

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED**
held at 1 Capital Quarter, Tyndall Street, Cardiff, CF10 4BZ
on
Wednesday, 26 April 2017 from 10:30am

Present: Sir Peter Hendy (Chair) Chris Gibb
Rob Brighouse Silla Maizey
Richard Brown Michael O'Higgins
Mark Carne Bridget Rosewell
Sharon Flood Jeremy Westlake

In attendance: Susan Cooklin – Route Services Director
Suzanne Wise – Group General Counsel & Company Secretary
Stuart Kelly – Deputy Group General Counsel
Anthony Odgers - UKGI observer
Michael Harrison – UKGI observer
Andy Thomas (min 17/48)
Alexia Course and James Jackson (min 17/49)
Professor Hansford and Stephen Jones (min 17/50)
Jo Kaye (min 17/51)
Francis Paonessa (min 17/52)
David Waboso and Michael Flynn (min 17/53)

Apologies: None

**MINUTE
NO.**

ACTION

17/54 CHAIR'S REMARKS

The Chair welcomed Michael Harrison from UKGI to his first Board meeting. Michael would replace Anthony Odgers as UKGI's observer at Board meetings. The Chair thanked Anthony for his valuable contribution to the Board and wished him well in his new role as chief financial officer at the University of Cambridge.

The Chair provided an update on the process for the recruitment of an additional Board member. It was also confirmed that Bridget Rosewell had been reappointed to the Board for another term.

Since the last meeting a General Election had been called. It was noted that this could affect some of the planned milestones for PR18 and the annual reporting cycle activities. Nonetheless Network Rail would continue with its work on its business plan and reporting.

The Board welcomed the appointment of Andrew Adonis as the permanent chair of the National Infrastructure Commission with Sir John Armit remaining as his deputy. The changes in the DfT were noted, with Philip Rutnam having joined the Home Office as Permanent Secretary, the Board welcomed Bernadette Kelly CB as the Permanent Secretary at the DfT.

Chris Gibb and Rob Brighouse provided a short update on their roles on the Thameslink 2018 Industry Readiness Board and the East West Rail project respectively.

The Board welcomed the final completion of all the works to the wall at Shakespeare Bay, Dover following the opening of the line between Folkestone and Dover Priory in September 2016.

The first of the route supervisory boards had been convened; for the Western Route. The chair was Dick Fearn. Progress was being made with the appointments to the

other route boards. Dick Fearn's appointment had been well received at the ORR board, as had the knowledge that the Network Rail Board held meetings in the regions, in Scotland and in Wales; and Transport Focus was supportive of route supervisory boards at a recent RDG meeting.

As a preamble to the presentation of a paper to the Board for the 2017 approval of the Delegation of Authority Policy, there would be a separate discussion with some members of the Board, exploring the clarity of the authority thresholds and controls.

SMK

The Board noted the new Cabinet Office Code of Practice for arm's length bodies; a copy would be circulated to Board members.

SMK

Finally, the Board welcomed the timely publication of the suite of route scorecards.

17/55 PREVIOUS MINUTES

The minutes of the meeting of 16 March 2017 were approved subject to one minor amendment.

17/56 ACTION LIST

The Action list was reviewed and a number of actions closed.

17/57 DIRECTORS' INTERESTS

Chris Gibb reminded the Board of his role as a member of the Welsh Government's Transport Strategic Advisory Board.

BUSINESS OPERATIONS

17/58 CEO BOARD AND FINANCE REPORT – P12

Susan Cooklin presented the Period 12 Board report.

CEO Board Report

Easter Works

During the Easter bank holiday weekend more than 200 projects (with an approximate investment of £70m in the infrastructure) were successfully delivered. This performance was a credit to the 13,000 rail workers who worked over this period and all those involved in the planning and logistics.

Safety

LTIFR remained close to target and both Close Calls Closed and Train Accident Risk had seen positive moves towards target. Close Calls that had been raised significantly exceeded target. Despite improvements the Level Crossing Risk reduction was expected to miss target.

Performance

Train performance overall continued to be a challenge but was beginning to show signs of "green shoots". However performance in the Scotland route continued to improve, Wessex route achieved the highest PPM in two years and LNW route helped to improve Virgin West Coast PPM from 84% to 89.1%.

The re-opening of the Settle-Carlisle line received positive media publicity. However, the closure of Euston due to a cable fire had impacted the rest of the network, particularly the West Coast Main Line.

The Board asked for a summary note, using an example, to explain the process for deciding the deferral of renewal activity.

**MC
(Graham
Hopkins/
Martin
Frobisher)**

The Board praised the successful anti-trespass campaign that had been run and

which would continue through the 2017 Summer.

The Top 10 enhancement milestones remained on target but with continued cost and time pressures on the whole programme.

Transformation and Business Briefings

The annual business briefings had commenced. These were even more route focused than those conducted in 2016. These sessions continued to focus on the transformation and the “5Cs”. Each Board member had been invited and intended to attend at least one of the events. The Board discussed the desired outcomes from these briefings.

Scorecards

The route scorecards (also referred to in the Chair’s remarks) had been settled. These scorecards included even greater alignment of incentives with the train and freight operating companies.

Finance Report

FPM

The draft full year unaudited results were presented. The Financial Performance Metric was adverse to the Business Plan. The Board discussed the reasons for this. The principal contributor was the higher renewals costs. Other contributors included higher schedule 8 and Network Operations costs. The Board asked for this to be discussed further with the benefit of a more detailed breakdown of the contributory factors.

JW

Asset Disposals

The Board was briefed on the status of the asset disposal projects. The Board was provided with an update on the discussions relating to the proposed sale structure in relation to Project Condor and the further work that was to be done to aid those discussions.

Efficiencies

The arrangements that had been put in place to provide focus and tracking on CP5 efficiencies were discussed.

CP6

Network Rail had responded to the ORR’s CP6 financial framework consultation document. The response had been approved by Treasury Committee.

Transformation and cost control/ efficiency

The Board discussed the plan for:

- transformation of Network Rail into a series of route based businesses closely aligned with passenger interests and,
- Network Rail’s approach to cost control and efficiency.

A further draft would be circulated and discussed at the next Board meeting.

MC

17/59

ROUTE PRESENTATION - WALES

Andy Thomas presented paper 36/17. The Board welcomed the review of the Wales route. This included the overall positive performance of the Wales route including safety, train and financial performance. The measures being taken in response to the “must wins”, including reducing delays per incident, were discussed. The benefits of the alliancing relationship with the train operator, ATW, and the future

franchising process were also discussed. The Board noted and welcomed the good relationship with the Welsh Government and other stakeholders.

17/60 WALES & BORDERS REFRANCHISING AND CORE VALLEY LINES

Alexia Course and James Jackson presented paper 37/17.

This paper provided the Board with an update of the Wales route's response and assistance to the Welsh Government's proposals for the new Wales & Borders franchise. This included the proposal to assume control of some of the Cardiff valley lines ("Core Valley Lines"). The Company's position was that, provided it was held harmless through any new structure, it would be supportive of the Welsh Government, as it would be beneficial to have arrangements against which to benchmark. The Board noted that this project was of strategic significance.

The Board discussed the role of the system operator and technical authority in the Core Valley Lines, depending on the nature of integration with the national rail network.

The Board also discussed the nature of any future transfer of assets. The team was asked to make enquiries about the previous transfer of the Welsh strategic road network. The team was also asked to provide a further paper to the Board summarising the advantages and disadvantages of the: (1) potential ways of divestment and (2) valuation methodologies.

JW

17/61 HANSFORD REPORT

Professor Hansford presented paper 38/17.

Professor Hansford had been asked by the CEO to carry out an independent review of contestability in the GB rail market in order to facilitate third party investment, infrastructure delivery and challenging costs and standards on the national railway. The paper presented his emerging recommendations. Feedback from the Board on the emerging recommendations was shared with Professor Hansford. A further draft report of the review would be discussed at the May Board meeting.

MC

STRATEGIC THEMES

17/62 EXECUTIVE PRESENTATION – SYSTEMS OPERATOR

Jo Kaye presented paper 39/17. This presentation provided the Board with a review of the purpose of the system operator, the operating model and the future of the system operator and its transformation plan, and was well received.

17/63 ENHANCEMENT PROGRAMME – HENDY REVIEW UPDATE

Francis Paonessa presented paper 40/17. This paper was a response to an earlier Board action for an update on the actions being taken on certain categories of projects rated in an enhancements review.. The Board **NOTED** the update on these projects and the progress that had been made.

The status of those projects where there were material changes, particularly due to costs estimates, that were to be discussed at future Portfolio or Project board meetings with the DfT, was to be shared with the Board at every Board meeting. The importance of NR management reviewing cost and time changes before DfT meetings was emphasised.

**MC
(Francis
Paonessa)**

APPROVALS

17/64 DIGITAL RAILWAY – SOBC & OBCs

David Waboso and Michael Flynn presented paper 41/17. This paper provided the

Board with a summary of the initial findings of the 5 strategic outline business cases for digital railway which had been led by Network Rail.

The Board welcomed and **APPROVED** the strategic direction.

Full SOBCs were to be shared with the Board as soon as possible.

**MC
(David
Waboso)**

17/65 REVIEW OF RISK APPETITE STATEMENTS

Jeremy Westlake presented paper 42/17. The Board **APPROVED** the proposed changes to the risk appetite level.

GOVERNANCE

17/66 PROSECUTION REPORT AND INCIDENT MAP

The Board **NOTED** paper 43/17.

17/67 EXECUTIVE COMMITTEE AND INVESTMENT PANEL APPROVALS

Jeremy Westlake presented paper 44/17. The Board **NOTED** the contents of these papers.

17/68 COMPANY SECRETARY'S REPORT

Suzanne Wise presented paper 45/17. The contents of this paper were **NOTED** and the Board **APPROVED** the dividend payment and share buyback from Network Rail (High Speed) Limited as set out in the paper.

17/69 BOARD FORWARD AGENDA

This was noted.

17/70 DATE OF NEXT MEETING

The next Board meeting was confirmed for 24 May 2017 in Bristol.

17/71 ANY OTHER BUSINESS

The Board agreed that it would consider in correspondence the proposal to bid by Network Rail Consulting (NRC) for the Program Management and Supervision Services, noting that NRC were due to come to the Board later in the year with a detailed update.

FOR NOTING

17/72 TRANSFORMATION IN ACTION: EXAMPLES FROM ACROSS NR

The Board **NOTED** Paper 46/17.

There being no further business the Chair closed the meeting.

..... CHAIR