

**MINUTES OF A MEETING OF THE BOARD  
OF  
NETWORK RAIL LIMITED  
held at 1 Eversholt Street, London NW1 2DN  
on  
Wednesday 20 January 2016 at 09:00am**

**Present:** Sir Peter Hendy (Chair) Sharon Flood  
Rob Brighouse Chris Gibb  
Richard Brown Janis Kong  
Patrick Butcher Michael O'Higgins  
Mark Carne Bridget Rosewell

**In attendance:** Suzanne Wise – Group General Counsel & Company Secretary  
Stuart Kelly – Deputy Group General Counsel  
Anthony Odgers - Shareholder Executive  
Martin Frobisher (min 16/07)  
Andy Gent (min 16/07)  
Peter Swatridge (min 16/10)  
Barney Wyld (min 16/11)

**Apologies** Malcolm Brinded

**MINUTE  
NO.**

**ACTION**

**16/01 CHAIR'S OPENING REMARKS**

Rob Brighouse was welcomed to the Board and his first meeting.

The Chair congratulated the Executive and their teams for the planning and the delivery of the significant programme of work that had taken place over the 2015/16 Christmas and New Year period. The Chair also commended the collaboration between Network Rail's employees and those of the supply chain who together dealt with the major weather events that had occurred during the period.

It was noted that Network Rail's response to the Shaw Review had been submitted on 23 December 2015 and that the second part of the Hendy Review was due to be published shortly.

The Chair commented on the call for evidence regarding the role of the ORR and noted that he and Mark Carne had had an encouraging first meeting with the interim Chair and interim CEO of the ORR.

There was a discussion on the remit of the National Infrastructure Commission. This was considered particularly relevant to enhancement schemes and the Digital Railway. The Board then discussed the current perceived industry view of the Digital Railway and the important role of the cross industry Digital Railway Steering Board. The point was made that strong leadership, a strong business case and excellent engagement and communication with all stakeholders was required.

A discussion also took place about "Crossrail 2", and Network Rail's position in relation to this.

**16/02 PREVIOUS MINUTES**

The minutes of the Board meeting of 25 November 2015 were approved subject to a couple of minor amendments.

**16/03 ACTION LIST**

The Action list was reviewed and updated. Noting specifically:

Action List 15/139.3 – Delegated Authorities

In addition to seeing the updated Delegated Authorities the Board also requested a process change so that the Board was able to obtain further details of “next level down authority” being granted/used but without encumbering the Board pack or Board members with excessive detail.

**PB/SEW**

Action 15/124 – PPM Targets

It was agreed that the subject of this action, being the misalignment of train operators and Network Rail’s performance targets would be included as part of the paper on the Corporate Score Card to be brought to the February Board meeting.

Action 15/139.2 – Winter Preparedness

A note had been included in response the initial action. Phil Hufton was asked to provide and circulate separately a fuller note in answer to the action.

**MC(PH)**

Action 15/141.1 – Board Report - P7 – Safety

The Board noted that engagement with ORR was ongoing on the subject of reduction in planned renewals activity. This engagement was expected to be concluded by end March 2016. It was also noted that a third party review had been commissioned.

Action 15/113.3 - High Output Tack Renewals

The Board noted the paper that had been provided in response to this action showing the status of the High Output Track Renewals (HTOR) transformation plan.

**16/04 DIRECTORS’ CONFLICTS OF INTEREST**

There were no new potential conflicts of interest identified. This agenda item will be renamed as “Directors’ Interests”.

**BUSINESS OPERATIONS**

**16/05 BOARD REPORT – P09**

Mark Carne presented paper 01/16 the contents of which were noted; and highlighted the following matters:

The form of the Board Report was to be reviewed to ensure that the right balance between data and narrative is achieved. The Finance team were to seek feedback from each member of the Board to discuss their requirements of the report.

Extreme weather

- Infrastructure failure detection  
There had been significant challenges which had been presented by extreme weather conditions. The specific examples that were discussed were Lamington viaduct, the landslips at Hexham and Barnehurst and Dover sea wall. In each of these cases an investigation was underway and the relevant processes were to be reviewed. There was also to be a focus on modes of failure identification other than by train and train driver detection.
- Infrastructure solutions  
In some future cases there may be no economic solution to some of the infrastructure challenges either due to site specific site topography or other prevailing climate conditions.

It was noted that a summary report of all weather related damage would be compiled as a matter of course, to identify any lessons learnt and to identify what financial relief may need to be requested.

The actions of the frontline employees at Lamington viaduct immediately following the identification by the train driver of a “ride-issue”, leading to closure of the line, were praised.

#### Train Performance

Train performance was struggling in particular in the South East. Phil Hufton was to directly assist in the performance improvement plans for this particular Route.

#### Enhancement Programme

The praise of all those involved in the programme of works over the festive period was reiterated. In particular the positive safety record was also noted.

Mark Carne explained the “summit” that he had called with all the CEOs of the major contractors who made up the supply chain on GWRM. This had proved worthwhile and the engagement with this group remained ongoing.

#### Euston

The Board reiterated its support for Network Rail being involved jointly with the DfT and HS2 in respect of the plans for the redevelopment of Euston to accommodate HS2 works and infrastructure.

#### Devolution

Mark Carne briefed the Board on the appointment of Susan Cooklin as the Route Services Director.

Mark Carne clarified queries arising from the Board Report. Finally,

Mark Carne briefed the Board on two particular planning matters which related to the Transpennine Route Upgrade and Great Western Route Modernisation schemes at Ordsall Chord and Goring Gap respectively.

#### Financial Performance

Patrick Butcher commented that there had been a material change to the valuation of Network Rail due to the DfT’s decision to switch to DRC (the Depreciated Replacement Cost model) which had resulted in higher depreciation charges. He also reported on the sale of Grand Central in Birmingham which was thought to be imminent though exchange had not occurred.

The Board discussed the approach to hedging.

The Board noted the P9 Finance Update paper.

### **16/06 PEOPLE UPDATE – PAY AWARD EFFICIENCIES**

Mark Carne presented paper 02/16. The paper gave an update on the industrial relations environment and the efficiency work and on contingency planning.

The Board requested further details on the resilience preparedness when this topic was due to be brought back to the Board in April.

### **16/07 ROUTE PRESENTATION - LNW**

Martin Frobisher presented a business update on the LNW Route.

Andy Gent also attended to answer specific queries that related to investment projects in the route.

**16/08 CENTRAL FUNCTIONS – COST REDUCTION PROGRAMME - UPDATE**

Suzanne Wise presented paper 04/16. The paper gave an update to the Board on progress made and future plans for the NR Efficiency & Effectiveness Programme. This was initially set up as the Central Functions Cost Reduction Programme, and has now merged with the Pan Route Services Programme. The comments of the Board were received on this programme.

**STRATEGIC THEMES**

**16/09 BUSINESS PLAN - REMINDER OF CP5**

CP5 Business Plan

Patrick Butcher presented paper 05/16. This paper was the first substantive update since October 2015. The Business Plan in October 2015 had assumed that some of the proposed disposal proceeds would be allocated to OMR. Following completion of the Hendy Review all disposal proceeds were now to be allocated to the enhancements programme. As such renewals volumes had seen further pressure and whilst volumes were considered sufficient to maintain the asset in a safe condition it was noted work was ongoing to assess the impact on sustainability. It was also noted that whilst the RF8 reforecast of the Business Plan was more achievable in terms of efficiencies and improvements there continued to be considerable risk attached. Discussions with the DfT continued Separate briefing sessions will be arranged for the newest members and observers at the Board as required.

**PB**

The output of the RF11 review would be brought back to the Board in February. The paper would include more trend information on OMS costs, rationale for why this was expected to come down and numbers against the risks and opportunities set out in the paper.

**PB**

Bowe / Hendy / Shaw – next steps

Mark Carne and Peter Hendy provided a verbal update on current matters flowing from the Hendy Review and the Shaw Report submission.

- Enhancement Schemes

Mark Carne gave an update following the workshop with DfT last week and the need for continued vigilance in relation to scope definition for all CP5 schemes.

It was noted that the next published document as part of the Hendy Review would signify the beginning of a period for consultation.

The Board discussed the absence of funding for the development of CP6 schemes. The Board requested a paper which set out the options for the development of CP6 schemes.

**MC (JK)**

- Shaw

The breadth of the subject areas which were within the scope of the Shaw Report was discussed. This included third party investment.

Peter Hendy would prepare a note in advance of the scheduled dinner with Nicola Shaw on 26 January 2016.

**PH**

Consideration was also given to promoting a discussion on the operation arrangements for HS2.

**16/10 NR RESPONSE TO DFT'S REVIEW OF ORR**

Patrick Butcher presented paper 06/16. The paper proposed a Network Rail response to DfT's review of ORR's roles and responsibilities, and specifically its December 2015 call for evidence. Following a debate on the purpose and ongoing importance of an economic regulator the Board provided comments which were to feature in a redraft of the response.

**16/11 REPUTATION AND COMMUNICATIONS – UPDATE AND STRATEGY**

Barney Wyld presented paper 07/16.

The Board welcomed the improvements that had been made in the preceding 12 months and the improved communications that had accompanied the major works, particularly during the August 2015 bank holiday and the 2015/16 festive period. This had played a part in the improved customer interactions on those occasions. The ongoing improvement plan in this area was endorsed.

**APPROVALS**

**16/12 BIRMINGHAM GATEWAY RE-AUTHORITY**

Francis Paonessa presented paper 08/16.

The Board authorised the increase in the AFC for the Birmingham Gateway Project. It was noted that this will be funded from the surplus realised from the sale of Grand Central shopping centre.

**16/13 TRANSPENNINE ROUTE UPDATE – PROCUREMENT STRATEGY**

Francis Paonessa presented paper 09/16. The Board approved the procurement strategy for the delivery of the Transpennine Route Upgrade (TRU) and TRU Intermediate Interventions.

**16/14 NRIL POWER OF ATTORNEY RE TREASURY OPERATIONS**

Patrick Butcher presented paper 10/16. The Power of Attorney requested in this paper, to cover routine banking and treasury matters, was approved in accordance with terms of the annexure.

**GOVERNANCE**

**16/15 BOARD FORWARD AGENDA**

The February Board agenda was discussed.

**16/16 DATE OF NEXT MEETING**

The next Board meeting was confirmed for 24 February 2016.

**16/17 ANY OTHER BUSINESS**

There being no further business the Chair closed the meeting.

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CHAIR