1. Purpose of the paper

1.1 To raise awareness of the various governance arrangements in place for the technical strategy and for industry innovation and to consider how to position RSSB within this.

2. Background

2.1 The CP5 funding settlement for Network Rail, and the new Business Plan for RSSB lead to changes in the funding mechanism for research, development and innovation. Since the last summary was provided to directors, there have been further developments:

- DfT has specified an innovation fund within Franchises – with roles for TSLG and Future Railway – 1% franchise turnover
- As reported in the CEO Report, DfT has offered to make further funds available to RSSB for innovation – possible £19m
- The Rail Supply Group (RSG) has been formed with a Technologies and Innovation work stream, with support identified from Future Railway

A short presentation will provide summary details on developments in the management of innovation in rail.

2.2 The funding arrangements, and outline governance structures, including NR activity, were captured in this graphic that has been used fairly widely.
2.3 For RSSB the sources of funds for Innovation in 2014/15 are as follows:

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Value in 2014/5</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HLOS Settlement, via NR Regulatory Asset Base</td>
<td>£18m</td>
<td>Could be reduced if grant from DfT comes through</td>
</tr>
<tr>
<td>2. DfT Core Grant</td>
<td>£3.5m</td>
<td>Share of £9m Grant – see CEO report</td>
</tr>
<tr>
<td>3. Potential Grant from DfT</td>
<td>£18.9m</td>
<td>Funding being offered</td>
</tr>
<tr>
<td>4. R&amp;D reserve</td>
<td>None planned</td>
<td>Available to cover additional activity</td>
</tr>
<tr>
<td>5. Franchising Innovation Fund</td>
<td>&lt;£1m</td>
<td>Future Railway (administration of)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>&gt;£40m</strong></td>
<td></td>
</tr>
</tbody>
</table>

2.4 The graphic in 2.2. shows the strategic direction for all of the funding coming through, and the steering role of RDG Technology and Operations group. However, the emergence of the Rail Supply Group, including the board decision that TLSG should be responsive to and undertake work sponsored by the RSG leads to the following form of relationships:
3. Discussion

3.1 In light of these developments there are a number of questions the board may like to consider around the topics of:-

- The evolution of the Rail Technical Strategy
- Interfaces and support for Rail Supply Group
- Governance – effectiveness and efficiency
- Skills and resources for Future Railway
- RSSB core research activities

4. Recommendation

4.1 The board is asked to CONSIDER the implications of the developments outlined and provide guidance to the executive.