

**MINUTES OF A MEETING OF THE BOARD OF
NETWORK RAIL LIMITED**
held at Temple Point, Redcliffe Way, Bristol, BS1 6NL
on Wednesday 27 June 2018 from 08:30am

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| Present: | Sir Peter Hendy (Chair) Rob Brighthouse Mark Carne Sharon Flood Chris Gibb | Silla Maizey 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 David Noyes – observer Mark Langman (min 18/107) Neil Thompson (min 18/107) Andy Thomas (min 18/110) | |
| Apologies: | Richard Brown | |
| MINUTE NO. | | ACTION |
| 18/96 | <p><u>Safety briefing</u></p> <p>The Board was briefed on the safety and emergency evacuation procedures for Temple Point.</p> | |
| 18/97 | <p><u>Chair's remarks</u></p> <p>The Chair welcomed David Noyes to the meeting in anticipation of his appointment as a member of the Board, and noted that Richard Brown had apologised for being unable to attend.</p> <p>The Board expressed its shock and sadness at the tragic death of Matthew, an employee of a contractor, while he worked at Bearsden Station near Glasgow. The Board extended their deepest condolences to Matthew's family, friends and colleagues.</p> <p>The Chair, on behalf of the Board, congratulated the three Network Rail employees who had been recognised in the Queen's birthday honours in June 2018:</p> <ul style="list-style-type: none"> • Mark Carne CBE, for services to the railway industry; • Scott Heath BEM, for services to the lesbian, gay, bisexual, transgender (LGBT) community; and • Ian Stevens MBE, for services to the railway suicide prevention programme. <p>Andrew Haines, Chief Executive Designate, had written to the Secretary of State about the December 2018 timetable, and the Chair had been asked to confirm the Board's support for those recommendations to the Secretary of State.</p> <p>The Board noted that Andrew Haines would be appointed as Network Rail's Chief Executive and Accounting Officer on 14 August 2018.</p> <p>The Chair and Mark Carne had held a constructive meeting with the chairs of each of the Route Supervisory Boards. The focus of that meeting would be discussed later in the meeting.</p> | |

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| | <p>Two members had been appointed to the System Operator Advisory Board; the first meeting of which was scheduled for Summer 2018. Bridget Rosewell would chair that meeting pending the appointment of an independent chair.</p> | |
| 18/98 | <p><u>Minutes of the previous meeting</u></p> <p>The minutes of the meeting held on 31 May 2018 were approved.</p> | |
| 18/99 | <p><u>Action list</u></p> <p>The Board reviewed the action list.</p> | |
| 18/100 | <p><u>Directors' interests</u></p> <p>Mike Putnam disclosed that he had been asked to join the Board of Bazalgette Tunnel Limited, the licensed Infrastructure Provider set up to finance, build, maintain and operate the Thames Tideway Tunnel.</p> <p>Chris Gibb disclosed that he was temporarily working for GTR on timetabling matters at the request of the Secretary of State, but that he was not involved in any commercial aspects of the relationship between GTR and Network Rail.</p> <p>Bridget Rosewell disclosed that she would chair the Independent Review into Planning Appeal Inquiries commissioned by the Ministry of Housing, Communities and Local Government.</p> | |
| 18/101 | <p><u>Annual Report and Accounts 2018 and associated matters</u></p> <p>The Board was updated on the status of the Network Rail Limited annual report and accounts 2017-18 (ARA).</p> <p>Following discussion, the Board AGREED:</p> <ol style="list-style-type: none"> 1. that it was appropriate for the Viability Statement to cover a period of three years given that the Final Determination for CP6 had not yet been published; 2. that 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; 3. to formally APPROVE, subject to any minor corrections being required: <ol style="list-style-type: none"> 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 2018; b. the Network Rail Limited Notice of Annual General Meeting and associated paperwork; and 4. to DELEGATE AUTHORITY to the Chief Executive and the Chief Financial Officer jointly, to review and approve the final version of the Regulatory Financial Statements for the financial year ended 31 March 2018. A summary of the Regulatory Financial Statements would be sent to the Board in due course. | Jeremy Westlake |
| 18/102 | <p><u>Audit & Risk Committee – terms of reference</u></p> <p>The Board reviewed and APPROVED the updated Audit & Risk Committee terms of reference as set out in paper 70/18.</p> | |

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| <p>18/103</p> | <p><u>CEO Board Report</u></p> <p>The Chief Executive discussed with the Board in more detail the circumstances that led to the tragic death of Matthew at Bearsden Station near Glasgow.</p> <p>The Board noted that an investigation into Matthew’s death was underway. However, it was important to act quickly on any lessons learned from this tragedy. As such a safety stand-down was being held across Network Rail in July to give all employees the chance to discuss:</p> <ul style="list-style-type: none"> i. planning safe systems of work, ii. the importance of carrying out rigorous risk assessments, and iii. empowering and encouraging employees to challenge and intervene where they perceive any behaviours, work environments and/or systems to be unsafe. <p>The need to challenge unsafe behaviours was particularly important and required a culture change within the Company and amongst its contractors; currently a disproportionately large percentage of Close Calls raised were about unsafe conditions rather than unsafe behaviours.</p> <p>The Board reflected on the recent Transport Select Committee session on the May 2018 timetable issues, and discussed progress against the industry plan to address those problems.</p> <p>The Board did not wish to pre-empt the findings of the ORR’s investigation, however it discussed some of the contributing factors from across the industry to the problems that arose. In particular, the Board noted that while those issues were likely to have been captured in the internal risk management systems of each of the individual companies, there was no system for capturing the wider accumulated risk to the network and industry. Network Rail management would consider this and report back to the Board.</p> <p>The Board discussed the impact of the timetabling issues on the train performance metric of the scorecard, and noted that work was underway to understand how that would impact the first year of CP6.</p> | <p>Jo Kaye</p> |
| <p>18/104</p> | <p><u>CFO Finance Report</u></p> <p>The Board discussed the Chief Financial Officer’s narrative and Finance Report. The Board noted progress on Network Rail’s asset disposal and ‘Open for Business’ programmes. The guide for third parties wishing to work with Network Rail would be circulated to the Board.</p> <p>The Board AUTHORISED Chris Gibb, Jeremy Westlake and one of Bridget Rosewell or Sharon Flood to approve the final bidder to engage with on the disposal of Network Rail’s commercial estate.</p> | <p>Jeremy Westlake</p> |
| <p>18/105</p> | <p><u>December 2018 timetable</u></p> <p>The Board noted the various discussions taking place within the industry on proposals for the December 2018 timetable change, and the wide range of views expressed.</p> <p>The Board noted the risk assessment of readiness for the timetable change. Both Network Rail and train operating companies had obligations to initiate activity leading to a state of readiness including, for train operating companies, availability of rolling stock and its suitability and readiness (eg, gauging clearance).</p> | |

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| | <p>The Board also noted some of the challenges faced by a number of engineering programmes on their timetables for completing works and being cleared to enter into service.</p> <p>Aside from engineering and rolling stock readiness, a significant factor in the success of the implementation of any timetable changes was the availability of suitably trained train drivers with agreed duty rostering.</p> <p>The Secretary of State was being consulted on the size and scale of the December 2018 timetable.</p> | |
| 18/106 | <p><u>North West Electrification Programme (NWEF)</u></p> <p>The Board was updated on NWEF4. The slide deck used in the meeting would be circulated to the Board.</p> | Stuart Kelly |
| 18/107 | <p><u>Western Route - update</u></p> <p><i>Mark Langman and Neil Thompson joined the meeting.</i></p> <p>The Board noted paper 67/18 that had been circulated prior to the meeting. The Board then discussed:</p> <ul style="list-style-type: none"> • the challenges to improve train performance, including network upgrades, new fleet and train crew training. • the different contractual conditions and thus the attention to detail that underpins MTR's improvement to its train performance, such as actively managing platform dwell times. • the GWR/NR 'soft' alliance, with 10 workstreams focused on finding better ways of working together, which had won two awards recently. • a range of technical issues being experienced with new Hitachi Intercity Express Trains. • train cancellations on Sundays, caused by 100% reliance on drivers voluntarily working their rest days. • the benefits of the Western Route Supervisory Board, in particular in helping to agree a significant short notice request for track access by Crossrail. • the early success of the Traffic Management system being trialled to improve train performance. • an analysis of the trade-off between different patterns of track access to perform the cyclical maintenance regime; ways of working were also being reviewed to highlight where changes could be made to make more effective use of track possessions. <p><i>Mark Langman and Neil Thompson left the meeting.</i></p> | |
| 18/108 | <p><u>Draft Determination CP6</u></p> <p>The Board discussed paper 68/18 which provided an update on the potential final outcomes for PR18 and the approach to developing Network Rail's response to the ORR's Draft Determination on CP6.</p> <p><i>Sharon Flood left the meeting.</i></p> | |

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| <p>18/109</p> | <p><u>CP6 Financial Framework - AME/DEL update</u></p> <p>Paper 63/18 outlined the ways in which the Government's rules on spend and budgeting would apply to Network Rail from the start of CP6.</p> <p>The Chief Financial Officer reported that successful engagement with DfT and Treasury had ensured that the new financial framework for NR is one which is adequately flexible to reflect the sometimes uncontrollable and immediate nature of some of the factors affecting spend timing each year on operations, maintenance, renewals and enhancements work</p> <p>In addition, Network Rail was taking steps to improve the accuracy of its forecasting on capital expenditure, and was developing a prioritised pipeline of works requiring capital expenditure that could be activated quickly when funding allowed.</p> <p><i>Chris Gibb and Michael O'Higgins left the meeting.</i></p> | |
| <p>18/110</p> | <p><u>Route Businesses - update</u></p> <p><i>Andy Thomas joined the meeting.</i></p> <p>Taking paper 66/18 as read, the Board discussed:</p> <ul style="list-style-type: none"> • some recent exercises that had highlighted several ways in which operational communications needed to be improved. • the focus on an industry-wide joint approach to improving train performance; however, different Routes and different Train Operators required different solutions to the problem; Network Rail was pushing hard to get sign-off by train operating companies to the joint improvement plans, thereby bringing track and train closer together; • within the focus on improving train performance, the priority would be to get the morning peak running well as that was when most passengers travelled; next, the evening peak and after that the rest of the day. PPM on its own was considered to be insufficiently granular as a measurement. • Autumn 2018 preparedness plans were well developed, with the intent that all are jointly signed off by both Network Rail and relevant Train Operating Companies. • to create a track access strategy, an analysis was being done across all Routes to pull together the plans or intention to create plans for access to track and to understand the geographical areas covered and the percentage of access that had been secured. The findings of this analysis would be shared with the Board. • a review of Route devolution and options for its development. • work being done to understand the key issues that led to passenger dissatisfaction, and using the outcomes to inform management decisions on a range of matters. <p>The Board welcomed the very comprehensive presentation on, and discussion of, initiatives being led by the Route Businesses function.</p> <p><i>Andy Thomas left the meeting.</i></p> | <p>Andy Thomas</p> |
| <p>18/111</p> | <p><u>Route supervisory boards – structure and governance</u></p> | |

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| | <p>Paper 64/18 updated the Board on the Route Supervisory Board (RSB) structure, proposed changes to their remit and provided a proposal to bring the RSB community together.</p> <p>The Board suggested some improvements to paper 64/18 and asked that it be developed into something suitable for socialising with a range of industry stakeholders.</p> <p>The Chair would convene an Industry Railway Board meeting, comprising the chairs of the existing Route Supervisory Boards and other industry stakeholders.</p> | <p>Mark Carne</p> <p>Peter Hendy</p> |
| 18/112 | <p><u>2017 Board Evaluation – action plan update</u></p> <p>The Board discussed paper 71/18 which updated the Board on the steps taken and to be taken in response to the suggestions that were made in Independent Audit's Board Review Report dated March 2018.</p> | |
| 18/113 | <p><u>Committee updates</u></p> <p>The Board noted updates on recent meetings of the Remuneration Committee, the Audit and Risk Committee and the Treasury Committee.</p> | |
| 18/114 | <p><u>Prosecution Report</u></p> <p>The Board discussed paper 73/18.</p> | |
| 18/115 | <p><u>Company Secretary's Report</u></p> <p>The Board reviewed paper 75/18.</p> <p>Following discussion, the Board:</p> <ul style="list-style-type: none"> • APPROVED the draft Power of Attorney covering routine banking and treasury matters, including the signing of derivative documentation, which: <ul style="list-style-type: none"> ○ revoked Samantha Pitt's power of attorney with effect from 27 July 2018; ○ granted a power of attorney to Brian White with effect from 27 July 2018; and ○ would expire on 30 November 2019; • NOTED the findings of the Audit & Risk Committee Effectiveness review and suggested next steps; • NOTED the publication dates of recent Board minutes; and • RATIFIED the use of the Company seal as set out in paper 75/18. | |
| 18/116 | <p><u>Board forward agenda</u></p> <p>The Board discussed the draft agenda for the July Board meeting.</p> | |
| 18/117 | <p><u>Transformation in action</u></p> <p>The Board noted paper 76/18 which provided examples of transformation across the business.</p> | |
| 18/118 | <p><u>Siemens Alstom merger - update</u></p> <p>The Board noted paper 77/18 which updated the Board on the proposed Siemens Alstom merger.</p> | |

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| | The Commission had asked Network Rail to advise on what sort of remedies might be appropriate should the merger be allowed and the Company would respond. | |
| 18/119 | <p><u>Any other business</u></p> <p>None.</p> | |
| <p>There being no further business the Chair closed the meeting at 15:10.</p> <p>..... Chair</p> | | |