

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED
held at Cottons Centre, Tooley Street, London SE1 2QG
on
Tuesday 19 April 2016 at 10:00am**

Present:

Sir Peter Hendy (Chair)	Chris Gibb
Rob Brighthouse	Janis Kong
Malcolm Brinded	Michael O'Higgins
Richard Brown	Bridget Rosewell
Mark Carne	Jeremy Westlake
Sharon Flood	

In attendance:

Suzanne Wise – Group General Counsel & Company Secretary
 Stuart Kelly – Deputy Group General Counsel
 Anthony Odgers - Shareholder Executive
 Clare Chalmers – Independent Audit
 Jo Kaye (min 16/61)
 Paul Harwood (min 16/61)
 Alasdair Coates (min 16/62)
 Phil Hufton (min 16/62)
 Charles Robarts (16/64)
 Karl Budge (16/66)
 Rob McIntosh (16/66)
 Robbie Burns (16/68)

Apologies

**MINUTE
NO.**

ACTION

16/56 CHAIR'S OPENING REMARKS

Industry and media reaction to the Shaw Report, which had been published on the day of the previous meeting, was noted as having been good. That report had broadly endorsed the direction that Network Rail had already been taking.

The outcome of the Bowe and Hendy reviews and the Shaw report would provide the context for the remainder of CP5. The focus would include delivery of CP5 enhancements, devolution to routes, improved train performance, financial performance to budget, selling assets to £1.8bn, and an improved safety record.

The Chair mentioned the funding that had been announced by the Chancellor in the Budget on 16 March 2016 to develop Crossrail 2. The Board was committed to Crossrail 2 being a jointly owned delivery company with TfL and Network Rail both involved. The work of the National Infrastructure Commission, which had also been mentioned in the Budget speech, was also briefly discussed, including the forthcoming review of East West Rail.

The Chair and Board complimented all those who had contributed to the successful delivery of the works during the Easter period.

The Chair welcomed the improved safety performance in the CEO's Board Report which was in no small part due to the CEO's personal and relentless conviction that improved safety performance was key; not only preventing death and serious injury but also to improve performance.

The Chair briefed the Board on the status of that part of the British steel industry in which the Company had a specific interest.

The Board had hosted a dinner with Stephen Glaister, Chair, and Joanne Whittington, Interim CEO of ORR, which was very positive. The Board was to have dinner with Patrick McLoughlin, the Secretary of State for Transport, in the evening of the day of the meeting.

16/57 PREVIOUS MINUTES

The minutes of the Board meeting of 16 March 2016 were approved subject to three minor amendments.

16/58 ACTION LIST

The Action list was reviewed and updated. Noting specifically:

16/39.1 – Weather resilience - the paper which explained the strategy for conductor rail heating and the performance of the CP4 winter resilience programme was welcomed. This part of the action was closed. The broader action relating to all-seasons preparations remained open pending a future paper.

15/90 – Communications strategy – An updated draft narrative document was tabled. Comments from the Board were gathered. These comments were to be fed-back to the communications team and the completed narrative circulated to the Board. This action was closed.

16/59 DIRECTORS' INTEREST

There were no additional interests to declare.

BUSINESS OPERATIONS

16/60 BOARD REPORT – P12

Mark Carne presented the Period 12 Board report. The contents of which were noted, and performance was discussed. The Board was complimentary of those aspects and where there was strong performance and challenged areas of under-performance.

Safety

There had been two serious incidents involving different train operators in the weeks preceding the meeting. One was at Plymouth station and the other at Hockham Road level crossing, Norfolk. The Board was briefed on both matters. Both matters were subject to investigations by the Rail Accident Investigation Branch (RAIB).

The Board expressed their sympathies to all those affected by the two incidents.

The safety elements of the scorecard showed that good progress had been made on safety. The LTIFR was 10% better than target and RIDDOR had reduced by 36% in one year. Strong performance was particularly notable in Track. There was a strong and widely held belief building in the Company, supported by evidence, that safety and performance go hand-in-hand.

The glide-path plan to close out the safety related recommendations was noted.

The Board discussed the challenges that were faced by the company as it sought to close level crossings.

Train performance

Train performance continued to be disappointing. It was noted that the company would be meeting its targets on PPM were it not for the performance in London & South East route, in particular the train operator GTR (Southern).

It was noted that more granular reporting by Route was desired by the Board in relation to train performance, but also more broadly. How Route performance was to be reported to the Board was being considered as part of the review of the Board Report.

Financial performance

The financial performance measure (FPM) was seen to have been dominated by the impact of the Greater Western Electrification Programme (GWEP). In addition LNW and LSE had both failed in relation to this metric demonstrating that improved financial discipline was required. There were also impacts arising from the weather related incidents at Lamington Viaduct and Dover Sea Wall.

Infrastructure Projects had had a strong year with approximately 60% reduction in overruns and achieving 9 out of 10 major milestones.

The Board requested sight of the performance of the enhancement programme specifically to provide assurance of what, if any, changes there were “against the *Hendy plan*”. A separate note would be circulated which showed the changes as at P13 2015/16.

The Board also requested a summary of progress on the asset sale programme on a quarterly basis.

JW

Satisfaction and reputation

The survey results which reflected customer satisfaction showed that there was still a long way to go to turn around this aspect of performance. It was considered that the inclusion in the forthcoming route scorecards of customer derived measures would be a significant contributor to future improvement of customer satisfaction.

Digital Railway

The Transport Select Committee had launched its inquiry on rail technology focusing specifically on signalling and traffic management. Mark Carne and David Waboso (on behalf of London Underground) would in due course be appearing before the Committee. David Waboso was to join Network Rail on 27 June 2016, and his appointment was welcomed by the Board.

The status of the business case for Digital Railway and its funding position was discussed.

Financial report

The trends were noted as in line with forecasts. The additional information and presentation in the report was welcomed. Year-end results would be before the Audit & Risk Committee on 11 May 2016 and a review of the 2015/16 financial performance would be brought to the June Board meeting.

JW

The aggregate costs that were directly associated with the unduly adverse weather conditions would be summarised in the next Board Report or circulated to the Board outside the meeting.

JW

16/61

SOUTH WESTERN FRANCHISE ALLIANCE PROPOSALS

Jo Kaye and Paul Harwood presented paper 32/16. This paper requested approval for the approach to and proposals for the South Western franchise process, with specific focus on the Company’s aspirations for a future Alliance.

The Board commented on the paper and the preferred approach in respect of the franchise process.

Subject to the inclusion of comments, the approach set out in the paper was **APPROVED**.

16/62 ROUTE PRESENTATION – LONDON & SOUTH EAST

Alasdair Coates and Phil Hufton presented a business update on London & South East Route.

The significant performance challenges faced by this route were energetically discussed in some detail. The changes that had already been made to improve performance, including the response times to operational issues in the first 8 miles from London Bridge were noted, but the limited access opportunities were considered to always present a challenge to a step change in performance. It was also noted that performance improvement required not only improvement from Network Rail but also improvements in the timetable and also by the TOCs operating in the Route. The steps being taken, to drive the cross industry improvement that was required were discussed.

The Board was briefed on the preparations for the increase in services in 2018 arising from the conclusion of the latter stages of the Thameslink programme. It was viewed as essential that there was a strong Route Sponsor and team implementing the Thameslink programme into the operational railway.

Phil Hufton and Mark Carne would come back to the Board with an update on improvements to performance (train and financial), the management structure, and the plan for achieving the service requirements in 2018. The Board would seek to accommodate the presentation either as part of a future Board meeting or a specially convened meeting.

MC
(Phil Hufton)

STRATEGIC THEMES

16/63 SHAW REPORT – NEXT STEPS

Mark Carne discussed the next steps, and their timings, arising from the Shaw Report. He was to present these to the DfT Board later in the month. The Board discussed the prioritisation of the next steps, the executive responsibility and possible governance arrangements. The fullness of the change agenda and tough timetable was acknowledged. It was agreed that the phasing of the plan needed to be carefully considered, in order to deliver devolution but also to manage business performance whilst doing so. The Executive were considering how best to report progress to the Board on the delivery of key milestones.

A more detailed plan would be presented the Board later in the year for further discussion and comment.

MC

16/64 KEY PRIORITIES FOR THE REGULATORY FRAMEWORK IN CP6

Charles Robarts presented paper 34/16. The paper requested feedback on our proposed priorities for the reform of the regulatory framework for CP6.

The Board discussed the objectives and the priorities set out in the paper. Subject to the comments gathered from the Board, further work would be done to support the Company's positions with robust evidence and an engagement plan. A short update to the Board would be provided in June 2016 and a more substantive update in approximately 6 months from the meeting.

JW
(Charles Robarts)

16/65 UNFUNDED STRATEGIC PROJECTS

Jeremy Westlake presented paper 35/16. The paper gave an update on the high priority programmes not included within the current business plan. The options for

potential sources of additional funding were discussed. The Board **NOTED** the paper.

16/66 TRAM TRAIN PILOT

Karl Budge and Rob McIntosh presented paper 36/16. The paper gave an update on the progress of the Tram Train Project as requested by the Board in October 2015 (15/128.2). The Board discussed the history of this project. It **NOTED** the conclusions of the full review and the recommendations for addressing the programme and cost variations were due in June.

APPROVALS

16/67 PROCUREMENT STRATEGY FOR ROUTE BUILDINGS AND CIVILS ASSET MANAGEMENT DELIVERY FRAMEWORKS

Jeremy Westlake presented paper 37/16. The paper requested approval for the procurement strategy for Route Buildings and Civils Asset Management Delivery Frameworks.

The Board **APPROVED** the proposed procurement strategy and provided authority to proceed to the pre-qualification stage of the tender process.

16/68 INVESTMENT PROJECT – GREAT WESTERN ELECTRIFICATION PROGRAMME

Robbie Burns presented paper 38/16.

The paper requested cumulative authority of £2.604bn (cash prices), including incremental authority of £0.746bn (cash prices), to progress GWEP covering contractual commitments to the end of March 2017. The Board discussed the progress and status of the programme generally.

The Board **AUTHORISED** the request.

The Board **NOTED** that a further submission would be made for contractual commitments beyond March 2017.

16/69 RISK APPETITE STATEMENTS

Bridget Rosewell presented paper 39/16. The Board noted that the risk appetite statements had been reviewed and discussed by the Audit & Risk Committee and the statements in the paper were those proposed by that committee.

The Board **APPROVED** the risk appetite statements as proposed by the Audit & Risk Committee.

16/70 COMPANY SECRETARY'S REPORT

Suzanne Wise presented paper 40/16. The periodic paper requested approval, ratification or noting for corporate compliance and governance matters.

The Board:

- **RATIFIED** the sealings
- **APPROVED** the sealing authorities
- **APPROVED** the amendments to delegated authorities in respect of the DfT Loan agreement.
- **NOTED** the governance and corporate law developments as set out in the paper.

GOVERNANCE

16/71 REPORT FROM REMUNERATION COMMITTEE MEETING – 16 MARCH 2016

Michael O'Higgins gave an update from the Remuneration Committee held on 16 March 2016.

REPORT FROM AUDIT & RISK COMMITTEE MEETING – 7 APRIL 2016

Bridget Rosewell gave an update from the Audit & Risk Committee held on 7 April 2016.

The Board **RATIFIED** the Management Assurance Return Letter that was sent to the Permanent Secretary to the DfT on 11 April 2016. This letter was the culmination of the Group Assurance Letter Process (GALP).

REPORT FROM NOMINATION COMMITTEE MEETING – 19 APRIL 2016

Janis Kong gave an update from the Nominations Committee meeting held on 19 April 2016.

16/72 INVESTMENT PANEL APPROVALS

The Board **NOTED** the update on investment schemes that were approved at the April 2016 Investment Panel. The Board also **NOTED**:

- procurement matters that had been approved by the Executive Procurement Panels; and
- matters approved by the Executive Committee.

16/73 BOARD FORWARD AGENDA

The June Board agenda was discussed.

16/74 DATE OF NEXT MEETING

The next Board meeting was confirmed for 9 June 2016 in Swindon.

16/75 ANY OTHER BUSINESS

There being no further business the Chair closed the meeting.

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CHAIR