rights and powers of control available to it in relation to Rail North so as to give full effect to the terms and conditions of this Agreement;
 - 2.2.2 procure that the Directors nominated by it and its other representatives will support and implement all reasonable proposals put forward at meetings of Rail

North for the proper development and conduct of the Objectives as contemplated in this Agreement and procure that all third parties, directly or indirectly under its control, shall refrain from acting in a manner which is likely to hinder or prevent Rail North from carrying on the Objectives in a proper and reasonable manner having regard to and without prejudice to the obligations of the Directors; and

2.2.3 generally to use its best endeavours to promote the Objectives and the interests of Rail North.

2.3 The Parties acknowledge that the matters Rail North shall be responsible for shall include:

2.3.1 agreeing and approving the Rail North Business Plan and related annual budget; and

2.3.2 adopting any Rail North Policies.

3. VOTING RIGHTS

3.1 The Parties acknowledge that Members' voting rights as at the Commencement Date are set out in Schedule 1 to this Agreement and Article 41 of the Rail North Articles.

3.2 The Parties agree that the Members shall be entitled to review the weighted voting system set out in Article 41 of the Rail North Articles and agree an alternative weighted voting system. The Parties agree that no such review shall be carried out in the three (3) years following the Commencement Date.

3.3 The Members acknowledge that any amendments to the weighted voting system set out in Article 41 of the Rail North Articles must be agreed by more than half of all of the Members (where each Member has one vote) who collectively hold more than 75% of the votes able to be cast on a poll at a general meeting of the Members.

3.4 Any renegotiated weighted voting rights under this clause 3 will become effective on a date agreed by the Members in determining the implementation of such weighted voting rights and any renegotiated voting rights set out in Article 41 of the Rail North Articles shall apply in place of the voting rights set out in the Rail North Articles..

3.5 The Members acknowledge and agree that any decisions required pursuant to this Agreement can be made either at Members' meetings or by way of written resolutions in accordance with the Companies Act 2006.

4. MEETINGS

4.1 The Parties acknowledge and agree that the procedures that govern Members' meetings are set out in the Rail North Articles.

4.2 The Members agree that, whilst this Agreement is in force, meetings of the Members shall be convened at fourteen (14) Clear Days' notice at six (6) month intervals from the Commencement Date, or as otherwise agreed between the Members.

5. RESERVED MATTERS

5.1 The Parties agree that the matters that are reserved for the decision of Members holding at least 75% of the voting rights in Rail North according to Article 41 of the Rail North Articles are as follows:

- 5.1.1 any change to the Rail North Articles;
 - 5.1.2 change of Rail North's name;
 - 5.1.3 withdrawal of Rail North from the Partnership Agreement;
 - 5.1.4 commencing or settling any litigation which would materially affect the business of Rail North;
 - 5.1.5 the approval of the Rail North Business Plan, including the Budget;
 - 5.1.6 borrowing and giving of financial guarantees;
 - 5.1.7 material change in scope or nature of Rail North's business; and
 - 5.1.8 the approval of a Further Devolution Proposal,
 - 5.1.9 any matters requiring the passing of a special resolution by law,
- ("Reserved Matters").

6. DIRECTORS

- 6.1 The Parties acknowledge and agree that the appointment, removal and rights of the Directors together with the rules governing the decision-making and proceedings by Directors will be in accordance with the Rail North Articles.
- 6.2 The Members agree that that they shall procure (insofar as legally able) that whilst this Agreement is in force meetings of the Board shall be convened on at least two (2) weeks' notice at quarterly intervals from the Commencement Date and the agenda for each meeting shall be circulated to attendees at least two (2) weeks ahead of the meeting of the Board.
- 6.3 The Parties acknowledge that the Board's responsibilities shall include:
 - 6.3.1 implementing the Rail North Business Plan;
 - 6.3.2 providing direction to the Strategic Board Members in relation to Franchise Agreement Matters and Partnership Matters;
 - 6.3.3 agreeing recommendations in relation to Reserved Matters which are to be made to the Members, including recommendations relating to the development of the Rail North Business Plan including the Budget;
 - 6.3.4 recommending Rail North Policies to the Members;
 - 6.3.5 appointing Rail North employees, including the Rail North Lead Officer;
 - 6.3.6 delegating recruitment and selection of Rail North employees to the Officer Steering Group;
 - 6.3.7 nominating Rail North Strategic Board Members.

7. OFFICER STEERING GROUP

- 7.1 The Parties acknowledge and agree that whilst this Agreement is in force meetings of the Officer Steering Group shall be held at quarterly intervals with each meeting taking place no less than one month before each Board meeting held in accordance with clause 6.2 and the agenda for each meeting shall be circulated to attendees at least two (2) weeks ahead of each meeting of the Officer Steering Group.
- 7.2 The Parties acknowledge that the Officer Steering Group shall elect a chairperson from amongst its members and the Rail North Lead Officer shall attend Officer Steering Group meetings.
- 7.3 The Parties acknowledge that the Officer Steering Group's responsibilities shall include:
- 7.3.1 reviewing draft Board papers (prepared by the Rail North Lead Officer or Strategic Board Members (as relevant)) in order to advise the Board on decisions;
 - 7.3.2 providing strategic support to Rail North Strategic Board Members;
 - 7.3.3 overseeing the recruitment and selection of Rail North employees;
 - 7.3.4 overseeing the formulation and presentation of Rail North Policies to the Board including consultation with Members and rail industry bodies and the delegation of tasks to working groups and technical advisors;
 - 7.3.5 consulting Members on policy and strategy matters.
- 7.4 The Parties acknowledge and agree that the Officer Steering Group shall appoint and maintain a list of Alternate Rail North Strategic Board Members.
- 7.5 Where an obligation is placed on the Officer Steering Group in this Agreement, Rail North shall procure that the Officer Steering Group carries out such obligation.

Rail North Lead Officer

- 7.6 Rail North shall procure that the Board shall delegate responsibility for overseeing the discharge of Rail North's obligations under this Agreement, the Partnership Agreement and any other agreements Rail North enters into to the Rail North Lead Officer.

8. STRATEGIC BOARD

- 8.1 The Members acknowledge that Rail North and the Secretary of State have established the Strategic Board in accordance with the Partnership Agreement and Rail North have appointed the Rail North Strategic Board Members.
- 8.2 The Parties shall ensure that the Rail North Strategic Board Members perform their duties as a Strategic Board Member properly with regard to the Strategic Board Responsibilities (as set out in the Partnership Agreement) and in good faith. Where an obligation is placed on any Rail North Strategic Board Member in this Agreement, Rail North shall procure that the relevant Rail North Strategic Board Member carries out such obligation.
- 8.3 Rail North shall be entitled to replace a Rail North Strategic Board Member:

- 8.3.1 if a Rail North Strategic Board Member gives notice to Rail North that he no longer wishes to act as a Rail North Strategic Board Member; or
 - 8.3.2 it can be demonstrated by Rail North that a Rail North Strategic Board Member is not performing their duties as a Strategic Board Member properly with regard to the Strategic Board Responsibilities; or
 - 8.3.3 if the Rail North Strategic Board Member's employing authority ceases to be a Member of Rail North.
- 8.4 In the event that Rail North is entitled to replace a Rail North Strategic Board Member pursuant to clause 8.3, process set out in clauses 8.7 to 8.13 shall apply.
- 8.5 The Parties acknowledge that amongst the Strategic Board's responsibilities is annual preparation and agreement of the Strategic Board Business Plan. The Rail North Strategic Board Members shall issue the first draft of any future Strategic Board Business Plan for comment to each Member not less than [four (4)] months prior to the end of each Financial Year, commencing in Financial Year 2016-2017.
- 8.6 The Members may provide comments on such first draft of the Strategic Board Business Plan to the Rail North Strategic Board Members within [one (1)] month of its issue pursuant to clause 8.5 and the Rail North Strategic Board Members shall take any comments received from Members into account when preparing and agreeing the revised Strategic Board Business Plan.

Replacement Rail North Strategic Board Members

- 8.7 Rail North shall notify Members within [ten (10)] Working Days of the circumstances in either clause 8.3.1 or 8.3.2 arising.
- 8.8 Within [ten (10)] Working Days of notification by Rail North pursuant to clause 8.7, Members shall be entitled to nominate proposed appointees in respect of the replacement Rail North Strategic Board Member to Rail North and all other Members.
- 8.9 If only one nomination is received in respect of the replacement North Strategic Board Member, Rail North shall, subject to clause 8.13, nominate that person as the designated appointee to be considered, and appointed as appropriate, in accordance with the Partnership Agreement.
- 8.10 If more than one nomination is received pursuant to clause 8.8, Rail North shall notify the Members of the persons nominated within [five (5)] Working Days of nominations being received.
- 8.11 The Members shall be entitled to vote on the identity of the designated appointee on the basis of a majority vote of one vote per Member, such votes to be cast within [five (5)] Working Days of notification by Rail North pursuant to clause 8.10.
- 8.12 Provided the Members have voted in favour of the designated appointee pursuant to clause 8.11 and subject to clause 8.13, Rail North shall then nominate that person as the designated appointee to be considered, and appointed as appropriate, in accordance with the Partnership Agreement.
- 8.13 Rail North shall only nominate the proposed appointee in accordance with the Partnership Agreement provided that:

- 8.13.1 such replacement is of equivalent standing to the Secretary of State Strategic Board Members; and
 - 8.13.2 such replacement is an employee of Rail North or an appointed officer of a Member.
- 8.14 When nominating a designated appointee to be considered, and appointed, in accordance with the Partnership Agreement, Rail North shall seek to maintain the composition of the Rail North Strategic Board Members of one appointed officer of a local transport authority Member, one appointed officer of either a combined authority or passenger transport executive Member and one employee of Rail North.

Alternate Rail North Strategic Board Members

- 8.15 The Parties acknowledge and agree that the Officer Steering Group shall be entitled to appoint and shall maintain a list of Alternate Rail North Strategic Board Members pursuant to clause 7.4. The list of Alternate Rail North Strategic Board Members shall be approved by the Board on the basis of a majority vote and the Parties agree that any of the Alternate Rail North Strategic Board Members shall be entitled to act as a Rail North Strategic Board Member in circumstances where a Rail North Strategic Board Member is not available.
- 8.16 Subject to clause 6.4 of the Partnership Agreement, where a Rail North Strategic Board Member is not available to act as a Rail North Strategic Board Member, the relevant Rail North Strategic Board Member shall promptly notify the Officer Steering Group. The Parties acknowledge and agree that the Officer Steering Group shall select an Alternate Rail North Strategic Board Member and the Officer Steering Group shall seek to maintain the composition of the Rail North Strategic Board Members as one appointed officer of a local transport authority Member, one appointed officer of either a combined authority or passenger transport executive Member and one employee of Rail North. Rail North shall procure that the selected Alternate Rail North Strategic Board Member shall act in place of the Rail North Strategic Board Member until such time as the Rail North Strategic Board Member is available to resume their duties under this Agreement and the Partnership Agreement.
- 8.17 Where a Rail North Strategic Board Member has notified the Officer Steering Group that they are not available to act as a Rail North Strategic Board Member and an Alternate Strategic Board Member is not available, the Parties acknowledge that the Officer Steering Group shall ensure that any of its members act as a Rail North Strategic Board Member until such time as the Rail North Strategic Board Member is available to resume their duties under this Agreement and the Partnership Agreement.

Regional Business Units

- 8.18 The Parties acknowledge that amongst the Strategic Board's responsibilities is the allocation of certain Management Team responsibilities to Regional Business Units.
- 8.19 Where Regional Business Units are established, any Member, Members, Regional Group or Regional Groups forming part of a Regional Business Unit ("**RBU Proposer**") shall be entitled to submit proposals ("**RBU Proposals**") to the Board for the allocation of responsibilities of Rail North or the Secretary of State in accordance with the terms of the Partnership Agreement to that Regional Business Unit. The RBU Proposal submitted to the Board shall be fully costed and shall ensure that, and specify how, the relevant Regional Business Unit is, and will be, sufficiently resourced to be able to effectively perform the proposed allocated responsibilities.

- 8.20 Before the RBU Proposals are submitted to the Board pursuant to clause 8.19, the RBU Proposer shall issue the draft RBU Proposals to all Members who may provide comments on the RBU Proposal within the timescale specified by the RBU Proposer and the RBU Proposer shall take these comments into account when finalising the proposals for submission to the Board.
- 8.21 Rail North shall procure that the Board shall consider any RBU Proposals submitted pursuant to clause 8.19 and shall approve such RBU Proposals on the basis of a majority vote.
- 8.22 Rail North shall procure that the Board shall inform the RBU Proposer of the outcome of the Board's consideration of the RBU Proposals pursuant to clause 8.21. Where any RBU Proposal is approved, the RBU Proposer shall be entitled to submit such RBU Proposal to the Rail North Strategic Board Members who shall in turn submit such RBU Proposal for consideration by the Strategic Board in accordance with the Partnership Agreement.
- 8.23 The Rail North Lead Officer shall inform the RBU Proposer proposing the allocation of responsibilities pursuant to clause 8.19, of the outcome of the Strategic Board's consideration of the RBU Proposal, together with the reasons for the Strategic Board's decision.
- 8.24 Where a Regional Business Unit is established, any Member forming part of that Regional Business Unit shall be entitled to give notice to Rail North of any circumstances where Rail North shall engage with the Regional Business Unit in place of the individual Member. In the notice to Rail North, the relevant Member shall reference the circumstances where the Regional Business Unit shall be entitled to exercise such rights by referring to the relevant provisions of this Agreement.
- 8.25 Following the provision of a notice pursuant to clause 8.24 the Regional Business Unit shall be entitled to exercise that Member's rights on its behalf and the relevant Member agrees to be bound by the Regional Business Unit's decisions and actions in the circumstances specified in the notice. If any Member wishes to amend or withdraw from such arrangement, it shall give notice to Rail North and any other constituent Members of the Regional Business Unit.

Community Rail Partnerships

- 8.26 The Franchise Agreements provide that the franchisee shall co-operate with the Secretary of State, Network Rail, the Association of Community Rail Partnerships, local transport authorities and/or any other person as the Secretary of State may nominate for the purposes of developing and furthering the success of Community Rail Partnerships. Rail North shall support the development and success of Community Rail Partnerships. A Member or Regional Group may submit proposals to the Board for the allocation of responsibilities to a designated Community Rail Partnership provided that such a proposal is in accordance with the Community Rail Development Strategy approved by the Strategic Board.

9. MANAGEMENT TEAM

- 9.1 The Members acknowledge that Rail North and the Secretary of State shall establish the Management Team prior to the commencement date of the first Franchise Agreement.
- 9.2 In accordance with the Partnership Agreement, Rail North shall be entitled to nominate a lead officer to lead the Management Team ("**Partnership Lead Officer**") prior to the commencement date of the first Franchise Agreement. The Parties acknowledge and agree that the Partnership Lead Officer to be nominated by Rail North pursuant to the Partnership Agreement shall be appointed by the Board on the basis of a majority vote.

- 9.3 The Parties acknowledge that the Strategic Board is responsible for:
- 9.3.1 identifying each initial member of the Management Team (including their employer); and
 - 9.3.2 appointing the Northern Commercial Manager, the Transpennine Commercial Manager, the Contracts Manager and the Head of Investment and Planning prior to the commencement date of the first Franchise Agreement.
- 9.4 The Parties acknowledge that Rail North shall be entitled to propose as a replacement Management Team Member an employee of Rail North or an employee of a Member where any Management Team Member requires replacement pursuant to the Partnership Agreement for agreement with the Secretary of State.

10. SECRETARY OF STATE DUTIES AND RAIL NORTH DUTIES

- 10.1 If a Secretary of State Prejudice Notice is served under the Partnership Agreement, Rail North shall request that the Strategic Board shall discuss the subject matter of the Secretary of State Prejudice Notice pursuant to clause 6.15 of the Partnership Agreement.
- 10.2 Where reasonably practicable, the Rail North Strategic Board Members shall consult the chairman of the Board prior to reaching agreement on the steps required to remedy the Secretary of State Prejudice Notice and where consulted the chairman of the Board shall provide comments for the Rail North Strategic Board Members to take into account in the discussions at Strategic Board.
- 10.3 As soon as reasonably practicable following discussions of the Strategic Board pursuant to clause 6.15 of the Partnership Agreement, the Rail North Strategic Board Members shall refer the outcome of the discussion to the Board to ratify the steps that have been agreed to be taken to remedy the Secretary of State Prejudice Notice.
- 10.4 If a Rail North Strategic Board Member considers that there has been a Rail North Prejudice, that Rail North Strategic Board Member shall promptly provide details of the relevant Rail North Prejudice to the Board for consideration.
- 10.5 The Board shall consider the details provided of the Rail North Prejudice as soon as reasonably practicable and shall decide on the basis of a majority whether to refer the Rail North Prejudice to the Members.
- 10.6 If the Rail North Prejudice is referred to Members for consideration, the Board shall provide details of any action that may reasonably be required to prevent or resolve the Rail North Prejudice and the Members shall agree:
- 10.6.1 whether the Rail North Prejudice should be raised with the Secretary of State under the Partnership Agreement; and
 - 10.6.2 the action required to resolve the Rail North Prejudice,
- such agreement to be a Reserved Matter.
- 10.7 Subject to the agreement of Members pursuant to clause 10.6, Rail North shall issue a Rail North Prejudice Notice in accordance with the Partnership Agreement. The Rail North Strategic Board Members shall inform the Parties of the resolution of the Rail North Prejudice following escalation in accordance with the Partnership Agreement.

11. INFORMATION AND NOTICES

- 11.1 Rail North shall establish and maintain a secure virtual data room ("**Data Room**") and shall provide access details to the Data Room to all Members, any Regional Business Units, Rail North Strategic Board Members and Management Team Members as soon as reasonably practicable following the Commencement Date.
- 11.2 The Rail North Strategic Board Members shall collate the information and notices received from the relevant Franchisee pursuant to the Franchise Agreements and upload such information and notices on to the Data Room
- 11.3 Rail North acknowledges that it is entitled to access information contained on the Data Room subject to clause 24.2.

12. CONSULTATION

- 12.1 The Rail North Strategic Board Members shall, in their reasonable determination as to whether a Member is an Interested Member, consult with each Interested Member in respect of Rail North Matters and Additional Matters. For the avoidance of doubt, Rail North Strategic Board Members shall consult a Member or a Regional Business Unit where, in the opinion of the Rail North Strategic Board Member, such Rail North Matter or Additional Matter affects such Member's area or the area of such Regional Business Unit [and shall consult all Members and Regional Business Units on matters which affect either Franchise Agreement more widely].
- 12.2 The Parties acknowledge and agree that there shall be a protocol which sets out the process for consultation within the Regional Groups ("**Consultation Protocol**"). Any one Member of each Regional Group shall notify Rail North of the identity of the designated representative for that Regional Group ("**Designated Representative**"). For the purposes of the consultation process set out in this clause 12, the Designated Representative shall be deemed to be properly representing that Regional Group and Rail North shall be entitled to act based on the instructions of the Designated Representative.
- 12.3 As part of any consultation pursuant to clause 12.1, Rail North or the Rail North Strategic Board Member shall provide sufficient details to the Interested Member to allow the Interested Member to consider the Rail North Matter or Additional Matter (as applicable) and shall prescribe the timescale in which comments must be provided by the Interested Member. The Rail North Strategic Board Members shall also include details of the consultation on the Data Room.
- 12.4 The Interested Member shall provide any comments to Rail North or a Rail North Strategic Board Member in respect of the Rail North Matter or Additional Matter (as applicable in accordance with the timescale prescribed in clause 12.2) ("**Rail North Member Response**") and Rail North shall ensure that the Rail North Strategic Board Members take into account such comments in respect of the management of the relevant Rail North Matter or Additional Matter under the Partnership Agreement.
- 12.5 Where the Interested Member fails to provide a Rail North Member Response, the Interested Member will be deemed to have no comments and Rail North shall proceed to manage the relevant Rail North Matter or Additional Matter under the Partnership Agreement in good faith and in accordance with the Objectives.
- 12.6 Where, pursuant to the Partnership Agreement, the Strategic Board has decided to act contrary to any comments from the Interested Members made in the Rail North Member

Response, the Rail North Lead Officer shall provide full details of any such decision to all Members who shall be permitted, taking into account timescales under the relevant Franchise Agreement or the Partnership Agreement, to provide further comments to a Rail North Strategic Board Member for further consideration by the Strategic Board.

- 12.7 In the event that a Member or a Regional Business Unit considers that the decision of the Strategic Board made pursuant to clause 12.6 has not been made correctly or has been made on an improper basis, the matter shall be treated as a Dispute and resolved in accordance with clause 29.
- 12.8 The Parties acknowledge that pursuant to the Franchise Agreements, the relevant Franchisee is under an obligation to consult relevant stakeholders and therefore Members or Regional Business Unit may be contacted directly by the relevant Franchisee in respect of such matters. Members agree to respond to the relevant Franchisee in the time requested or specified under the relevant Franchise Agreement. Where a Member responds to the relevant Franchisee, that Member shall provide a copy of such response to the Board and the Rail North Strategic Board Members.
- 12.9 In the event that a Member or a Regional Business Unit considers that there is an issue with the Franchisee's performance that specifically affects the area of a Member, the area of a Regional Business Unit or persons living or working in that area or visiting or travelling through that area, that Member or Regional Business Unit shall initially engage with the relevant Franchisee and the Management Team responsible for the management of that Franchise Agreement to discuss and resolve the issue in accordance with any processes under the relevant Franchise Agreement. If the Management Team determines that the issue raised by the Member or Regional Business Unit is not an issue relating to compliance with the Franchise Agreement or does not take action considered appropriate by the Member or Regional Business Unit (acting reasonably) to resolve the issue, the Member concerned or Regional Business Unit shall be entitled to raise the issue with any of the Rail North Strategic Board Members to enable the Strategic Board to consider the issue.
- 12.10 Members shall be entitled to provide comments to the Rail North Strategic Board Members every [six (6)] months from the date of commencement of the first Franchise Agreement on the performance of the Franchisees and service delivery in their area. The Rail North Strategic Board Members shall take into account any comments received in the Strategic Board's management of the Franchise Agreements.

13. SERVICE QUALITY PROGRAMMES

- 13.1 The Parties acknowledge that pursuant to the Partnership Agreement, the Secretary of State shall retain any Service Quality Deductions made pursuant to the Northern Franchise Agreement from 1 January 2017 for the purpose of applying Service Quality Savings to the delivery of Service Quality Programmes.
- 13.2 The Members acknowledge that where any proposal for a Service Quality Programme affects a particular Member, or passengers or rail services in that Member's area, that Member shall be consulted in accordance with clause 12 and Part 2 of Schedule 2.
- 13.3 Any Member shall be entitled to propose a Service Quality Programme in relation to the Northern Franchise Agreement and submit such proposal to the Management Team for further development and approval by the Strategic Board pursuant to the Partnership Agreement. Any Service Quality Programme proposed by a Member must:
 - 13.3.1 demonstrate how the proposal will deliver Passenger Benefits;

- 13.3.2 include the timescales for implementation and completion which shall be completed within the term of the relevant Franchise Agreement; and
- 13.3.3 include a plan for the commissioning of the works or services included in the Service Quality Programme.

In proposing a Service Quality Programme, the relevant Member shall have regard to which geographical area the amounts were deducted under the Service Quality Deduction regime in the Northern Franchise Agreement.

- 13.4 The Rail North Strategic Board Members shall inform the Member which proposed the Service Quality Programme of its acceptance or where the proposal for a Service Quality Programme has been rejected, the reasons for such rejection.
- 13.5 Where it is agreed pursuant to the Partnership Agreement that a Service Quality Programme is to be carried out by a Member, that Member shall be responsible for delivery of the Service Quality Programme.

14. CHANGES TO THIS AGREEMENT

- 14.1 If any Party wishes to propose a Change to this Agreement, it shall do so by serving a notice of change ("**Agreement Change Notice**") on the other Parties. Such notice shall set out the particulars of the proposed Change together with any cost impact.
- 14.2 Within ten (10) Working Days of receipt of the Agreement Change Notice, any of the receiving parties may respond to the Agreement Change Notice confirming or rejecting the Change and providing reasons.
- 14.3 Where no response or no rejections to the Agreement Change Notice has been received pursuant to clause 14.2, the Change shall be deemed to be agreed on the terms set out in the Agreement Change Notice.
- 14.4 Where any of the receiving parties rejects the proposed Change and the party proposing the Change wishes to challenge the rejection of the Change, the parties rejecting the proposed Change and the Party proposing the Change shall meet and use reasonable endeavours to agree amendments to the Change within 10 Working Days of the response received pursuant to clause 14.2 so that the Change can be approved. If the Parties fail to agree the proposed Change, the Party proposing the Change shall be entitled to amend the proposed Change and re-submit an Agreement Change Notice pursuant to clause 14.1.
- 14.5 In agreeing a Change the Parties shall act reasonably when agreeing which Party is responsible for the cost of the Change (including any costs of implementation of the Change) and in the absence of agreement, the Party proposing the Change shall bear such (reasonably incurred) costs.

15. FRANCHISE OUTPUT ADJUSTMENTS AND FARES BASKETS

Franchise Output Adjustments

- 15.1 Any of the Members may at any time during the term of this Agreement serve a notice ("**Rail North Franchise Output Adjustment Notice**") on Rail North and any Members who would be affected by the implementation of such a Rail North Franchise Output Adjustment Notice to request that a Rail North Franchise Output Adjustment be implemented in accordance with this clause 15. Such Rail North Franchise Output Adjustment Notice shall:

- 15.1.1 include such information as is required by the relevant Franchise Agreement;
 - 15.1.2 demonstrate that the costs of the proposed Rail North Output Adjustment are reasonable and proportionate in the circumstances; and
 - 15.1.3 provide details of how the Rail North Franchise Output Adjustment shall be funded, including the provision of appropriate guarantees to support such Rail North Franchise Output Adjustment.
- 15.2 In circumstances where more than one Rail North Franchise Output Adjustment Notice is received by Rail North for consideration at any one time, Rail North shall consider each Rail North Franchise Output Adjustment Notice in order of receipt, save where the Officer Steering Group considers that there are reasons for altering the order of consideration.
- 15.3 Rail North and any of the other Members shall only be entitled to object to the Rail North Franchise Output Adjustment Notice served pursuant to clause 15.1 where:
- 15.3.1 such notice does not comply with the requirements set out in clause 15.1;
 - 15.3.2 it can be demonstrated that the Rail North Franchise Output Adjustment does not meet the criteria set out in that definition; or
 - 15.3.3 it can be demonstrated that the Rail North Franchise Output Adjustment would have an adverse effect if implemented on a Member, or passengers or rail services in a Member's area,
- provided that any such objections are received within twenty [20] Working Days of receipt of the relevant Rail North Franchise Output Adjustment Notice.
- 15.4 Where objections are received pursuant to clause 15.3 the Member proposing the Rail North Franchise Output Adjustment and the Members who have objected shall use reasonable endeavours to resolve the issue such that the objection can be withdrawn. If those Parties are unable to agree, any Party involved in the discussions to resolve the issue shall be entitled to refer the matter for resolution pursuant to clause 29.
- 15.5 Where no objections are received pursuant to clause 15.3, the Rail North Lead Officer shall submit the Rail North Franchise Output Adjustment for approval by the Board on the basis of a majority vote. Where the Board approves a Rail North Franchise Output Adjustment, the Rail North Lead Officer shall submit the approved Rail North Franchise Output Adjustment for consideration by the Strategic Board in accordance with the process set out in clause 12 of the Partnership Agreement and the costs and savings associated with such Rail North Franchise Output Adjustment shall be as set out in the Rail North Franchise Output Adjustment Notice or otherwise agreed in accordance with the Partnership Agreement.
- 15.6 In the event that the Secretary of State has proposed a Savings Franchise Output Adjustment pursuant to the Partnership Agreement, Rail North shall ensure that the Rail North Strategic Board Members shall provide a copy to the Members with details of any specific timescales in which Members shall be able to comment.
- 15.7 The Members shall be entitled to provide comments and/or objections to the relevant Savings Franchise Output Adjustment to the Rail North Strategic Board Members within any specific timescales prescribed by the Rail North Strategic Board Member pursuant to clause 15.6 in order that the Strategic Board is assisted in reaching agreement on such Savings Franchise Output Adjustment.

- 15.8 The Parties acknowledge that the Secretary of State is entitled to proceed to implement the Savings Franchise Output Adjustment whether or not agreement is reached by the Strategic Board pursuant to the Partnership Agreement. The Rail North Strategic Board Members provide confirmation of the outcome of the discussions at the Strategic Board to Members. If the Secretary of State has decided to proceed to implement the Savings Franchise Output Adjustment notwithstanding any objections raised by Members, the Parties acknowledge that the relevant Member shall be entitled to terminate its involvement in this Agreement in accordance with clause 18.

Fares Baskets

- 15.9 With regard to Schedule 5.4 of each relevant Franchise Agreement any Member may propose a change to the value of “k” for the purposes of the “Permitted Aggregate Increase” in relation to any Fares Basket by notifying Rail North or a Rail North Strategic Board Member of its proposal and specifying the change it wishes to make to the value of “k” (“**Rail North Fares Change**”).
- 15.10 Rail North and any of the other Members shall only be entitled to object to the Rail North Fares Change proposed pursuant to clause 15.9 where it can be demonstrated that the Rail North Fares Change would have an adverse effect on another Member or another Member's rail services if implemented on rail services in a Member's area, provided that any such objections are received within twenty [20] Working Days of receipt of the relevant Rail North Fares Change notification.
- 15.11 If no objections are received pursuant to clause 15.10 Rail North shall propose the Rail North Fares Change in accordance with the Partnership Agreement and the Parties acknowledge that the Rail North Fares Change shall be dealt with in accordance with the Partnership Agreement. Any increase or decrease in Franchise Payments resulting from the Rail North Fares Change shall be used in accordance with the Partnership Agreement.

16. FUNDING

- 16.1 Each Member shall pay its proportion of £36,000 (in proportion with each Member's voting rights) (“**Member's Share**”) to [West Yorkshire Combined Authority (acting on behalf of Rail North)] no later than the Commencement Date and shall each pay its Member's Share (indexed) in respect of each subsequent Financial Year commencing 2016-2017 (“**Rail North Support Payment**”) no later than the anniversary of the Commencement Date. [*Note: This will need to link to the hosting agreement*]
- 16.2 Each Member shall pay the second and following Rail North Support Payment, together with any Additional Contributions that may be agreed in accordance with the Budget, on or before the start of each Financial Year with the second payment being made on or before the start of the 2016-2017 Financial Year.
- 16.3 The Parties acknowledge that clause 11.2.2 of the Partnership Agreement obliges the Secretary of State to pay in each of the three Financial Years commencing with 2016-17 an aggregate sum of £500,000 (indexed) to those Members (or their passenger transport executive) in rail administrative grant specifically to cover Rail North operating costs (“**Rail North Supplemental Payment**”). Where a Member (or their passenger transport executive) receives a proportion of the Rail North Supplemental Payment from the Secretary of State, that Member shall pay (or procure that the passenger transport executive pays) the amount received from the Secretary of State to West Yorkshire Combined Authority (as hosting authority under clause 19 of this Agreement).

- 16.4 In the event that the Rail North Supplemental Payment received from the Secretary of State is not separately distinguishable from other rail grant or funding amounts received by the Members (or their passenger transport executive) then the relevant Members in receipt of rail administrative grant shall, acting reasonably, agree the proportion of the Rail North Supplemental Payment each of those Members shall contribute and pay. The relevant Members shall agree the proportions using an equitable matrix and shall ensure that the total payment shall equal the Rail North Supplemental Payment. *[Drafting Note: can we be any more clear about what constitutes and equitable matrix?]*
- 16.5 Each Member responsible for payment (or procuring payment) pursuant to clause 16.3 shall pay its proportion of the Rail North Supplemental Payment (or procure payment) on or before the start of each Financial Year from 2016/17 to 2018/19 (inclusive).
- 16.6 The Parties acknowledge and agree that the Rail North Support Payment and the Rail North Supplemental Payment (together the "**Members' Contributions**") shall be used to fund the operation of Rail North in accordance with the Rail North Business Plan. Where, and to the extent that, the Members' Contributions are insufficient to fund the operation of Rail North in accordance with the Rail North Business Plan, the Members shall agree any additional contributions to the annual funding of Rail North ("**Additional Contributions**") as part of the agreement of the Budget. In accordance with the process in clause 17, the Parties acknowledge and agree that those Members that do agree to pay Additional Contributions shall be entitled to amend the Budget to include only Additional Contributions agreed by those Members. Whether or not Additional Contributions are agreed, the Members acknowledge and agree that they shall continue to pay the Members' Contributions for which they are responsible.
- 16.7 In addition to the Members' Contributions, the Parties acknowledge and agree that the Secretary of State shall:
- 16.7.1 pay to Rail North the sum of £226,000 pro rata until the start of the 2016-2017 Financial Year; and
- 16.7.2 pay to Rail North the sum of £226,000 (indexed) in each Financial Year commencing 2016-2017,
- such sums to be allocated for payment of the Northern Commercial Manager, the Transpennine Commercial Manager and the Contracts Manager, save where one or more of such Management Team Members are employed by the Secretary of State in which case the sum will be reduced in accordance with the Partnership Agreement; and
- 16.7.3 pay to Rail North or one of the Members an amount equivalent to the value of the Rail North costs identified in the Budget subject to a maximum cap of £500,000 (indexed) in each of the three Financial Years commencing in 2019-2020,
- and the Parties acknowledge and agree that these amounts shall be included in the Budget and used to fund the operation of Rail North set out in this Agreement and in accordance with the Rail North Business Plan.

17. RAIL NORTH BUSINESS PLAN

- 17.1 The Parties acknowledge and agree that each Rail North Business Plan shall include:
- 17.1.1 the Budget and where relevant an Impaired Plan;

- 17.1.2 details of resourcing for the forthcoming Financial Year;
 - 17.1.3 details of any material commercial agreements having a value in excess of £50,000 which Rail North proposes to enter into (or amend);
 - 17.1.4 details of any appointment of senior management (other than Directors) and salaries and job titles; and
 - 17.1.5 agreement on progressing the Further Devolution Proposal by commissioning a feasibility study.
- 17.2 The Parties agree that the process for agreeing the Rail North Business Plan in respect of each Financial Year shall be as follows:
- 17.2.1 not less than six (6) months prior to the end of each Financial Year, the Rail North Lead Officer shall, in consultation with the Officer Steering Group, prepare a draft Rail North Business Plan including draft proposals for the matters set out in clause 17.1;
 - 17.2.2 where the draft Budget in the draft Rail North Business Plan would require Additional Contributions, the draft Budget shall clearly identify the proposed funding sources for such Additional Contributions and shall include an Impaired Plan;
 - 17.2.3 The Rail North Lead Officer shall issue the draft Rail North Business Plan prepared pursuant to clause 17.2.1 to all Members not less than six (6) months before the end of each Financial Year;
 - 17.2.4 Members shall be entitled to comment to Rail North on the draft Rail North Business Plan, provided that such comments are received not less than four (4) months prior to the end of each Financial Year;
 - 17.2.5 Rail North shall take into account comments received by Members pursuant to clause 17.2.4 and the Rail North Lead Officer shall prepare a revised version of the Rail North Business Plan and shall issue this revised version to all Members as soon as reasonably practicable, but in any event not less than three (3) months prior to the end of each Financial Year;
- 17.3 The Members shall vote to approve the Rail North Business Plan not less than two (2) months prior to the start of the next Financial Year and the Parties acknowledge that such approval shall be a Reserved Matter.
- 17.4 If the Rail North Business Plan is not approved pursuant to clause 17.3 as a result of the requirement for Additional Contributions, Rail North shall either:
- 17.4.1 use the Impaired Plan for the next Financial Year; or
 - 17.4.2 amend the Budget to include only Additional Contributions which have been agreed by those Members that have agreed to pay Additional Contributions and amend the Rail North Business Plan accordingly,

and the Rail North Lead Officer shall promptly refer the matter to Members to be approved in accordance with clause 17.3.

- 17.5 The Members acknowledge that the Partnership Agreement contains provisions for further devolution of responsibilities to Rail North. Any Member shall be entitled to make a Further Devolution Proposal for discussion and agreement as part of the Rail North Business Plan, provided that the Further Devolution Proposal meets the Criteria for Further Devolution.
- 17.6 If the Further Devolution Proposal is agreed as part of the Rail North Business Plan the Parties acknowledge and agree that the Rail North Business Plan shall include within the Budget provision for the carrying out of a feasibility study on the Further Devolution Proposal ("**Further Devolution Study**"). Where the Rail North Business Plan is approved on a basis that includes provision of a Further Devolution Study, Rail North shall procure such study in accordance with the relevant Rail North Business Plan. On completion of the Further Devolution Study, the Rail North Lead Officer shall review the results of such study and shall provide the results of such study and any recommendations in respect of whether to proceed with the Further Devolution Proposal to the Board for consideration.
- 17.7 Rail North shall procure that the Board shall promptly consider the results of the Further Devolution Study. The Board shall determine on the basis of a majority vote whether to submit the Further Devolution Proposal to the Members with a recommendation to approve the Further Devolution Proposal for submission to the Strategic Board for consideration in accordance with the Partnership Agreement.
- 17.8 Subject to approval by the Board pursuant to clause 17.7, the Rail North Lead Officer shall submit the developed Further Devolution Proposal to the Members for approval, including specifying how such proposal would be included in any future Rail North Business Plan and Budgets, as a Reserved Matter. If the Further Devolution Proposal is approved then Rail North shall procure that such Further Devolution Proposal is submitted to the Strategic Board for consideration in accordance with the Partnership Agreement.
- 17.9 If the Further Devolution Proposal is not approved or is deferred by the Members, Rail North shall procure that the Board shall consider and agree whether to withdraw or amend the Further Devolution Proposal. If the Board decides to amend the Further Devolution Proposal, it shall determine whether to resubmit the revised proposal to the Members for consideration and agreement pursuant to clause 17.8 or whether a Further Devolution Study would be included in any future Rail North Business Plan and Budget.
- 17.10 Rail North or the Rail North Strategic Board Members, shall inform the Members of the outcome of the consideration of the Further Devolution Proposal under the Partnership Agreement.
- 17.11 If a Further Devolution Proposal is agreed under the Partnership Agreement, the Rail North Lead Officer shall ensure that any such proposal is included in future Rail North Business Plans and Budgets.

18. TERM AND TERMINATION

- 18.1 The Parties agree that any Member will cease to be a Member with effect from the date that it is no longer a Local Transport Authority.
- 18.2 This Agreement shall continue in full force and effect unless all Members (who have the ability to vote under the Rail North Articles and clause 3) acting unanimously pass a valid resolution to wind-up Rail North.
- 18.3 Subject to clause 18.4, a Member shall be entitled to give notice of its voluntary withdrawal from membership of Rail North:

- 18.3.1 twelve (12) months prior to the end of the next Franchise Agreement renewal;
- 18.3.2 eighteen (18) months before the start of a Financial Year; or
- 18.3.3 where the Secretary of State has implemented a Savings Franchise Output Adjustment notwithstanding any objection raised by the relevant Member pursuant to clause 15.8,

such notice to be provided to all Members and Rail North specifying the date of termination and in the case of clause 18.3.3, such to be provided within [five (5)] Working Days of the Rail North Strategic Board Members notifying the Members of the Secretary of State's decision to implement such Savings Franchise Output Adjustment pursuant to clause 15.8 ("**Termination Notice**").

- 18.4 Where a Member has issued a Termination Notice to Rail North pursuant to clause 18.3:
 - 18.4.1 the Members shall meet within [twenty (20)] Working Days of such notice to discuss the Termination Notice, save in the case of a Termination Notice served pursuant to clause 18.3.3 in which case the Members shall meet within [five (5)] Working Days, and may agree to withdraw from the Partnership Agreement (such decision shall be a Reserved Matter) or continue with this Agreement and the Partnership Agreement without the relevant Member: and
 - 18.4.2 the Member issuing the Termination Notice shall pay pro rata its Members Contributions contained in this Agreement or the Rail North Business Plan until its exit from this Agreement.
- 18.5 The Parties acknowledge that the withdrawal of 50% or greater of the Members (on the basis of the weighted voting system set out in Article 41 of the Rail North Articles) would require amendments to this Agreement and the Rail North Articles.

19. HOSTING AGREEMENTS

- 19.1 The Parties agree that Rail North shall enter into a hosting agreement with West Yorkshire Combined Authority in the form set out at Schedule [3] ("**Pro Forma Hosting Agreement**").
- 19.2 The Parties agree that Rail North may enter into hosting agreements with other Parties in substantially the same form as the Pro Forma Hosting Agreement.
- 19.3 The Parties agree that the Pro Forma Hosting Agreement and other hosting agreements entered into may include:
 - 19.3.1 the basis of any secondments and the financing of such secondments;
 - 19.3.2 details of any trading and ancillary arrangements, including goods or services to be provided and the terms on which they are provided;
 - 19.3.3 details of any contribution of licencing and assets.
- 19.4 The Parties agree that any procurement carried out through a hosting agreement shall be carried out in accordance with the hosting Member's standing orders.

20. CONDUCT OF RAIL NORTH'S AFFAIRS

20.1 Each of the Members undertakes to the other and with Rail North that it shall exercise all its powers in relation to Rail North so as to procure (insofar as it is able) and Rail North undertakes to the Members (insofar as it is legally able so to do) that during the term of this Agreement:

20.1.1 each of the Members shall be afforded access at any reasonable time and from time to time to examine the books, records and accounts to be kept by Rail North; and

20.1.2 the accounts of Rail North in respect of each Financial Year are prepared in accordance with [*relevant standard to be inserted - UK GAAP, IFRS*] and referred to the Auditors as expeditiously as possible following the end of each Financial Year; [*Note: Rail North to consider with their financial teams whether auditors are to be appointed.*]

20.2 Banking Arrangements

[*Note: What are the banking arrangements of RNL?*]

- *Identity of bank*
- *Who will be on the mandate?*
- *all cheques drawn on Rail North's bank account in excess of £□ shall be signed by [□];]*

20.3 Insurances

[*Note: Will RNL carry its own insurance? [Note: this will also have to consider what functions RNL is performing]*]

20.4 Taxation Matters

[*Note: To be considered*]

20.5 Company Secretary

The Members acknowledge and agree that the Directors have the right to appoint a company secretary in accordance with the Rail North Articles.

21. IMPLEMENTATION COSTS

The Parties agree that each Member shall bear its own costs and expenses incurred in the connection with the implementation of this Agreement.

22. TRANSFER OF MEMBERSHIP

22.1 The Parties acknowledge and agree that the membership in Rail North is not transferable. The Parties acknowledge and agree that Members may establish combined authorities and changes may be required to this Agreement and/or the Articles as a consequence of the establishment of new Members. The foregoing shall not exclude the transfer of rights and obligations under this Agreement in accordance with a statutory transfer scheme, including the transfer of rights

and obligations under this Agreement from Members to a combined authority formed in the area of those Members and the Parties agree to make such reasonable amendments to this Agreement as may be required to give effect to such a transfer.

- 22.2 A Member shall be entitled to give notice of its departure as a Member in accordance with clause 18.

23. ASSIGNMENT, TRANSFER AND NOVATION

- 23.1 Subject to clauses 23.2 and 23.3, no Party shall sub-contract, assign, underlet, charge, sell, bargain, transfer, novate or create or otherwise deal in any way with the benefit of this Agreement in whole or in part.
- 23.2 Rail North shall be entitled to assign, novate or otherwise transfer its rights and obligations under this Agreement to any person having the legal capacity, power and authority to become a party to and to perform the obligations of Rail North under this Agreement, where such person has assumed Rail North's role in respect of delivery of rail services in the North of England.
- 23.3 The Members shall be entitled to assign, novate or otherwise transfer its rights and obligations under this Agreement to any person having the legal capacity, power and authority to become a party to and to perform the obligations of the relevant Member under this Agreement, where such person has assumed that Member's role in respect of delivery of rail services in the North of England.

24. CONFIDENTIALITY

- 24.1 Each Party ("**Receiving Party**") shall keep confidential and not use (without the other Party's ("**Disclosing Party**") written consent) all or any information relating to the Disclosing Party's business supplied by the Disclosing Party pursuant to or as a result of this Agreement, including information identified by the Disclosing Party as confidential and shall not divulge the same to any third party except to the extent that any such information is or becomes public through no fault of the Receiving Party, or disclosure of the same is required by Law (such as disclosure through the FOIA and/or the EIRs) or by any other governmental or other regulatory body.
- 24.2 Where information is received by Rail North pursuant to clause 11, Rail North shall hold in confidence all such information and shall not, except with the Franchisee's prior written authority, publish or otherwise disclose any such information otherwise than as expressly provided for in the relevant Franchise Agreement unless or until Rail North can demonstrate that any such document, material or information is in the public domain through no fault of its own and through no contravention of the relevant Franchise Agreement, whereupon to the extent that it is in the public domain this obligation shall cease.

25. FREEDOM OF INFORMATION

- 25.1 The Parties acknowledge that they are each subject to the requirements of the FOIA and the EIRs. Each Party shall:
- 25.1.1 provide all necessary assistance and cooperation (free of charge) as reasonably requested by the other Party ("**Requesting Party**") to enable the Requesting Party to comply with its obligations under the FOIA and the EIRs;

- 25.1.2 provide the Requesting Party with a copy of all information belonging to the Requesting Party requested in the Request for Information which is in its possession or control in the form that the Requesting Party requires within five (5) Working Days (or such other period as the Requesting Party may reasonably specify) of the Requesting Party's request for such information; and
- 25.1.3 not respond directly to a Request for Information made to the Requesting Party unless authorised in writing to do so by the Requesting Party. For the avoidance of doubt, if the same Request for Information has been issued to each Party separately, both Parties will be required to comply with their own obligations under the FOIA and/or the EIRs in responding to such a Request for Information.
- 25.2 Each Party acknowledges that it may be required under the FOIA and the EIRs to disclose information without consulting or obtaining consent from the other Party. Each Party shall take reasonable steps to notify the other Party of a Request for Information (in accordance with the Secretary of State's Section 45 Code of Practice on the Discharge of the Functions of Public Authorities under Part 1 of the FOIA) to the extent that it is permissible and reasonably practical for it to do so but (notwithstanding any other provision in this Agreement) the Requesting Party shall be responsible for determining in its absolute discretion whether any information is exempt from disclosure in accordance with the FOIA and/or the EIRs in relation to any Request for Information made to the Requesting Party.
- 25.3 In relation to other types of requests for information (such as requests outside the scope of the FOIA and/or the EIRs), each Party shall provide, where reasonably practicable within 24 hours and in any event within two (2) Working Days of receipt of a request from the Requesting Party, such information as the Requesting Party may reasonably require in response to any Parliamentary request for information or any other emergency request received from a Crown Body, Chief Officer of Police or other regulatory authority.
- 25.4 The Parties acknowledge and agree that the provisions of this clause 25 shall apply in respect of information received pursuant to clause 11. Where a request is received in respect of such information, the Requesting Party shall inform Rail North where information is required by the a Franchisee and/or to allow Rail North to comply with its obligations under the relevant Franchise Agreement.

26. NO WAIVER

No failure to exercise nor delay in exercising any right, power or remedy under or in connection with this Agreement shall operate as a waiver thereof, and no single or partial exercise of any right, power or remedy shall preclude any further or other exercise thereof, or the exercise of any other right or remedy.

27. NOTICES

- 27.1 All notices, notifications, instructions, consents, claims and other communications given under this Agreement shall expressly refer to this Agreement and shall be given or made in writing (which includes electronic mail and fax) and shall be delivered:

27.1.1 if to Rail North, to [insert relevant personnel name];

Address: West Yorkshire Combined Authority, Wellington House, 40-50
Wellington Street, Leeds, LS1 2DE

Phone no: [0113 2517272]

Fax no: [to be inserted]

Email address: [to be inserted]

- 27.1.2 if to a Member, to the address set out in Schedule 1 or such other address as notified to all Parties in accordance with this clause 27.
- 27.2 Each such communication shall, unless proved otherwise or unless in the case of any notification of a failure in delivery (including automatic reports produced), be deemed to have been received:
- 27.2.1 if personally delivered, at the time of delivery;
- 27.2.2 if sent by first-class post, on the second Working Day following the date on which posted; and
- 27.2.3 if sent by electronic mail or fax at the time of receipt.
- 27.3 All communications shall be sequentially numbered.

28. LAW AND JURISDICTION

This Agreement (and any claims arising out of or in connection with it (whether contractual or non-contractual)) shall be governed by, and construed in accordance with, the laws of England and Wales and each party agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

29. DISPUTE

- 29.1 The Parties shall use all reasonable endeavours to negotiate in good faith and settle amicably any dispute or difference of whatever nature between them arising under, out of, or in connection with this Agreement (each such dispute or difference a "**Dispute**").
- 29.2 Following any referral of a Dispute to the Dispute Resolution Procedure in accordance with the terms of this Agreement, the provisions set out in this clause 29 shall apply.
- 29.3 The Dispute shall initially be referred for resolution to a senior officer of the Member with sufficient authority to determine the dispute on behalf of that Member ("**Initial Dispute Board**") who shall seek to resolve the matter as soon as reasonably possible and in any event within twenty (20) Working Days of escalation, or such other period as may be reasonable given the nature of the Dispute, and the urgency of resolution. The Initial Dispute Board shall be entitled to request such additional information as may be reasonably requested from either Rail North or any of the Members in respect of the Dispute, including, but not limited to, any information to be provided pursuant to the relevant provisions of this Agreement.
- 29.4 All Parties involved in the Dispute, but only Parties affected by the Dispute, shall be entitled to make oral and/or written representations to the Initial Dispute Board prior to the Initial Dispute Board making its final determination.
- 29.5 Where the Initial Dispute Board are not able to resolve the matter within twenty (20) Working Days of escalation pursuant to clause 29.3, the Initial Dispute Board shall refer the matter for determination by the head of paid service of each Member involved in the Dispute who shall seek to determine the matter within twenty (20) Working Days of escalation, or such other period as may be reasonable given the nature of the Dispute.

- 29.6 If the Parties are unable to resolve the Dispute in accordance with this clause 29, any Party may refer the Dispute to an independent expert for determination ("**Expert**"). The Expert shall be Queen's Counsel appointed by agreement in writing between the Parties (acting reasonably), but in the event of a failure to agree within ten (10) Working Days, or if the person appointed is unable or unwilling to act, the Expert shall be a Queen's Counsel appointed on the instructions of the president of the Law Society.
- 29.7 The Expert shall act on the following basis:
- 29.7.1 as an expert and not as an arbitrator and shall act fairly and impartially;
 - 29.7.2 the Expert's determination shall be final and binding on the Parties;
 - 29.7.3 the Expert shall decide the procedure to be followed in the determination and shall be requested to make his/her determination within thirty (30) Working Days of his/her appointment or as soon as reasonably practicable thereafter and the Parties shall assist and provide the documentation that the Expert requires for the purposes of the determination;
 - 29.7.4 the process shall be conducted in private and shall be confidential; and
 - 29.7.5 the Expert shall not act for any of the Parties individually in connection with the Dispute in any capacity during the term of this Agreement and the duration of the Dispute. The Parties acknowledge and agree that in relation to the Dispute, the Expert is not an agent of, or acting in any capacity for, any of the Parties.

30. VARIATION

No variation of this Agreement shall be valid unless it is in writing and signed by or on behalf of each of the Parties hereto.

31. SEVERANCE

If any provision of this Agreement is found by any judicial or other competent authority to be invalid or unenforceable, such invalidity or unenforceability shall not affect the remaining provisions of this Agreement which shall remain in full force and effect.

32. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person who is not Party to this Agreement may enforce any term of this Agreement under the Contracts (Rights of Third Parties) Act 1999.

33. NO PARTNERSHIP

This Agreement shall not constitute or imply any partnership, joint venture, agency, fiduciary relationship or other relationship between the Parties other than the relationship expressly provided for in this Agreement.

34. SURVIVAL

Notwithstanding the termination or expiry of this Agreement, the provisions of this clause and clauses [] shall expressly survive such termination or expiry and continue in full force and effect along with any other clauses of and any schedules to this Agreement necessary to give full and proper effect to those clauses.

35. AGREEMENT TO PREVAIL

In the event of any ambiguity or conflict arising between the terms of this Agreement and those of the Rail North Articles, the [terms of this Agreement] shall prevail.

36. COUNTERPARTS

This Agreement may be entered in any number of counterparts, all of which when taken together shall constitute one and the same instrument.

Executed as a deed and delivered on the date appearing at the beginning of this Deed.

SCHEDULE 1: MEMBERS OF RAIL NORTH

Name
Blackburn with Darwen Borough Council
Blackpool Borough Council
Cheshire East Council
Cheshire West and Chester Council
City of York Council
Cumbria County Council
Darlington Borough Council
Derby City Council
Derbyshire County Council
East Riding of Yorkshire Council
Greater Manchester Combined Authority
Hartlepool Borough Council
Hull City Council
Lancashire County Council
Lincolnshire County Council
Liverpool City Region Combined Authority
Middlesbrough Council
North East Combined Authority
North East Lincolnshire Council
North Lincolnshire Council
North Yorkshire County Council
Nottingham City Council
Nottinghamshire County Council
Redcar and Cleveland Borough Council

Name
Sheffield City Region Combined Authority
Staffordshire County Council
Stockton-on-Tees Borough Council
Stoke-on-Trent City Council
Warrington Borough Council
West Yorkshire Combined Authority

[Note: Participation of Members to be confirmed and addresses]

SCHEDULE 2: RAIL NORTH MATTERS

Part 1: Franchise Agreement Matters

No.	Rail North Matter	Specific Consultation Required
1	Development of and changes to the Train Service Requirement	In respect of the level, frequency, maximum journey times and stopping patterns of the railway passenger services and Members shall be entitled to comment on changes to the Train Service Requirement. Members shall provide comments to Rail North on the Train Service Requirement where the Franchisee's proposals affect the Member.
2	Changes to train fleet	Rail North shall consult Members in respect of any proposed amendments to the Train Fleet that would decrease the passenger carrying capacity where the Franchisee's proposals affect the Member or rail services in the Member's area.
3	Assets, leases and third parties	In respect of any new property lease, change to a station lease, new rolling stock related contract or sub-contracting or delegating the provision of passenger services where the Franchisee's proposals affect the Member or rail services in the Member's area.
4	Concessionary Travel, Multi Modal Ticketing Schemes and Smart Transactions	In respect of the implementation of smart card technology, any proposed amendments to concessionary travel schemes, the implementation of or amendments to multi-modal fares schemes or discount operator schemes, where the Franchisee's proposals affect the Member.
5	Performance Management and Enforcement	In respect of matters where the Franchisee's proposals affect the Member or rail services in the Member's area.
6	Matters relating to the deployment of Rolling Stock where this affects any Member (including branding and funding of Rolling Stock)	In respect of any change in the use of rolling stock funded in whole or in part by Rail North or any Member, including [Executive Rolling Stock]] where the Franchisee's proposals affect the Member.

7	Development of and changes to the Train Plan	In respect of any proposed changes to the Train Plan that affect Members.
8	Right to carry out surveys (including carrying out passenger surveys such as surveys required for the purposes of multi operator ticketing schemes and/or concessionary travel reimbursement)	In respect of any surveys that are required to be carried out in the Member's area for the purposes of multi operator ticketing schemes and/or concessionary travel reimbursement.
9	Station facilities addressed by the provisions of a relevant Franchise Agreement, (including staffing levels, passenger facilities, ticket sales, ticketing equipment, information provision, car parks, parking charges, cycle storage, taxi and bus interchange)	Where there relevant Franchisee proposes to reduce staffing levels at stations below the level provided for at the date of commencement of the relevant Franchise Agreement, where such proposals affect the Member's stations. Rail North shall consult the affected Members who shall be entitled to direct Rail North to object to the introduction or variation of car parking charges, where the Franchisee's proposals affect the Member's stations.
10	Right to inspect (including carrying out inspections, surveys of stations, trains and any other passenger facility)	In respect of any inspections that are required to be carried out in the Member's area.
11	The application of fare increases to fares baskets (including fares basket harmonisation and the application of de minimis values)	In respect of any fare increases to fares baskets where the Franchisee's proposals affect the fares in the Member's area.

Part 2: Additional Matters

No.	Additional Matter	Specific Consultation Required
1	Development of HLOS and rail investment	In respect of the development of HLOS and rail investment in the Member's area.
2	Disputes under the Partnership Agreement	In respect of any disputes which affect the Member, passengers or rail services in the Member's area.
3	Annual Review and Options Review under the Partnership Agreement	Selection of Proposed Franchising Approach
4	Service Quality Programmes prepared by the Management Team under the Partnership Agreement	Where the Service Quality Programme prepared affect the Member or the Member's area.

SIGNATURES

Executed as a deed and delivered on the date appearing at the beginning of this Deed.

Executed as a deed[, but not delivered until the)
date specified on this deed,] by **RAIL**)
NORTH LIMITED by a director in the)
presence of a witness:) Signature _____

Name (block capitals) _____
Director

Witness signature _____

Witness name _____
(block capitals)

Witness address _____

[TO INCLUDE SIGNATURE BLOCKS FOR EACH MEMBER LISTED IN SCHEDULE 1]

North East Combined Authority

Leadership Board

Date: 17th November 2015

Subject: Project Approvals

Report Of: Executive Officer for Transport, Head of Paid Service and Chief Finance Officer

Executive Summary

This report provides an update on Local Growth Funding (LGF) approvals and provides details on three specific projects for approval. We now expect confirmation of LGF grant for 2016/17 and future years to be announced shortly after the spending review on 25 November.

The report explains that in order to maximise the delivery of the programme in terms of the use of LGF grant in 2015/16, it is proposed to bring forward capital spending on schemes originally scheduled for 2016/17 where this is possible.

Information about three specific projects, with a recommendation to release the funding for these projects, is set out in this report

- Weetslade Roundabout and Corridor Improvements
- River Tyne Economic Development Project
- Lindisfarne Roundabout

The Leadership Board is also requested to give its general approval to be able to bring forward spending on 'approved projects' from 2016/17 into 2015/16 where this is necessary to deliver the 2015/16 programme and maximise the use of LGF grant this year. This would be subject to their being no increase in the approved overall level of grant funding for individual projects and the confirmation by Government of LGF grant funding in 2016/17 and future years.

Recommendations

The Leadership Board is recommended to –

- (a) receive this report and approve the latest profile of spending for the Local Growth Fund programme, as set out in section 2 and Appendix A
- (b) agree the release of LGF grant for the Weetslade; River Tyne and Lindisfarne roundabout projects subject to the conditions set out in sections 3,4 and 5 of this report and further external legal advice on the application of State Aid to the River Tyne Project; and
- (c) Authorise the NECA Monitoring Officer to enter into a relevant Funding Agreements for the Local Growth Fund allocations for the three projects as set out in this report.

North East Combined Authority

Leadership Board

1. Background

Local Growth Fund

- 1.1 In January 2015 the Leadership Board agreed its capital programme for 2015-16, which included the list of approved schemes to be funded from the Local Growth Fund; the total cost of the schemes; the total to be funded by LGF grant and the amount of the LGF grant funding planned for 2015/16. An update on the programme is set out in section 2 of this report, with individual projects listed in Appendix A. This funding related to specific projects that had been agreed by NECA and NELEP as part of the LGF Growth Deal.
- 1.2 In March 2015 the Government confirmed payment of the Local Growth Fund (LGF) grant for 2015/16 of £53.91m and set out the indicative profile of LGF funding for future years of £166.487m (£79.402m in 2016/17; £31.819m in 2017/18; £24.065m in 2018/19; £16.650m in 2019/20; and £14.550m in 2020/21. This included £75.4m of 'tail funding' for projects planned to start in 2015/16. It also included funding for six Highway major schemes.
- 1.3 The funding profile for 2016/17 and future years is subject to formal confirmation after the Spending Review on 25th November. NECA had sought earlier confirmation of funding in particular tail funding in order to give confidence to projects starting this year and this has been reported to the Board at its previous meetings. The latest feedback from an Local Growth Fund Workshop on 3 November, is that the Department has categorised the 'tail funding' as a commitment in Spending Review discussions with Treasury, and that DCLG will seek to confirm the position of funding for 2016/17 within a few days of the Spending Review on 25 November.
- 1.4 It is important to demonstrate delivery on the 2015/16 programme which includes a high level of spending of the £53.91m grant allocation. To manage the programme, where some spending on 2015/16 starts has slipped back into future years due to a range of factors, including the uncertainty of funding, options to bring forward spending on projects from 2016/17 has been explored and is reflected in the programme. This report highlights the spending that has been brought forward and explores the further opportunities that exist.
- 1.5 As part of the Devolution agreement there is the opportunity to submit a bid for additional funding for new projects as part of a five year programme, when the next bidding round for Local Growth Funding opens. Work is progressing on the development of the project pipeline for consideration and approval by NELEP and the Leadership Board early in 2016.

2 Update of Local Growth Fund Programme for 2015/16 and Future Years

- 2.1 The September Financial Update report to the leadership Board identified a potential spend of £50.935m against the £53.910m LGF funding programme for 2015/16, subject to no further slippage occurring.

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Leadership Board

- 2.2 The latest profile of funding and spending for the existing projects in the LGF Programme is set out in Appendix A. This includes all LGF grant funded schemes, including the six projects that were due to start in 2016/17, which are highlighted in the Appendix. This shows the latest profile of potential spend funded by LGF grant in 2015/16 amounting to £48.86m.
- 2.3 The programme spending is now heavily profiled into the last few months of the Financial Year and further slippage is possible. It is important that we can demonstrate strong delivery and appropriate use of the LGF grant this year. To help manage this risk, further options to bring forward spending from 2016/17 have been explored. LGF projects scheduled to start in 2016/17 are/or have the potential to incurring spend in the current year and could be funded from LGF grant subject to confirmation of the future years funding by DCLG. The River Tyne project is one such project and discussions with other projects, have identified potential for spending this year, including the Sunderland Central Business District.
- 2.4 Following guidance from DCLG that the LGF grant can be used very flexibly to fund capital expenditure in 2015/16 we are also exploring the option to use it to finance approved infrastructure spending on our Enterprise Zone schemes this year on a temporary basis in order to avoid borrowing costs on this projects this year. This could be a relatively late funding decision that is taken in March in light on the progress of spend on LGF schemes.

3 Weetslade Roundabout and Corridor Improvements

- 3.1 The 'Weetslade Roundabout and Corridor (A1056-A189) Improvements' major transport scheme is part of the Local Growth Fund (LGF) programme. However, the scheme was not one of the ten schemes previously prioritised by the former Local Transport Body in 2014, therefore the scheme needs to be presented to the North East Combined Authority (NECA) Leadership Board for approval of funding release.
- 3.2 The Weetslade Roundabout/Corridor scheme will help to reduce congestion, unlock major employment and residential development sites, and reduce severance to people on foot and bicycle. The scheme benefits manifest themselves in journey time savings, journey quality and reliability improvements, strategic connectivity, and reductions in accidents.
- 3.3 The A1056 is one of North Tyneside's busiest corridors with traffic flows of over 30,000 vehicles per day. It is a major distributor road for the region and provides the primary East-West link between the A1 and A19. It serves the large residential area of Killingworth and developing Newcastle Great Park site. There is further significant residential and employment development proposed along the corridor as part of North Tyneside's Local Plan.
- 3.4 The strategic importance of the corridor and the expectation of traffic growth arising from North Tyneside Council's ambitious land use plans mean that, for

North East Combined Authority

Leadership Board

some years now, the Council has been seeking the appropriate funding source to deliver a highway and transportation improvement scheme on the A1056 corridor. A previous £10m scheme under the heading of the “Northern Gateway Strategic Regeneration Link” was previously submitted for DfT funding, but did not receive funding.

- 3.5 The proposed scheme will contribute significantly to regional economic growth by enabling the full development of the Indigo Park employment site which will provide 82 acres of developable land. In addition, the highway improvements will ease existing congestion and enable the future build out of several thousand new homes in Newcastle and North Tyneside. The scheme consists of four junction improvements, provision of a new site access junction for the Indigo Park development, and two sections of carriageway widening.

The corridor is currently subject to a number of issues including;

- Severe congestion at several key junctions.
- Inadequate infrastructure to cater for future traffic demand.

- 3.6 The scheme has positive cross-boundary implications for supporting economic development, as the A1056 corridor is a key link between North Tyneside and Newcastle. The residential and employment land developments enabled by the corridor scheme are situated in both Newcastle and North Tyneside, as are the congestion hotspots.

- 3.7 The Weetslade Roundabout scheme will contribute to economic growth by delivering specific benefits to users of motorised traffic, cyclists and pedestrians.

The scheme package includes:

- i. Road capacity enhancements, especially for key junctions; and
- ii. Introduction and enhancement of pedestrian and cycle crossing and cycle route facilities.

- 3.8 A ‘Strategic Outline’ Business Case for the scheme was developed in order to evaluate the scheme as part of the range of transport scheme that were taken forward into the Strategic Economic Plan submission to government. Subsequently an ‘Outline’ Business Case was submitted by North Tyneside Council and underwent an independent review where no major issues were identified.

- 3.9 The total outline budget for the scheme at programme entry was £4.80m, with a £4.33m contribution from the Local Growth Fund, and £470,000 local contribution from developer funding. The Business Case indicates that the scheme cost falls within this budget.

- 3.10 The Business Case, which has taken account of the comments and amendments of an independent review in accordance with the Transport Assurance Framework, has demonstrated that the scheme achieves high value for money, with a benefit-to-cost ratio of 5.88. The Business Case also demonstrates that the scheme supports delivery of the North East Strategic Economic Plan’s objectives, is deliverable within given funding timeframes, and is supported by a robust procurement strategy and funding case.

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- 3.11 The scheme will be delivered across three financial years from 2015/16 to 2017/18. The scheme is ready for immediate commencement as soon as the business case and funding release has been approved by the Leadership Board, with final completion expected in financial year 2017/18.
- 3.12 At the time of the issue of this report the final Business Case is still being modified on the basis of a final independent review. This main scheme report will be followed up by a short supplementary report advising members of the Leadership Board that the final Business Case modification has taken account of all review comments by the time of the Board meeting.
- 3.13 This supplemental report will identify conditions to be attached to the grant funding approval letter.

4. River Tyne Project

- 4.1 This report seeks Board approval to a Growth Deal 2 LGF project that is being accelerated from 2016/17 into 2015/16 to assist the Programme achieve its annual 2015/16 expenditure targets. This was agreed by the NELEP at its meeting on 24 September.
- 4.2 The 'River Tyne Economic Development' Project was approved by BIS subject to 2016/17 funding being approved. This project actually consists of a number of preventive projects that collectively aim to safeguard the function of the River Tyne as a vital economic transport corridor.
- 4.3 The River Tyne is a major transport artery that directly serves many of the North East LEP area's most important employment sites, in particular those associated with the offshore oil /gas, sub- sea and renewable energy sectors e.g. at Walker Technology Park, Neptune and Swans in Wallsend.
- 4.4 The Project has a strong evidence base and clear objectives. An action plan has been prepared by the River Tyne Steering Group and is set out in more detail in a confidential background document.

Project Cost and Funding Profile

- 4.5 The main source of matched funding is from Defra with £896,000 in 2015/16. However, the balance of £2,104,000 from Defra is subject to confirmation following the CSR in November. Defra are contributing to costs of the preventative measures in the Tyne headwaters. There is a risk that funding is not fully approved. It is proposed that contribution from the Local Growth Fund is subject to confirmation of a minimum contribution of £3m from Defra over the period to 2018/19. There would be a need for further budgets and on-going mediation beyond – again appropriate conditions are proposed, to help ensure the objectives in the business case are achieved

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Funding Sources	2015/16	2016/17	2017/18	2018/19	Total
LGF	£1,356,892	£2,473,108	£1,085,000	£1,085,000	£6,000,000
Defra	£896,000	£1,000,000	£750,000	£354,000	£3,000,000
NCC/PoT/NT	£35,000	0	0	0	£35,000
Total	£2,287,892	£3,473,108	£1,835,000	£1,439,000	£9,035,000
Project Costs					
St. Anthony's Tar Works ()	£1,096,892	£810,329	0	0	£1,907,221
Headwaters interventions	£896,000	£1,717,779	£1,750,000	£1,354,000	£5,717,779
Trial Dredge	£295,000	£945,000	£85,000	£85,000	£1,410,000
Total	£2,287,892	£3,473,108	£1,835,000	£1,439,000	£9,035,000

4.6 The NELEP Board agreed that the £6m that had been included in the LGF programme be approved, with a revised funding profile including some spend in the current year, subject to the conditions set out in the background document, including :-

- a) That Newcastle City Council underwrite the costs associated with the tar works site works and trial dredge projects in the event of the balance of LGF funding in 2016/17 and following years is not approved by Government to the North East LEP.
- b) Receipt of tender report confirming costs.
- c) Provision of a copy of an agreement between Newcastle City Council and Port of Tyne Authority setting out relationships in regards to undertaking the works.
- d) Newcastle City Council, working with its partners in the River Tyne Steering Group, prepare and submit a monitoring and evaluation plan to demonstrate the environmental and economic benefits in the short and longer term and agree to meet associated costs. The evaluation plan is to be submitted by 31st January 2016 with annual updates to follow.

5.0 Lindisfarne Roundabout

5.1 In September the Leadership Board received a report on this project and agreed revisions to the scope and cost of the project as part of an update on the new preferred option for the scheme in terms of revised scheme opportunity and proposals, the enhanced benefits and its revised costs, and how the proposed increased cost will be funded and managed within the wider Local Growth Fund programme.

5.2 The Final Business Case for this scheme, which has taken account of the comments and amendments of an independent review in accordance with the Transport Assurance Framework, has demonstrated that the scheme achieves an extremely high value for money, with a benefit-to-cost ratio of 11 to 1. The Business Case also demonstrates that the scheme supports delivery of the North

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East Strategic Economic Plan's objectives, is deliverable within given funding timeframes, and is supported by a robust procurement strategy and funding case.

- 5.3 In light of this, approval is therefore sought for the release of funding to enable the scheme to proceed. The Leadership Board is recommended to authorise the NECA Monitoring Officer to enter into a relevant Funding Agreement for the Local Growth Fund allocation of £5.1m in accordance with the Transport Assurance Framework and Local Growth Fund Capital Programme.
- 5.4 It is recommended that the Monitoring Officer be authorised to enter into the detailed Funding Agreements for the Local Growth Fund grant allocations, subject to conditions relating to the confirmation of future funding and the funding and cost risk being taken by South Tyneside Council in accordance with the assurance framework that is in place for the LGF programme.

6. Next Steps

- 6.1 If the recommendation of this report is approved, the next steps are expected to be the preparation of the funding agreements for the three projects. The confirmation of Local Growth Fund grant after the Spending Review on 25th November and the progression of the projects.
- 6.2 The outcome of the Spending Review for the Local Growth Fund will be the subject of a report to the Next NELEP and Leadership Board meetings.
- 6.3 Options to maximise the use of LGF grant funding in 2015/16 on approved projects will continue to be explored and reported to future Leadership Board meetings with any urgent decisions that may be needed between meetings being raised through the Delegated Decision process with members.

7. Potential Impact on Objectives

- 7.1 Approval of the recommendations will enable the effective management of the LGF programme contributing to the delivery of the SEP objectives. Two of the schemes involve highway projects which have been tested and demonstrates alignment with the objectives of the Strategic Economic Plan and a very high value for money. The River Tyne scheme will support the medium and long term economic development objectives in the SEP. Delivery of the schemes will therefore assist the Combined Authority with its objective of maximising the area's opportunities and potential.

8. Finance and Other Resources

- 8.1 The funding for the projects set out in this report is part of the overall Local Grant Funded programme and the latest copy of the programme is attached as Appendix A.

A key issue is the receipt of confirmation of funding from DCLG for future years funding and DCLG have confirmed that early confirmation will be given after the spending review. The risk to this funding is taken by project sponsors until the funding is confirmed.

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9 Legal

9.1 The NECA, as Accountable Body for the NELEP enters into funding agreements with the recipients of Local Growth Funding. The agreements reflect the requirements and obligations of the funding providers including provisions relating to clawback, in particular those relating to State Aid. The recipient local authorities will be required to enter into funding agreements to enable the release of the proposed LGF funding contributions to the Lindisfarne Roundabout, River Tyne Project and Weetslade Roundabout and Corridor Improvements. In relation to the application of the restrictions on State Aid in relation to the River Tyne Project (preventative works and the dredging trial) external advice is being obtained to ensure that the whole project, that is including the further works planned subject to the satisfactory results from the dredging trial, is able to comply with the State Aid rules and Members will be advised of the implications of that advice in a supplementary report. Issues of State Aid in relation to the funding for the Weetslade and Lindisfarne highway works do not arise as these works are being carried out to fulfil the statutory functions of the local authorities concerned.

10 Other Considerations

10.1 Consultation/Community Engagement

10.1.1 Full consultation of affected parties in relation to the Highway schemes has been carried out and modifications to the scheme made as a result, such as the modification of proposed cycle facilities within the scheme budget. A Stakeholder Engagement Plan has been developed as part of the scheme business case and will be implemented once the scheme has been given approval to proceed.

10.2 Human Rights

There are no specific human rights implications arising from this report.

10.3 Equalities and Diversity

The implementation of the highway scheme proposals will have a positive impact on low income and vulnerable groups by making walking, cycling and bus travel safer and more convenient.

10.4 Risk Management

A full quantified risk register has been developed to support the scheme. Despite the scheme cost increase, risks of greater magnitude will arise from withholding or delaying scheme approval, impacting adversely on delivery of the wider LGF transport programme and impairing the NECA's ability to maximise the area's opportunities and potential.

10.5 Crime and Disorder

There are no crime and disorder implications arising from this report.

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10.6 Environment and Sustainability

Delivering the schemes outlined in this report will assist the Combined Authority in achieving a more sustainable transport system for the region.

Details of the effects of the River Tyne scheme on the environment and sustainability will be provided in the supplemental report.

11. Background Documents

- i) Weetslade Corridor Improvements Business Case ;
- ii) “More and Better Jobs” – the Strategic Economic Plan for the North East – available at <http://nelep.co.uk/wp-content/uploads/2014/11/North-East-Strategic-Economic-Plan-More-and-Better-Jobs.pdf>
- iii) Confidential background report on the River Tyne Project

12 Links to Plans in the Policy Framework

This report has no direct link to plans in the policy framework.

13 Appendices

Appendix A: Latest LGF Programme.

14 Contact Officers

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15 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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North East Growth Deal - Local Growth Fund Projects

Appendix A

Project Title	SEP Theme	Scheme	LGF Budget Profile (£,000s) at 4/11/2015						
			2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
STEM and Innovation Centre (Tyne Met College)	Skills	GD1	1,000	-	-	-	-	-	1,000
Facilities for Marine and Offshore Engineering	Skills	GD1	1,100	-	-	-	-	-	1,100
Rural Skills Development (East College Durham)	Skills	GD1	9,320	680	-	-	-	-	10,000
Low Carbon Tech Centre (Newcastle College)	Skills	GD1	-	-	-	-	-	-	-
Offshore and Wind Energy Training Facility (BEACH)	Skills	GD1	400	-	-	-	-	-	400
Centre for Innovation in Formation	Innovation	GD1	820	4,650	1,930	-	-	-	7,400
Newcastle Laboratory and Life Science Incubation Hub	Innovation	GD1&2	445	4,400	3,755	-	-	-	8,600
Sunderland Enterprise & Innovation Hub	Innovation	GD1&2	2,000	2,900	-	-	-	-	4,900
Low Carbon Energy Centre Newcastle Science Central	Innovation	GD1	440	2,360	-	-	-	-	2,800
Netpark Infrastructure Phase 3	Innovation	GD1	310	2,110	4,410	-	-	-	6,830
Infrastructure for Merchant Park	Economic Assets	GD1&2	8,360	4,640	-	-	-	-	13,000
North East Rural Growth Network**	Economic Assets	GD1	1,750	2,140	1,330	780	-	-	6,000
Swans Wet Berth Infilling	Economic Assets	GD1	400	6,100	1,500	-	-	-	8,000
Lindisfarne Roundabout	Transport	GD1	720	2,760	-	-	-	-	3,480
Central Metro Refurbishment	Transport	GD1	2,510	-	-	-	-	-	2,510
Northern Access Corridor - Osborne Road to Haddrick's Mill	Transport	GD1	500	3,930	-	-	-	-	4,430
Local Sustainable Transport Fund Package**	Transport	GD1	3,800	3,700	-	-	-	-	7,500
A19 employment corridor access improvements (North Tyne)	Transport	GD1	700	2,200	1,800	-	-	-	4,700
A191 junctions including Coach Lane and Tyne View Park	Transport	GD1	800	700	-	-	-	-	1,500
Newcastle Central Station to Stephenson Quarter	Transport	GD1	1,000	3,000	2,000	-	-	-	6,000
A1056-A189 Weetslade roundabout improvements	Transport	GD1	680	1,400	2,250	-	-	-	4,330
Six Majors - South Shields Transport Hub	Transport	6Majors	1,600	4,830	470	-	-	-	6,900
Six Majors - Sunderland Low Carbon Zone	Transport	6Majors	2,800	3,150	-	-	-	-	5,950
Six Majors - A1058 Coast Road	Transport	6Majors	4,040	2,480	-	-	-	-	6,520
Six Majors - A167 Park and Ride corridor	Transport	6Majors	-	4,090	900	-	-	-	4,990
Six Majors - Northern Access Corridor (Cowgate to Osborne Rd)	Transport	6Majors	2,000	2,090	-	-	-	-	4,090
Six Majors - Horden Rail Station	Transport	6Majors	-	3,340	-	-	-	-	3,340
Advanced Manufacturing Centre (Northumberland College STEM)	Skills	GD2	-	2,300	-	-	-	-	2,300
National Centre for Healthcare Photonics	Innovation	GD2	-	1,000	2,500	2,000	3,000	1,500	10,000
Sunderland Central Business District	Economic Assets	GD2	-	-	-	-	5,000	5,800	10,800
River Tyne Economic Development	Economic Assets	GD2	1,360	2,470	1,085	1,085	-	-	6,000
The 24/7 Gateway Centre	Skills	GD2	-	-	-	-	-	-	-
Traffic movements along A185/A194/A19 (The Arches)	Transport	Future	-	720	4,490	-	-	-	5,210
Western Relief Road, Durham City	Transport	Future	-	-	3,500	2,800	-	-	6,300
Metro Enhancements	Transport	Future	-	3,500	3,500	-	-	-	7,000
A1/A19 junctions improvement programme	Transport	Future	-	1,050	3,250	5,230	4,630	3,700	17,860
Sunderland Strategic Transport Corridor - phase 3*	Transport	Future	-	1,000	3,250	7,750	12,750	15,800	40,550
			48,855	79,690	41,920	19,645	25,380	26,800	242,290

* Paid direct to Sunderland City Council

** Mini programmes with projects contained within.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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