

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED
held at 1 Eversholt Street, London NW1 2DN
on
Wednesday 16 March 2016 at 09:00am**

Present:

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

Suzanne Wise – Group General Counsel & Company Secretary
 Stuart Kelly – Deputy Group General Counsel
 Anthony Odgers - UKGI
 Richard Schofield (min 16/42)
 Ian Icton (min 16/43)
 Samantha Pitt (mins 16/44 & 16/45)
 Jo Kaye (mins 16/47 & 16/50)

Apologies

MINUTE NO.		ACTION
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16/37 CHAIR'S OPENING REMARKS

The Chair confirmed the publication of the Shaw Report on the day of the meeting. This had been a dominant feature of the preceding months.

The publication of the National Infrastructure Commission (NIC) reports on *High Speed North*, *Transport for a world city* and *Smart power* were also referred to, with the Board taking particular interest in the *High Speed North* report.

The involvement of Bridget Rosewell, in her capacity of Commissioner for the NIC, in the East West Rail proposals was noted.

The Chair and some other members of the Board had attended the 'run throughs' and the advanced preparations for the significant engineering works which were planned for the Easter break. The thoroughness of these preparations was praised.

The Chair provided an update on the status of the proposals for the Crossrail 2 entity.

The Chair thanked the Executive Committee for their contributions to the successful Board Strategy session that had occurred the day before.

16/38 PREVIOUS MINUTES

The minutes of the Board meeting of 24 February 2016 were approved subject to two minor amendments.

16/39 ACTION LIST

The Action list was reviewed and updated. Noting specifically:

Minute 15/139.2 – Seasonal preparedness and weather resilience

This action was to be widened to: 'providing the Board with a briefing on all seasonal

MC

preparations, including excessive heat in the Summer, leaf fall in the Autumn and below freezing temperatures in the Winter. The briefing was to present a national view of preparedness.' In relation to the update provided on conductor rail heating this had not been clear enough. The Board wished to understand whether or not the conductor heating provided a benefit, and if a benefit what was the strategy to make use of this. The paper had provided facts but no reasoned arguments or sense of strategy and plan.

**(Phil
Hufton)**

In addition the Board requested, in due course, an update on weather resilience generally and climate adaptation plans.

**MC
(Graham
Hopkins)**

16/40 DIRECTORS' INTEREST

Janis Kong noted, in connection with her role with Copenhagen Airports A/S, that a major shareholder in that company was Macquarie Group, who were mentioned in a later paper.

BUSINESS OPERATIONS

16/41 BOARD REPORT – P11

Mark Carne presented paper 20/16 the contents of which were noted; and highlighted the following matters:

Health, Safety & Wellbeing

Encouragingly the RIDDOR score continued to reduce, meaning the numbers of serious accidents are reducing. The score was expressed as a moving annual average. The Board requested more detail on the actual current trend.

**MC
(Clive
Berrington)**

However the Lost Time Injury Frequency Rate (LTIFR) remained difficult to reduce and in the last Period was moving in the wrong direction. The Board suggested that LTIFR reporting should include a breakdown of the score based on severity of LTI, by adopting a high potential matrix approach. The reporting of LTIs would be revisited to provide greater focus on material incidents. This topic would be brought back to the SHE Committee in due course.

**MC
(Graham
Hopkins)**

The Board asked for a briefing note on the plans ("glide path") to deal with the closure of the outstanding safety actions and recommendations identified in the Board Report.

**MC
(Graham
Hopkins)**

Level Crossings

There had been a long period of time without any fatalities on or around level crossings, but sadly there had been four incidents over a fortnight. Network Rail's condolences were expressed for all those whom had been affected.

To bring an even sharper focus on risk reduction at level crossings, at route level, the scorecards for the forthcoming year were to change. There was further discussion at item 16/43 below. The Board reaffirmed their commitment to reduce level crossing risk.

Weather and Station Capability at times of Disruption

The network had been affected by continued highly variable and extreme weather. This had included extreme localised flooding events south of Rugby. It was noted how quickly Euston Station had become overcrowded. The implementation of the crowd handling plan for this station was to be reviewed. The Board was briefed on the London Stations' plans for overcrowding that had been put in place following experiences at London Bridge Station in 2015. These plans were constantly reviewed and took into account growth in passenger numbers.

Performance & Scorecards

Overall PPM was noted as not as good as it should have been.

LSE continued to be a major inhibitor to the overall recovery of this score. Some Board members had visited LSE to provide objective challenge and assistance. The route dynamics and challenges were discussed generally. Clearer short, medium and longer term plans were being developed so that these could be shared with all the stakeholders who were understandably interested in the need to improve performance. The timetable constraints presented by future increased services, including those connected to Thameslink, which would similarly further limit opportunity for recovery was also discussed. The LSE Route was to present to the Board on 19 April 2016.

Great Western had also suffered a challenging period particularly in relation to Heathrow Express and the failure and subsequent withdrawal of the train fleet.

Each Board member was invited to attend an 'all routes' or individual route performance visualisation session.

Customer complaints

The positive trend relating to the time to deal with complaints was noted. It was confirmed that the prospective revised scorecard would record the number of complaints received as a measure. This was welcomed by the Board.

Composite Reliability Index (CRI)

The CRI was noted as well ahead of target for the majority of the asset classes. It was recognised that the SHE Committee saw more detail on this topic than had been included in the Board Report. Those Board members who required more detail can be separately provided with this additional information if requested.

Possession management

The Board discussed the value of maximising the use of "possession time".

A future briefing was requested to show the plans to increase productivity as a result of improvements in the use of such "possession time". This was to include (1) faster and safer isolations, (2) plain line track renewal and (3) depots/works delivery led night time activity. The Board requested sufficient discussion time be reserved for this matter.

**MC
(Francis
Paonessa,
Phil Hufton
& Graham
Hopkins)**

Future Scorecards

The Board was briefed on the intention to create simpler, more focused components in each route scorecard that will drive customer outcomes, including train performance and route specific level crossing risk reduction.

16/42

ROUTE PRESENTATION – Anglia

Richard Schofield presented a business update on the Anglia Route. As part of this presentation the route plans to improve safety performance were discussed. Road accidents being one of the route's biggest safety risks, the use of data from in-vehicle monitoring that might assist better safety performance was discussed. Confirmation was sought in respect of the ability to use such information whether or not a safety incident had actually occurred. In vehicle monitoring would be brought back to the SHE Committee as a topic in due course.

**MC
(Graham
Hopkins)**

All other aspects of the routes performance, including efficiency programmes and application of lean were covered in the presentation and discussion.

The Anglia route was promoting 3 applications for Transport and Works Act (TWA) Orders relating to the proposed closure of 143 level crossings. The Chair requested a briefing note on the progress and strategy for these TWA applications.

**MC
(Richard
Schofield)**

16/43

PEOPLE UPDATE

Your Voice

Ian Icton presented paper 22/16. This dealt with the key findings which had arisen from the Your Voice engagement survey. The survey had been undertaken in the Autumn of 2015. Some 18,233 employees had taken part but this was only 51% of the population which in of itself had been an indicator of poor levels of engagement. The timing of the survey and coincidence with national and local issues, and the possible impact on some of the scores was discussed. The next steps, including business unit plans, possible pulse surveys, communication and the use of technology to reach and engage the widest possible audience, was also discussed.

Remuneration – proposed 2016/17 scorecard

Ian Icton presented paper 23/16. This dealt with the proposed customer led scorecards for each of the routes which had been developed for the financial year 2016/17. Customers' support for this development had been positive and supportive.

Route specific train performance was to make up 20% of that route scorecard. Within this measure each route would have had choice from a menu of defined metrics and choice in respect of weightings to be applied; in order to reflect their customers' focus. 60% of the scorecards relating to safety, finance, asset management and investment were fixed both in terms of measures and weightings to provide comparability and consistency. The final 20% of the route scorecards reflected other measures, the Routes being given freedom to choose the metrics and weighting dependent on local customer need.

The Board were also taken through the proposed consolidated Corporate Scorecard. It was noted that as this year there was no corporate overlay being applied to the Route budgets the 16/17 Scorecard was implicitly more challenging.

The Board noted the progress that had been made and the proposed timetable leading to completion very shortly. The scorecards would be taken to the Remuneration Committee with a request for approval. The Board however approved the broad approach being taken.

Feedback from the Board was gathered for inclusion in the finalisation of the scorecard. In particular the need to provide focus for senior management on the need to meet budget, it being suggested this would be accommodated very clearly in the personal performance multiplier.

The discussions with the ORR were noted and the need for ORR, DfT sign off was also noted.

Pay strategy 2016

Ian Icton presented paper 24/16. This paper dealt with the pay strategy for (1) management grades (for July 2016) and (2) operations, maintenance and bands 5 to 8 (for January 2017).

The Board discussed the options for management grade pay deal and noted:

- the plans to commence discussions with the TSSA;
- the overall "pot"; and
- the proposed means of distribution which had been developed as part of the transparent pay process.

For operations, maintenance and bands 5 to 8 the likely outcome set out in the paper was also noted.

The contingency plans were also discussed. The level of contingency built into the plans being noted. When the Board are next briefed on this topic the contingency plans would be covered in more detail. An update would be provided to the Board in a subsequent meeting.

**MC (Ian
Iceton &
Phil
Hufton)**

STRATEGIC THEMES

16/44 ASSET DISPOSAL STRATEGY

Samantha Pitt presented paper 25/16, which requested approval of the Asset Disposal Strategy business case document.

Although the Board approved the broad thrust and contents of the Asset Disposal Strategy, before formal approval could be provided they required further clarification in respect of:

**JW
(Samantha
Pitt)**

1. The application of tax, including capital gains tax, or otherwise;
2. The accounting treatment of the proceeds of each or any of the proposed disposals of classes of assets under ESA10;
3. The funding of the fees, being and to be incurred, in preparing for each of the asset disposals (which were at risk pending any disposal);
4. The loss of income streams in respect of any asset disposed of; and
5. The *value for money* requirements for (a) assets divested and (b) reinvestment in assets/enhancements created.

The creation of Network Rail Property Limited, to be chaired by Chris Gibb, was noted and approved as was the delegation of authority from the Board to NR Property Limited for approval of property transactions up to £150m in value.

16/45 INTRODUCING PRIVATE SECTOR CAPITAL INTO ENHANCEMENTS

Samantha Pitt presented paper 26/16. This set out the current framework for third-party railway enhancement investment, and the potential alternative financing and funding models for enhancements. It highlighted some of the opportunities and difficulties of adopting alternative approaches to financing and funding of enhancements. In particular the balance sheet treatment of any future third party funding and the core test of 'separability'. The Board noted the options and wished for all options to remain open for consideration.

The likely "building" of a project finance team was also noted.

APPROVALS

16/46 CP5 BUSINESS PLAN - APPROVAL

Jeremy Westlake presented paper 27/16.

A special Audit & Risk Committee (ARC) had been convened to review in more detail the CP5 business plan. This paper noted the findings of this review. In particular the need for very tight monitoring and cash management with clear triggers for escalation. It was requested that as and when each Route comes to the Board to present they should clearly cover their progress against budget.

As a result of this review and the recommendations of the ARC, the Board:

- **NOTED** the low level of headroom;
- **NOTED** the relatively high level of risk to delivery;

- **NOTED** the process for monitoring, triggering and escalation; and
- **APPROVED** the business plan.

16/47 MEMORANDUM OF UNDERSTANDING BETWEEN NR AND ORR

Jo Kaye presented paper 28/16. This paper provided a draft memorandum of understanding between Network Rail and the DfT, relating to the governance arrangements for the enhancements portfolio.

The Board **APPROVED** the current draft and **DELEGATED** authority to Mark Carne to sign the Memorandum of Understanding subject to any changes that he might consider appropriate.

16/48 FRAMEWORK AGREEMENT BETWEEN DFT AND NR

Suzanne Wise presented paper 29/16. A framework agreement between Network Rail and the DfT was entered into in September 2014. This framework agreement established how Network Rail and the DfT interact in terms of corporate governance and financial management. This document needs to be updated from time to time by mutual consent. The draft of the latest proposed revision was appended to the paper.

Subject to a final review by the Chief Financial Officer of the financial management parts of the proposed revision, the Board **APPROVED** the current draft and **DELEGATED** authority to Mark Carne to sign the revised framework agreement subject to any changes that he might consider appropriate.

16/49 DELEGATION OF AUTHORITIES

Suzanne Wise presented paper 30/16. The paper included the proposed annual revision of the Delegation of Authority Policy (DoA).

The Board **APPROVED** the DoA 2016/17.

16/50 EAST WEST RAIL PHASE 2 – RE-AUTHORITY

Jo Kaye presented paper 31/16.

The East West Rail Phase 2 (EWR2) project was noted as for delivery in CP6. The CP5 outputs required the completion of GRIP3. In order to inform GRIP 3 AFC and to support a Transport and Works Act application, the acceleration of some GRIP 4 deliverables was required. This necessitated re-authority.

The Board expressed some disquiet about the level of specification in the project and the underlying value for money (noting this was a matter for the DfT); and asked that these concerns be raised through the forums set up under the Memorandum of Understanding just approved.

The Board **AUTHORISED** expenditure of £53.388m to develop the project to GRIP 3.

GOVERNANCE

16/51 REPORT FROM NOMINATION COMMITTEE MEETING – 14 MARCH 2016

Janis Kong gave an update from the Nominations Committee meeting held on 14 March 2016.

The diversity target, the selection and fees for prospective non-executive directors and the Board effectiveness review was discussed and the Nominations Committee's conclusions endorsed.

16/52 BOARD FORWARD AGENDA

The April Board agenda was discussed.

16/53 INVESTMENT PANEL APPROVALS

A note gave an update to the Board of investment schemes that were approved at the February 2016 Investment Panel. This also provided an early sight of schemes to be presented to the March Route Large Projects panel and Investment Panel.

The approved schemes were **NOTED**.

The Board requested a similar update to that provided by Investment Panel be provided for all other "one level down" authorities that are exercised.

**SEW
(Stuart
Kelly)**

16/54 DATE OF NEXT MEETING

The next Board meeting was confirmed for 19 April 2016. The new location, the Cottons Centre, was noted.

16/55 ANY OTHER BUSINESS

The proposed communication to all Network Rail staff, relating to the Shaw Report, was reviewed.

There being no further business the Chair closed the meeting.

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CHAIR