

**MINUTES OF A MEETING OF THE BOARD
OF
NETWORK RAIL LIMITED**
held at 151 St Vincent Street, Glasgow G2 5NJ
on
Wednesday 28 September 2016 at 08:30am

Present:	Sir Peter Hendy (Chair) Rob Brighthouse Richard Brown Mark Carne Sharon Flood	Chris Gibb Janis Kong Michael O'Higgins Jeremy Westlake
In attendance:	Suzanne Wise – Group General Counsel & Company Secretary Stuart Kelly – Deputy Group General Counsel Anthony Odgers - UKGI by conference call Phil Hufton (min 16/121, 16/124) Ian Iceton (min 16/123) Phil Verster (min 16/125) Jo Kaye (min 16/126) Francis Paonessa (min 16/127) Karl Budge (min 16/127) Rob McIntosh (min 16/128)	
Apologies:	Bridget Rosewell	

MINUTE NO.		ACTION
16/117	<p>CHAIR'S REMARKS</p> <p>The evening before the meeting the Board had hosted a dinner with Scottish stakeholders and customers.</p> <p>The Chair had committed time in the preceding period with members of the new UK Government. The Secretary of State for the Department for Transport (DfT) had spent a day visiting Waterloo Station and London Bridge Station where he was briefed by the Company's Routes and Projects teams, including the Thameslink Programme team, and South West Trains.</p> <p>The Board was briefed on the role of Chris Gibb as Chair of the Southern Rail Network Performance Improvement Board. Since the inception of that board Chris Gibb had devoted time, with the Company, DfT and GTR, reviewing their respective and shared improvement plans.</p> <p>The Chair noted that his review of the Company's investment programme which had been published in November 2015 had been formally accepted by the DfT.</p> <p>The Board welcomed the opening of the latest phase of the reconstructed London Bridge Station and thanked all who had been involved in the transformation of this station, noting that passengers were beginning to benefit from the enhanced facilities at this station. The Board also praised the tremendous efforts that had resulted in the re-opening of the Dover to Folkestone line along the reconstructed Dover Sea Wall, and recognised the pace at which the design and construction had been delivered.</p> <p>The Board noted that Abellio had been confirmed by the DfT as the operator of the new East Anglian rail franchise, which would commence in October 2016.</p> <p>Rob Brighthouse was congratulated on his winning of the <i>National Rail Awards 2016: Outstanding Personal Contribution – Senior Management</i>.</p>	

16/118	<p>PREVIOUS MINUTES</p> <p>The minutes of the Board meeting of 20 July 2016 were approved.</p>	
16/119	<p>ACTION LIST</p> <p>The Action list was reviewed and updated.</p> <p><u>Action 16/80.3 – Financial Report – Benchmarking.</u></p> <p>Jeremy Westlake provided a verbal update on this action. It was agreed that this matter should return to the Board for discussion in the context of a paper on efficiencies, which paper should reference any “headwinds”, challenges and opportunities.</p> <p><u>New Stations</u> - The briefing paper which dealt with the approach to assessing new stations proposals was NOTED.</p> <p><u>Action 16/39.2 - Weather Resilience and Climate Change</u></p> <p>The WRCC Programme was established following extreme weather over the Winter of 2013/14. The briefing paper provided an update on the delivery of the original work and summarised the future plans.</p> <p>The Board NOTED that:</p> <ul style="list-style-type: none"> • 2% of weather related events caused 80% of weather related delay; and • 80% of flooding occurred in one of the top 20 risk locations. <p>Accordingly, the Board considered that this ought to be a feature for CP6 funding.</p> <p><u>Action 16/111.1 – Ryton Site</u></p> <p>The briefing paper provided the initial business case for the Ryton National Distribution Centre. This was NOTED.</p> <p><u>Action 16/26 – Extreme Events</u></p> <p>The Board NOTED the contents of the briefing paper which clarified the financial impact of extreme events on the business and their treatment in the CP5 settlement and the current BP16 business plan.</p>	<p>JW</p>
16/120	<p>DIRECTORS' INTEREST</p> <p>Chris Gibb formally declared his appointment as Chair of the Southern Rail Network Performance Improvement Board.</p>	
16/121	<p>BUSINESS OPERATIONS</p> <p>BOARD REPORT – P5</p> <p>Mark Carne presented the Period 5 Board report.</p> <p>The Board welcomed the substantial change to the format of the Board Report; in particular the route based commentaries. The Board recognised the significant amount of work that had been done to bring about this change in reporting.</p> <p><u>Safety</u></p> <p>On 21 September 2016 the Company was fined £4m in connection with a fatal accident that had occurred on 24 August 2011 at the Gypsy Lane level crossing. Executives at that time had refused their performance related pay which was instead</p>	

used to fund level crossing improvements. The Company had pleaded guilty at the earliest opportunity. Since the accident safety had been improved at this crossing.

The derailment at Watford on 16 September 2016 was a very serious incident. The event was being investigated by RAIB so it was too soon to draw any conclusions. The incident occurred following torrential rainfall resulting in a “washout” of the steep cutting immediately before the tunnel portal. The Board discussed the potential for the increased use of technology. The changes in the activity and behaviours of neighbours to the railway were also discussed. It was noted that these were issues which were considered by the SHE Committee on a frequent basis.

Train Performance

Train performance continued to be extremely poor with the moving annual average (MAA) at 88.3% compared with the plan at 89.2%. The dominant contributory area was the South East Route. The Company had been awarded by DfT to allocate £20 million of funding to improve train performance in that route.

Overall the continued decline in PPM was driven largely by the increase in delay per incident or reactionary delay. Closer cooperation with train operating companies by NR’s devolved businesses would bring more focus on operational excellence and service recovery.

The performance of London Midland and Virgin West Coast, both on the LNW Route, were noted as performing very well following a number of continuous improvement initiatives by the route.

The Board discussed the route reports and scorecard performance.

Delivering for our Customers – Transformation

The Board was briefed on the *Delivering for our Customers* transformation plan, the first update of which was published in July 2016. The Company was still on track with the stated milestones, and would be publishing the next update early in 2017. The Board requested a fuller written briefing on the devolution elements, in particular that evidenced:

- the architecture that was in place for devolution;
- what had been achieved; and
- the planned next steps.

The Board, as external stakeholders did, had a significant interest in the success of Route devolution and were keen to see real evidence that this was progressing and making a difference.

Project Performance

The progress of London Bridge station and the completion of the Dover to Folkestone line, which had been highlighted by the Chair earlier in the meeting, were discussed; as was the early completion of the Queen Street tunnel in Glasgow. The Greater Western Modernisation Programme continued to progress well with the first major Hendy Report milestone (the lines energised between Reading and Didcot) met; thus allowing the testing of the IEP trains. It was noted that the NAO was to report to Parliament on the overall modernisation of the Greater Western Modernisation programme.

Asset Sales

Good progress had been made on the potential asset sales. There was an active property board and strong investor interest; although the probable accounting treatment presented a major hurdle. The Board were briefed on the next steps that were to be taken in an effort to overcome any barriers to sale.

MC

Digital Railway

David Waboso had been asked to join a Ministerial Advisory Panel which had been tasked with reviewing the Digital Railway plans and advising ministers.

Focus of the “must win” matters

The Board was briefed on the few areas of extreme focus, that had been selected in order to bring about a step-change in performance, namely:

- Safety – planning and delivering of safe work;
- Performance – reducing delay per incident;
- Delivering the Hendy Commitments;
- Cost Efficiency – renewals recovery;
- Embedding Route Transformation;
- Embedding LEAN and lean culture across the business; and
- Digital Railway

These areas of priority focus were to be the main subjects of the leadership conference in November 2016. Each of the Board members had been invited to attend the conference.

Financial report

The Financial Report was **NOTED**. The Board requested an additional executive summary of the report for future meetings.

The Board discussed the renewals recovery and the scale of the challenge.

Northern Route update

The Board reviewed the briefing paper which set out a proposal in response to the recommendation for a *Northern Route* in the report “*The future shape and financing of Network Rail*” (Shaw Report). The Board considered the options and the ultimate passenger benefits or dis-benefits of each.

The Board **ENDORSED** the recommendation for:

- A dedicated Northern sponsorship organisation;
- A restructured Network Strategy and Planning organisation;
- An enhanced Northern Programmes Delivery organisation;
- The formation of a portfolio board for the North;
- A restructured executive team within route organisations; and
- The formation of a Performance Board “Delivering for our Customer” for both LNE/EM and LNW

each of which were set out in the briefing paper.

The Board requested a copy of the Northern Powerhouse Rail Sequence Two report.

JW

MC
(JK)

16/123

TALENT & SUCCESSION UPDATE

Ian Icton presented paper 67/16. This paper provided an update to the Board on the strategy for talent development.

The Board **NOTED** the progress that had been made. It was keen to see greater emphasis on professional training for operations roles.

16/124	<p>PAY NEGOTIATIONS</p> <p>Phil Hufton presented paper 68/16. This paper provided an update on the pay negotiations for the operations, maintenance and bands 5-8 groups. The update was NOTED. Phil Hufton would provide a regular update to the Board and it would be a standing item on the Board meeting agenda for the time being.</p>	MC (PH)
16/125	<p>ROUTE PRESENTATION - SCOTLAND</p> <p>Phil Verster gave a presentation on the Scotland Route. This included an explanation of the ScotRail Alliance mission statement and vision.</p> <p>The Scotland Route scorecard was reviewed together with the challenges, the key milestones and the key enhancement projects.</p>	
16/126	<p>STRATEGIC</p> <p>CP5 BUSINESS PLAN UPDATE</p> <p>Jeremy Westlake presented paper 70/16.</p> <p>The Board noted that the current enhancement programme expenditure was within the assumptions agreed as part of the Hendy Review and the pressures were being managed. The Board also noted that whilst the asset sales programme had generated strong interest, due to the likely HMT accounting treatment of the proceeds of any sale there was a realistic prospect of a significant shortfall in funding as HMT were now requiring the proceeds of the asset disposals programme to count towards deficit reduction thus handicapping NR's use of the cash to fund rail enhancement schemes.</p> <p>The Board agreed that it was paramount that the Company should not make commitments beyond its known financial capacity.</p> <p>Accordingly, it was AGREED that discussions should continue with the Department for Transport and the HM Treasury to:</p> <ul style="list-style-type: none"> • emphasise the merits of the disposal of non-core assets notwithstanding the accounting treatment; • review the enhancement programme which is deliverable in CP5 should the accounting treatment be regarded as unable to make the expected funds available; and <p>explore additional loan facilities in order to deliver the CP5 enhancement programme and overall business plan.</p>	
16/127	<p>APPROVALS</p> <p>EAST COAST MAIN LINE PSU2</p> <p>Francis Paonessa and Karl Budge presented paper 71/16.</p> <p>The Board APPROVED the procurement strategy for phase 2 (Bawtry to Edinburgh) of the East Coast Mainline (ECML) Power Supply Upgrade (PSU) project as set out in the paper.</p>	
16/128	<p>TRANSPENNINE ROUTE UPGRADE – PROJECT UPDATE INCLUDING INVESTMENT AUTHORITY REQUEST</p>	

	<p>Rob McIntosh presented paper 72/16.</p> <p>The Board:</p> <ul style="list-style-type: none"> • AUTHORISED £98m (cash prices) investment to progress LNE001a TRU to complete GRIP 1- 2 and advanced works; and • DELEGATED CP5 investment authority up to a cumulative total of £544m (12/13 prices) to Network Rail Investment Panel. 	
16/129	<p>GOVERNANCE</p> <p>REPORT FROM AUDIT & RISK COMMITTEE MEETING – 14 SEPTEMBER 2016</p> <p>The note from the Audit and Risk Committee was taken as read.</p> <p>REPORT FROM REMUNERATION COMMITTEE MEETING – 7 SEPTEMBER 2016</p> <p>Michael O'Higgins gave an update from the Remuneration Committee held on 7 September 2016. The minutes of the Committee were NOTED.</p> <p>REPORT FROM SHE COMMITTEE MEETING – 7 SEPTEMBER 2016</p> <p>Chris Gibb gave an update from the SHE Committee held on 7 September 2016. This Committee under its new chair would place particular emphasis on the reduction of outstanding actions, ensure the learnings from events over the last 25 years are taken into account, wellness of the workforce, the environment, and ensuring the industry commitment to abolish the flushing of toilet waste directly onto the track is honoured.</p>	
16/130	<p>NON-EXECUTIVE DIRECTOR SELECTION PROCESS</p> <p>Michael O'Higgins gave an update on the Non-Executive Director selection process. Having provided a summary of the selection process and details of the two recommended new non-executive directors the Board approved their appointment to the Board, subject to the approval of the Secretary of State.</p>	
16/131	<p>COMPANY SECRETARY'S REPORT</p> <p>Suzanne Wise presented paper 73/16. The periodic paper requested approval, ratification or noting for corporate compliance and governance matters.</p> <p>The Board:</p> <ul style="list-style-type: none"> • NOTED the sub-delegation of authority to the routes • RATIFIED the sealings as set out in the paper • RATIFIED the Letter of Support to NRC • RATIFIED the issuance of the parent company guarantee to Zurich and AIG insurance companies • NOTED that the Company had been awarded the Building Public Trust in Corporate Reporting Award for 'excellence in reporting' in the Public Sector. • NOTED the governance and corporate law developments set out in the paper. 	
16/132	<p>INVESTMENT PANEL APPROVALS</p> <p>The Board NOTED the update on investment schemes that were approved up to 31 August 2016.</p> <p>The Board requested further details of Brentford to Southall Upgrade for Passenger Services investment.</p>	JW

16/133	BOARD FORWARD AGENDA The October Board agenda was discussed.	
16/134	DATE OF NEXT MEETING The next Board meeting was confirmed for 28 October 2016 in Milton Keynes.	

There being no further business the Chair closed the meeting.

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CHAIR