



## **North East Leadership Board (Extraordinary Meeting)**

Tuesday 16th September, 2014 at 2.30 pm

Meeting to be held: Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL

[www.northeastca.gov.uk](http://www.northeastca.gov.uk)

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# AGENDA

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**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. **Rail North: Influencing the Future of Northern and TransPennine Rail Services** **1 - 20**

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: [victoria.miller@newcastle.gov.uk](mailto:victoria.miller@newcastle.gov.uk)

**To All Members**

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## North East Combined Authority

### North East Leadership Board (NELB)

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**DATE:** 16<sup>th</sup> September 2014

**SUBJECT:** Rail North: Influencing the Future of Northern and TransPennine Rail Services

**REPORT OF:** Lead Chief Executive - Transport

#### **EXECUTIVE SUMMARY**

On 15<sup>th</sup> July, the North East Leadership Board received a report providing a Transport Policy Update and as part of that report agreed a recommendation that NECA participate as a full and active partner in Rail North and join the proposed Association of Northern Transport Authorities. This report sets out the proposed governance arrangements for Rail North Ltd and the aforementioned Association, and seeks the approval of the Leadership Board for the NECA to become members of both bodies.

#### **RECOMMENDATIONS**

The Leadership Board is asked:

1. To note the proposed governance arrangements for Rail North Ltd (RNL) and the Association of Rail North Partner Authorities ("The Association") and to agree in principle that the NECA should become a member of both bodies.
2. To authorise the Monitoring Officer to make the appropriate arrangements to enable the NECA to be admitted to membership, by entering into the RNL Members Agreement, following consultation with the Chair, Thematic Lead for Transport, Head of Paid Service and Chief Finance Officer.
3. To appoint the Thematic Lead for Transport to the Leaders' Committee of the Association and to become a director of RNL.
4. To appoint a designated Vice Chair of the Transport North East Committee as substitute member of the Leader's Committee of the Association and alternate director of RNL.
5. To note that a further report will be presented to the Transport North East Committee when the Heads of Terms for the DFT/RNL Partnership are finalised.

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### **1 Background Information**

- 1.1 Local passenger rail services in the North East are provided by two franchised rail operators, Northern Rail and TransPennine Express.
- 1.2 Northern Rail provide services across the whole of Northern England which include, for this region:
  - a) the majority of passenger trains between Carlisle and Newcastle via Hexham and intermediate stations in the Tyne Valley;
  - b) local services between Metro Centre, Newcastle, Morpeth and Chathill via intermediate stations using the East Coast Main Line; and
  - c) an important intra-regional link between Newcastle and Middlesbrough, via Sunderland and communities on the Durham coast.
  - d) a small number of peak time services between Saltburn and Newcastle via Middlesbrough, Darlington, Durham and Chester-le-Street on the East Coast Mainline.
- 1.3 TransPennine Express offers one train per hour connecting Newcastle with Liverpool via Leeds and Manchester. The service also provides calls at Chester-le-Street (the only regular provision at the station) and Durham.
- 1.4 These franchises are due to expire in February 2016. This imminent re-franchising creates a unique opportunity for Local Transport Authorities (hereafter LTAs) to take a positive role in shaping of the future pattern of local rail services across Northern England, in collaboration with the DfT. This would allow LTAs to influence the development of the franchises in a way that better reflects the evidenced economic needs of the North, and to secure stronger local democratic control of local rail services.
- 1.5 However, there are risks that reductions to the subsidies available for these services could present difficult issues for the region, and it will be important to secure a strong level of influence to mitigate these risks as far as possible.
- 1.6 This report provides an update on the progress made so far and highlights the next key steps to be taken to deliver greater control of these franchises to the North of England.

### **2. Rail Devolution and the Long Term Rail Strategy**

- 2.1 In response to a 2012 Department for Transport (DfT) consultation on rail decentralisation, the 30 local transport authorities in the North of England,

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- under the interim organisation Rail North, 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 February 2016.
- 2.2 Nexus (on behalf of the former Tyne & Wear ITA), Durham and Northumberland were partners in Rail North prior to the creation of the Combined Authority. The Combined Authority is now considered to be a single partner, and as such is represented on leadership forums by the Chair of the Transport North East Committee. The five Northern metropolitan areas, through the network of PTEs and its umbrella group PTEG, have in the past provided financial support towards Rail North. Nexus continues to direct funding into Rail North from its Northern Rail administration grant.
- 2.3 The proposal reflected Rail North's overarching objectives for rail services in the North of England:
- delivering more rail capacity and greater rail connectivity,
  - improving the quality of railways with a better offer to passengers to encourage more growth, and;
  - to deliver 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 A copy of the draft strategy can be found at [www.railnorth.org/strategy](http://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

It is intended that the Long Term Rail Strategy be presented to Rail North Leaders for approval later in the Autumn.

- 2.6 In November 2013, the Secretary of State responded 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.

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- 2.7 It was agreed that this approach would be based on Rail North Proposals, which include the draft Long Term Rail Strategy for the North of England, the devolution proposition and business case submitted to the Secretary of State, and the structure for decision-making in the North set out in that devolution proposition.
- 2.8 These principles were agreed at a meeting between the Secretary of State and the Rail North Leaders on 24 January 2014.
- 2.9 The shared objectives that underpin the partnership were also agreed in January and include:
- 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.
- 2.10 The development of the DfT / Rail North partnership agreement is split into two distinct phases:
- partnership working between DfT and Rail North in advance of the award of the 2016 franchises during the design and procurement processes. During this period, Rail North and DfT will work jointly and collaboratively, although the Secretary of State is ultimately responsible for final decisions and letting the contracts; and
  - the development and creation of a formal integrated partnership structure, with substantial decision making authority, between Rail North and DfT, which it is intended should take on responsibilities for franchise management at the point at which the new franchise contracts come into force.
- 2.11 As part of the January 2014 agreement with the Secretary of State, the Rail North Leaders agreed to develop and formalise their decision making structures and in particular establish structures comprising a formal Leaders' Committee and a special purpose vehicle (probably a company limited by guarantee) called Rail North Ltd. These bodies would be the focus for overseeing local authority input into the design of the franchises, including the specification and commercial arrangements.

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2.12 It was further agreed that the DfT and Rail North would jointly develop proposals for a single integrated partnership structure with substantial decision-making authority to manage the franchises.

2.13 In addition, the Leaders agreed to form a small sub-grouping, the 'Leaders Sub-Forum', to progress devolution work until the formal structures described above were established. It was agreed that this sub-forum should be constructed on a geographical basis, with a Leader representing Tyne & Wear, Durham and Northumberland – later the Combined Authority - being joined by ten other Leaders from the other Northern sub-regions.

### **3 Rail North Governance Proposition and Arrangements**

3.1 Following the January 2014 agreement, governance structures have been developed for two bodies:

- An association of local transport authorities (LTAs) to be known as the Association of Rail North Partner Authorities ("the Association") to be governed by a Leaders' Committee consisting of one member from each of the 30 LTAs in the North.
- Rail North Limited (RNL), a company limited by guarantee, whose membership is open to all members of the Association and whose Directors will be appointed by geographic sub-groups determined by the Association.

3.2 A detailed description of the governance arrangements is provided in Appendix 1. The proposed arrangements were endorsed by a Rail North Leaders' Sub-Forum at the end of April 2014. Articles of Association have been circulated to legal officers, and commentary on their implications for the Combined Authority is provided under Section 10 below.

3.3 The NECA is being invited to enter into these arrangements and agree to become a member of both the Association and RNL. Subject to such agreement, the NECA is also asked to appoint an elected member to the Leaders Committee of the Association and (because the NECA forms its own self-contained geographical sub-group) to appoint a director of RNL. The NECA may also appoint a substitute member of the Leaders' Committee and nominate an alternate director of RNL.

3.4 It is expected that the majority of Rail North's decisions would be reached by consensus by the Board of RNL on a one-member-one vote basis. However, certain matters, to be agreed between the Partners, will be reserved for

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members of the company holding between them at least 75% of the voting rights. The decisions which are not subject to the 75% threshold will need to be confirmed in the wording of the Members Agreement. Voting rights are weighted on metrics relating to rail usage in each partner authority. The full breakdown of these current weightings is included within Appendix 1.

- 3.5 As noted in Appendix 1, these percentages are currently being reviewed as a result of feedback from workshop sessions held with Rail North partner officers and members during July. Prior to exercising the delegation provided for the Monitoring Officer and others referred to in the Recommendation 2 above they will satisfy themselves that no one authority can exercise a right of veto over any of the reserved matters referred to in 3.4 above following this review.
- 3.6 It is desirable to ensure that all of the LTAs are involved in the governance arrangements as they evolve. The arrangements will need to be flexible as circumstances change and the precise nature of the partnership with DfT is agreed. At the commencement of these arrangements there will be minimal direct risk and cost associated with membership and any changes to that position would need to be agreed in accordance with the governance rules.
- 3.7 However, mechanisms will be written into the member's agreement that would allow any authority, including NECA, to exit both RNL and the Association prior to 2016 should the on-going requirements of membership become unacceptable.

## **4 Development of a Partnership with the Department for Transport**

- 4.1 In parallel, and in accordance with the agreements described in Section 2.14 above, Rail North Officers and DfT officials are currently engaged in detailed discussions in relation to the governance arrangements for the DfT/RNL partnership. It is intended that the partnership arrangements should cover two district roles:-
- Management of the 2016 Northern and Transpennine franchises with day to day management delegated to a joint executive team
  - Wider decision-making in relation to implementation of the principles and objectives of the partnership, particularly in respect of strategic planning and investment.
- 4.2 It is expected that Heads of Terms for the Partnership will be produced by the end of September 2014 for approval by the parties. Entry into any partnership between RNL and DfT is expected to be a reserved matter as



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described in 3.4 above. An update report will be brought forward to the Leadership Board at the appropriate time.

### 5. Franchise Specification

5.1 Whilst the procurement of both the Northern and TransPennine Express franchises will be led by the DfT with ultimate responsibility resting with the Secretary of State, Rail North is working closely with DfT on the specification and procurement of the new franchises, with key Rail North aspirations including:

- Delivering a more customer facing service;
- Improving performance including a more consistent delivery of peak capacity;
- Supporting the delivery of new services;
- Improving the quality and quantity of rolling stock; and
- Improving station facilities.

5.3 A public consultation on the future of the franchises was held between 9<sup>th</sup> July and 18<sup>th</sup> August. The Transport North East Committee approved the North East Combined Authority's response to the consultation when it met on 29<sup>th</sup> July. The response included an expression of NECA's aspirations for rail, as set out in the North East Rail Statement.

5.4 The consultation document recognises the distinct and largely self-contained rail network in the North East, and suggests that this may represent an opportunity to deliver real and meaningful local influence over rail services delivered in the area. The consultation suggests that DfT may ask bidders to set out plans for the establishment of a 'North East Business Unit' within the franchise.

5.5 Nexus, on behalf of the NECA, will develop proposals for the establishment of a North East Business Unit, working through ANEC to retain strong links to Tees Valley authorities, and with partners in North Yorkshire and Cumbria. Nexus will continue to work closely with DfT and Rail North to seek the inclusion of the North East Business Unit within the specification for the new Northern franchise.

5.8 However, there remains a risk that the DfT's affordability objectives for the franchise and the North East's aspirations do not align and that service enhancements may not be achieved – indeed, that even the current level of service, particularly for the Northern franchise, will not be maintained (although it is clearly stated in the consultation document that station

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closures are not being considered at this time). The Combined Authority response to the public consultation emphasised that both franchises play an important role in supporting economic growth throughout the NECA area (together with the rest of the north of England). Increasing fares would worsen social exclusion and damage aspirations for passenger growth (whilst adding more cars to our roads), whilst staffing levels at Northern Rail stations in this area are already low and we do not wish to see them reduced further as part of curtailment of station ticket office opening hours.

- 5.9 The influence of a united Rail North may decrease these risks, and it will be important that NECA continues to be strongly represented to provide balance to the expression of the North's aspirations. By providing local knowledge during the development of the specification, greater alignment with the economic development aspirations of the North of England can be sought. However, despite the ultimate responsibility for procurement resting with the Secretary of State, there is a risk that Rail North partner authorities may be perceived to be jointly answerable should the specification not be aligned to aspirations.
- 5.10 Should NECA not formally join Rail North, it would still be able to lobby DfT directly during the procurement phase in an attempt to secure its aspirations. However, it would be further-removed from the process and may lose influence as a result. It would also not become party to any partnership established in accordance with Section 2.14 above, and may therefore lose the ability to influence the delivery and strategic direction of the franchises.
- 5.11 A shortlist of pre-qualified bidders was announced by DfT on 19<sup>th</sup> August. Abellio, Arriva and Govia have been shortlisted to bid for the Northern franchise, whereas First, Stagecoach and Keolis/Go-Ahead have been shortlisted for the TransPennine Express franchise. Each bidding organisation will be contacted at the appropriate time to discuss the NECA's aspirations for the franchises.

## **6 Proposals**

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

## **7 Next Steps**

- 7.1 If the Leadership Board agrees to the NECA becoming a member of the RNL and the Association of Rail North Partner Authorities and authorises the

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Monitoring to take the necessary steps when appropriate for NECA to become a member of these bodies then appropriate steps will be taken to ensure that this happens as quickly as possible and for the Thematic Lead to become a Director of RNL with arrangements made in relation to identifying a suitable substitute member of the Association and alternate Director of RNL.

### **8 Potential Impact on Objectives**

- 8.1 If the NECA becomes part of Rail North and a member of the Association as outlined above then it will be an example of the NECA speaking with 'one voice' in relation to the important issue of rail travel insofar as it effects the combined area.

### **9 Finance and Other Resources**

- 9.1 The budget for RNL will be stated in the Membership Agreement, with each Member paying a percentage of this figure, (provisional figures indicated a total cost in the order of £36,000). The share of this budget payable by NECA is expected to be a small percentage of this total figure and is therefore expected to be nominal and is intended to be funded from Nexus' Rail Administration Grant.
- 9.2 Any future proposals to evolve or extend the membership agreement that would incur costs would need to be subject to a separate decision, which would need at that point to identify the costs involved and how they were to be funded.

### **10 Legal**

#### **10.1 Association of Rail North Partner Authorities**

If the NECA is to become a member of the Association of Rail North Partner Authorities then it will be entitled to appoint the Thematic Lead for Transport to the Leaders' Committee of the Association. The Leader's Committee governs the Association. It will also be permitted to appoint a substitute member to the Leaders' Committee.

The purpose and objects of the Association are:-

- To promote and improve rail services in the Rail North Area
- To campaign for devolution of responsibility for passenger rail services currently operating as part of the Northern and TransPennine Express (TPE) Franchises from the Department for Transport to LTAs in the

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### Rail North Area

- To improve political leadership and oversight of Rail North Limited (RNL).

The functions of the Association are:-

- To develop, approve and oversee the implementation of a long-term rail strategy; and
- To establish geographical sub-groups for the purpose of appointing Directors to the RNL's Board.

One of the proposed geographical sub-groups is the "North East" which covers the NECA's combined area.

The Leaders' Committee will meet at least twice a year. Decisions of the Leaders' Committee will if possible be reached by consensus. Where such agreement cannot be obtained there will be a simple show of hands unless a card vote is called for by the Chair of the Committee or at least 2 members of the Committee. On a card vote, the Thematic Lead would be entitled to cast a total number of votes on behalf of the NECA based on the percentage share of passenger revenue for the North East geographical area.

The proposed number of votes granted to the NECA and some of the other areas is currently subject to review. However, the delegated authority proposed to be granted to the Monitoring Officer (in consultation with others) will only be exercised when the current review of the allocation of votes secures that no one member of the Association will have a veto of reserved matters in decision making.

The Association will appoint a Secretary who will be responsible for providing administrative support to the Association and will be responsible for preparing a budget to cover the expenditure of the Association. The expenditure of the Association will be met by the Member Authorities.

The NECA may terminate membership of the Association by giving at least 12 months written notice. Only at the expiry of that period would NECA cease to be a member.

### Rail North Limited (RNL)

As a result of becoming a member of the Association of Rail North Partner Authorities the NECA will be entitled to membership of RNL.

RNL will be a private company limited by guarantee. Its objects will be to:-

- Promote and improve rail services in the Rail North Area;

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- Arrange for the carriage of passengers by railway between places in Great Britain;
- Manage the performance of obligations under franchise agreements let by the Secretary of State in respect of carriage of passengers by railway; and
- Support the delivery of the long term rail strategy of the Members.

RNL will have the powers set out in its Articles of Association that include the ability to buy, lease or otherwise acquire and deal with property, borrow and raise money, lend and advance money, enter into contracts and open and operate bank accounts.

The NECA will be given the right to appoint one Director and an Alternate Director to the Company. The latter will attend meetings of the Directors in the absence of the Director. The Director will be the Thematic Lead for Transport.

Decisions taken by the Directors will be by way of a simple majority vote unless it relates to a matter that requires a unanimous vote.

Insofar as decisions taken by the members of RNL at general meetings are concerned, the Articles provide that decisions will be taken based on a set allocation of votes to Members. It is currently proposed that the NECA will be allocated a number of votes based on the percentage share of rail usage for the NECA combined area. The review of the allocation of votes referred to above will also be reflected in the votes allocated to NECA within RNL.

The NECA can terminate membership of RNL by giving 7 days written notice to the Company.

A Membership Agreement will be entered into by all members that will amongst other things deal with termination of membership of the Association and RNL.

There are no legal impediments to the NECA becoming a member of the Association and in turn a member of the RNL if the Leadership Board considers it to be appropriate to do so.

### **11. Other Considerations**

#### **11.1 Consultation/Community Engagement**

Not applicable.

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### 11.2 Human Rights

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

### 11.3 Equalities and Diversity

NECA and its partners in Rail North share common objectives. The Rail North Long Term Rail Strategy, if delivered, would improve connectivity and capacity on the North's railways, providing communities with improved access to employment, education, healthcare and leisure facilities. It would also improve the accessibility of the rail network, building a more inclusive public transport network.

### 11.4 Risk Management

Sections 5.8-5.10 articulate the risks of both approving the recommendations of this report, and of not doing so. The risk of becoming a member is mitigated to a certain extent by the exit mechanisms described in Section 3.7.

### 11.5 Crime and Disorder

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

### 11.6 Environment and Sustainability

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

## 12 Background Documents

- 12.1 RNL Articles of Association,  
Draft Constitution of the Association of Rail North Partner Authorities,

## CONSTITUTION

### 13 Links to Plans in the Policy Framework

- 13.1 The possibility of becoming a member of the Association and RNL is linked to local transport plans and the desire to have a safe and efficient transport system within the combined area.

## 14 Appendices

- 14.1 Appendix 1 – Proposed Governance Arrangements of the Association.

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### 15 Contact Officers

15.1 Vivienne Geary [Viv.Geary@northtyneside.gov.uk](mailto:Viv.Geary@northtyneside.gov.uk) Tel: 0191 643 5466  
Bernard Garner [Bernard.garner@nexus.org.uk](mailto:Bernard.garner@nexus.org.uk) Tel: 0191 203 3201

### 16 Sign off

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

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## **1. THE LEADERS' COMMITTEE ("LC")**

### **1.1 Establishment**

The LTAs covered by the Northern and TPE franchises will establish a local authority association formed under section 143 of the LGA 1972 ("LGA 1972"). It is expected that all relevant LTAs (currently 30) would be party to these arrangements. The Association (provisionally known as the Association of Rail North Partner Authorities) will be governed by a Leaders' Committee (LC).

Each LTA will appoint one elected member to the LC. This member would normally be its Leader / Mayor / Chair or its Lead Member for Transport. There will be provision for LTAs also to appoint a substitute member. The LC will elect a Chair and one or more Vice-Chairs.

### **1.2 Voting Arrangements**

It is expected that most major decisions would be reached by consensus. However, where votes are taken, a system of weighted voting would apply based on metrics relating to rail usage on Northern and TE services to and from each LTA's area. The rationale for this is that it reflects the respective stake of each LTA area in the franchising. The apportionment of votes will be reviewed probably every 5 years to take account of changes in rail usage. Provisional weighted voting shares are set out in the Appendix to this report. These were based on passenger revenue in 2011/12 and are currently being updated.

### **1.3 Frequency of Meeting and Urgency**

The LC will meet twice a year, although there would be provision for additional meetings to be called if demanded by a specified (significant) number of member LTAs.

### **1.4 Functions**

The Association through the LC will have the following functions:

- to promote and improve rail services in the Rail North area
- to campaign for devolution of responsibility for the Northern and TPE franchises
- to develop and approve, and oversee the implementation of, a long-term Rail Strategy
- to establish geographical sub-groups as proved for below, whose functions would include the appointment of representatives on the RNL Board
- to provide political leadership and oversight of RNL

## **1.5 Sub Groups**

The LC will establish a number of geographical sub-groups of LTAs whose composition will be decided by the LC and whose function would be to appoint a person to serve as a director of the Board of RNL. In determining the composition of the sub-groups, account will be taken of factors such as:

- local authority, LEP and LTB linkages;
- the geography of the rail network; and
- the need to ensure inclusivity and representation across the North.

*The shadow LC has agreed initially to establish the following eleven sub groups*

- GMCA
- West Yorkshire (plus York)
- South Yorkshire
- Merseyside (including Halton)
- North East (Tyne and Wear, Durham and Northumberland)
- Lancashire and Cumbria (including Blackpool and Blackburn and Darwen)
- Tees Valley (Darlington, Hartlepool, Middlesborough, Redcar and Cleveland and Stockton-on-Tees)
- North Yorkshire
- Humberside (East Riding, Hull, North Lincs, North East Lincs)
- Cheshire and the Potteries (Cheshire East, Chester West and Chester, Warrington, Stoke, Staffordshire)
- East Midlands (Derby, Derbyshire, Nottingham, Nottinghamshire, and Lincolnshire)

It is expected that decisions on appointments by geographical sub-groups would be reached by consensus. However where votes are taken the same system of weighted voting would apply as on the Leaders' Committee.

## **1.6 Administrative support and Funding**

The LC will appoint the Chief Executive of one of the LTAs as Secretary to be responsible for providing administrative support.

The minimal costs of the joint body will be apportioned between the partner LTAs as agreed by them, probably on the basis of voting rights.

## **2. THE SPECIAL PURPOSE VEHICLE – RAIL NORTH LTD (RNL)**

### **2.1 Establishment**

Members of the Association will establish the SPV as a company limited by guarantee called Rail North Ltd (RNL). The SPV will be established

pursuant to the well-being power under sections 99 and 102A of the Local Transport Act 2008 and the functional power of competence under sections 11 and 13 of the Localism Act 2011 in the case of CAs / ITAs and the general power of the competence under section 1 of the Localism Act in the case of county and unitary councils.

The key decision-making bodies within the SPV will be the members of the company and the board of directors.

## **2.2 Board of Directors**

Each of the geographical sub-groups established by the Leaders' Committee will appoint one member to the Board of RNL. Each sub-group will have the power also to appoint an alternative director. Voting on the board would be on the basis of one director, one vote although it is expected that most decisions would be taken by consensus. However, given the substantial variations in the proportions of rail usage between the various sub-groups approval of certain key matters (mainly relating to finance) would be reserved to the members of the company.

The Board would be supported in managing RNL by a dedicated Executive Team of officers of the Rail North partner authorities and the PTEs.

## **2.3 Members of RNL and Reserved Matters**

All the members of the Association are eligible to become members of RNL. The voting entitlement of each member will be based on the voting power each member based on rail usage as set out in the Appendix. Decision on the reserved matters will require the approval of members holding collectively at least 75% of the weighted voting entitlement. The reserved matters will include:

- Any change to the articles of the company
- Any partnership / shareholders' agreement between RNL and the DfT and other major commercial agreements
- Approval of RNL's annual and medium-term business plan
- Expenditure above certain limits
- Borrowing and the giving of financial guarantees

## **2.4 Funding**

Members would make an annual payment to cover the running costs of the Company to be apportioned in accordance with voting rights. Prior the commencement of the franchises in February 2016, this is likely to be a relatively nominal amount. Arrangements may need to be reviewed when the level of risk/expenditure to be borne by RNL under the partnership arrangement with DfT is established. However, in these circumstances, LTAs would have the opportunity to withdraw (or alter their status within RNL) before the franchise agreements are operative, if unwilling to accept risk or make increased payments.

## 2.5 Functions of RNL

The principal initial functions of RNL will include:

- To oversee local authority input into the design of the franchises including the specification and commercial arrangements
- To develop proposals with DfT for a single integrated partnership structure to assume responsibility for managing the franchises

## 3. DFT / RNL PARTNERSHIP

Rail North officers are engaging with DfT officials in relation to the governance arrangements for the DfT / RNL partnership. A paper with proposals will be brought forward for consultation in due course.

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### **Provisional Weighted Voting on Leaders' Committee and RNL members' meetings (based on percentage share of passenger revenue)**

Analysis by Local Transport Authority

<b>Transport Authority</b>	<b>Weighted Voting Share %</b>
Blackburn with Darwen Borough Council	0.9%
Blackpool Borough Council	1.7%
Cheshire East Council	1.6%
Cheshire West and Chester Council	0.6%
City of York Council	3.1%
Cumbria County Council	3.4%
Darlington Borough Council	0.6%
Derby City Council	0.1%
Derbyshire County Council	1.3%
East Riding of Yorkshire Council	1.6%
Greater Manchester Combined Authority	25.7%
Hartlepool Borough Council	0.3%
Hull City Council	1.7%

Lancashire County Council	6.4%
Lincolnshire County Council	0.5%
Liverpool City Region Combined Authority	6.2%
Middlesbrough Council	0.7%
North East Combined Authority	4.2%
North East Lincolnshire Council	0.4%
North Lincolnshire Council	0.4%
North Yorkshire County Council	4.1%
Nottingham City Council	0.6%
Nottinghamshire County Council	0.3%
Redcar and Cleveland Borough Council	0.4%
Sheffield City Region Combined Authority	6.5%
Staffordshire County Council	0.1%
Stockton-on-Tees Borough Council	0.5%
Stoke-on-Trent City Council	0.2%
Warrington Borough Council	1.1%
West Yorkshire Combined Authority	23.5%

***Note: These percentages are being reviewed to take account of the most recent data***

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