

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED**
held at Western House, 1 Holbrook Way, Swindon SN1 1BD
on
Wednesday 25 November 2015 at 10.00am

Present: Sir Peter Hendy (Chair) Sharon Flood
Malcolm Brinded Chris Gibb
Richard Brown Janis Kong
Patrick Butcher Michael O'Higgins
Mark Carne Bridget Rosewell

In attendance: Suzanne Wise – Group General Counsel & Company Secretary
Stuart Kelly – Deputy Group General Counsel
Anthony Odgers - Shareholder Executive
Francis Paonessa (min 15/143)
Mark Langman (min 15/143)
Robbie Burns (min 15/143)
Simon Maple (min 15/143)
Roger Dickinson (min15/143)

MINUTE NO.		ACTION
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15/137 CHAIR'S OPENING REMARKS

The Chair welcomed the Board and opened the meeting.

The Chair remarked that the period since the last Board meeting on 19 October 2015 had been busy. The Chair mentioned the imminent publication of the Bowe Review and the Hendy Review. A period of consultation will occur in regard to the latter publication.

It was noted that the DfT would undertake a fundamental review of the role of the ORR.

The attendance at the recent Public Accounts Committee was also mentioned.

There had been a successful Leadership Conference on 18 November 2015. This had been attended by approximately 300 senior leaders.

It was noted that since the last Board meeting Malcolm Brinded had met with John Kingman, the Second Permanent Secretary at HM Treasury; and Bridget Rosewell has been appointed as Commissioner for the National Infrastructure Commission.

The Chair had visited HMS Sultan and had been impressed by the calibre of the Network Rail apprentices whom he had encountered there. Other Board members were encouraged to visit the apprentices at Gosport or later in the following year at Westwood.

15/138 PREVIOUS MINUTES

The minutes of the Board meeting of 19 October 2015 were approved subject to one minor adjustment.

15/139 ACTION LIST

The Action list was reviewed and updated. Noting specifically:

Minute 15/113.2 – Aligning with Franchise Targets

The note on the current misalignment of train operators PPM objectives and those of

MC(GW)

Network Rail should be brought back to the Board for further discussion in February 2016.

Minute 15/82 (i) - SW Trains Alliance

The lessons learned review to be brought to the Board in January 2016.

Minute 15/113.1 – Winter Preparedness

An addendum note is required to explain the conductor rail heating strategy (to be circulated to the Board separately).

MC (PH)

Minute 15/132 – Delegated Authorities

The Board would like to see how the delegation of authorities will now respond to the evolving matrix structure and further devolution to the Routes, and how any changes will be communicated. It was noted that this was due to go to the Executive Committee in February 2016 and would then be brought to the Board.

SEW (SK)

15/140 DIRECTORS' CONFLICTS OF INTEREST

The appointment of Bridget Rosewell as Commissioner for the National Infrastructure Commission was noted. Patrick Butcher's prospective appointment as Chief Financial Officer of The Go-Ahead Group PLC was also noted.

BUSINESS OPERATIONS

15/141 BOARD REPORT – P7

Mark Carne presented paper 66/15, the contents of which were noted, and highlighted the following matters:

Safety

It was noted that West Coast Railways were the subject of a prohibition notice as a result of safety concerns.

The ORR had recently written to Network Rail concerning its proposals for a reduction in renewals activity. Network Rail disagreed with the ORR's conclusions and had responded accordingly. The next step was to engage with the ORR to better explain the Company's analysis which supported the safe reduction in renewal activity and if necessary the Company would commission an independent review.

MC(GH)

Hendy review

The Company's efforts to inform the Hendy Review were discussed.

People

The leadership conference which had been held in the period had provided an opportunity to explain in detail the evolution of the matrix model and further empowerment of the Routes. It was acknowledged that there is still much to do but it had been well received.

The decision to move the location of the apprenticeship training to Westwood in September 2016 was noted. The diversity statistics following the recent graduate recruitment programme had improved with 39% women and 31% BAME graduate intake. The diversity statistics for apprentices was much poorer, but the move to Westwood was seen a positive step towards addressing some of the causes of this.

The process for approval of the salaries for senior management in general, and for the replacement Chief Financial Officer and the new Route Services Director in particular was discussed. Anthony Odgers would meet with Patrick Butcher to progress the matter.

PB/AO

Train and Asset Performance

The weather had been poor in the period with the high wind associated with storms

Barney and Abigail having had an adverse impact. Whilst the Autumn leaf fall had been prolonged, due to the mild weather, this had not contributed to the impact on performance in the same way as the storms. There had been high profile issues with vegetation in East Anglia.

The investment in CP4 on remote conditioning monitoring was now providing significant benefit particularly on the key assets, on the key Routes. This coupled with a focus on getting the basics right, driven by inclusion on the Corporate Score Card of the Composite Reliability Index (CRI) are beginning to pay off. Indeed the strong performance of the CRI on the Corporate Scorecard was noted. The infrastructure being the most reliable that it has ever been although its intense use inevitably means that it wears out more quickly.

The Corporate Scorecard continues to provide focus for employees.

The PPM for Train Operating Companies was discussed as were the principal contributors to poor performance together with the effects of greater collaboration.

Financial Performance

The FPM on the Corporate Score Card was discussed and the impact of the sale of Birmingham New Street Grand Central and the outcome of the GWRM ECAM process was noted.

The Financial Report was reviewed. The reforecast at Period 8 for the full year was explained. It indicated a likely underspend of approximately £400m, a further view on this and the borrowing requirement from Government would be taken in January 2016. The Capex underspend was noted as mainly due to the deferment of enhancements and renewals to later years.

The low level contingency in the forecast was discussed and it was agreed that the Finance Report needed to provide more insight into the risks and opportunities for the rest of the financial year. The ability of the Board and the business to approve financial commitments on an individual project basis in these circumstances was discussed.

PB

15/142 EUSTON REDEVELOPMENT BRIEFING

Patrick Butcher presented paper 67/15. This paper gave an update on the current position on Euston Station. The Board noted the contents of the paper.

15/143 WESTERN ROUTE AND GWEP – UPDATE

Mark Langman, Robbie Burns, Roger Dickinson and Simon Maple presented a business update on the Western Route and GWRM.

The lessons from two particular safety incidents were discussed.

Details relating to the extensive preparations that have been put in place in readiness for the planned works over the Christmas period were discussed. This included the exceptional blockade at Paddington Station. It was suggested that the Secretary of State be briefed on the proposed scale of works prior to Christmas.

The costs increase of the GWRM programme was re-reviewed with the Board together with the risk issues and other contributory factors. The Board was appraised of the additional assurance processes that are in now in place. This included the careful review and management of critical suppliers and competences.

APPROVALS

15/144 INTERIM FINANCIAL STATEMENTS AND ANNOUNCEMENT

Patrick Butcher presented paper 68/15. This paper set out the key financial results and balances of the financial statements of Network Rail Limited for the six months ended 30 September 2015. The Interim Financial Statement was approved.

15/145 CROSSRAIL VARIATIONS PORTFOLIO

Francis Paonessa presented paper 69/15. This paper requested additional authority for Variations to the Crossrail Programme scope of works. The Board approved this additional authority, noting that the costs had been included in the Hendy Review.

STRATEGIC THEMES

15/146 BUSINESS PLAN 2015

Hendy Review

Mark Carne presented paper 70/15, which gave an update on the Hendy Review Report. The Board discussed and noted its contents and status and in particular the decision which had been made to split the Report and to publish this in two tranches. The regulatory status of the individual project sheets and the critical need for these to be signed off by the DfT was discussed.

It was noted that an advanced draft of the Report had been pre circulated to the Board and comments received and the Board had confirmed that finalisation of the Report had been delegated to the Chair.

The need to continue to monitor each of the Projects covered in the Hendy Report against the revised plans was emphasised. It was explained that a light touch review of every one of the Projects would be undertaken in June 2016 as part of the Initial Industry Plan (IIP) preparations. The IIP to be published in September 2016.

Shaw Review

Mark Carne presented paper 71/15 which shared Network Rail's progress in relation to the Shaw Review. Noting that responses to the Nicola Shaw's consultation were due on 24th December 2015. The Board discussed the disposition of the Train and Freight Operating Companies as expressed through RDG. It was noted that there was the prospect of an agreed RDG submission but in the absence of such a collectively agreed RDG document, individual TOCs and FOCs may choose to make their own submission.

The Board requested a paper to be circulated by mid December 2015 showing a model for potential third party investment.

MC(JK)

A consultation process is soon to start, with particular reference to the 16 questions posed in the recently published Shaw Report scoping document. Network Rail will be represented at each public meeting by the relevant Route Managing Director.

The Board noted the progress to date and the current position of the RDG membership. Network Rail's draft submission would be circulated to the Board for any comments in early December, prior to submission by 24th December.

MC (SC)

Asset Divestment

Patrick Butcher presented paper 72/15. The paper gave an update on asset divestments and outlined the proposed governance arrangements. The Board noted the challenges to achieving a successful and timely divestment. In particular the accounting treatment, resource and governance constraints.

The Board agreed the proposed governance framework and the proposed reporting and monitoring templates.

GOVERNANCE

15/147 BOARD FORWARD AGENDA 2016

Suzanne Wise presented paper 73/15. The paper set out at a high level the proposed shape of the Board Forward agenda for the coming calendar year and asked for views as to its suitability. Feedback from the Board was obtained and the forward agenda will be adjusted accordingly.

15/148 COMMITTEE REPORTS

AUDIT AND RISK COMMITTEE – 11 NOVEMBER 2015

Bridget Rosewell presented a summary note which reported back from the Audit and Risk Committee meeting on the 11 November 2015.

TREASURY COMMITTEE – 11 NOVEMBER 2015

Bridget Rosewell presented a summary note which reported back from the Treasury Committee meeting on the 11 November 2015.

SHE COMMITTEE - 24 NOVEMBER 2015

Malcolm Brinded reported back from the SHE Committee meeting on the 24 November 2015.

15/149 ANY OTHER BUSINESS

There was no other business.

15/150 DATE OF NEXT MEETING

The next Board meeting was confirmed for 20 January 2016.

FOR INFORMATION – DISCUSSION BY EXCEPTION ONLY

15/151 DIGITAL RAILWAY UPDATE – INCLUDING RESPONSE TO ACTION 15/103

Paper 74/15 was noted. A short discussion took place on the Initial Industry Plan and the integral part the Digital Railway plans will play in this key document. The need to get the whole industry behind the plan was key and the need to brief the Secretary of State and Lord Adonis on this in some detail at the appropriate moment was noted.

15/152 RAILWAYS PENSION SCHEME - VALUATION

Paper 75/15 was noted.

15/153 COMPANY SECRETARY'S REPORT

Paper 76/15 was noted.

15/154 BOARD FORWARD AGENDA

Suzanne Wise discussed the forward agenda. .

There being no further business the Chair closed the meeting.

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CHAIR