

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED
held at
1 Eversholt Street, London NW1 2DN
on
Thursday 23 April 2015 at 11.30am**

Present: Richard Parry-Jones (Chair 15/52 – 15/56) Janis Kong (Chair 15/57 – 15/67)
Malcolm Brinded Michael O’Higgins
Patrick Butcher Paul Plummer
Mark Carne Bridget Rosewell
Sharon Flood
Chris Gibb

In attendance: Suzanne Wise Barney Wyld
Phil Hufton Jerry England
Francis Paonessa
James Menzies – Secretary
Simon Linnett, Rothschild (min 15/63)

MINUTE NO.		ACTION
15/52	CHAIRMANS REMARKS	

Richard Parry-Jones opened the meeting by congratulating all concerned, but especially Francis Paonessa and his team on a successful Easter programme of works. The board added their thanks and congratulations. The Chair asked that these be passed on to the teams.

The Chair then summarised his Network Rail activities since the previous meeting, including his trip with the Secretary of State in March to launch the Northern Transport Strategy and his visit to LNE to hear about their continuing journey towards structured continuous improvement.
He also reported on his visit to London Bridge during a peak commuter time and was encouraged by the visibility of staff assisting passengers, but still thought we did not have sufficient passenger information delivery systems.

The Chair and Mark Carne had delivered the business briefing in Derby, which had gone well. The Chair then reported on his meeting with Anna Walker on 22 April, which was in preparation for the joint board meeting on 27 April.

15/53	PREVIOUS MINUTES	
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The Minutes of the Board meetings of 6 March and 19 March were **APPROVED** **SEW(JM)** subject to some minor adjustments.

15/54	ACTION LIST	
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The Action List was **NOTED** and would be updated.

15/55	DIRECTORS’ CONFLICTS OF INTEREST	
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Richard Parry-Jones asked for any updates to the listed Directors’ Conflicts of Interest. Chris Gibb reported that he has been asked by the Channel Tunnel Intergovernmental Commission ("IGC"), which represents the UK and French governments on matters concerning the Channel Tunnel, to conduct an independent investigation into the Management of Disruption by Eurotunnel. He will be doing this jointly with a French representative, M. Claude Gressier. Both ORR and DfT are involved with the IGC in various statutory roles and are both well aware of his Network Rail NED role. RAIB are also involved, on behalf of the IGC, in one of the incidents Chris Gibb’s investigation is to review.

Sharon Flood reported that she has been appointed to the Board of the Science Museum. The Museum has responsibility for the Railway Museum in York.

The Directors confirmed that there were no items on the agenda that they felt may cause a specific conflict.

BUSINESS OPERATIONS:

15/56

BOARD REPORT – P12

Barney Wyld and Francis Paonessa joined the meeting

General Discussion

Mark Carne led a general discussion on the Board report period 12. Specific issues included:

- Easter works safety – Mark Carne was pleased to confirm that the Easter works programme was carried out with a strong safety performance.
- Track access rights had been withdrawn from West Coast Rail, following a serious SPAD incident.
- Two empty freight containers had been blown off the track recently, and action was being taken with the freight industry to find a solution to this issue.
- The RMT Executive had not taken the advice of their General Secretary to accept the offer made by the Company to staff regarding the pay award, industrial action was therefore considered likely from mid-May. The Company would be sending letters to all affected staff today to ensure the Company's offer was clearly set out. Mark Carne also confirmed that contingency plans were being developed to mitigate against strike action to the extent that was possible and that a communication strategy was being developed by Barney Wyld's team.
- The two letters received from the ORR since the last board meeting. The first concerned the investigation on underperformance on PPM and the second concerned the setting of the scorecard for 2015-16. There followed some discussion on the ORR's views regarding the relative weighting of safety and performance, which was not in line with the Company's views.

In discussing the Period 12 Performance Report the Board requested that the quality of the narrative, the "so what", be improved and that when reporting against milestones it would be beneficial to show what overall progress had been achieved and what was still left to be done.

FINANCE REPORT – P12

Patrick Butcher led a general discussion on the Finance report for period 12. The Board requested that the Finance Report be consolidated into the Performance Report and Bridget Rosewell and Sharon Flood would meet with Patrick Butcher to discuss how best to achieve the consolidation.

PB/SF/BR

15/57

UPDATE FROM CIPD – SUB COMMITTEE

Janis Kong provided an update and summary of the work of the CIPD sub committee. The purpose of the committee had been in part to demonstrate evidence of preparedness for the Easter works programme. Projects had been selected due to their importance to stakeholders, high profile location and high passenger impact. Reviews were undertaken against an agreed format; presentations covered all risks and contingency plans relating to project works, network operations, passenger

handling, service recovery and communications. Attendance had included IP Directors, RMDs and primary TOCs.

Outstanding issues had been handed over to the Executive and were detailed in the tabled report. Two items in particular were discussed. Firstly, the issue with one signalling contractor, who had required substantial and continuous coaching, and secondly, the challenge as to whether the improvements that had been made since the Christmas overruns were sustainable on a long term basis.

The board noted:

1. The lessons identified in the report for the Executive to take forward as business as usual
2. That stakeholder feedback around the successful completion of the Easter Programme of works had been positive
3. That safety remained at the forefront
4. That the committee had met its remit
5. That the teams had risen to the challenge magnificently and should be congratulated on a job well done.

After discussion, it was agreed that the CIPD would be re-convened prior to Christmas 2015, for a half day meeting to review and confirm that the lessons learnt had been embedded into business as usual.

Francis Paonessa left the meeting

SEW

UPDATE ON THE BUSINESS PLAN

Patrick Butcher presented paper 25/15 and led the discussions on the business plan, focussing on the themes causing the business plan shortfall and actions proposed and an update on engagement with the Company's external stakeholders.

The Board discussed the reasons for the shortfall in the current Business Plan as against the Business Plan submitted in 2014. It was noted that there was not one dominant reason for the shortfall. A progress update would be brought back to the Board in six months' time on the reasons for the shortfall and the actions being implemented to address these.

The Board was taken through the remaining actions required in respect of the Business Plan. In particular it was noted that further work was needed in respect of renewals. A series of questions were being addressed (including why did the Company fail to deliver the renewals volumes in Year 1, why were the efficiency savings not delivered, what plans are in place to improve data quality in this area and are the proposed changes to renewals volumes in the later years sustainable and acceptable?) which would be brought back to the Board in the next Business Plan update.

The Board then discussed the engagement and interaction with both the DfT and ORR and next steps leading to a draft update of the Business Plan and Delivery Plan being provided to the ORR at the end of May and then to the DfT in early June. The DfT's work would be in part informed by the ORR's analysis.

APPROVALS

15/57

ACQUISITION OF GRAND CENTRAL SHOPPING CENTRE - UPDATE

Patrick Butcher provided an update on the acquisition of the Grand Central Shopping Centre. It was unlikely that, given the current financial constraints, the Company would acquire the entirety of Grand Central.

The board agreed that the Executive should continue exploring ways of jointly purchasing Grand Central with a third party with the aim of protecting the Company's position.

15/58 AIP 2014/15 - OUTURN

Mark Carne presented paper 26/15 which requested views on the out-turn to inform the Remuneration Committee's discussion on the AIP and the 2012-2015 LTIP, for the executive directors.

He reported that the Executive Committee's recommendation to the Board regarding the AIP was that no adjustment be made to the outturn, currently tracking at 20.3%, with 2 indicators being lagging so that the final outturn could not yet be confirmed. The recommendation to the Board regarding the LTIP was to reduce the calculated outturn from 8.2% to 6.25% due to the Financial Value Add (FVA) underpin being below target.

After discussion, the Board determined to recommend to the Remuneration Committee that they accept the Executive's recommendations for both the AIP and LTIP and to delegate authority to the Executive to make a non-material adjustment to the AIP figure to take into account the two lagging indicators. However it was noted that paying any bonus (even one of around 20% of 'target') in the context of business performance missing so many key targets would be a communication challenge and that the Remuneration Committee would have to consider all factors in the round, including the ORR's assessment of the year's performance.

The proposed score card for 2015/16 was then reviewed and the changes proposed to it, already informed by input from the Remuneration Committee were noted. The changes proposed to the Level Crossing Safety measure were not entirely clear and these would be discussed further with Malcom Brinded.

MC/MB

STRATEGIC THEMES

15/59 OPERATIONAL PERFORMANCE – TRAIN PERFORMANCE: INITIAL PERSPECTIVE/PLANS/PRIORITIES

Phil Hufton provided feedback following his first few months with the Company. He confirmed that he had no intention of changing the way Network Operations was fundamentally structured and organised, but that there were a number of actions he was implementing to improve performance. These included introduction of visualisation boards to assist with project and performance management, embedding structured continuous improvement via inter alia the Lean Academy, appointment of coaches to help people do the things we want them to do, the introduction of a weekly safety hour to enable people to reflect and learn from safety issues and repositioning of the National Operating Centre to move it from being a body that reacts to incidents, to one that proactively conducts operations.

15/60 UPDATE ON STE ORGANISATION

Jane Simpson's paper 27/15 providing an update on the proposed reorganisation of the Safety, Technical & Engineering (STE) function, as part of the latest phase of implementation of the Matrix Organisation Programme was taken as read.

15/61 DRAFT LETTER TO INCOMING SECRETARY OF STATE

Mark Carne shared his draft letter to the incoming Secretary of State for Transport. The board considered the letter and recommended that it should present a balanced view of Network Rail and the industry in general and that the focus on passengers and staff should be increased.

15/61 SAFETY – ANNUAL WORKFORCE SAFETY REVIEW

This item had been removed from the agenda.

15/62 TRANSPARENCY – EXTERNAL CRISIS MANAGEMENT COMMUNICATION

Barney Wyld provided a verbal update. He confirmed that his leadership team was nearly fully formed, with three out of the four positions now filled, but that he was still underpowered in media relations in particular, where further work was being carried out, as well as in the route and project teams. A detailed update paper on the Communications Strategy for 2015/16 was to be brought to the June Board Meeting.

Barney Wyld left the meeting

15/63 FUNDING & AFFORDABILITY – FINANCING OPTIONS

Simon Linnett joined the meeting

Simon Linnett presented paper 29/15, highlighting options that he considered viable regarding future funding and financing structures. There followed a short discussion on these options. Simon Linnett was thanked for his time and was asked to keep in touch with Patrick Butcher after the general election.

Simon Linnett left the meeting

15/63 TECHNOLOGY & INNOVATION – RAIL TECHNICAL STRATEGY

Jerry England joined the meeting

Jerry England presented paper 30/15 which provided the 2015 annual update and review of progress and plans for R&D investment to deliver both the Rail Technical Strategy and the Network Rail Technical Strategy.

Jerry England left the meeting

15/64 ANY OTHER BUSINESS

The Chair gave an update to the Board regarding progress on recruiting the replacement non executive director for Keith Ludeman.

15/65 DATE OF NEXT MEETING

The Board meeting would be held on the 4 June 2015.

15/66 COMMITTEE REPORT

NOMINATIONS COMMITTEE - 15.04.15

Janis Kong provided a brief note from the Nominations and Corporate Governance Committee meeting on the 15 April which was taken as read.

SHE COMMITTEE – 16.04.15

Malcolm Brinded provided a short verbal update from the last meeting, which had taken place in Bristol and included a site visit. He also commended the Executive on their decision to withdraw the licence from West Coast Railways due to the SPAD incident.

He recommended the Board looks at the video reconstruction of the Ironman runaway incident, which was very powerful and commended the balanced investigation that the incident had prompted.

REMUNERATION COMMITTEE – 12.03.15

Michael O'Higgins provided a short verbal update from the last meeting, including his discussions with DfT on the scorecard.

MAJOR PROJECTS DELIVERY

Malcolm Brinded provided a short verbal update from the last meeting. He reported that the committee would continue to meet fortnightly until July and that they were working to ensure that the DfT and ORR reviews stayed connected. Malcolm Brinded confirmed his upcoming meetings with Clare Moriarty and Collette Bow on 6 May.

AUDIT AND RISK COMMITTEE – 27.03.15

Bridget Rosewell confirmed that an additional ARC meeting had been held on 27 March. Topics discussed had included data quality and the information governance programme; asset data and regulatory reporting. The National Audit Office proposal had also received positive feedback.

15/67 BOARD FORWARD AGENDA

Suzanne Wise discussed the forward agenda.

There being no further business the Chairman closed the meeting.

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CHAIRMAN

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