1. **Purpose of the paper**
   To present to directors a package of changes to the RSSB governance arrangements, a Strategic Business Plan for 2014/19 and a budget for 2014/15 for approval, following consultation with members and stakeholders.

2. **Documents for approval and consultation**

2.1 Consultation with members closed on 16th December 2013.

Responses were received from members and others as follows

Breakdown of responses:

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOCs</td>
<td>5</td>
</tr>
<tr>
<td>FOCs</td>
<td>2</td>
</tr>
<tr>
<td>Network Rail</td>
<td>1</td>
</tr>
<tr>
<td>ROSCOs</td>
<td>3</td>
</tr>
<tr>
<td>Infrastructure Contractors</td>
<td>2</td>
</tr>
<tr>
<td>Suppliers</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>15</td>
</tr>
</tbody>
</table>

**Others**

(RIA and Passenger Focus) 2

All respondents supported the consultation documents as proposed with no objections or proposals for change. Accordingly, the following documents are presented for approval:

a) Constitution Agreement (CA) to commence 1.4.2014

b) Articles of Association to commence 1.4.2014

c) Strategic Business Plan (SBP) for 1.4.2014 to 31.3.2019

d) Member funded budget for year 1.4.2014 to 31.3.2015

2.2 The final version of the CA is in the form consulted with members during November/December 2013. The only difference from the document presented to the board in November, is the deletion of the word ‘co-operation’ from Clause 2.1
as agreed at that meeting. The Articles of Association have been updated to reflect the changes in the CA and were also subject to the consultation with members. **Directors are now asked to approve both documents for presentation to a General Meeting of Members**

2.3 The SBP is as presented to the board in November 2013 and in the form that was consulted with members. **Directors are asked to approve it as a reserved resolution.**

2.4 The member funded budget set out at Annex D is tabled under the existing CA and will become the year one funding in the new Constitution Agreement. **Directors are asked to approve this as a reserved resolution.** Provided the new CA comes into effect on 1.4.2014, the members levies will be used to populate the schedule of levies that members are subject to in year one and thereafter used to calculate the annual adjustment.

3. **Next Steps**

Subject to directors approval the CA and Articles will be submitted to a members’ general meeting and following that the CA will be presented to the ORR for their approval. Directors’ approval of the SBP and Members funding arrangements for 2014/15 will enable the executive to finalise an expenditure budget for 2014/15 to be presented to directors in March 2014.

4. **Recommendations**

The board are asked to:

- **APPROVE** the revised Constitution Agreement and Articles of Association for adoption at a members’ General Meeting.
- **APPROVE** the Strategic Business Plan as a reserved resolution
- **APPROVE** the budget for 2014/15 as a reserved resolution and **NOTE** that it will become the year one baseline for levies for the new Constitution
- **DELEGATE** authority to the executive to finalise the documentation for the General Meeting.

Supporting documents:

- Annex A  Constitution Agreement
- Annex B  Articles of Association
- Annex C  Strategic Business Plan
- Annex D  Members’ Budget for 2014/15 levies
ANNEX A: Constitution Agreement
ANNEX B: Articles of Association
ANNEX C: Strategic Business Plan

These documents are available at:
http://www.rssb.co.uk/AboutUs/Pages/CORPORATEGOVERNANCE.aspx
(scroll to bottom of page; the link is called 'Notice of Proposal for Change: A Members and Stakeholders Consultation'.)

ANNEX D: Member Funding Budget for 2014/15 – Year one of the five year funding set out in the Constitution

It was agreed by directors at the July and September board meetings that the 2014/15 budget for core member funding would a) become the baseline for the five year funding and b) be based on the outturn for 2013/14, together with known/agreed changes.

The outturn forecast for 2013/14 as at October 2013 is for expenditure on member funded activity of £19.6m which is in line with the approved budget.

The two variances that it was agreed to make to this figure to arrive at the members’ levy budget for 2014/15 are:

I. The application of RPI-1. RPI in July 2013 was 3.1% and therefore the adjustment is +2.1%
II. RSSB directors and members, through consultation, have agreed that RSSB seek to accumulate a contingency fund of £1.25m over the life of the five year funding settlement and this will be achieved by the addition of £250,000 to the baseline figure for members levies (but not included in the expenditure budget)

| Outturn for 2013/14 | £19.60m |
| Plus RPI-1 = 2.1% | £20.01m |
| Plus contingency (£250k) | £20.26m |

So Members fees for the base year (2014/15) will be £20.26m.

Further agreed adjustments, which will be dealt with bilaterally with the companies concerned are:

I. The proposed arrangement with Network Rail, whereby they will pay for the RSSB work undertaken in the ERTMS project through an addition to their membership fee. This has been agreed in principle but will not be factored into the calculation of members’ levies. When and if agreed the adjustment will be inserted into the schedule of levies and treated as part of the NR levy for subsequent price adjustment.

II. The introduction of the new rolling stock system (R2) during 2014/15, whereby members who are users/funders of the RSL and RAVERS systems will stop paying their fees to ATOS and will instead pay (lower) fees to RSSB. When these are introduced the relevant R2 charge will be added to the schedule of levies for each particular member and treated as part of the levy for subsequent price adjustment. Members who are not bound to RSSB by licence condition will also be asked to sign an agreement to continue paying RSSB in the event of their ceasing to be members.