

Official-sensitive		
Minutes of the meeting of the Board held on Tuesday 31 March 2020 from 09:15 via video conference call		
Present	Sir Peter Hendy (Chair) Rob Brighthouse Richard Brown Sharon Flood Andrew Haines	Silla Maizey David Noyes Mike Putnam Jeremy Westlake
In attendance	Michael Harrison, UKGI observer Stuart Kelly, Group General Counsel & Company Secretary Helen Martin, Senior Assistant Company Secretary Anit Chandarana, Chief of Staff Caroline Murdoch, Director, Corporate Communications Rob McIntosh (min 20/45 only) John Reed (min 20/45 only) Alex Hynes (min 20/46 only)	
Apologies	Bridget Rosewell	
No.	Item	Actions
20/40	<p><u>Chair's remarks</u></p> <p>The Chair discussed with the Board:</p> <ol style="list-style-type: none"> the tremendous efforts of everyone in Network Rail in responding to the Covid-19 pandemic. The impact on daily lives, the business and the country as a whole was unprecedented. It was vital that Network Rail kept the network open, allowing the movement of key workers and freight. that Richard Brown was stepping down from the Board, having served as the government appointed Special Director since July 2015. The Board thanked Richard for his superb contribution to Network Rail over recent years. His in-depth knowledge of the rail industry would be missed. <p>Bridget Rosewell had now also stepped down from the Board following the slight extension to her appointment.</p> <ol style="list-style-type: none"> a recent DfT publication "Decarbonising Transport - Setting the Challenge". This would inform the Company's environmental strategy to be discussed by the Board later in the year. a call by the National Infrastructure Commission for "businesses, passengers, transport experts and regional leaders to share their ideas for transforming the rail landscape of the north alongside the East and West Midlands and help create a lasting legacy from the construction of High Speed 2 (HS2)". work being done on East West Rail. 	
20/41	<p><u>Minutes of previous meetings</u></p> <p>Subject to one minor amendment the minutes of the Board meeting held on 3 March 2020 were approved.</p>	

	<p>Regarding minute 20/37, the Board noted that Dave Ward's follow-up review was complete. A summary of his key findings would be circulated to the Board.</p> <p>The timing of Prof. Andrew McNaughton's follow-up review was being considered.</p> <p>The Board would receive more formal updates on this work at the appropriate time.</p>	<p>Anit Chandarana</p> <p>Anit Chandarana</p>
20/42	<p><u>Action list</u></p> <p>The Board reviewed the action list.</p>	
20/43	<p><u>Directors' interests</u></p> <p>None.</p>	
20/44	<p><u>Board report</u></p> <p>The Chief Executive discussed with the Board:</p> <ol style="list-style-type: none"> 1. Network Rail's response to the Covid-19 pandemic. The Board was updated on the situation as it had evolved, and that would continue. The Government had introduced emergency train operator agreements to replace the franchise agreements for the duration of the Covid-19 crisis. <p>A "Sunday Plus" timetable had been introduced on 23 March 2020, with the same overall quantum of trains as a Sunday service, but timed to help key workers get to and from work.</p> <p>There were mixed messages for freight. There had been a slight increase in the movement of food and household goods by rail. This was offset by a greater reduction in heavy freight primarily related to the construction industry and fewer imports from the Far East.</p> <p>Resourcing within Network Rail had held up and this was being closely monitored. The Company was reviewing (i) its list of business critical roles and (ii) what it considered to be essential maintenance and enhancement work.</p> <p>The Company had invited recently retired workers with certain key skills to return to work as contingency during the Coronavirus pandemic. Those who had agreed were being re-trained. For safety reasons these workers would not work unassisted and would assume junior roles within teams.</p> <p>The May 2020 timetable preparatory work continued so it could be introduced at an appropriate time. Work on the December 2020 timetable had been suspended.</p> <p>The Easter 2020 works were being prioritised and then assessed for deliverability. It was anticipated that materials and plant would be available. The availability of staff and contractors was less clear, as were the logistics of accommodating and feeding them. Network Rail was mindful of the safety of those working over Easter, including complying, where possible, with social distancing requirements.</p> <p>Network Rail's support services, including payment of invoices and payroll, continued to run in the background. SME suppliers were now being paid upon approval of an invoice to help them manage their cash flow.</p> <p>For station retailers, Network Rail had removed the minimum guaranteed rent process to share the impact of the retailers' reduced revenue, which also helped their cash flow.</p> <p>Commercial estate tenants had been given a rent free quarter to ease their expected financial pressures.</p>	

	<p>The Board welcomed and ratified the urgent actions taken by management to support Network Rail's station retailers and commercial estate tenants, acknowledging that it was the right thing to do. The Board was also appreciative of the speed with which management had acted in giving this reassurance to many small businesses.</p> <p>The health of the supply chain was being closely monitored. No urgent concerns had been identified.</p> <p>The System Operator function had begun to consider how, when appropriate, Network Rail and the wider industry could resume 'business as usual'. That work recognised that the transition was likely be phased and that the pre- and post-Covid-19 environments might be very different.</p> <p>Michael Harrison reported that the DfT recognised the good work Network Rail had done in response to Covid-19.</p> <ol style="list-style-type: none"> 2. The publication of Northern Rail's improvement plan. This would be discussed in more detail at a future meeting. 3. The ORR's regulatory escalator, which included train performance on NW&C, mostly due to the continued poor performance of West Midlands Trains. 4. The Board asked that in future board reports NW&C comment on lessons learned from Project Alpha. This would be done in three stages: (1) periodic updates, (2) lessons learned and (3) how those lessons were being addressed and embedded across the business. <p>The Chief Financial Officer discussed with the Board:</p> <ol style="list-style-type: none"> 5. That the financial impact of Covid-19 while far from clear, was manageable for financial year 2019/20. 6. The transfer of the Core Valley Lines to Transport for Wales had completed. 7. Completion of the deal between British Steel and Jingye. Network Rail had committed to buying a minimum quantity of steel from British Steel or its successor company for both 2019/20 and 2020/21. 	<p>Tim Shoveller</p> <p>Tim Shoveller</p>
<p>20/45</p>	<p><u>TransPennine route upgrade (TRU)</u></p> <p><i>Rob McIntosh and John Reed joined the meeting.</i></p> <p>The Board discussed paper 24/20 which sought approval of the submission to the DfT of the anticipated final cost of the preferred option, with a second submission related to the funding envelope required for that option to reach final business case stage. The Board was also asked to note a submission to the DfT on the indicative cost range and schedule for full route electrification of the TRU, which did not constitute a formal offer or commitment by Network Rail.</p> <p>The Board noted that this proposed upgrade would cover the Manchester-Huddersfield-Leeds-York rail route. With regard to the work being undertaken on the Northern Powerhouse Rail (NPR) scheme it was understood that both DfT and HMT would take a view on the benefits of progressing all or elements of TRU whilst NPR was under review and development.</p> <p>The following points in particular, were discussed:</p> <ul style="list-style-type: none"> • that depots and stabling both during and after the TRU were outside the scope of what Network Rail had been asked to include in their submission; 	

	<p>Some of the Board had recently seen the redeveloped Queen Street station in Glasgow and had been struck by the huge transformation that was being delivered.</p> <p>The Board thanked Alex Hynes for his concise yet informative presentation and the ensuing discussion.</p> <p style="text-align: center;"><i>Alex Hynes left the meeting.</i></p>	
20/47	<p><u>Balanced scorecard 2020/21</u></p> <p>Paper 26/20 sought approval for the structure and content of the proposed National and Region Comparison scorecards for 2020/21. The scorecards set out Network Rail's performance targets against its key strategic priorities.</p> <p>The Board noted that the scorecards had been redesigned to make them easier to understand and digest, and also to highlight which measures contributed to performance related pay (PRP).</p> <p>During the discussion it was agreed that the following would be reviewed:</p> <ul style="list-style-type: none"> • the PRP weightings shown in appendix 1b, which appeared to be incorrect; • under Personal Accountability for Safety, removal of the explicit link between the measures used and safety culture; and • the Environmental Sustainability Index targets, following adoption of the environmental sustainability strategy. <p>Subject to these points being satisfactorily resolved the Board APPROVED the structure and content of the proposed National and Region scorecards.</p>	Andrew Haines
20/48	<p><u>Network Rail Consulting Limited – capital restructure</u></p> <p>The Board discussed paper 27/20 which sought approval for the conversion from debt to equity of £8.2million of intercompany balances payable to Network Rail Consulting Limited (NRC) by three of its subsidiaries.</p> <p>The Board noted that the transactions would, amongst other things, remove a foreign currency risk and strengthen the subsidiary company balance sheets making it less likely that NRC would seek parent company guarantees when contracting for work.</p> <p>The Board also noted that this capital restructuring was independent of the strategic review of NRC which would come to the Board in due course.</p> <p>Following careful consideration the Board APPROVED the conversion of intercompany trading balances of £8.2million from debt to equity within the Network Rail Consulting group of companies.</p>	
20/49	<p><u>Electrification contract extension</u></p> <p>Paper 28/20 asked the Board to delegate to the Commercial & Procurement, Procurement Executive Panel approval of future spend increases under certain National Electrification Programme frameworks.</p> <p>The Board was reminded that the National Electrification Programme was procured and set up with specific regional focus at the start of CP5 to deliver the large programme of electrification work across the network. The frameworks were set up with an initial seven year term, with the option to extend for a further three years, until March 2024.</p> <p>The option to extend framework agreements for Scotland & North East, Midland Mainline and London North West (North) had been agreed.</p>	

	Following discussion the Board DELEGATED AUTHORITY to the C&P Procurement Executive Panel to approve future spend increases under the extended National Electrification Programme frameworks noted above, up to the total anticipated spend of £2billion to the end of March 2024.	
20/50	<p><u>Committee updates</u></p> <p>The Board was updated on recent discussions at the following meetings:</p> <ul style="list-style-type: none"> • Nomination and Remuneration Committee; and • Safety Health & Environment Committee. 	
20/51	<p><u>Board agenda planning</u></p> <p>The Board reviewed the draft 7 May 2020 agenda, noting that during the Covid-19 situation meeting arrangements and agendas were subject to change and were likely to be convened by video conference.</p>	
20/52	<p><u>Any other business</u></p> <ol style="list-style-type: none"> 1. The Board again thanked their Network Rail colleagues in all parts of the business for their professionalism and dedication to keeping the network open during uniquely challenging times. 2. Richard Brown thanked his Board colleagues for their friendship during his tenure, saying it had been a privilege and pleasure serving alongside them. He wished his colleagues well for the future, which promised to be both challenging and exciting. 	
Date of next meeting: 7 May 2020		
<p>..... Chair</p>		