

**MINUTES OF A MEETING OF THE BOARD  
OF  
NETWORK RAIL LIMITED**  
held at Cottons Centre, Tooley Street, London SE1 2QG  
on  
**Wednesday, 21 June 2017 from 09:00am**

<b>Present:</b>	Sir Peter Hendy (Chair) Rob Brighthouse Richard Brown Mark Carne Sharon Flood	Chris Gibb Silla Maizey Michael O'Higgins Bridget Rosewell Jeremy Westlake
<b>In attendance:</b>	Stuart Kelly – Group General Counsel & Company Secretary Helen Martin – Senior Assistant Company Secretary Michael Harrison – UKGI observer Sekoura Benissad (min 17/99 only) Francis Paonessa (min 17/99 only) Paul McMahon (min 17/100 only) Andy Haynes (by phone) (min 17/108 only) Mick Butler (by phone) (min 17/109 only) Martin Frobisher (by phone) (min 17/109 only)	
<b>MINUTE NO.</b>		<b>ACTION</b>
17/94	<p><b><u>Chair's Remarks</u></b></p> <p>The outcome of the General Election held on 8 June was noted.</p> <p>The Board complimented the Chief Executive and the executive team on the content and success of the Business Briefings, recognising the significant change in the content to reflect devolution and the amount of work and energy involved in keeping them fresh and engaging for employees.</p> <p>The Railway Upgrade Plan 2017/18 had been published. This highlighted the projects to be delivered in the next 12 months and showed the improvements to be delivered for passengers, by Route. This was the first time such a 12-month plan had been published and it was welcomed by the Board.</p> <p>The Board again recorded its thanks to the London Bridge and Manchester Victoria station staff who had assisted passengers in the immediate aftermath of the horrific terrorist attacks in London and Manchester during May and June 2017. The Board reflected the immense pride in the Company of these teams for their professionalism and compassion in extremely difficult circumstances.</p> <p>The Board also discussed the devastating fire at Grenfell Tower in West London. The Company had been proactive in offering help and also facilities for collections at Paddington Station. The Board also noted that a number of employees lived locally to Grenfell Tower and had been deeply affected by the tragedy, and were working hard to support their local community. Network Rail was reviewing its security and safety practices in the light of all these recent events, and had commenced a review of its property portfolio to understand the nature of cladding materials used across the estate, and whether there were any additional controls or mitigation actions required.</p> <p>The Board noted that Babak Erfani, area project manager and chair of Network Rail's LGBT network, had been awarded an MBE. The Board was delighted that he had been recognised for his services to Network Rail and Diversity in Transport.</p>	JW (G.Hopkins)

17/95	<p><b><u>Minutes of the previous meeting</u></b></p> <p>Subject to a small number of minor amendments, the minutes of the meeting held on 24 May 2017 were approved.</p>	
17/96	<p><b><u>Action List</u></b></p> <p>The action list was discussed, and a number of items closed.</p> <p>The Board requested a note on Brexit issues that were relevant to Network Rail.</p>	MC
17/97	<p><b><u>Directors' Interests</u></b></p> <p>The Board noted that Rob Brighouse had been appointed as a director of Snap Travel Technology Limited, which operated outside the rail industry.</p> <p>Michael O'Higgins reported that the pension fund he was a director of was partly funding the new trains to be used by First MTR when it was to take over the South Western rail franchise. The Board did not consider there to be a conflict of interests.</p>	
17/98	<p><b><u>CEO Report, Board Report, CFO Report, Finance Report</u></b></p> <p>1. <u>CEO Board Report</u></p> <p><u>Train performance</u> Recent hot weather had contributed to very poor train performance which meant the PPM target for P3 would not be achieved</p> <p><u>Stakeholder update</u> Mark Carne and Alex Hynes appeared before the Rural Economic and Connectivity Committee of the Scottish Parliament to provide evidence. Mark Carne and Alex Hynes considered the discussion with the committee to have been very positive.</p> <p>As a result of increased confidence from the sustained improved train performance on the West Coast Main Line, Virgin Trains had adopted the working timetable as the public timetable, thus reducing published journey times.</p> <p><u>Champions League</u> The Board congratulated Andy Thomas and his team in the Wales route for their management of the travel arrangements associated with the Champions League Final in Cardiff. Its performance, including the greatest throughput of passengers at that station, had earned strong praise from the Welsh Government.</p> <p><u>Route Advisory Boards</u> The Board discussed the route advisory boards, and agreed to extend the pilot running in the Western Route. An advisory board would also be established on LNE, with a focus on the East Coast Main Line. The remit of these boards would be reviewed to ensure they worked (i) to monitor performance on the route, and (ii) to hold both Network Rail and the industry as a whole to account for that performance. An update on the review of the workings of the Route Advisory boards would be provided to the Board in September 2017.</p> <p><u>London Waterloo</u> The Board discussed in detail the current status of plans for the works at London Waterloo during August 2017. In particular the Board noted that during those works there would be a change to the South Western rail franchise holder. The draft communications and contingency plans would be shared with the Board. In addition, Board members were invited to attend the T-4 planning meeting.</p>	<p>MC (D.Wetton)</p> <p>MC (BW)</p>

	<p><u>Transformation and Efficiency – A Better Railway for a Better Britain</u> The Board discussed the key recommendations set out in the CEO's draft report.</p> <p>The Board asked that the report be updated to reflect how NR's ability to deliver its Transformation aspirations was affected by the challenges of recruiting staff.</p> <p>Ian Icton, Group Transformation and Efficiency Director, was working the existing transformation plan, the efficiency plan and the actions arising from the draft Hansford Review into a cohesive programme with dates for delivering key milestones. The Board would receive periodic updates on the progress against those milestones. The first update in July 2017, would focus on how the efficiencies being delivered would be measured.</p> <p><u>Board Report</u> The Board commended the updated presentation and content of the Board Report, noting that it was more accessible. However there was some duplication which needed to be eliminated.</p> <p><u>Pay</u> The Board noted the current status of pay negotiations with the TSSA Union for management bands.</p> <p>2. <u>CFO Finance Report</u> Financial performance in P2 was promising. However, enhancements spend had slipped as the final cost of the Edinburgh Glasgow Improvement Programme had been recognised.</p> <p>The Board noted the progress and likely timings on asset disposals.</p> <p>Discussions continued about the CP6 Financial Control Framework. The outcomes would be presented to the Board in November 2017.</p> <p>A second conference on attracting third party funding and financing in the Routes was scheduled for July 2017. A summary of Route positions would be shared with the Board.</p>	<p>JW</p> <p>JW</p>
<p>17/99</p>	<p><u>DWWP: Major Works Assurance Review</u></p> <p><i>Sekoura Benissad and Francis Paonessa joined the meeting.</i></p> <p>The Board discussed paper 60/17, which set out the findings of the DWWP Major Works Assurance Review and in particular considered whether it was appropriate for non-executive directors to attend those meetings.</p> <p>The Board noted that since the incidents of engineering overruns at Christmas 2014 which had badly impacted passengers, significant improvements had been made to the assurance process behind key projects.</p> <p>After discussion, the Board <b>AGREED</b> that the Major Works Assurance Review meetings should continue, and that non-executive directors continued to add value by attending those meetings. It was also beneficial for representatives of the train operating companies to attend those meetings.</p> <p>The Board discussed the general enhancements update that had been provided with the Board Report, and in particular noted the significant amount of work that was being undertaken. A paper setting out the scale and substance of the enhancements work programme would be presented to the Board.</p> <p>The Board also discussed:</p>	<p>MC (FP)</p>

	<ul style="list-style-type: none"> <li>• At length, the report on the Gospel Oak to Barking electrification works;</li> <li>• Walsall to Rugeley electrification works, and the problems that had been encountered due to shallow mine workings, the location of which were inadequately recorded on available maps; and</li> <li>• the complexity of the arch being installed as part of the Northern Hub programme.</li> </ul> <p>The Board asked to see the already commissioned analysis into whether the issues that arose on the Gospel Oak to Barking project had occurred elsewhere. That analysis was to also consider how best to report budgeted expenditure and the drawdown of contingency.</p> <p style="text-align: center;"><i>Sekoura Benissad and Francis Paonessa left the meeting.</i></p>	MC (FP)
17/100	<p><b><u>Route presentation: Freight &amp; National Passenger Operators (FNPO)</u></b></p> <p style="text-align: center;"><i>Paul McMahon joined the meeting.</i></p> <p>The FNPO Route handled not only rail freight business, but also worked with the passenger train operators that crossed multiple geographical routes.</p> <p>Paul McMahon, managing director of FNPO, discussed with the Board:</p> <ul style="list-style-type: none"> <li>• how this recently re-structured route was being established and its interaction with external stakeholders and NR's geographic routes;</li> <li>• the issues being addressed in developing FNPO's business plan for CP6, and how that plan was being aligned with other Route plans;</li> <li>• the general decline in rail freight, primarily due to less coal being imported; lower fuel costs meant that rail freight was relatively less commercially attractive; that intermodal and construction rail freight was increasing, albeit not fast enough to offset the decline in coal freight;</li> <li>• the rail freight decline impacted the least congested parts of the network, while conversely the increase was occurring on the most congested parts of the network;</li> <li>• the rail charter part of the business, which required careful integration with passenger and freight services; and</li> <li>• how the fast trains planned to run on HS2 would co-exist with the slower moving freight trains, particularly north of Preston.</li> </ul> <p>The Board asked to receive a report on how FNPO planned to offset the revenue shortfall caused by the decline in rail freight.</p> <p style="text-align: center;"><i>Paul McMahon left the meeting.</i></p>	MC (PMcM)
17/101	<p><b><u>NRL Annual Report &amp; Accounts 2017</u></b></p> <p>Paper 63/17 updated the Board on the status of the Network Rail Limited annual report and accounts 2016-17 (ARA).</p> <p>Following discussion, the Board <b>AGREED</b> that:</p> <ol style="list-style-type: none"> <li>1. it was appropriate for the Viability Statement to cover a period of three years being the remaining two years of CP5 and the first year of CP6 given the stage on the Periodic Review process and preparations for CP6;</li> <li>2. the content of the ARA, when taken as a whole, was considered to be fair, balanced and understandable and provided sufficient information to facilitate a reasonable assessment of the company's position, performance, business model and strategy; and</li> <li>3. a committee would be formed comprising the Board Chair, the Chair of the Audit &amp; Risk Committee, the Chief Executive and the Chief Financial Officer (the</li> </ol>	

	<p>quorum being one non-executive director plus one executive director), to formally approve:</p> <ul style="list-style-type: none"> <li>a. the final version of the Network Rail Limited and the Network Rail Infrastructure Limited annual report and accounts for the financial year ended 31 March 2017;</li> <li>b. the Network Rail Limited Notice of Annual General Meeting and associated paperwork; and</li> <li>c. the Regulatory Financial Statements for the financial year ended 31 March 2017.</li> </ul>	
<b>17/102</b>	<p><b><u>Regulatory Financial Statements 2017</u></b></p> <p>The Board discussed paper 64/17 which provided (i) an overview of the Regulatory Financial Statements for the financial year ended 31 March 2017 (RFS); (ii) the Statement of Sufficiency of Resources to accompany the RFS; and (iii) an outline of the process to completion.</p>	
<b>17/103</b>	<p><b><u>Audit &amp; Risk Committee – Terms of Reference</u></b></p> <p>The Board discussed paper 65/17 which sought approval of the updated Audit &amp; Risk Committee’s Terms of Reference, following that Committee’s recommendation to do so.</p> <p>The Board <b>APPROVED</b> the Audit &amp; Risk Committee’s updated Terms of Reference as presented.</p>	
<b>17/104</b>	<p><b><u>Remuneration Committee – Terms of Reference</u></b></p> <p>The Board discussed paper 66/17 which sought approval of the updated Remuneration Committee’s Terms of Reference, following that Committee’s recommendation to do so.</p> <p>The Board <b>APPROVED</b> the Remuneration Committee’s updated Terms of Reference as presented.</p>	
<b>17/105</b>	<p><b><u>Doddle</u></b></p> <p>Paper 70/17 sought the Board’s approval to proposals set out in the paper, which was granted.</p>	
<b>17/106</b>	<p><b><u>Committee updates</u></b></p> <p>The Board discussed the updates on the Treasury Committee and Audit &amp; Risk Committee meetings held on 6 June.</p>	
<b>17/107</b>	<p><b><u>Prosecution Report &amp; Incident Map</u></b></p> <p>The Board noted paper 71/17.</p>	
<b>17/108</b>	<p><b><u>Minor Buildings &amp; Civils framework extension</u></b></p> <p style="text-align: center;"><i>Andy Haynes joined the meeting.</i></p> <p>Paper 68/17 sought approval of an extension to the Minor Buildings &amp; Civils Maintenance contracts, while the responses to a tender were reviewed.</p> <p>Following discussion, the Board <b>APPROVED</b> the contract extension and the</p>	

	<p>associated values, and <b>AUTHORISED</b> the Route Services Procurement Executive Panel to approve the award of the replacement frameworks.</p> <p><i>Andy Haynes left the meeting.</i></p>	
17/109	<p><b><u>NWEP Phase 3 – Blackpool Light Maintenance Depot</u></b></p> <p><i>Mick Butler and Martin Frobisher joined the meeting.</i></p> <p>Pursuant to paper 69/17 the Board <b>APPROVED</b> the requested transfer of budget for this project.</p> <p><i>Mick Butler and Martin Frobisher left the meeting.</i></p>	
17/110	<p><b><u>Executive Committee &amp; Panel Approvals</u></b></p> <p>The Board discussed the contents of paper 72/17.</p> <p>The Board noted that it was to receive a presentation on Procurement throughout NR at its September meeting.</p>	JW
17/111	<p><b><u>NAO Review – Sheffield Tram</u></b></p> <p>The Board noted paper 73/17 which set out the National Audit Office’s draft findings arising from its review of the Sheffield to Rotherham tram-train project.</p>	
17/112	<p><b><u>Network Rail Consulting – Terms of Reference and Delegation of Authorities</u></b></p> <p>The Board noted paper 67/17. The Board proposed some updates to the Terms of Reference.</p>	
17/113	<p><b><u>Board forward agenda - July</u></b></p> <p>The Board noted the draft agenda for its July meeting.</p>	
17/114	<p><b><u>Transformation in action – examples from across NR</u></b></p> <p>Paper 74/17 was discussed by the Board. The Board was encouraged to see the progress made as a result of devolution around Network Rail.</p>	
17/115	<p><b><u>Date of next meeting</u></b></p> <p>The next scheduled Board meeting was on 19 July 2017 in Glasgow.</p>	
17/115	<p><b><u>Any Other Business</u></b></p> <ol style="list-style-type: none"> <li>1. <u>Succession and Talent Planning</u> The Board noted that this was scheduled as an agenda item in October.</li> <li>2. <u>Corporate meeting calendar</u> The 2018 meeting dates calendar had been circulated and feedback was being gathered. The 2019 meeting calendar would be circulated shortly.</li> </ol>	

There being no further business the Chair closed the meeting at 15:45.

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Chair