

**MINUTES OF A MEETING OF THE BOARD OF
NETWORK RAIL LIMITED**

held at James Forbes House, 27 Great Suffolk Street, London SE1 0NS

on Monday 3 December 2018 from 10:00

Present:	Sir Peter Hendy (Chair) Rob Brighthouse Richard Brown Sharon Flood Chris Gibb Andrew Haines	Silla Maizey David Noyes Mike Putnam Bridget Rosewell Jeremy Westlake
In attendance:	Michael Harrison – UKGI observer Stuart Kelly – Group General Counsel & Company Secretary Helen Martin – Senior Assistant Company Secretary Caroline Murdoch – Director, Corporate Communications Jo Kaye (mins 18/196 and 18/205) Sam Chessex (min 18/197) John Halsall (min 18/197) Charles Robarts (min 18/205) Neil Kirkwood (min 18/205) Dushen Naidoo (min 18/205) Patrick Cawley (min 18/206) (by phone) Martin Frobisher (min 18/206) (by phone) Francis Paonessa (min 18/207) (by phone) Neil Thompson (min 18/207)	
Apologies:		
MINUTE NO.		ACTION
18/189	<p><u>Safety briefing</u></p> <p>There was a briefing on the safety and emergency evacuation procedures for James Forbes House.</p>	
18/190	<p><u>Chair's remarks</u></p> <p>The Board discussed:</p> <ol style="list-style-type: none"> 1. The ORR consultation document on “Improving Assisted Travel – a consultation on changes to guidance for train and station operators on Disabled People’s Protection Policy”. The Board would discuss Network Rail’s response further at its January 2019 meeting. 2. The ORR Enforcement Order relating to operational performance received by Network Rail (Enforcement Order). The Company was required to respond to the ORR by 15 February 2019, and the response would be discussed at the Board meeting in January 2019. 3. That Network Rail Consulting Limited had won contracts for work in Sydney, Australia and Boston, USA. <p>Network Rail Consulting Pty Limited (NRCPL), being the Australian subsidiary of Network Rail Consulting Limited, was entering into a contract with Transport for New South Wales (TfNSW) for the provision of system integration services (Contract).</p>	Loraine Martins

	<p>The Board had discussed the terms of this contract before the meeting, in particular the request for Network Rail Infrastructure Limited to provide a parent company guarantee. On this occasion, the Board AUTHORISED that the parent company guarantee be entered into. Further, the Board DELEGATED AUTHORITY to Jeremy Westlake (Chief Financial Officer) and Helen Andreou (Director Corporate Commercial) to sign and/or date any or all of the other documents and to take or procure to be taken any act or step considered by him (or her) in his (or her) absolute discretion to be necessary, desirable or expedient in connection with the Contract (including agreeing any amendments or variations thereto).</p> <p>The Board asked for a business update from Network Rail Consulting Limited.</p> <p>4. That the Secretary of State was considering which enhancements would be prioritised in CP6. The Board would be updated in due course.</p> <p>5. The recent Senior Leadership Conference, which had been well received by delegates. The Board praised Andrew Haines for his openness and honesty in his presentation and in responding to delegates' questions.</p> <p>6. A letter received from Transport for the North (TfN), which would be circulated to the Board and discussed at the upcoming TfN board meeting.</p> <p>7. That Simon Blanchflower, formerly Network Rail's Major Programme Director for Thameslink, had joined East West Rail Company as chief executive officer.</p> <p>The Board discussed how Network Rail demobilised large programmes and what more could be done to retain people in the business. This would be considered further by the Nomination & Remuneration Committee.</p>	<p>Nigel Ash</p> <p>Andrew Haines</p> <p>Alison Rumsey</p>
18/191	<p><u>Minutes of the previous meeting</u></p> <p>The minutes of the meeting held on 18 October 2018 were approved.</p>	
18/192	<p><u>Action list</u></p> <p>The Board discussed the Action List updates, and a number of actions were closed.</p> <p>It was AGREED that more needed to be done on reporting and communicating efficiencies as they were delivered in CP6.</p> <p>The Board also noted that whilst post completion reviews were done for capital projects, this discipline was less well embedded for business improvements. This would be addressed.</p> <p>The Board discussed the update on Network Rail Certification Body Limited (NCB). The future strategy for and scope of NCB would be reviewed and the outcome reported back to the Board in due course.</p>	<p>Jeremy Westlake</p> <p>Jeremy Westlake</p> <p>Andrew Haines</p>
18/193	<p><u>Directors' interests</u></p> <p>Sharon Flood reported that she had been elected to the Council of University of Cambridge, for a four year term with effect from 1 January 2019.</p>	
18/194	<p><u>Chief Executive's Board Report</u></p> <p>Amongst other things, the Board discussed:</p> <p>1. The tragic death of a colleague at Stoats Nest Junction, which was being investigated. The Board was saddened by the news on the South East Route, and asked that their condolences be passed to the family, friends and co-workers of our colleague.</p>	

	<ol style="list-style-type: none"> 2. The very sad death of a passenger who suffered fatal head injuries, apparently after leaning out of the window of a moving train near Bristol. The Board expressed its sorrow at this tragedy. 3. How Network Rail viewed risk, and the potential need for a wider definition of risk to be adopted. 4. The root and branch analysis of operating procedures taking place, to identify opportunities for safety improvement. This work was being done in conjunction with Route Heads of Safety to ensure that those who wrote and policed the procedures were not those who were now reviewing their efficacy. 5. Train performance generally, but more specifically the possession overrun on the Wessex route that badly affected passengers travelling to and from London Waterloo on Monday 19 November. The Board discussed some of the issues highlighted by this failure. 6. Two key elements of the Enforcement Order from the ORR relating to Network Rail's operational performance. The Board acknowledged that Network Rail needed to improve its analysis of performance, in particular to understand the root causes of problems. There needed to be increased focus on the leading rather than the lag indicators of performance. 7. Feedback from a robust session with the Executive Leadership Team (ELT) on 28 November on the initial findings of the 100 day review, and how that was being addressed. A further ELT session was planned for mid-December, with the proposal coming to the Board on 30 January 2019. 8. The current situation on Crossrail, and particularly the Western stations. 9. The update from the Group Digital Railway team. The Digital Railway strategy had been approved by Government. Feedback was awaited from the early market contractor engagement. The Board would receive a further update in late Spring 2019. 	<p>Andrew Haines</p> <p>David Waboso</p>
<p>18/195</p>	<p><u>Chief Financial Officer's Report</u></p> <p>The Board discussed the Chief Financial Officer's report, in particular:</p> <ol style="list-style-type: none"> 1. The financial performance of the business; 2. The current status of the asset disposal programme; 3. The ORR half year monitor, published on 29 November 2018; 4. The proposed Siemens/Alstom merger. The European Commission (EC) had stated their current view, to which Siemens Alstom had a right of reply until mid-December. The final EC view was expected by early February 2019; and 5. The possible implications for Network Rail of a 'no deal' Brexit, including the need for Network Rail to continue to be able to influence the work and thinking of bodies within the European Union because of their influence on the UK railway market. 	
<p>18/196</p>	<p><u>Timetable Update</u></p> <p style="text-align: center;"><i>Jo Kaye joined the meeting.</i></p> <p>Paper 118/18 updated the Board on the December 2018 'hybrid timetable' de-risking process, the May 2019 timetable process and gave an overview of the additional assurance steps that the PMO had established in seeking to de-risk timetable development and strengthen the operational readiness of Network Rail's Routes and operators.</p>	

	<p>The Board heard that some risk remained around the introduction of the December 2018 timetable, however contingency plans were in place where possible to mitigate disruption to passengers if it occurs.</p> <p>Related to the May 2019 timetable, Network Rail had made its complete offering to the rail industry on time, which all Operators were reviewing. Feedback was starting to be received; issues being raised tended to centre around gauging, stabling of rolling stock and platforms. The Board recorded its appreciation of all the work done in the Capacity Planning team to achieve this.</p> <p>The Board discussed the number of changes that needed to be processed at each timetable change, and noted that since the change control process was implemented after May 2018 the number of late requests for changes had reduced.</p> <p style="text-align: center;"><i>Jo Kaye left the meeting.</i></p>	
18/197	<p><u>Route review – South East</u></p> <p style="text-align: center;"><i>Sam Chessex and John Halsall joined the meeting.</i></p> <p>The Board had read paper 119/18, which provided an update on the South East route, and received a presentation covering, amongst other things:</p> <ul style="list-style-type: none"> • train performance • the tragic death of a worker at Stoats Nest Junction • Thameslink timetable changes • the Route's environmental plans and • CP6 readiness. <p>The Board discussed 'System Integration' whereby different parts of the whole system could be adjusted to help improve performance. This was an important opportunity for the Routes and, when used appropriately, would benefit passengers. The Board would receive periodic updates on progress towards system integration, including examples of how system integration has been successfully applied.</p> <p>The Board also heard of the work the Route was undertaking to develop a more robust assurance mechanism. The Board noted its support of this workstream as a priority and also for the learning from this project to be transferred and rolled out in other Routes.</p> <p style="text-align: center;"><i>Sam Chessex and John Halsall left the meeting.</i></p>	
18/198	<p><u>Hansford – Open for Business</u></p> <p>The Board discussed paper 120/18 which provided an update on progress made by the Open for Business programme, including business development activities.</p> <p>The 25 key enablers of change that Network Rail committed to in its response to the Hansford Review would be complete by the end of 2018. The programme was now moving to the benefits realisation stage, a key part of which was to embed the required culture change in the business.</p> <p>Work on contestability, while less advanced, was still progressing. The Board discussed the projects identified as contestable and noted that the next tranche was expected to be published within six months.</p> <p>The Board requested a further update on contestability and also Network Rail's approach to the unsolicited investment proposals it had received. The Board recognised that there was considerable work still to do to give stakeholders confidence in Network Rail's approach.</p>	Jeremy Westlake

<p>18/199</p>	<p><u>Function review – CFO directorate</u></p> <p>The Board reviewed paper 121/18, which provided an update on the CFO Directorate’s activities and progress over the last year.</p> <p>Amongst other things, the Board:</p> <ul style="list-style-type: none"> • noted that the accuracy of cash forecasting had improved; • acknowledged that while financial performance management had improved, there was more work to do on forecasting the cost of capital projects; • commended the work of the Property function, particularly towards the sale of Network Rail’s commercial estate; • noted the ways in which the Directorate engaged with external stakeholders and supported the wider business; • discussed the efficiencies targeted in CP6, and how the Board would be updated on progress; and • noted that work was underway to review the assurance framework, and that the Audit & Risk Committee would be kept abreast of this work. <p>A chart showing train service performance when a franchise was re-let would be shared with the Board.</p>	<p>Andrew Haines</p>
<p>18/200</p>	<p><u>CP6 Final Determination</u></p> <p style="text-align: center;"><i>Charles Robarts joined the meeting.</i></p> <p>The Board discussed paper 122/18 which summarised the Final Determination and proposed its formal acceptance.</p> <p>The paper set out the changes since the Draft Determination, summarised the requirements of the Final Determination and the next steps required to implement the Final Determination.</p> <p>The Board discussed:</p> <ul style="list-style-type: none"> • the Routes’ positions on the lead up to CP6, principally train performance which was particularly challenging following issues resulting from the May 2018 timetable introduction and the unusually hot summer. • the need to find an alternative method for measuring train performance, which more effectively reflected passengers’ needs and expectations from the railway. • the enhanced role to be played by the Railway Industry Boards during CP6. The Chair would write to the chairs of those boards, setting out the ORR’s expectations of these boards during CP6. • John Varley’s Network Rail Vegetation Management Review contained recommendations. which would be costed, and discussed with the ORR. <p>Following discussion the Board:</p> <ol style="list-style-type: none"> 1. ACCEPTED the ORR’s CP6 Determination, and 2. DELEGATED authority to the Chief Executive to formally communicate this to ORR following publication of the Review Notices. <p>The Board thanked Charles Robarts, Jeremy Westlake, Clive Berrington and Anit Chandarana and their teams for their valuable contribution and very hard work on securing a successful outcome for the CP6 Determination.</p>	<p>Peter Hendy</p>

	<p>The Board asked to see the pipeline of work that would be undertaken during the first two or three years of CP6, at least partly in preparation for CP7.</p>	Charles Roberts
18/201	<p><u>Business Plan CP5 – RF8</u></p> <p>Paper 117/18 updated the Board on the outcome of the RF8 process.</p> <p>The Board NOTED:</p> <ul style="list-style-type: none"> • That the RF8 submission was close to target and Network Rail’s response to the Draft Determination; • The variance for CP6; and • That the risks, as understood at this time, were consistent with those previously identified through the planning process and that no major additional risks had been identified. <p>The Board DELEGATED agreement of the annual budget baselines with HM Treasury and DfT to Jeremy Westlake and Andrew Haines.</p>	
18/202	<p><u>Approval of changes to the Network Licence</u></p> <p>The Board considered paper 124/18 which sought approval of proposed changes to Network Rail’s Network Licence, subject to the finalisation of detailed legal drafting.</p> <p>The Board APPROVED the acceptance of the proposed changes to the Network Licence and DELEGATED AUTHORITY to the Chief Financial Officer to approve acceptance of the revised Licence provided there were no material changes in the final consultation.</p> <p style="text-align: center;"><i>Charles Roberts left the meeting.</i></p>	
18/203	<p><u>Communications – Stakeholder review</u></p> <p>The Board reviewed paper 131/18 which provided the highlights from the most recent survey of the public, passengers and other stakeholders on their opinions towards Network Rai. The findings from this research would be used to inform the passenger communications and wider stakeholder communications strategies.</p> <p>The Board discussed:</p> <ul style="list-style-type: none"> • That the biggest driver of dissatisfaction of Network Rail was performance; • The range in satisfaction levels between passengers and non-passengers with non-passengers being more dissatisfied with Network Rail; • How the findings would be used to help promote a service culture throughout Network Rail; • Part of that culture change would require the Board to routinely focus on what different types of passengers on different Routes needed from the railway; further consideration would be given to this and a plan would be presented to the Board; • That while satisfaction was an informative lag indicator, what lead indicators would provide useful insight; and • The need to change Network Rail’s language and behaviours. Currently ‘train performance’ was measured, however using ‘passenger friendly’ terminology would be really important in driving the service culture change; it was hoped some of this would be reflected in the balanced scorecard for 2019/20. <p>The Service Strategy would be discussed at the Board Strategy Day in January 2019.</p>	<p>Andrew Haines</p> <p>Andrew Haines</p> <p>Caroline Murdoch</p>

<p>18/204</p>	<p><u>Interim Financial Statements 2019</u></p> <p>The Board discussed paper 123/18 which presented the draft interim financial statements for the Company for the six months to 30 September 2018. It was noted that the Audit & Risk Committee had reviewed the interim financial statements and recommended their approval to the Board.</p> <p>The Board also discussed the Interim Business Performance Report. The Company had committed to provide this interim report during discussions on the Strategic Outline Business Case for CP6 and the response to the Final Determination. Publishing this information supported Network Rail’s commitment to transparency of reporting during CP6.</p> <p>Following discussion, the Board:</p> <ol style="list-style-type: none"> 1. APPROVED the Interim Financial Statements for the period to 30 September 2018, subject to any necessary amendments identified during final independent auditor checks; 2. AUTHORISED the Chief Executive to sign the Interim Financial Statements on behalf of the Company; and 3. ENDORSED the publication of the Interim Business Performance Report 2019. 	
<p>18/205</p>	<p><u>Redevelopment of Euston Conventional Station</u></p> <p style="text-align: center;"><i>Jo Kaye, Neil Kirkwood and Dushen Naidoo joined the meeting.</i></p> <p>The Board discussed paper 125/18 which (i) outlined the key findings of the Strategic Outline Business Case (SOBC) for a development of Euston Conventional Station and (ii) the proposed approach to further development work in 2019/20.</p> <p>The Board:</p> <ul style="list-style-type: none"> • noted that the SOBC would be presented to the DfT’s Board Investment Commercial Committee (BICC) to seek funding to continue developing options during 2019/20; • noted that a sub-committee of the Property Supervisory Board regularly reviewed this project; • heard how the ‘families’ of development options had been determined and that it was proposed that the preferred family of options would be further developed and refined to identify the optimal solution; • discussed some of the measures being used. For example, passenger ‘walk time’ should not simply be the length of time taken to walk from point A to point B. It should also consider the simplicity of the route, accessibility, options for seating, safety, the availability of shops, cafes and/or other passenger services; • discussed likely interchanges between the Euston conventional station, the HS2 station at Euston and the London Underground tube station, and noted that it was expected that only a small number of passengers would interchange between the two Euston over-ground stations; and • asked for clarification of the benefits for the local community of improving east-west permeability across Euston Station, and what would drive those benefits. 	<p style="text-align: right;">Neil Kirkwood</p>

	<p>The Board:</p> <ol style="list-style-type: none"> 1. NOTED the findings of the SOBC, and ENDORSED the view that the development of enhancements at Euston was a strategic priority for Network Rail; and 2. ENDORSED the proposed approach, to develop an “affordable” single option for Euston Station within a “Refurbished” (“Family 1”) Strategic Design Concept in 2019/20; and on that basis 3. SUPPORTED the submission of the SOBC to BICC seeking development funding as set out in the paper. <p style="text-align: center;"><i>Jo Kaye, Neil Kirkwood and Dushen Naidoo left the meeting.</i></p>	
18/206	<p><u>Birmingham Gateway Project</u></p> <p style="text-align: center;"><i>Patrick Cawley and Martin Frobisher joined the meeting.</i></p> <p>The Board discussed paper 126/18 which sought authority related to the Birmingham Gateway Project.</p> <p>While the new Birmingham New Street Station had opened as planned in September 2015, some snagging works continued to be done and a number of contractual matters had arisen for which it was claimed that Network Rail carried some responsibility.</p> <p>Following discussion the Board:</p> <ul style="list-style-type: none"> • APPROVED the funds requested to enable delivery of the remaining works and currently estimated potential contractual liabilities; • NOTED how the amount requested would be funded as it straddled CP5 and CP6; and • NOTED the potential future risk associated with possible contractual claims. <p style="text-align: center;"><i>Patrick Cawley and Martin Frobisher left the meeting.</i></p>	
18/207	<p><u>Crossrail</u></p> <p style="text-align: center;"><i>Francis Paonessa and Neil Thompson joined the meeting.</i></p> <p>The Board reviewed paper 127/18 which sought funding to close out key commercial contracts and additional costs to complete residual scope for the remainder of CP5.</p> <p>Following discussion, the Board:</p> <ul style="list-style-type: none"> • APPROVED the amount requested in paper 127/18; and • NOTED the overall anticipated final cost, including the CP6 works. <p style="text-align: center;"><i>Francis Paonessa and Neil Thompson left the meeting.</i></p>	
18/208	<p><u>Committee updates</u></p> <p>The Board noted the written updates from recent meetings of the Nomination & Remuneration Committee, the Audit & Risk Committee and the Treasury Committee.</p> <p>The Audit & Risk Committee’s written update included that it had:</p> <ol style="list-style-type: none"> 1. reviewed the findings of 13 Audit reports and noted the status of each. In respect of cyber security, the Committee requested an in-depth presentation at the next meeting; 	

	<ol style="list-style-type: none"> 2. noted the progress that continued to be made in closing open actions; 3. approved the 2018/19 plan for 68 audits and reviews; 4. noted the pilot being run by South East Route in collaboration with Internal Audit, to test the concept of a Network Rail-wide controls framework; 5. received an update on the Group Assurance Letter Process (GALP) which would culminate in the Chief Executive's 2019 GALP letter; 6. reviewed the corporate risk profile, with particular focus on: <ol style="list-style-type: none"> a. Digital Railway; b. Business Continuity; and c. Supply Chain vulnerability. 7. reviewed the interim accounts; and 8. reviewed the regulatory escalator. <p>The Board received an oral update on the recent Safety, Health & Environment Committee meeting.</p>	
18/209	<p><u>Prosecution Report</u></p> <p>The Board noted paper 128/18.</p>	
18/210	<p><u>Executive Committee and Panel Approvals</u></p> <p>The Board noted paper 129/18.</p>	
18/211	<p><u>Company Secretary's Report</u></p> <p>The Board reviewed paper 130/18. Following discussion, the Board:</p> <ol style="list-style-type: none"> 1. APPROVED Network Rail's updated Modern Slavery Statement as presented to the meeting; 2. RATIFIED changes to the composition of subsidiary boards; 3. RATIFIED the use of the company seal as set out in paper 130/18; and 4. NOTED the governance and corporate law developments. 	
18/212	<p><u>Board forward agenda</u></p> <p>The Board discussed the draft agenda for the January 2019 Board meeting.</p>	
18/213	<p><u>Transformation in action</u></p> <p>The Board noted paper 132/18 which provided examples of transformation across the business. In future, the content of this paper would be included within the Board Report.</p>	
18/214	<p><u>Any other business</u></p> <p>None.</p>	
<p>There being no further business the Chair closed the meeting at 16:20.</p> <p></p> <p>..... Chair</p>		