

## **APPENDIX 1 – PROPOSED RAIL NORTH GOVERNANCE ARRANGEMENTS**

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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 TPE 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 below in Section 4. 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, the Long Term Rail Strategy
- to establish geographical sub-groups 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 11 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, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees)
- North Yorkshire
- The Humber (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 of each member based on rail usage as set out below in Section 4. 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 report with proposals will be brought forward for consultation in due course.

## **4. PROVISIONAL WEIGHTED VOTING**

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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***