

**MINUTES OF A MEETING OF THE BOARD OF
NETWORK RAIL LIMITED**
held at Llandudno Junction DU, Conway Road, Llandudno Junction LL31 9LU
on Thursday 31 May 2018 from 09:30am

Present:	Sir Peter Hendy (Chair) Rob Brighthouse Richard Brown Mark Carne Sharon Flood Chris Gibb	Silla Maizey Michael O'Higgins Mike Putnam Bridget Rosewell Jeremy Westlake
In attendance:	Henry Bates – Lead Executive Assistant (CE) Michael Harrison – UKGI observer Stuart Kelly – Group General Counsel & Company Secretary Helen Martin – Senior Assistant Company Secretary Caroline Murdoch (mins 18/72 - 18/79) Neil Thompson (min 18/82) Clive Berrington (min 18/80 & 18/81) Alison Rumsey (mins 18/83 - 18/85) Susan Cooklin (min 18/80 & 18/81) Francis Paonessa (min 18/85) Matt Steele (min 18/80 & 18/81) Patrick Cawley (by phone) (min 18/86) Bill Kelly (min 18/82) Matt Rice (min 18/87) Andy Thomas (mins 18/82 & 18/85)	
MINUTE NO.		ACTION
18/72	<p><u>Safety briefing</u></p> <p>The Board was briefed on the safety and emergency evacuation procedures for the Llandudno Junction DU.</p>	
18/73	<p><u>Chair's remarks</u></p> <p>The Chair and the Board reflected on:</p> <ul style="list-style-type: none"> • the recent meeting with a number of Wales Route stakeholders; • the announcement on 21 May that Andrew Haines OBE would be appointed as Chief Executive upon Mark Carne's retirement; • the ceremonial opening of London Bridge Station; and • the success of the 2018 business briefings which, in line with Route devolution, had been hosted by the Route MDs. The Board congratulated Mark Carne on having delivered over 100 business briefings during his four years with Network Rail. <p>The Board discussed the proposed appointment of David Noyes as a Non-executive Director. Mr Noyes, who was most recently CEO of Carnival UK and prior to that worked for British Airways, had experience of business transformation and efficiency programmes, as well as managing devolved businesses in a safety critical industry. Additionally, he has considerable direct experience of business in Scotland having been, amongst other things, responsible for both Glasgow and Edinburgh airports.</p> <p>The Board APPROVED SUBJECT TO receiving final regulatory clearances, the appointment of David Noyes as a Non-executive Director of both Network Rail Limited and Network Rail Infrastructure Limited.</p>	
18/74	<p><u>Minutes of the previous meeting</u></p> <p>The minutes of the meeting held on 10 April 2018 were approved.</p>	

<p>18/75</p>	<p><u>Action list</u></p> <p>The Board reviewed the action list.</p>	
<p>18/76</p>	<p><u>Directors' interests</u></p> <p>Mike Putnam disclosed that he had been appointed as an adviser to the House of Lords Select Committee on Science and Technology's inquiry into off-site manufacture for construction.</p> <p>The directors requested a number of other updates to the register.</p>	
<p>18/77</p>	<p><u>CEO Board Report</u></p> <p>The Board reviewed the Chief Executive's report and, in particular, discussed:</p> <ul style="list-style-type: none"> • the industry-wide challenges surrounding the introduction of the May 2018 timetable. There were many different factors that contributed to this totally unacceptable situation. The cumulative impact of these factors had been completely underestimated by the industry. It was noted that no TOC had advised in advance of the timetable change of the scale of the problem that they had with train crew and drivers, which meant it was very hard for them to have taken preventative actions. • The T-12 timetable recovery plan continued in line with expectations. The Company continued to work closely with those train operators that, for a variety of reasons, had been unable to bid for train paths within the agreed timeframe; • work that had been and was being done to correct misleading media claims regarding Network Rail's management of trees close to the rail network; Network Rail balances safety on the railway with looking after the habitats on its land, and actively considers the natural environment and the impacts of vegetation management on local communities; • the Secretary of State's announcement on 16 May 2018 that the 'Operator of Last Resort' would take over the Virgin Trains East Coast franchise from 24 June 2018; • train performance which, leaving May timetable introduction issues aside, continued to cause concern. There had been short-term problems due to severe weather events, but generally the infrastructure was performing well. There continued to be some issues with the availability of train crew, and the train operators were addressing this. Longer term, a concern was the desire of some operators to run additional off-peak train services which would hamper the railway's ability to recover from peak time incidents. Train performance would continue to be closely monitored; • the Board requested a paper to show train performance on a right time arrival basis together with the PPM which would continue to be used to show the long term trends over multiple control periods; • the metrics currently used to measure train performance, and the need for those to be reviewed. It was noted that this was being addressed at NTF. The Board would discuss this further at its September meeting. That discussion would also encompass the likely impact of current train performance on the early years of CP6, and the performance trajectory required; and • electrification of the Bolton line and the introduction of the December 2018 timetable. The Board asked for a report on the status of the delivery of the relevant milestones in readiness for December 2018. 	<p>MC</p> <p>Francis Paonessa</p>

<p>18/78</p>	<p><u>CFO Finance Report</u></p> <p>The Board discussed:</p> <ul style="list-style-type: none"> • the disposal of the commercial estate, which was targeted to complete by the end of September; • the status of other asset disposal projects; • the proposed merger between Siemens and Alstom, which was currently under review by the Commissioner for Competition at the European Commission; and • the current position on the Regulator’s emerging CP6 Draft Determination. 	
<p>18/79</p>	<p><u>Corporate Communications function</u></p> <p>Having been recently appointed as Corporate Communications Director, paper 46/18 set out Caroline Murdoch’s initial thinking and proposals for Corporate Communications in Network Rail.</p> <p>Stakeholder research, supported by anecdotal evidence, had shown that perception of Network Rail had improved during 2017/18, although there remained scope to improve further.</p> <p>The emphasis of corporate communications would be on building trust and public confidence in Network Rail’s ability to deliver for the public, by communicating with integrity and transparency.</p> <p>The corporate communications strategy for CP6 would be developed further in light of the Board’s comments and shared again with the Board before the end of CP5.</p> <p>The Board asked to receive an updated Research Pack every six months or so.</p> <p style="text-align: center;"><i>Caroline Murdoch left the meeting.</i></p>	<p>Caroline Murdoch</p>
<p>18/80</p>	<p><u>NR procurement and supplier management strategy</u></p> <p style="text-align: center;"><i>Clive Berrington, Susan Cooklin & Matt Steele joined the meeting.</i></p> <p>Paper 47/18 provided an overview of procurement in Network Rail, how procurement was run, and outlined the overarching supplier management strategy and procurement improvements being made.</p> <p>The Board discussed:</p> <ul style="list-style-type: none"> • the two channels through which procurement in Network Rail was run: Route Services and IP Procurement; • the work underway to improve the effectiveness and efficiency of procurement for CP6; • the need for NR to further leverage its position as a demanding client, benchmarking suppliers and weighting their ‘scores’ according to local needs; • the work that has been done to manage supplier contracts over the period for closing out CP5 and entering CP6; • the formation, and further development, of alliances with suppliers, particularly for major programmes of works; and • the need for improved relationship management across both procurement channels, although it was noted that there was a single account manager for each supplier. 	

	<p>The Board asked for:</p> <ol style="list-style-type: none"> 1. an update on the number of ‘hub and spoke’ contracts that remained in force, and the potential risks, quantified, that those contracts posed to NR over what timeframe, and the risk mitigations in place; 2. a note of the various contracting models used by the procurement functions, and the decision tree for assessing the most appropriate model in each case; 3. a further update on how NR managed its suppliers, the demands it made of those suppliers (eg, in terms of diversity and/or employment of apprentices) and how compliance with those demands was monitored; and 4. sight of the improvement plan for procurement, showing the start and end points and why this plan was the right one, with evidence of the efficiencies and value for money the plan was generating. 	<p>Matt Steele</p> <p>Matt Steele</p> <p>Matt Steele</p> <p>Matt Steele</p>
<p>18/81</p>	<p><u>Route Services Contracts & Procurement transformation and CP6 efficiencies</u></p> <p>Paper 48/18 set out plans for the transformation of the Route Services Contracts & Procurement function and its readiness for CP6. The emphasis of the function had been largely transaction and process driven. The transformed function would focus more on integrated category strategies, an industrialisation of sourcing activity, and a clear delineation of where best to manage post-contract activity.</p> <p>A number of efficiencies had been committed to in the CP6 Plan, and work was underway to examine whether or not further efficiencies could be delivered.</p> <p>The Board asked that a further paper be presented setting out:</p> <ul style="list-style-type: none"> • the maturity levels for each of capability, process and approach to market; • a one, two and three year plan showing the vision for where the function was headed, what would be delivered, and linking the function’s capability to the results generated; and • the milestones, and progress against those milestones, for this transformation; <p>The team was thanked for the clarity of the two Procurement presentations and their honesty in identifying the procurement shortcomings and the challenges they faced to transform procurement activities in Network Rail.</p> <p style="text-align: center;"><i>Clive Berrington, Susan Cooklin & Matt Steele left the meeting.</i></p> <p>The Board discussed the continued appropriateness of having two separate, but closely-related functions handling procurement, and looked forward to seeing evidence in support of this strategy, or otherwise.</p>	<p>Susan Cooklin / Clive Berrington</p> <p>Susan Cooklin / Clive Berrington</p>
<p>18/82</p>	<p><u>Route presentation – Wales and Borders</u></p> <p style="text-align: center;"><i>Bill Kelly, Andy Thomas and Neil Thompson joined the meeting.</i></p> <p>The Wales Route update (paper 49/18) started with a safety discussion about a landslip at Little Haglow in April 2018, and the lessons learned.</p> <p>The Board also discussed:</p> <ul style="list-style-type: none"> • the October 2018 franchise change from Arriva Trains Wales to KeolisAmey and the work being done to prepare for that transition; • that a programme of modifying existing rolling stock to ensure that it did not discharge toilet waste to track was already under way, and that any new rolling stock introduced by the KeolisAmey would have contained toilet waste; 	

	<ul style="list-style-type: none"> the Route's readiness for CP6, and noted that works had been planned ready to implement during the first year of CP6, and that further works were under development; the current status of the South Wales electrification programme and the options to minimise the disruption the economy of Wales; and the value that the Wales & Borders Route Supervisory Board was bringing, particularly in terms of engaging with stakeholders, the Welsh Government and Transport for Wales. <p>The Board asked for a paper showing the value of the efficiencies built into the Route's CP6 plan, the risks to delivering those efficiencies and any plans the Route had to out-perform its targets.</p> <p><i>Bill Kelly, Andy Thomas and Neil Thompson left the meeting.</i></p>	<p>Andy Thomas / Bill Kelly</p>
<p>18/83</p>	<p><u>Group HR – function review</u></p> <p><i>Alison Rumsey joined the meeting.</i></p> <p>Paper 50/18 updated the Board on the Group HR function, and shared some benchmarking which highlighted those areas that stakeholders wanted Group HR, as a business partner, to focus on, and the priority areas for improvement.</p> <p>Amongst other things, the Board discussed:</p> <ul style="list-style-type: none"> the end to end process of how apprentices and graduates were recruited, their knowledge and skills developed and were made aware of the potential career paths open to them, and the work that was being done in this area; the need across the business to ensure that upon appointment of first-time line managers the incumbents were given support and training to help develop appropriate skills; work being done on the language in both job descriptions and job adverts to assess them for unconscious gender bias; and the plan to move to a rolling employee engagement survey process, rather than the current biennial survey. <p>The Board asked for an update on how the Company tracks and maintains contact with the alumni of Network Rail's apprenticeship and graduate programmes.</p>	<p>Alison Rumsey</p>
<p>18/84</p>	<p><u>People strategy – initial thoughts</u></p> <p>The Board discussed paper 51/18 which set out some proposals for developing Network Rail's people strategy for its devolved business throughout CP6.</p> <p>Each of nine outcome statements were being mapped through the relevant workstreams to show how they supported delivery of Network Rail's overall business strategy.</p> <p>The Board would receive a further update, including case studies, once this work was complete, showing how the Group HR team had engaged with stakeholders across the business in developing this strategy, and how that engagement translated to delivery of the people strategy. Timelines for delivering each of the nine outcome statements would also be presented.</p>	<p>Alison Rumsey</p>
<p>18/85</p>	<p><u>Capital Delivery – new operating model</u></p> <p><i>Francis Paonessa and Andy Thomas joined the meeting.</i></p> <p>Paper 52/18 updated the Board on the progress of the proposal for a new capital delivery operating model. The Board noted that the structure of the Infrastructure</p>	

	<p>Projects function was under review and requested that a skills review be undertaken in parallel. The Board asked for an update on these workstreams at its October 2018 meeting, with a particular focus on the sponsor role and capacity and expertise within the routes.</p> <p><i>Alison Rumsey and Andy Thomas left the meeting.</i></p>	Alison Rumsey
18/86	<p><u>East West Rail Phase 2</u></p> <p><i>Patrick Cawley joined the meeting.</i></p> <p>The Board reviewed paper 56/18, which sought approval for funding to allow the East West Rail project to conclude development of GRIP 4 and further accelerate GRIP 5 design work and some supporting elements of GRIP 6 enabling works, to facilitate integration with HS2 in the Calvert area.</p> <p>The Board APPROVED the funding as requested in paper 56/18.</p> <p><i>Patrick Cawley and Francis Paonessa left the meeting.</i></p>	
18/87	<p><u>East Coast Main Line franchise</u></p> <p><i>Matt Rice joined the meeting.</i></p> <p>The Board discussed paper 53/18, which provided an update on the status of the East Coast Intercity Franchise and the emerging East Coast Partnership.</p> <p>The Board asked to be kept updated on the various workstreams underway.</p> <p><i>Matt Rice left the meeting.</i></p>	
18/88	<p><u>Committee updates</u></p> <p>The Board received oral updates on recent meetings of the Remuneration Committee and the Safety, Health & Environment Committee.</p> <p>In particular, the Board was pleased to note that the ORR had indicated its support for Network Rail's commitment to stop train toilets discharging waste to track by the end of December 2019.</p>	
18/89	<p><u>Prosecution Report and Incident Map</u></p> <p>The Board discussed paper 58/18.</p>	
18/90	<p><u>Company Secretary's Report</u></p> <p>The Board reviewed paper 59/18 which, pursuant to a discussion at the February 2018 board meeting, requested certain delegated authorities in respect of the Core Valley Lines' Transfer Framework Agreement.</p> <p>Following discussion, the Board DELEGATED AUTHORITY to:</p> <ul style="list-style-type: none"> • the Chief Financial Officer to review and approve the terms of the Transfer Framework Agreement; and • the Wales Route Managing Director to enter into that Agreement following the Chief Financial Officer's approval. <p>The Board RATIFIED the use of the company seal as set out in the paper.</p>	
18/91	<p><u>Executive Committee and Investment Panel approvals</u></p> <p>The Board discussed paper 60/18.</p>	

18/92	<p><u>Board forward agenda</u></p> <p>The Board discussed the draft agenda for the June Board meeting.</p>	
18/93	<p><u>Mayors and their plans</u></p> <p>The Board commended paper 61/18, which provided a helpful update on the national progress with devolution, funding and fund raising opportunities and Network Rail's interaction with mayoral offices. The Board asked to receive periodic updates on this activity.</p>	
18/94	<p><u>Transformation in action</u></p> <p>The Board noted paper 62/18 which provided examples of transformation across the business.</p>	
18/95	<p><u>Any other business</u></p> <p>The Board discussed the funding needs of Network Rail Consulting Limited and DELEGATED AUTHORITY to the Chief Financial Officer to review and action as needed.</p>	

There being no further business the Chair closed the meeting at 16:28.

..... Chair