

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED
held at 1 Eversholt Street, Room 3.06
on
Thursday 4 June 2015 at 08.30am**

Present: Richard Parry-Jones (Chair) Chris Gibb
Malcolm Brinded Janis Kong
Patrick Butcher Michael O'Higgins (by phone)
Mark Carne Paul Plummer
Sharon Flood Bridget Rosewell

In attendance: Emma Head (minute 15/82)
Phil Hufton (minute 15/82)
Graham Hopkins (minute 15/82 and minute 15/87)
Simon Blanchflower (minute 15/85)
Francis Paonessa (minute 15/85)
Barney Wyld (minute 15/86 and 15/89)
Suzanne Wise, Group General Counsel and Company Secretary
Anthony Odgers, ShEx
Claire Chalmers, IDDAS
James Menzies, Deputy Company Secretary

**MINUTE
NO.
15/78**

ACTION

CHAIRMAN'S OPENING REMARKS

Richard Parry-Jones welcomed the board, and introduced Anthony Odgers, from Shareholder Executive, Clare Chalmers, from IDDAS who was attending as an observer and introduced Graham Hopkins, the new director of Safety, Technical and Engineering, who had joined the Company that week. He formally thanked the Executive for the May Bank holiday engineering works, which had proceeded as planned with no overruns and a strong safety record; and also for their efforts to date regarding the industrial relations difficulties the Company was experiencing, noting that this matter had yet to be concluded.

The Chair also reported on his activity on behalf of the Company since the last Board meeting, including his meeting with Anna Walker, the Chair of the ORR and the ORR Board and his meeting with Lord Berkeley, one of the Company's Public Members.

The Chair had also met with Anna Bradley, the new Chair of the RSSB and he had given the key note speech at Railtex, the international railway equipment exhibition.

Finally the Chair reported on a site visit to review our assessment and measurement of structures. He had been impressed by the Company's approach to masonry structures but less so in respect of steel structures. Malcolm Brinded noted the point and said this would naturally be picked up in the SHE Committee when next reviewing the risk deep dive in respect of structures generally.

15/79 PREVIOUS MINUTES

The minutes of the Board meeting of 23 April were approved subject to some minor adjustments. **SEW/(JM)**

15/80 ACTION LIST

The Actions list was reviewed and updated. The briefing note on the Digital Railway, tabled in response to Action 14/130 was reviewed and discussed. The Board

recommended that the paper include a greater reference to cost savings as one of the benefits of the Digital Railway. The importance of developing a long term supplier strategy and the need to nurture SMEs as appropriate was also mentioned. It was confirmed that the Rail Supply Group already has a sub group to address this point.

The Board also discussed the briefing note on Level Crossing failures tabled in response to Action 15/22(iii). It was agreed that the paper would be considered in more detail by the SHE Committee and would be added to the Forward Agenda for that Committee.

SEW/(JM)

15/81 DIRECTORS' CONFLICTS OF INTEREST

Chris Gibb reported his appointment to the Welsh Transport Strategy Advisory Board and his election as a Parish Councillor for Harbury.

15/82 BUSINESS OPERATIONS

Phil Hufton joined the meeting

BOARD REPORT – P1

Mark Carne opened his remarks by also welcoming Graham Hopkins to the Company.

He then covered a number of points including:

Safety

It was noted that the Planning & Delivery of Safe Work had gone live in East Midlands and that early results were encouraging.

Industrial Relations

The Board were updated on the current position with regard to the industrial relations dispute with the RMT, TSSA and Unite. Union meetings were taking place on 4th and 5th June, and Mark Carne was hoping to hear from the unions regarding their decision on Monday. Mark Carne also spoke of his contingency planning meetings with various national bodies. The focus had been on contingency planning and resilience and ability of the railway to withstand any action.

The Board recommended that the Executive take stock once the dispute is settled, and review what they have learned from the experience.

Train Performance

Mark Carne reported improving performance in and around London. He recorded his thanks to Jane Simpson, for providing some short term expert support to the London South East route, which had been very helpful. Actions were now being developed to improve specific issues that had been identified.

Mark Carne also informed the Board of his meetings with Claire Perry, the Rail Minister, regarding performance in and around London.

Phil Hufton reported that he was attending the London Assembly Transport Committee the following week.

There followed a discussion by the Board as a whole on train performance and what could be done to improve performance in the short term.

SW Trains Alliance

The discussion then turned to the SW Trains Alliance with Stagecoach, which is to be re-shaped to become a "lighter touch" more operational alliance. There were many positive aspects to the alliance and it was intended to retain these. However, a Route Managing Director would be brought back in.

After a discussion of the reasons for this change, the Board requested that the Executive carry out a lessons learned review to inform future alliancing structures. This review to be brought to the Board when complete. **MC**

Mark Carne then moved the discussion on to other matters, including HS2 and Euston Station re-modelling. Lessons learned from London Bridge suggested that a closer look at the effects of HS2 construction on Euston station should be carried out, and the operational and financial consequences of removing two platforms should be more fully understood and addressed early. **MC/(PP/PH)**

Mention was also made of the Great Western Electrification Programme. As this was a topic for discussion at the Major Projects Delivery Committee that afternoon, it was agreed that the full Board would await the results of that committee's review.

Mark Carne also noted that whilst the format of the Performance Report had improved considerably since a year ago the improvement in quality had slowed and a team had been engaged to make a further step change in the quality of the document. The stand-alone Finance Report would be merged in the Performance Report for future Periods.

Phil Hufton and Graham Hopkins left the meeting

Finance Report

Patrick Butcher took the Board through the highlights of P1, including the challenging Schedule 8 payments, it being noted the equivalent P2 figure was improved. The budgeting for the net cost of the proposed wage settlements, should the workforce accept the current offer, was discussed along with the additional efficiencies that would be required to support it. It was noted that Network Operations is not hitting its targets at present, and renewals is also behind target. A discussion followed on the strength of the senior management teams and the need to support Phil Hufton in his efforts to turn performance around. It was noted that the biggest challenges were in the routes, with certain of the RMDs and RFDs needing further support and training to build adequate capability. The talent pipeline feeding these positions was also identified as being a key area for concern. Mark Carne confirmed that Ian Iceton, HR Director, was tasked with producing a development plan for these key roles, which would be brought to the September Board meeting. **MC (II)**

APPROVALS

15/83 FINANCIAL STATEMENTS DISCLOSURE AND APPROVAL

Suzanne Wise introduced paper 32/15, the draft Annual Report & Accounts. Suzanne Wise explained the timetable going forward with these, and that comments should be sent to herself or James Menzies by midday on Monday 8 June for inclusion in the final version.

After discussion, **it was resolved** to set up a sub-committee for the purpose of finalising and signing the annual report and accounts and the regulatory financial statements for the year ended 31 March 2015 and to approve the preliminary announcement that would be released on 11 June 2015. This sub-committee to be made up of any two of the Chair, the Chief Executive, the Group Finance Director and the Chair of the Audit & Risk Committee.

15/84 APPROVAL OF DRAFT AGM NOTICE

Suzanne Wise presented paper 33/15, the draft Notice of Annual General Meeting for approval. The Board noted that, to date, one member requested resolution had been received, from Peter Skyte. Suzanne Wise confirmed that this resolution was identical to that proposed at the previous year's AGM, where it had been defeated.

After discussion, **it was resolved** to approve the Notice of AGM in its current form. **It was further resolved** that authority to amend the Notice, including to add further member requisitioned resolutions, should they be validly received, be delegated to the Group General Counsel.

Francis Paonessa and Simon Blanchflower joined the meeting

15/85 THAMESLINK RE-AUTHORITY

Francis Paonessa introduced paper 34/15 to the Board. This paper described the progress and breakdown of costs for the Thameslink Programme for consideration and approval to Key Output 2.

Simon Blanchflower updated the Board on the programme progress, including factors such as project timing, traffic management contractor abilities, the issues at London Bridge, the asset condition and inflationary pressures from a buoyant supply market in London. A short discussion took place on traffic management and it was agreed a paper on traffic management would be brought back to the next Board.

MC/(JE)

After further discussion, the Board **approved** implementation of the Thameslink Key Output 2 in accordance with the increased budget figures set out in the paper, the Board having satisfied itself as to the available headroom within the financial buffer.

Francis Paonessa and Simon Blanchflower left the meeting

STRATEGIC THEMES

Barney Wyld joined the meeting

15/86 IMPACT OF ELECTION & RECLASSIFICATION – UPDATE ON STRATEGIC PRIORITIES

Paul Plummer presented his tabled paper on the impact of the election and reclassification on the strategy for the Company. Areas covered included Scotland and Wales devolution, English regionalisation and the effect these changes might have on the company's role as Network Operator. The broad direction of travel on these areas was endorsed but it was acknowledged the level of debate had been necessarily restricted due to time constraint. To enable a thorough and informed debate the lessons learnt from Alliancing and Devolution had to be taken into account and reviewed. The topic would be brought back to the July Board with a process update, to ensure all the Board's previously identified strategic priorities (as identified in the last Strategy Away Day) were captured in the same format as the paper under discussion – which had enabled an appropriate level strategic debate.

PP

Barney Wyld left the meeting and Graham Hopkins, Jane Simpson and Emma Head joined

15/87 WORKFORCE SAFETY PERFORMANCE

Jane Simpson presented paper 35/15, an update on workforce safety. Jane Simpson started her presentation by reminding the Board of the workforce safety related objectives that the Company had agreed for CP5, namely to eliminate fatal incidents by 2019; to halve the Lost Time Injury (LTI) frequency rate by 2019 and to eliminate repeat incidents by 2019. The paper provided an update on progress so far, after the first year of CP5.

Jane Simpson discussed the performance for 2014/15 relating to workforce safety, explained the review carried out by DuPont on behalf of the Company and what learnings came out of this review and internal safety survey.

Emma Head reported on progress of current safety initiatives, and the recommendation that the Company focuses on a few specific initiatives rather than many. Those initiatives identified with having the greatest impact were:

- The deployment of Planning and Delivering Safe Work
- Redefining the scope of the Contractor Safety work stream
- Accelerating the Driving Safety work stream
- Using interventions such as the Tidy Railway and Safe Teams initiatives
- Learning from Incidents and Safety Conversations initiatives

The Board congratulated Jane Simpson and Emma Head on their work and endorsed their approach. Specific mention was made of the positive approach taken to driving learning from the Ironman incident throughout the Company.

The need to embed and drive cultural change and especially the need to equip the top 50-100 leaders to be strong safety leaders within the business was underlined by the Board.

The Chair asked whether there was data to evidence differences in safety performance between the routes. Emma Head confirmed that there was, and a correlation could be drawn between higher performing routes such as LNE and improved safety.

The Board fully endorsed the approach and recommendations and priorities outlined in what had been an extremely clear and solid paper

Graham Hopkins, Jane Simpson and Emma Head left the meeting

15/88 BUSINESS PLAN 15 UPDATES

Paul Plummer introduced paper 37/15 and asked for the board's agreement to formally submit the business plan for 2015/16 and the balance of CP5 to the DfT and to ORR during the course of the current week.

There were further suggestions made around renewals risk, safe and sustainable working, route comparisons and the level of certainty around our ability to deliver to our plan on renewals.

The board agreed to submit the 2015/16 plan, once final, to DfT and ORR subject to appropriate amendment to reflect the Board's comments. In relation to the Plan for the remainder of CP5 this would also be submitted but it would still be necessary to make this conditional on the Board satisfying itself fully on reasons to believe, the safety and sustainability of the proposed renewals deferral and the additional funds needed for Civils under the Civils Adjustment Mechanism. All these topics would be brought back to the July Board when it would be expected the Board would be in a position to endorse the plan.

PP

Barney Wyld re-joined the meeting

15/89 ENHANCEMENTS UPDATE

Paul Plummer and Francis Paonessa presented paper 38/15 updating the board on the reviews of the CP5 enhancements programme and the options to bring the enhancements programme back to forecast and to close the funding gap.

Discussion took place on the industry capacity to deliver these projects, when taking into account other projects such as HS2 and Thames Tideway.

Malcolm Brinded confirmed that the Major Projects Delivery Committee would be going into greater depth on this matter in their meeting following the board meeting and would circulate the final version of the presentation on the CP5 Enhancements Portfolio to the board and follow up with a board call if considered necessary. The suggestion to bring out in the presentation those schemes and enhancements that would still be delivered was noted.

MB/PP

15/90 COMMUNICATIONS STRATEGY 2015/16

Barney Wyld presented paper 36/15, reviewing the status of the Company's corporate communications following the last update in September 2014, considering the communications priorities and strategies for the year and shared the results of the Whitehall stakeholder audit carried out by Ipsos MORI on behalf of the company.

The board discussed the audit results and thanked Barney Wyld for organising this. The board suggested that he re-engage Ipsos MORI in a year's time to re-assess and measure progress on the Company's deeper engagement with Whitehall. **BW**

It was noted that this topic would be a standing Forward Agenda item to be reviewed every six months.

15/91 ANY OTHER BUSINESS

An update was given regarding the finalisation and dissemination of the 2015/16 Performance Scorecard, which was still under discussion with the DfT. The committee discussed ways of moving this forward with Anthony Odgers, who passed on some of the DfT's thoughts on this matter.

15/92 DATE OF NEXT MEETING

The next Board meeting was confirmed for the afternoon of 15 July 2015, in York, the day before the AGM.

There being no further business the Chairman closed the meeting.

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CHAIRMAN