

**MINUTES OF A MEETING OF THE BOARD  
OF  
NETWORK RAIL LIMITED  
held at Boardroom, 1 Eversholt Street, London  
on  
Tuesday 22 September 2015 at 08.30am**

**Present:**

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

**In attendance:**

Suzanne Wise – Company Secretary  
 Stuart Kelly – Deputy Group General Counsel  
 Anthony Odgers - Shareholder Executive  
 Francis Paonessa (min 15/114)  
 Phil Hufton (min 15/114)  
 Susan Cooklin (min 15/115)  
 Ian Iceton (min 15/116)

<b>MINUTE NO.</b>		<b>ACTION</b>
<b>15/109</b>	<b>CHAIR'S OPENING REMARKS</b>	
	<p>Sir Peter Hendy expressed his thanks to the Directors for the warm welcome that he had received since becoming the Chair. He recognised that the organisation was experiencing an unprecedented period of change and scrutiny; nonetheless he considered that the railway was an astonishing growth story and that many of its achievements remained under recognised.</p> <p>Sir Peter Hendy remarked that he had had meetings with the Secretary of State for Transport, the Permanent Secretary at the Department for Transport and the Chair of the ORR on several occasions since his appointment.</p>	
<b>15/110</b>	<b>PREVIOUS MINUTES</b>	
	The minutes of the Board meeting of 15 July 2015 were approved subject to some minor adjustments.	
<b>15/111</b>	<b>ACTION LIST</b>	
	The Action list was reviewed and updated. Noting specifically:	
	<i>Minute 15/95 Action List – HS2/Euston Station Remodelling</i> – it was agreed that this subject would return to the Board in January 2016 for discussion with a particular focus on the operational impact, the Company's involvement and the risk and cost implications.	<b>PB</b>
	<i>Minute 15/97.1 Board Report P2 - Proposed Trade Union legislation representations</i> – it was noted that ATOC had not responded to the consultation as originally envisaged. It was agreed that in the absence of an industry response Network Rail would now make representations on the proposed legislation.	<b>PB (II)</b>
<b>15/112</b>	<b>DIRECTORS' CONFLICTS OF INTEREST</b>	
	Paul Plummer declared his interest in the Rail Delivery Group (RDG) given his prospective role as Chief Executive of RDG. There were no other new potential conflicts brought to the Board's attention.	

Sir Peter Hendy requested sight of the record of previous declarations of interests.

SEW

## **BUSINESS OPERATIONS**

### **15/113 BOARD REPORT – P5**

Mark Carne presented paper 48/15.

In particular he updated the Board on Safety – Passenger (Train Accident Risk), and was pleased to note that the results for Period 4 (available one period in arrears) were at a historical low. A contributory factor towards this improvement since Period 10 2014/15 had been better weather conditions resulting in fewer infrastructure wrong side failures. However, Mark Carne highlighted the fact that in contrast to the overall picture, the signals passed at danger and infrastructure operations precursors had both been rising, and this was being reviewed by the business. It was also noted that random drug and alcohol testing had now been introduced. This was welcomed by the Board.

While train performance was close to achieving target, the final outcome would be dependent upon the UK having reasonable Autumn weather. Mark Carne confirmed that a lot of work had been put into Network Rail's preparedness for Autumn. The Board requested confirmation that the plans to deal with the effects of Winter weather are as comprehensive as the Autumn preparations have been.

MC(PH)

Asset reliability was noted as a 10% improvement on last year and the best that it had ever been. This translated to only 53% of delays being attributed to Network Rail; it was noted that this was low compared with historical attribution. This in turn had led to lower Schedule 8 payments compared with last year. Overall it was considered that there were clear signs of "healthy green shoots" in respect of improving train performance. Particular highlights included LNE driving down incident counts and LNW Route working closely with Virgin Trains and delivering some days of 98 or 99% PPM.

It was also noted that, regrettably, it was not all good news. In particular London and the South East and Paddington to Reading on the Western Route still faced significant performance challenges. In respect of the Western Route, the appointment of Mark Langman as the new Route Managing Director was confirmed.

Mark Carne then briefed the Board on project performance. He focussed on some of the significant and successful infrastructure projects that had recently completed, including the work at Bathampton which had been a major 6 week possession, which had delivered 50 times more work than at Dawlish and had been delivered largely unnoticed, on time, on budget and safely. The opening of the Scottish Borders Railway, also delivered on time and on budget, was also discussed. Finally, Mark Carne mentioned the work leading up to and the opening of Birmingham New Street Station. Whilst these were three major events Mark Carne praised the other projects that were being successfully delivered routinely by the Company. It was also noted that project safety performance also continued to improve.

The Board's attention was also brought to the fact that in the following few weeks Manchester Victoria Station and the Oxford corridor works were also to be completed, and would contribute to passenger experience and improved journey times.

The Board then held a general discussion about the importance of scope definition in the successful delivery of projects and the contribution of contractor alliancing. The Board was particularly interested in the proactive engagement with neighbours and third parties by project staff; reference was made to recent site visits by Board members to Stafford and the very positive local engagement that they encountered.

The Board was keen to ensure that future project descriptions or names reflected the

customer outcomes and benefits that they were to deliver, rather than be dominated by a description of the engineering solutions.

Lastly Mark Carne noted the ORR findings in respect of Scotland and LSE performance and the discussions that were ongoing regarding possible reparations as an alternative to a fine. The recent ORR letter regarding enhancements was also noted. The Regulatory Escalator had received greater attention and was visible in the Chief Executive's Board Report. As a matter came onto it a clear Executive owner would be assigned to it, and they would identify milestones to remove it from the escalator. These milestones would then be tracked through the business performance report.

The Board discussed the fact that PPM targets for all operators are different to the Company's PPM target. The Board requested a briefing note to show the differences. **PP**

The Board thanked Mark Carne for the comprehensive nature of the Board Report and it was pleased to see how it was being used to drive action. It was noted that Mark Carne was to attend the ORR's Board to take them through the Performance Report so they get an appreciation of the significant step change that has been made in holding the business to account and monitoring of performance.

The Board requested that trends be shown in the next report for the Capex Renewals Volume Delivery data set, on a Route basis. **PB**

Mark Carne mentioned to the Board that visibility of the Corporate Scorecard had been missed by the Company's employees. This had been shared in the last period following approval of the scorecard by the DfT. It was confirmed that going forward the route comparison scorecard would include a composite of the best in each class for comparison purposes. This would be motivating as it would highlight the potential performance and help to identify best practice which could be shared between routes.

Mark Carne then made a presentation to the Board on Network Rail's transformation journey. This set out the changes and building blocks that had been put in place since the CP5 determination. These included performance management, a clearer devolved structure and stronger matrix with clearer accountabilities, reward systems and structured continuous improvement. This was regarded as a minimum of a five year cultural transformation journey. It was noted that these changes and plans were forward looking and that these were still considered to be sound and sufficiently flexible enough to respond to many possible future structural changes.

Patrick Butcher then addressed the finance update. The different methods through which Network Rail's financial performance was measured were explained and it was noted the business continued to focus on the Financial Performance Measure as the most relevant to the business. The Period 5 financial highlights were discussed. The Board requested that a paper be presented to the Board on the pay award and the efficiencies that were connected to the settlement. **PB (II)**

## **APPROVALS**

The Board was not required to make any approvals save for item 15/119 included in Any Other Business.

## 15/114 BUSINESS PLAN CP5

Patrick Butcher presented paper 49/15 which provided an update on the current state of the CP5 Business Plan and work underway to produce an updated plan for the last 3 years of the Control Period, including a detailed review of enhancements.

The Board requested that the SHE Committee consider in detail the various reduction options that were being explored in respect of renewals to satisfy themselves that the reductions being proposed would not compromise safety leading to a catastrophic failure. It was agreed that this would be a safety review not a reliability review. **MB**

It was noted that even with the reduction options the Company would still be investing £0.3bn more than was originally assumed in the ORR's final determination for renewals. The Board suggested that a comparison of expenditure in the present control period with previous control periods could be usefully brought out in any narrative.

The Board discussed the possible implications in the event that the government headroom became exhausted.

Turning to enhancements the Board noted that Nicholls had reviewed the plans and that their recommendations had been accommodated. Nicholls had been invited to re-review the deliverability of the plans. The Board was keen for Nicholls to consider both the deliverability of the plans and to confirm that schemes were not being over-engineered. A discussion then took place on the status of the Trans Pennine Electrification and Midland Main Line Electrification programmes.

Mark Carne provided an explanation of the potential enhancement deferral programme. The Board requested further details in the next update. **MC (FP)**

Patrick Butcher provided a brief overview to the Board of the revised property related plans for CP5.

Suzanne Wise presented paper 50/15 which shared with the Board the Executive's response to the CP5 Business Plan challenge in the Central Functions. It was explained that the planned actions included: steps to raise cost consciousness; review of change programmes to identify those that could be stopped; and central functions plans to be interrogated and if necessary overlaid so that savings can be realised and as a minimum they deliver BP15. The Board was supportive of the outline plans. Sharon Flood offered her input to the programme team and the programme would report back to the Board in January 2016. **SEW**

## STRATEGIC THEMES

## 15/115 UPDATE ON STRATEGIC PRIORITIES

Paul Plummer and Susan Cooklin presented paper 51/15, which gave a brief on the Company's input to the Shaw Report to date, outlined the Company's current thinking regarding future shape, and identified decisions that need to be taken in the short term in order to demonstrate our continued commitment to our stakeholders and our operating principles.

The Board reiterated its belief that the building blocks that have been put in place since the CP5 determination, and in particular the matrix organisation structure, provided a flexible platform for innovation in terms of structure and shape of the Company. It was considered that the likely recommendations that may come out of the Shaw Report, regarding future shape, could be readily accommodated in this structure.

The Board agreed that the range of options included in the presentation would be included in the Company's submission to the Shaw Review.

The Board was pleased by the support that the Company had been providing to Nicola Shaw.

Patrick Butcher presented paper 52/15, which gave an update on Project Meson. The Board **APPROVED** the recommendation to proceed to detailed analysis of short-listed options.

**15/116      SUCCESSION – TALENT PIPELINE**

Ian Iceton presented paper 53/15, which provided an update on key actions taken in talent management and succession planning and the current state of business in these areas.

The Board discussed the need to benchmark against organisations such as TfL so as to draw comparisons on rates of attrition and the ability to attract talent into certain key roles. The Board also discussed the leadership programmes that are available, the success of the graduate recruitment campaigns and diversity, particularly with reference to the apprenticeship cohort and the improvements to be made to the recruitment process.

The Board supported the exploration of secondments with HS2 and Crossrail for each organisation's mutual benefit.

The Board acknowledged that there was still a long way to go to improve the succession pipeline however the paper had demonstrated that the Company was focusing on and driving the right things.

The Board requested that consideration be given to adding the role of Director of Internal Audit & Risk to the key roles being monitored for succession purposes.

The Board requested that a paper be submitted for review and discussion on the outcome of the current employee engagement survey. **MC (II)**

**15/117      ANY OTHER BUSINESS**

Suzanne Wise updated the Board on the status of the AGM which is now likely to be held during the week commencing 28 September 2015.

The Board formally thanked Paul Plummer for his 13 years' service with the Company and his contribution and support to the Board and the Company over this time. The Board was delighted that Paul will be taking over as Chief Executive of the Rail Delivery Group and looked forward to working with him in that capacity.

**15/118      DATE OF NEXT MEETING**

The next Board meeting was confirmed for 19 October 2015.

**FOR INFORMATION – DISCUSSION BY EXCEPTION ONLY**

**15/119** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**15/120 COMMITTEE REPORTS**

**AUDIT & RISK COMMITTEE – 8 SEPTEMBER 2015**

Bridget Rosewell provided a brief note from the Audit and Risk Committee meeting on the 8 September which was taken as read.

**APPROVAL OF AMENDED AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

Suzanne Wise presented paper 55/15 and the amended terms of reference were **APPROVED**.

**SHE COMMITTEE – 10 SEPTEMBER 2015**

Malcolm Brinded provided a verbal update on the SHE Committee which took place on 16 July 2015 and 10 September 2015.

**15/121 BOARD FORWARD AGENDA**

Suzanne Wise discussed the forward agenda.

There being no further business the Chair closed the meeting.

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CHAIR