

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED**
held at The Quadrant, Elder Gate, Milton Keynes, MK1 9EN
on
Friday 28 October 2016 from 09:00am

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

In attendance: Suzanne Wise – Group General Counsel & Company Secretary
Helen Martin – Senior Assistant Company Secretary
Silla Maizey - observer
Anthony Odgers - UKGI
David Waboso (min 16/135 – min 16/139)
Phil Hufton (min 16/141)
Graham Hopkins (min 16/141)
John Halsall (min 16/142)

Apologies: Richard Brown

**MINUTE
NO.**

ACTION

16/135 CHAIR'S REMARKS

Silla Maizey was welcomed to the meeting as an observer.

The Chair updated the Board on various discussions held with the Department for Transport (DfT), which amongst other things had covered investment in the railway for the remainder of CP5.

The National Infrastructure Commission had drafted its interim report to Government on East West Rail (a proposal to connect East Anglia with Central, Southern and Western England). Network Rail (NR) would work up its ideas on how this could progress.

The Secretary of State was very keen to see maximum progress on Route devolution within Network Rail.

The Southern Rail Network Performance Improvement Board was expected to report formally to the Secretary of State at the end of 2016.

The recent Ernst and Young report into, amongst other things, the Edinburgh Glasgow Improvement Programme was critical; the issues were the same as those for major projects in England and Wales in respect of CP5. Network Rail needed in consequence to work more closely with both the Scottish and Welsh governments.

GB Railfreight was to be acquired by EQT Infrastructure II, a private equity firm with links to the Hector Rail group, Sweden's largest private rail freight company. DB Cargo UK had announced that it was changing its business model and would be making redundancies due to unprecedented changes in the freight market.

The House of Commons Transport Committee had published two reports. The Rail Technology: signalling and traffic management report had been broadly supportive of the Digital Railway (DR). The Chair commended David Waboso for making good progress on DR in a short space of time. The Future of Rail: improving the rail passenger experience was also noted.

Progress was being made in bringing third party funding into Network Rail. A map of

the projects being undertaken would be drawn up, highlighting where third party funding could be particularly beneficial, and discussed with the development community.

On behalf of the Board the Chair thanked Mark Carne and his team for making such a success of the transportation of the 2016 GB Olympic and Paralympic teams from Manchester to London for their celebratory Homecoming Parade. The arrangements had been exemplary.

The Company was also congratulated on being awarded four British Safety Council Swords of Honour. The four swords had been awarded to the delivery teams: Plain Line Track, High Output, Switches and Crossings North and Switches and Crossings South, with support from central functions integral to the award along with the work of the Track Safety Alliance (TSA), which brings together Network Rail, principal contractors, the supply chain and the trades unions to work collaboratively to improve track worker safety. This had been a great honour and a significant achievement.

The team at Birmingham New Street was commended for hosting two concerts by The City of Birmingham Symphony Orchestra on 8 October, which had been very well received by passengers and shoppers alike.

16/136 PREVIOUS MINUTES

Subject to two minor amendments, the minutes of the Board meeting of 28 September 2016 were approved.

16/137 ACTION LIST

The Action list was reviewed and updated.

Action 16/119.2 – Delivering for our Customers - Transformation

The update note attached to the action list demonstrated the progress being made on Route Transformation. The Route leadership structure was evolving and a number of roles were being recruited for. The introduction of a new Managing Director, Northern Portfolio role had been well received by the industry. Building on the lessons learned when establishing the 2016/17 scorecards, work was underway to define the 2017/18 scorecards.

The Board asked to receive regular updates on the progress of the 2017/18 scorecard discussions, together with a briefing on how the process would be audited and how the Board could assure itself that the correct actions and behaviours were being embedded into the business. Management commented that in line with devolution over the next two years the internal audit plan was switching its focus to undertake more audits on the Routes than had previously been the case.

JW

Action 16/82.2 – Effectiveness of Possession Utilisation

The action response had simply set out raw data; further work was being done to identify the insights that the data revealed, and what mitigations could be implemented. These findings would be reported back to the Board.

MC (FP)

Action 16/78.3 – Level Crossings

NR was continuing to work with the DfT to press for a change in law to facilitate level crossing closures. The Board asked for a short briefing note including one or two examples of the issues being faced by NR in trying to close level crossings, including the emotional effect on those affected by deaths at level crossings. The briefing should also comment on what impact the introduction of the Law Commission's proposals would have on those level crossings, so the board members could assist in lobbying for change.

MC (PHu)

16/138 DIRECTORS' INTERESTS

Bridget Rosewell reported that she was to be on the judging panel of the 2017 Wolfson Economic Prize, which sought responses to a question on funding better and safer road networks.

16/139 DIGITAL RAILWAY - FUTURE PLANS, CHALLENGES, RISKS

David Waboso updated the Board on the progress made during his first three months as Managing Director, Digital Railway. The current status of the DR programme, the immediate priorities and the risks and opportunities were also discussed.

The Board was briefed on the systems and business changes that the Digital Railway sought to integrate, such as European Train Control System (ETCS), Traffic Management, Telecoms and Data, and Industry Readiness.

David Waboso highlighted how the use of these systems could help improve safety on the network, as well as providing additional capacity and improving train performance.

As this was a whole industry programme, it was agreed that there was a need to improve the communications around the Digital Railway programme to help stakeholders understand the importance of the programme and how it could be delivered.

The Board thanked David Waboso for the clarity of this update.

BUSINESS OPERATIONS

16/140 BOARD REPORT – P6

Mark Carne presented the Period 6 Board report.

Safety

Very sadly an elderly man on a mobility scooter had been killed at Alice Holt footpath crossing at Bentley on the Wessex Route on 6 October. The investigation into this incident was underway and would include a review of NR's risk assessment processes.

The Driving Safety Stand Down had been successful, with approximately 40% reduction in the number of speeding incidents by NR staff in the previous three months.

Following agreement with the Trades Unions, the installation of vehicle telematics systems in NR vehicles was now underway and the Trades Unions had also agreed to the next steps in the Planning and Delivering Safe Work programme.

Train Operator Franchises

Following discussions with the DfT it had been agreed that future train operator franchises would be tendered on the basis that the successful operator must adopt the British Transport Police's strategic initiatives on suicide prevention at stations.

The franchise agreement between the DfT and Abellio made a number of assumptions about infrastructure and timetables. Initial discussions between NR, the DfT and Abellio had been held to consider the implications of those assumptions.

Train performance

Train performance continued to disappoint, with PPM being 88.0% moving annual average in P6. A major contributor was the industrial action in the South East although, with the exception of LNW where train performance was to be commended, train performance was poor across the network. NR was analysing delays per incident and the numbers of temporary speed restrictions, and identifying ways of improving these aspects of train performance.

The Board requested that future reports from the Routes have more commentary on actions being taken to improve train performance (and in particular the number of temporary speed restrictions) and on financial performance. The Freight and National Passenger Operator route would also provide a report each period.

JW

Financial performance

Financial performance was poor, due predominantly to Schedule 8 payments as a result of poor train performance (except in LNW) and track renewals shortfalls. Track renewals performance was under scrutiny by Management and there were encouraging signs of improved performance resulting from applying LEAN techniques.

Investment Projects

The business was on track to hit nine of the 10 major investment project milestones, and a plan was in place (currently being validated) to deliver the tenth.

Asset sales

This joint work with DfT and Treasury continued to progress satisfactorily.

Stations

The DfT had confirmed that both Clapham Junction and Guildford stations would come under NR control at the start of the next franchise. This would help NR to progress its development plans to improve customer experience at both stations.

Pay negotiations

The Trades Unions had submitted their demands for the forthcoming pay review, which were being considered by NR. The next meeting was scheduled for 28 November.

Corporate Scorecard

Current indications were that financial and train performance targets would not be met for 2016/17. The increasingly polarised outturns of the scorecard's metrics, and the potential implications of this, were discussed. The Board noted it had discretion to adjust downwards the outturn if the financial targets were undershot.

Financial report

The Financial Report was **NOTED**, and the new commentary welcomed. Jeremy Westlake updated the Board on progress towards finalising the interim results for the 2016/17 financial year, which were due to be reported towards the end of November. As had been built into the 2016/17 budget, NR would make a loss for the financial year.

16/141

MAINTENANCE EFFECTIVENESS

Graham Hopkins and Phil Hufton presented paper 74/16 which outlined a proposed strategy to deliver improvements in the effectiveness and efficiency of maintenance delivery in NR.

NR had made progress on gathering data on the status (degradation) of its assets, but further work was required to analyse that data so that it could be used to predict when preventative maintenance was required.

In addition some reporting lines had changed to facilitate the more effective transfer of information on asset condition and the associated maintenance plans.

During discussion the Board noted the importance of sharing good practice across the industry and showcasing successful case studies. This would also help with coaching and developing employees.

The mobile maintenance trains would be used to their full capacity from November.

The Board acknowledged the good work that was going on, and asked how that would continue in CP6. Management explained that the journey was being addressed in the CP6 business plan, setting out the maintenance delivery cost, how much it had reduced so far, and how much further it was expected to reduce as more progress was made towards preventative maintenance.

16/142 ROUTE PRESENTATION - SOUTH EAST

Having been Route MD for three months, John Halsall updated the Board on the South East Route. He addressed the current status of the Route, the challenges it faced and the plan he had put in place to address those challenges.

The Board thanked John Halsall for a comprehensive and candid update, and acknowledged the challenges the South East Route faced.

The Board asked for future presentations on the readiness for integrated operations both Thameslink and Crossrail.

MC (PHu)

STRATEGIC

16/143 CP5 BUSINESS PLAN UPDATE AND EFFICIENCIES

Jeremy Westlake updated the Board on the status of the CP5 Business Plan, and tabled an efficiencies paper.

The Board closely questioned the efficiencies plan. At RF11 the plan re-forecast would include a waterfall chart showing in further detail how efficiencies were being delivered. Further calls on funding would also be included in that chart, eg, funding for Digital Railway development works, and funding to progress the move to preventative maintenance. The RF11 plan for the remainder of CP5 would be brought to the Board in the January meeting.

JW

The Board noted that LEAN was becoming more embedded within the business, although successes were not being adequately celebrated nor shared with other parts of the business.

It was agreed that all employees needed to understand the requirement to spend NR's (taxpayers') money wisely and the impact that budget overspends had on the achievement of the Corporate Scorecard.

16/144 PR18 UPDATE - REGULATORY REFORM PROGRAMME UPDATE

Jeremy Westlake presented paper 77/16 which updated the Board on the regulatory reform programme and next steps.

A brief summary of the ORR consultation was given.

16/145 ROUTE BOARD STRUCTURE AND GOVERNANCE

Suzanne Wise introduced paper 78/16 which sought the Board's feedback on the proposed Route board structure and governance.

Core elements of the proposal were that the Route boards:

- would be advisory rather than decision making;
- would have two independent members, one of whom would be chair;
- would not set the Route Scorecard, but would review delivery against it;
- would hold both the TOC and the Route to account for performance;
- would seek input from the customers – both train operating companies and passengers; and
- must fit within NR's internal governance framework and corporate meeting structure.

The Board discussed the proposal and questioned how some elements of the proposal would work in practice. Suggestions for some refinements were made.

The Board **AGREED** that one Route Board would be trialled, so that lessons could be learned before Route Boards were more widely implemented. The Board requested feedback on the potential independent members and the trial at an appropriate moment.

MC (SEW)

16/146 CP6 BUSINESS PLAN

The Board was updated on the progress being made on the CP6 Business Plan, and noted that regular meetings of the CP6 Business Plan sub-committee were being held.

APPROVALS

16/147 MIDLAND MAINLINE PROGRAMME - LONDON TO CORBY ELECTRIFICATION AND CAPACITY UPGRADE

The Board discussed Paper 80/16 which sought the approval of additional funding for the Midland Main Line Programme - London to Corby Electrification and Capacity Upgrade.

The Board requested the CEO to pursue as a matter of urgency a derogation of the standard relating to the height clearance of OLE wires, thereby achieving a cost saving against the increase set out in the paper, and also clarity on the 'master series design costs' set out in the paper.

The Board also noted that there was uncertainty over the trains being sourced and asked what could be done to mitigate any additional costs resulting from this continued uncertainty.

Subject to Mark Carne and Jeremy Westlake being satisfied that the above issues had been fully and appropriately addressed, the Board **AUTHORISED** them to approve this funding request, the resolutions of the issues to be subsequently reported back to the Board

MC

GOVERNANCE

16/148 REPORT FROM NOMINATION COMMITTEE MEETING – 4 OCTOBER 2016

The draft minutes of the Nomination Committee meeting held on 4 October were noted.

16/149 PROSECUTION REPORT AND INCIDENT MAP

The Board discussed paper 81/16 which provided an update on health and safety incidents that gave rise to the likelihood or actuality of prosecutions.

16/150 BOARD FORWARD AGENDA

The proposed November Board agenda was discussed.

16/151 ANY OTHER BUSINESS - BREXIT

The Board discussed paper 82/16 and noted that financial, organisational and engineering opportunities could be pursued following BREXIT. Those opportunities were, however, dependent upon the outcome of the eventual EU-UK agreement.

The Board agreed that:

- NR should seek derogation of all the EU standards that went beyond UK requirements, and which led to works taking longer and costing more; and
- NR should maintain its involvement in the EU technology workstream, especially insofar as ETCS was concerned.

The Board commended a well written and considered paper.

16/152 DATE OF NEXT MEETING

The next Board meeting was confirmed for 23 November 2016 in London (Eversholt Street).

There being no further business the Chair closed the meeting.

..... CHAIR