

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED**
held at Western House, 1 Holbrook Way, Swindon SN1 1BD
on
Thursday 9 June 2016 at 09:00am

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

In attendance: Suzanne Wise – Group General Counsel & Company Secretary
Stuart Kelly – Deputy Group General Counsel
Anthony Odgers - Shareholder Executive
Ian Icceton (min 16/81)
Francis Paonessa (min16/82)
Steve Featherstone (min16/82)
Phil Hufton (min16/82)
Graham Hopkins (min 16/82)
Mark Langman (min16/83)
Simon Maple (min 16/83)
Amanda Hoyland (min 16/83)
Tim Leighton (min 16/83)
Charles Robarts (min16/88)

Apologies: Malcolm Brinded

**MINUTE
NO.**

ACTION

16/76 CHAIR'S OPENING REMARKS

This meeting was the first Board meeting since the Chair had taken office which had not occurred against a backdrop of a review or a report or in the immediate aftermath of either.

The Chair remarked that the Board and the Company could now focus on delivery, which its shareholder, regulator and customers all expected. The Chair and the Board congratulated all those who were involved in the successful delivery of the works during the two Bank weekends in May. Whilst there had been less work than in the preceding Christmas and Easter holiday periods, the Spring Bank holiday weekend in particular had proved to be very demanding. Credit was given to the cross functional collaboration between all parties that were involved and which had contributed to successful delivery.

The election of Sadiq Khan as Mayor of London and the appointments of Humza Yousaf as Minister for Transport and the Islands, in the Scottish Government, and Ken Skates as Cabinet Secretary for Economy and Infrastructure, in the Welsh Government, had occurred since the last meeting and were noted. Each had been written to welcoming them to their new posts.

The joint nomination by the Mayor of London and the Secretary of State for Transport for the appointment of Lord Adonis as Chair for Crossrail 2 was also noted. The Board continued to be committed to Crossrail 2 being structured in such a way that Network Rail was a joint owner of the company, not simply that of contractor.

The work of the National Infrastructure Commission was noted.

The recent decision on Ordsall Chord Transport and Works Act Order and the running of the flying Scotsman in Scotland were discussed.

Non-executive directors, Janis Kong and Malcolm Brinded had indicated their intention to step down from the Board later in the year. The recruitment process for their successors had been commenced. The Chair recorded his and the Board's gratitude for the enormous contribution each had made, over many years, to the Board, the Committees of the Board and Network Rail as a whole.

16/77 PREVIOUS MINUTES

The minutes of the Board meeting of 19 April 2016 were approved.

16/78 ACTION LIST

The Action list was reviewed and updated.

- Minute 16/60.1 & 16/39.1 – Weather Impacts

The update on the financial impact of weather events during CP5 was **NOTED**. In connection with this subject the Board considered the note on seasonal preparedness that had also been provided. The Board discussed the impact of climate change and the fact that conventional weather patterns associated with certain seasons were no longer a guide to their occurrence. Those making weather related preparations must be cognisant of these changes and particular focus was to be placed on drainage and earthwork impacts associated with sudden downpours.

It was acknowledged that maintenance as a whole at Network Rail was being reviewed and a paper setting out current state, target end state and way to achieve this would be brought back to the Board later in the year. This would cover inter alia skills, systems and culture.

**MC
(Phil
Hufton)**

- Minute 16/42.5 – Data from Vehicle Loggers

The Board was briefed verbally on the current status of this project. A fuller briefing will be provided at the meeting in July 2016.

**MC
(Graham
Hopkins)**

- Minute 16/42.6 - Level Crossing – TWA Applications

The Board welcomed the approach being piloted in the Anglia route for the bulk closure of level crossings. The update paper was **NOTED**. The Board discussed the challenges encountered in conventional approaches to level crossing closures.

The recommendations of the Law Commissions would be revisited and discussed with the Department for Transport, with a view to jointly ascertaining the merits of bringing into force some of the Law Commissions' recommendations.

MC

16/79 DIRECTORS' INTEREST

Rob Brighthouse confirmed his appointment to the board of the Railway Children charity.

BUSINESS OPERATIONS

16/80 BOARD REPORT – P1

Mark Carne presented the Period 1 Board report.

The contents were noted. Performance was discussed with the Board. The Board noted areas where there was strong performance. There was particular discussion, focus and challenge on the areas of under-performance.

Safety

Safety incident

There had been a road traffic accident involving a sub-contractor's team vehicle, as it returned after a work shift. Sadly one of the passengers in the vehicle had died and the driver injured. The team had been working on a Network Rail Crossrail site. The accident was being investigated by the Police. The Board expressed their sympathies to all those affected by the accident. Bearing in mind this was the fifth driving fatality in the last two years; driving risks were discussed more widely, as were the steps being reviewed to reduce the safety risk associated with driving, such as fatigue management. Work-related road safety remained an area of management focus.

Safety performance

Safety performance continued to show a positive trend, albeit much remained to be done.

Train performance

The adverse publicity that had been attracted by the late gauge clearance prior to the running of the Flying Scotsman in Scotland was discussed. There had been a Network Rail investigation and a draft report produced. The Board was briefed on the findings. The findings had also been shared with the Minister for Transport and the Islands in the Scottish Government and his predecessor and a summary of the findings have been published on the corporate website.

**MC
(Stuart
Kelly)**

Train performance was very poor. The dominating factor was GTR performance in the London & South East Route (LSE); which had been significantly impacted by train crew industrial action. The letter which had been sent by the Secretary of State to all MPs relating to this industrial action was brought to the attention of the Board. A copy would be shared with the Board members. Notwithstanding the impact of the industrial action it was noted that there was still much for Network Rail to do to improve train performance in that route. A full briefing, planned as a follow up to the LSE Route presentation in April 2016, had been scheduled for the September 2016 meeting of the Board.

**MC
(Stuart
Kelly)**

Except for train performance in the LSE Route, the overall train performance of the remainder of the routes was reasonable.

Scorecards

The corporate, route and major programme scorecards had been accepted by the ORR and it had also indicated that it was minded to regulate Network Rail against them. The letter confirming this acceptance would be circulated to the Board members.

Rail Technology: Signalling and Traffic Management – “Digital Railway”

On 23 May 2016 oral evidence had been given to the Transport Select Committee in support of its inquiry into rail technology; signalling and traffic management (i.e. digital railway). This had proved to be a very positive exchange of information and opinion, which was broadly welcomed by that committee. There had been 30 written submissions with the overwhelming majority in support of Digital Railway.

Financial report

The Financial report was taken as read. There was a verbal update on the tracking of costs for enhancement projects against the Hendy Plan. There were no causes for concern. The monthly reporting against the Hendy baseline showed a small net negative variance.

JW

In a recent meeting the Department for Transport had explained the importance of current and up to date benchmarking, and the need to demonstrate efficiency had been emphasised. It was noted that Jeremy Westlake would be leading the work in this area.

16/81 PAY TALKS – UPDATE

Ian Iceton presented paper 43/16. This gave an update on pay negotiations in 2016. The update was **NOTED**. The feedback from the Board was received.

16/82 CHANGE IN ACCESS DURATION AND IMPACT ON POSSESSION UTILISATION IN IP TRACK

and

EFFICIENCY OF POSSESSIONS FOR DEPOTS/WORKS DELIVERY

and

SAFER, FASTER ISOLATIONS

Steve Featherstone presented paper 44/16.

Phil Hufton presented paper 45/16.

Graham Hopkins presented paper 46/16.

As each matter contributed to the overall effectiveness and efficiency of maintenance, renewals and projects, the papers were presented consecutively; with the challenges within each identified. After a lengthy and robust discussion the Board requested that these subjects would be re-presented as a single presentation in the Autumn together with a paper from Phil Hufton on an overarching maintenance strategy.

**MC
(Francis
Paonessa,
Phil Hufton
& Graham
Hopkins)**

Points of particular note were:

- The primary obligation of the railway to serve its passengers:
 - necessitating increasing efficiency in taking and removing possessions, isolations (including third rail and generally); and
 - of crucial importance, requiring right-time hand back for each and every possession;
- Prior to asking for any increased possession time it was an absolute obligation on the company to demonstrate that the use of the possession time already allocated was efficient; and
- An exercise to compare the efficiency of the 18 points end renewals activity delivered in the one blockade at Purley in 2015, versus a similar sized scope that was delivered over a period of 2 months as part of GWEP, would be undertaken and reported as part of the presentation later in the year.

**MC
(Francis
Paonessa)**

16/83 ROUTE PRESENTATION - WESTERN

Mark Langman and his route team gave a presentation on the Western Route.

The presentation focused on safety, performance improvement and future investment opportunities. The Board congratulated Mark and his team on the impact that had been made since he took over as Route Managing Director only 9 months prior to the meeting. The Board particularly welcomed the engagement and

collaboration that had been promoted with the Route's train operators and the speed with which some of the performance improvements had been introduced, bearing in mind the huge GWRM programme.

APPROVALS

16/84 ARA 2016 (NRL & NRIL); REP LETTER; NOTICE OF AGM

Suzanne Wise presented paper 48/16.

The Board:

- **NOTED** the key changes to the "front half" of the Annual Report & Accounts (ARA);
- **APPROVED** the statement from the Board that the ARA, taken as a whole, was fair balanced and understandable;
- **NOTED** the requirement for a viability statement from the Board and the assumptions made;
- **NOTED** the requirement for the ARA to be laid before Parliament, likely to be on 27 June 2016; and
- **AUTHORISED** a board committee comprising one executive director and one non-executive director / the Chair to approve the final version of the ARA.

The Board also **APPROVED** the Notice of Annual General Meeting.

16/85 REGULATORY FINANCIAL STATEMENTS 2016

Jeremy Westlake presented paper 49/16. The paper provided an overview of the Regulatory Financial Statements (RFS) for the year ending 31 March 2016 and presented the Statement of Sufficiency of Resources (SSR). The paper also outlined the process for the completion of the regulatory accounts and for them to be approved and signed.

The Board:

- **APPROVED** the content of the RFS;
- **APPROVED** the content of the SSR; and
- **AUTHORISED** a board committee comprising the Chief Executive and the Chief Financial Officer to approve and sign the regulatory accounts.

16/86 CORPORATE SCORECARD

Jeremy Westlake presented paper 50/16. The paper requested approval of the final scorecards.

The Board discussed all aspect of the scorecards and tested the approach and logic.

The Board **APPROVED** the final scorecards.

16/87 MATTERS RESERVED FOR THE BOARD

Suzanne Wise presented paper 51/16. The paper requested approval of the revised "Matters Reserved for the Board".

Subject to clarifying the drafting relating to novel or new business the Board **APPROVED** the revised Matters Reserved for the Board document.

STRATEGIC THEMES

16/88 INITIAL INDUSTRY ADVICE (previously Initial Industry Plan) – UPDATE

Jeremy Westlake presented paper 52/16, which requested feedback and agreement on the key points to be made in response to ORR’s PR18 initial consultation document.

The Board provided feedback.

16/89 SHAW – RECOMMENDATIONS FOLLOWING FINAL REPORT

Mark Carne presented paper 53/16. The paper gave an update on the activities that were underway in response to the Shaw Report, and which were being managed under the “Delivering for our Customers” work stream.

A *Delivering for our Customers* programme steering board had been established, chaired by Mark Carne, with Paul Plummer from the RDG and the Department for Transport being represented on the board. Overall accountability for the work streams within the programme was held in the line. The new Chief of Staff was tasked with reporting on progress of the entire programme.

The progress of the review into a potential Northern Route was discussed and an update and proposal would be brought to the Board in July.

MC

The importance of seeing devolution as an opportunity to step change skills, capability and culture in the company, and indeed the whole industry, was emphasised by the Board, who were anxious to play their part in the development of the Route Managing Director role and organisation.

GOVERNANCE

16/90 REPORT FROM SHE COMMITTEE MEETING – 20 APRIL 2016

The briefing note prepared by Malcom Brinded on the SHE Committee held on 20 April 2016 was **NOTED**. The Board noted it was Malcolm Brinded’s last meeting of the committee as chair, and asked for their congratulations to him and what had been achieved in his period as chair, to be recorded.

16/91 REPORT FROM REMUNERATION COMMITTEE MEETING – 4 May 2016

Michael O’Higgins gave an update from the Remuneration Committee held on 4 May 2016.

16/93 REPORT FROM TREASURY COMMITTEE MEETING – 18 May 2016

Bridget Rosewell gave an update from the Treasury Committee held on 18 May 2016.

16/92 REPORT FROM AUDIT & RISK COMMITTEE MEETING – 18 May 2016

Bridget Rosewell gave an update from the Audit & Risk Committee held on 18 May 2016.

16/93 COMPANY SECRETARY’S REPORT

Suzanne Wise presented paper 54/16. The paper requested approval, ratification or noting of corporate compliance and governance matters.

The Board:

- **APPROVED** the Board diversity target of 30% of the directors being female by 2020;
- **APPROVED** the delegation of authority to the Property Function’s Supervisory Board;

- **RATIFIED** the sealings; and
- **NOTED** the governance and corporate law developments

16/94 INVESTMENT PANEL APPROVALS

The Board **NOTED** the update on investment schemes that were approved between 1 April and 15 May 2016.

The Board also **NOTED**:

- procurement matters that had been approved by the Executive Procurement Panels; and
- matters approved by the Executive Committee.

16/95 BOARD FORWARD AGENDA

The July Board agenda was discussed.

16/96 DATE OF NEXT MEETING

The next Board meeting was confirmed for 20 July 2016 in Cardiff.

16/97 ANY OTHER BUSINESS

The Board discussed leadership development within Network Rail. A briefing paper will be presented in the September meeting which will include all the different leadership programmes that are in place. This will also cover leadership diversity and inclusion.

**MC
(Ian Icton)**

The Board discussed the Orbis programme and was encouraged by its potential benefits. The Board requested a fuller update briefing on the Orbis programme.

**MC
(Graham Hopkins)**

NOTING

16/98 NETWORK RAIL BUSINESS BRIEFINGS – UPDATE

Paper 55/16 summarised the purpose and outcome of the 2016 Business Briefings employee engagement activity.

Over 7 weeks prior immediately prior to the meeting there had been 21 business briefings delivered by Mark Carne in 11 locations around the country; on each occasion supported by Executive members and the relevant route managing directors. The Board received a summary of the briefings which was discussed. These briefings had been well received, and the Board congratulated the Chief Executive on his contribution. The evolution for future year's briefings and how they would accommodate further devolution was discussed, and it was agreed the Board would be invited individually to attend on event next year.

There being no further business the Chair closed the meeting.

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CHAIR