

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

held at Manchester ROC, Wolverton Street, Manchester M11 2ET

on Wednesday 7 February 2018 from 09:00am

Present:	Sir Peter Hendy (Chair) Rob Brighthouse Richard Brown Mark Carne Sharon Flood	Chris Gibb Michael O'Higgins 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 Matt Steele (minute 18/07) (by phone) James Dean (minute 18/09) Clive Berrington (minute 18/08) Nicola Dean (minute 18/09) Jo Kaye (minutes 18/08 and 18/12) Martin Frobisher (minute 18/09) Graham Hopkins (minute 18/08) Andy Gent (minute 18/09) Phil Hufton (minutes 18/08 and 18/09) Chris Montgomery (minute 18/09) Charles Robarts (minute 18/08) Alexia Course (minute 18/13) Alison Rumsey (minute 18/08) James Jackson (minute 18/13)	
Apologies:	Silla Maizey	

MINUTE NO.	ACTION
18/01	<p><u>Safety briefing</u></p> <p>The Board was briefed on safety and the emergency evacuation procedures for the Manchester Rail Operating Centre.</p>
18/02	<p><u>Chair's remarks</u></p> <p>The Chair opened the meeting by:</p> <ul style="list-style-type: none"> • welcoming Mike Putnam to his first Network Rail Board meeting; • congratulating Bridget Rosewell on her appointment as Chair of Atom Bank; and • welcoming Clare Chalmers, who was observing the meeting as part of her review of the Board's Effectiveness. <p>The Chair and Board noted, with regret, Mark Carne's decision to retire as Chief Executive later in 2018. They remarked with enthusiasm and pleasure on the achievements made during his time as Chief Executive, and were delighted he would continue to act until a replacement was in post.</p> <p>The Chair and Board commended the Executive and wider workforce on the hugely successful delivery of works over the 2017 festive period, and asked that their thanks be formally recorded. The programme of works undertaken by 32,000 colleagues across 260 sites had been very ambitious, particularly when coupled with the opening of London Bridge Station on 2 January 2018. The Board noted that letters of thanks for the delivery of these works had been received from the Secretary of State and Chairman of Crossrail.</p> <p>The Chair had been disappointed by the collapse of Carillion (which had been caused by Carillion business unrelated to the railway) and noted that a fuller discussion on this and the implementation of the contingency planning was scheduled for later in the meeting.</p>

	<p>The Board noted the Secretary of State for Transport's comment to Parliament that the East Coast Main Line (ECML) "will only be able to continue in its current form for a matter of a very small number of months and no more". The ECML franchise would be scrutinised by the National Audit Office.</p> <p>The Board reflected on the role of the route supervisory boards, noting that they were industry forums, not Network Rail forums.</p> <p>It was noted that in the January 2018 reshuffle, the Prime Minister had appointed Jo Johnson MP as Minister of State at the Department for Transport and Minister for London.</p> <p>The Board also noted that Professor Stephen Glaister had been re-appointed as Chair of the Office of Rail and Road (ORR), for a further year.</p>	
18/03	<p><u>Minutes of the previous meeting</u></p> <p>Subject to one minor amendment the minutes of the Board meeting held on 23 November 2017 were approved.</p>	
18/04	<p><u>Action list</u></p> <p>The Action List was discussed and the updates were noted.</p>	
18/05	<p><u>Directors' interests</u></p> <p>The schedule of Directors' interests was discussed. A small number of amendments were requested.</p>	
18/06	<p><u>CEO Board Report</u></p> <p>The Board was updated on the Transpennine Route upgrade.</p> <p>The Statement of Funds Available for Scotland for Control Period 6 was £4.85bn (expressed in cash prices).</p> <p>The Board commented that the route and function commentaries were more upbeat than, say, 18 months ago which reflected the progress of devolution.</p> <p>The Board noted that human waste was still being discharged onto tracks, primarily by a relatively small number of older rolling stock and charter trains. This topic, including the safety hazard raw effluent presented to track workers, had been discussed with the ORR. Network Rail expected the rail industry to eradicate the discharge of human waste onto tracks by the end of 2019.</p> <p>The Board also noted that Network Rail was now being more fully compensated by insurance companies for the cost of dealing with lorries striking railway bridges.</p> <p>The Board congratulated Cindy Beckford who became a Member of the Order of the British Empire for her work leading Network Rail's cultural fusion network, and Jane Owen who received a British Empire Medal for her work on improving awareness of the needs of transgender people.</p>	
18/07	<p><u>CFO Finance Report</u></p> <p>The Board discussed the Chief Financial Officer's report.</p> <p>The Board noted that Schedule 8 costs were higher than expected, due in part to the monetary impact of people taking their lives on the railway network. The Board asked for an analysis of costs, setting out whether they were attributable to factors within or</p>	JW

outside of Network Rail's control. While Network Rail did have to consider the monetary cost of such incidents, the Board acknowledged that the emotional effect on the families, friends and colleagues of those affected by such tragedies far outweighed this financial cost.

The Board was updated on the disposal of Network Rail's commercial estate and other planned property transactions.

Regarding the Strategic Business Plan for CP6, the Routes had been engaging directly with the ORR about each of their plans in preparation for being allocated their individual regulatory settlements.

Matt Steele joined the meeting

The Board discussed the financial failure of Carillion, one of Network Rail's largest suppliers by value in 2017. The collapse was not attributable to the performance of Carillion's rail division, which employed approximately 1,200 people.

The Board also noted that Network Rail had had robust contingency plans in place, and this had allowed projects to keep running with only minor disruption.

The Board noted that Network Rail:

- had ensured that it understood the immediate and continuing safety accountabilities and measures in place with Carillion, and continued to review this weekly;
- had stress tested its plans for each of the projects that Carillion was working on, enabling those projects to continue while matters unfolded;
- had given a unilateral undertaking to PwC (the special managers appointed to support the Official Receiver) to underwrite the Carillion payroll until 15 April 2018 and generally to pay suppliers for all certified work performed after 15 January; which had broadly assured works would continue up to Easter 2018;
- had reached a general agreement with PwC to prioritise the payment of small suppliers for pre-liquidation costs to protect against supply chain contagion; and
- continued to assess the impacts on medium and large suppliers.

The Board noted that Network Rail's principal focus had been on larger projects, but asked that it re-reviewed the mitigations in place for smaller projects that could potentially impact upon larger programmes of work.

As a precautionary measure, the board **DELEGATED AUTHORITY** jointly and severally to the Chief Executive and Chief Financial Officer cumulatively up to £50m specifically to enable contingency plans to be enacted swiftly as required, with full re-authority being sought at subsequent Board meetings, if required. This authority is in respect of those projects that have an anticipated final cost in excess of the Executive Committee delegated authority.

The Board acknowledged that the Carillion situation was constantly evolving.

The Board commended the Executive and senior managers on their response to the financial collapse of Carillion.

Matt Steele left the meeting

The Board discussed the progress made by the Routes in developing business development capability for the capture of third party funding.

18/08

Strategic Business Plan (SBP) for CP6

Clive Berrington, Graham Hopkins, Phil Hufton, Jo Kaye, Charles Roberts and Alison Rumsey joined the meeting

1. Executive Summary

The Board discussed papers 01/18 to 05/18 inclusive, which gave an executive summary of the SBP and provided detail on the assurance work that supported the Network Rail Plan.

It was noted that the 'building' of this SBP had been a very different approach to that undertaken previously. There had been a series of iterations of both the Network Rail and the individual Route Plans, with detailed review and challenge at each stage including by Board members.

A draft, high level SBP had been presented to the ORR and had resulted in constructive discussion.

The Board provided additional feedback and challenge on the executive summary.

The Board would receive periodic updates on readiness for the first year of CP6 by reference to performance through the last year of CP5.

Two Board members who had been present at the time of the CP5 strategic business plan said they were hugely encouraged by the improvements that had been made compared with the previous process.

The Board recognised that a considerable amount of work had gone into developing the SBP over the last two years, and thanked Clive Berrington and Charles Robarts in particular for all their hard work in this respect.

2. Sustainability and Assurance

The Board noted that the ORR wanted a regulated 'floor' level target that monitored sustainability for the Routes. Paper 03/18 set out how Network Rail should measure sustainability and set a 'regulatory Floor level target' for CP6. Following discussion, the Board **APPROVED** the inclusion of the proposed measure and 'floor' level target within the SBP.

The Safety, Technical & Engineering (STE) directorate had developed forecasts of activity required to sustain the Network Rail's assets during CP6 and up to CP12. This advice had been shared with Routes to guide their planning and allow STE to assess whether the final Route plans were sustainable.

Having discussed STE's findings, as set out in paper 04/18, the Board **NOTED** the recommendation to direct group portfolio money to earthworks activity as the case to invest was made.

The Board noted (i) the level of guidance provided to inform the Route Plans, (ii) the level of assurance provided by STE's work and (iii) that the Route Plans should be adequate to cover safety and performance risk in CP6.

3. Train performance

Paper 02/18 presented the train performance plan developed from each Route's contribution in preparation for the submission of the SBP to the ORR.

The Board discussed:

- that to achieve the Plan train performance was required to improve before the end of CP5 and continue its upward trajectory throughout CP6;
- the relatively high proportion of 'reactionary delays', ie, delays as a result of an incident in a different location;
- that trains were delayed for a host of reasons (including many reasons not attributable to or wholly influenced by Network Rail), and thus required the rail industry to work together to improve performance; and

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	<p>The Board thanked the LNW team for their presentation.</p> <p><i>James Dean, Nicola Dean, Martin Frobisher, Andy Gent, Phil Hufton and Chris Montgomery left the meeting</i></p>	
18/10	<p><u>Executive Governance Structure</u></p> <p>Paper 07/18 informed the Board that devolution in Network Rail, separate regulatory settlements for Route businesses and the embedding of the matrix organisation, required the existing business performance management framework of executive meetings to be restructured.</p> <p>The Board ENDORSED the new executive governance structure.</p>	
18/11	<p><u>Hansford Update – Open for Business</u></p> <p>The Board discussed paper 08/18 which updated the Board on progress made in response to the Hansford Review, which had considered the barriers that prevented third parties building on, and investing in, the railway.</p> <p>An update on business development activities around the business would be presented to the Board in November.</p>	JW
18/12	<p><u>SOBC – Euston conventional station redevelopment</u></p> <p><i>Jo Kaye joined the meeting</i></p> <p>Richard Brown declared an interest in the matters to be discussed related to Euston Station and HS2 Limited. The remainder of the Board thanked him for declaring this potential conflict of interests and AGREED that Mr Brown’s continued participation in meeting during these discussions was appropriate.</p> <p>Paper 09/18 outlined the key findings of the Strategic Outline Business Case for the Redevelopment of Euston Conventional Station and proposed that this work was developed further. The Board acknowledged the depth of analysis behind the recommendation in the paper.</p> <p>During its review the Board (i) discussed some of the complexities around Euston Station remaining operational while the redevelopment took place, (ii) explored one specific element of the proposed design further, and (iii) asked if it would be possible to leverage other stakeholders’ support in redeveloping Euston as the ‘place to be’.</p> <p>Following discussion, the Board reiterated its support for the redevelopment of Euston conventional station.</p> <p>The Board ENDORSED the proposed approach to development work in 2018/19 and AGREED SUBJECT TO the usual financial authorities being obtained, the use of development funding identified by the Chief Financial Officer for the purposes of this work.</p> <p><i>Jo Kaye left the meeting</i></p>	
18/13	<p><u>SOBC – Core Valley Lines asset divestment appraisal</u></p> <p><i>Alexia Course and James Jackson joined the meeting</i></p> <p>Paper 10/18 updated the Board on the support Network Rail was providing to Welsh Government and Transport for Wales in the procurement of a new passenger rail service for Wales & Borders.</p>	

	<p>The Board noted that the Welsh Government's ambitions included the letting of a new franchise by May 2018 and the acquisition of the Core Valley Lines before April 2020 to enable a major transformation programme, which may modify the nature of the railway.</p> <p>The Board also noted that the Welsh Government was liaising with the ORR with a view to obtaining the regulatory clearance it would need to be permitted to run the network.</p> <p>Following discussion, the Board ENDORSED Network Rail's continued engagement with the Welsh Government on the potential divestment by Network Rail of the Core Valley Lines assets to Transport for Wales.</p> <p>Alexia Course and James Jackson were commended by the Board for their work so far on this transaction.</p> <p style="text-align: center;"><i>Alexia Course and James Jackson left the meeting</i></p>	
18/14	<p><u>Balanced Scorecard 2018-19</u></p> <p>The Board discussed Paper 11/18 which included the phase 1 submissions for each 2018-19 Route Scorecard. The Functional Scorecard submissions were being analysed.</p> <p>A further paper would be presented to the Board at its meeting in March.</p>	JW
18/15	<p><u>Committee updates</u></p> <p>The Board was updated on the recent activity of the Remuneration Committee.</p>	
18/16	<p><u>Prosecution Report and Incident Map</u></p> <p>Paper 12/18 was noted.</p> <p style="text-align: center;"><i>Michael O'Higgins left the meeting.</i></p>	
18/17	<p><u>Company Secretary's Report</u></p> <p>The Board reviewed paper 13/18, and:</p> <ol style="list-style-type: none"> 1. APPROVED the appointment of Mike Putnam as a non-executive director of Network Rail Limited and Network Rail Infrastructure Limited, effective from 8 January 2018; 2. APPROVED changes in the board composition of principal trading subsidiaries; 3. NOTED the completion of the share capital reduction in Network Rail (High Speed) Limited; 4. NOTED the publication of the Board minutes and associated tracker; 5. NOTED the governance and corporate law development as detailed below; and 6. RATIFIED the use of the company seal as set out in paper 13/18. 	
18/18	<p><u>Executive Committee and Investment Panel approvals</u></p> <p>The Board discussed the contents of paper 14/18.</p>	

18/19	<p><u>Board forward agenda</u></p> <p>The draft agenda for the meeting to be held on 6 March 2018 was noted.</p>	
18/20	<p><u>Alstom Siemens merger</u></p> <p>The Board noted paper 15/18 which provided an update on the proposed Alstom Siemens merger. Alstom SA and Siemens AG were major signalling and control suppliers to Network Rail. Work had been done to assess and mitigate any impact of such a merger on Network Rail, its contracts and supply chain. The Board would receive a further update in due course.</p>	JW
18/21	<p><u>Railways Pension Scheme valuation</u></p> <p>Paper 16/18 updated the Board on the results of the Actuarial Valuation of the Network Rail Section of the Railways Pension Scheme and for the Network Rail CARE Pension Scheme. The Board commended the final position of the scheme.</p>	
18/22	<p><u>Transformation in action</u></p> <p>Paper 16/18 which set out examples of transformation across the business was noted.</p>	
18/23	<p><u>Any other business</u></p> <p>Nothing was raised under this item.</p>	

There being no further business the Chair closed the meeting at 16:00.

..... Chair