



Official-sensitive		
Minutes of a meeting of the Board held on Wednesday 6 May 2020 from 14:00 via video conference call		
Present	Sir Peter Hendy (Chair) Rob Brighthouse Sharon Flood Andrew Haines	Silla Maizey David Noyes Mike Putnam Jeremy Westlake
In attendance	Anit Chandarana, Chief of Staff Michael Harrison, UKGI observer Stuart Kelly, Group General Counsel & Company Secretary Helen Martin, Senior Assistant Company Secretary Clive Berrington (min 20/58 only) Susan Cooklin (min 20/58 only) Nick King (min 20/59 only) Jake Kelly (min 20/60 only) Gareth Davies (min 20/61 only) Rob McIntosh (min 20/61 only) John Reed (min 20/61 only)	
Apologies		
No.	Item	Actions
20/53	<p><u>Chair's remarks</u></p> <p>The Chair discussed with the Board:</p> <ol style="list-style-type: none"> That formal clearance had now been received to appoint Mark Bayley and Fiona Ross as non-executive directors of Network Rail. The Board welcomed this news. As such it was AGREED to appoint Mark Bayley and Fiona Ross as non-executive directors of Network Rail Limited and Network Rail Infrastructure Limited with effect from Monday 11 May 2020. Mark Bayley would join the Audit and Risk Committee and the Treasury Committee immediately upon his appointment. There remained one potential non-executive director vacancy on the Board, which would be filled in due course. That the Secretary of State for Transport had appointed Michael Harrison as the Special Director, also with effect from 11 May 2020. The Board welcomed this news and congratulated Michael on his appointment. In accordance with the Articles of Association Michael Harrison, as Special Director, would be a member of the Nomination and Remuneration Committee. That sadly a small number of employees had lost their lives to Coronavirus and that more colleagues had lost family or friends in this pandemic. The Board expressed its condolences to all those who had lost loved ones. 	

	<p>4. The remarkable endeavours of everyone in Network Rail in responding to Coronavirus. The whole organisation was utterly committed to keeping the railway running to help transport key workers and freight.</p> <p>The Board also noted that absentee rates during this pandemic were significantly lower than in other comparable organisations. This was testament to the professionalism and dedication of Network Rail's employees, and a huge credit to them.</p> <p>The Board thanked everyone in the business for their continued hard work and commitment, and for the work they were doing to support other key workers.</p> <p>Network Rail's contribution during the pandemic had been recognised by the Secretary of State for Transport and the Minister of State for Transport in a letter to Andrew Haines and shared with employees. An extract from the letter said "You have rallied in an extraordinary way to respond to this unprecedented test ... You are among the hidden heroes keeping the country moving".</p> <p>5. The latest news on East West Rail, including the appointment of James Norman (formerly of Network Rail) as Corporate Services Director.</p>	
20/54	<p><u>Minutes of previous meetings</u></p> <p>Subject to two amendments the minutes of the Board meeting held on 31 March 2020 were approved.</p>	
20/55	<p><u>Action list</u></p> <p>The Board reviewed the action list.</p> <p>A response had been received to a query about how carbon efficiencies were being embedded in capital delivery work. The Board noted that work was being done to raise the profile of carbon in capital delivery decision making. While this was not yet fully embedded in the <i>Centre of Excellence</i>, consideration was being given as to how carbon reduction measures could be a feature of future business cases. This would be built into Network Rail's environmental sustainability strategy.</p>	
20/56	<p><u>Directors' interests</u></p> <p>David Noyes reported that he had become a special advisor to AMP Capital (a global investment manager) on their aviation interests. Having heard of the time commitment involved, the Board was satisfied that this appointment would not adversely impact on David's work with Network Rail and did not constitute a conflict of interests.</p>	
20/57	<p><u>Board report</u></p> <p>The Chief Executive discussed with the Board:</p> <p>1. how initially the Company's response to the Coronavirus pandemic and lockdown had consumed a lot of time, although that time commitment was reducing as the response moved from 'crisis' to a more predictable state.</p> <p>Teams within Network Rail were working on plans to phase the reinstatement of rail services towards pre-pandemic levels.</p> <p>The planned increase of train services from 18 May was a key enabler of returning the UK economy to 'normal'. It was estimated that this first phase of the restoration would see an uplift from circa 50% to 70% of services running overall.</p> <p>Network Rail had been clear with the DfT and other rail industry stakeholders, that it did not have the powers and therefore was unable to enforce social distancing</p>	

	<p>requirements at its managed stations. It could however assist passengers to behave responsibly by, say, installing distance markings.</p> <p>Regions were also exploring ways to exploit the opportunities that a reduced timetable presented in terms of access opportunities. An example included work in Kilsby Tunnel, near Rugby.</p> <ol style="list-style-type: none"> 2. the tragic death of a track worker at Roade, Northamptonshire on 8 April. British Transport Police investigated this incident and closed their files having concluded there was no further action for them to take. The Rail Accident Investigation Branch, ORR and Network Rail investigations continued into events surrounding this tragedy. 3. that work was continuing, albeit slowly, to address the anticipated outcome of Keith Williams' review into the rail industry. It was not yet clear to what extent any Williams' recommendations might be impacted by the Coronavirus pandemic. 4. the work being done to reverse the negative trend on signals passed at danger (SPADs). The Board was particularly concerned that SPADs were at their highest level for 10 years, and that this issue was not receiving enough attention from train and freight operating companies. Network Rail reviewed the number of and causes for SPADs at Regional business review meetings. However, it was agreed that this topic should be addressed by the Safety, Health & Environment (SHE) Committee. Mark Phillips, Chief Executive of RSSB, would be invited to attend a future SHE meeting to discuss an industry-wide approach to reducing the number of SPADs. 5. that of 373 projects started over the Easter 2020 weekend, 369 (or 99%) had been completed successfully. Over £80m had been spent on these works, which had required 13,800 hours of track possession. Given these works coincided with the onset of the Coronavirus lockdown, the Board said it was remarkable that 88% of the originally planned work had been undertaken in the first instance; and this achievement was to be congratulated. 6. that agreement had been reached with the TSSA union, for Network Rail to continue the Putting Passengers First reorganisation in a light-touch but fit for purpose way. This would enable regions and network-wide services and functions to move to their target operating models sooner. It also provided reassurance for employees. 7. noted that orders were still awaited in respect of the three applications for Transport & Works Act order in Anglia relating the closure of many level crossings. <p>The Chief Financial Officer discussed with the Board:</p> <ol style="list-style-type: none"> 8. the indicative financial outcome for the 2019/20 financial year, subject to audit and final adjustments. <p>The Company had beaten its own efficiency target for 2019/20, and out-performed that required by the ORR's Final Determination.</p> <ol style="list-style-type: none"> 9. the Coronavirus lockdown had only really impacted the last two weeks of the 2019/20 financial period and so had little effect on the results. The situation was expected to be markedly different for 2020/21. Indeed, the Company was already receiving less income from variable track access charges and its property portfolio. 10. the scenario planning work being done to consider the timing and trajectory of recovery from the Coronavirus pandemic and eventual economic impact, both of which were unknown. 	<p>Martin Frobisher</p>
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	<p>11. a reported increase in unit rates for high output track renewals. This was being investigated and the Board would be informed of the outcome of that review.</p> <p>Non-executive directors challenged the Chief Executive and Chief Financial Officer to consider how more efficient ways of working in Network Rail and across the whole rail industry, could be harnessed and/or accelerated in the post-pandemic environment. The Coronavirus crisis had necessitated different working practices, including the improved speed and efficacy of decision making. It was vital that those benefits were, within a proportionate governance framework, embraced and embedded in the post-pandemic world.</p>	<p>Mark Langman</p> <p>Andrew Haines / Jeremy Westlake</p>
<p>20/58</p>	<p><u>Commercial & Procurement transformation</u></p> <p><i>Clive Berrington and Susan Cooklin joined the meeting.</i></p> <p>The Board discussed paper 30/20 which showed that the transformation of Commercial & Procurement (C&P) function was supporting all of Network Rail’s six strategic themes. The transformation plan had been rated ‘good’ following a recent internal audit. The transformation of C&P had led to a more pragmatic, collaborative and agile approach to commercial and procurement activities.</p> <p>In particular, the Board:</p> <ol style="list-style-type: none"> 1. commended the progress made on category management, noting that seven category strategies were being delivered with a commitment to develop at least five more. 2. noted that sustainability was included as a procurement principle in the 2019 C&P policy. All Network Rail people undertaking procurement activity must consider responsible outcomes (that provided societal values and reduced the impact on the environment). Specific sustainability targets were built into some tender requests. 3. noted the plan to use the ‘vested’ methodology on certain procurements. The starting point would be to specify the procurement outcome, with a focus on what would be delivered as an outcome rather than what and how it would be delivered as an input; with Network Rail agreeing the contract with the chosen supplier as part of the process post appointment, to help build a closer working relationship and drive value. 4. discussed how the Regions were adjusting to C&P transformation. It was noted that commercial directors had been appointed in the Regions, although those teams were not fully ‘stood up’ as this was part of tranche 3 of Putting Passengers First. With C&P treating the Regions as customers, good progress was being made. <p>The Board congratulated Clive and Susan on the transformation of C&P, noting that even with the huge amount of progress made over the last 18 months, there was a lot more work to be done.</p> <p><i>Clive Berrington and Susan Cooklin left the meeting.</i></p>	
<p>20/59</p>	<p><u>All season preparedness</u></p> <p><i>Nick King joined the meeting.</i></p> <p>Paper 31/20 outlined the steps being taken to improve Network Rail’s weather management processes, including a greater focus on seasons other than autumn. This work would become part of the Executive’s train service delivery national strategy committee’s remit.</p>	

	<p>The Board:</p> <ol style="list-style-type: none"> 1. was pleased that total risk was being considered, not just railway risk. 2. asked management to consider how this work might link more closely to the wider strategic work being done on climate change. 3. recognised the amount of work still to be done in this area, particularly to get to what would be considered an ‘acceptable’ level of resilience risk. Work to establish the level of resilience required on the network continued. Any remedial work required as a result would likely take many years, across multiple control periods. 4. noted the need to break down the works required into short, medium and long term activities, and for those to be costed in readiness for the next regulatory settlement. 5. discussed the role of technology in helping to predict asset failures and also for helping train service recovery. It was acknowledged that there was work to be done in Network Rail to support colleagues in embracing new technology. 6. noting the need to improve passenger information, making it more accurate, timely and helpful. Potential solutions from the ‘Railway Hackathon’ were being explored in this context. 7. noted that Network Rail was liaising not only with railway stakeholders on weather resilience, but also others with infrastructure on land adjoining the network. <p>The Board thanked Nick King for his paper. It was reassuring to hear of the work being done, but the Board recognised the scale of the issues being tackled.</p> <p style="text-align: center;"><i>Nick King left the meeting.</i></p>	
<p>20/60</p>	<p><u>HS2 Euston Stage A on network works</u></p> <p style="text-align: center;"><i>Jake Kelly joined the meeting.</i></p> <p>The Board was reminded that Network Rail undertook infrastructure works on behalf of HS2 Limited where HS2 had an interface with Network Rail’s network.</p> <p>The North West & Central region had reviewed the governance of several long-standing Euston-related work packages previously agreed between HS2 and Network Rail. Paper 33/20 was an output from that review, and sought approval to enter into a number of agreements to formalise some work packages where work was already underway.</p> <p>In addition, authority was being sought to enter into three new Stage Two contracts to deliver a number of critical path infrastructure works at Euston.</p> <p>The Board noted that HS2 held the inflation contingency budget and asked how that was being monitored. Management reassured the Board that regular reviews of the contingency position were being implemented.</p> <p>The Board noted that the works being done on platforms 17 and 18 at Euston would not resolve the issues currently being experienced by the Caledonian Sleeper, which were a separate and ongoing issue.</p> <p>Following discussion, the Board:</p> <ol style="list-style-type: none"> 1. APPROVED IN PRINCIPLE that the Company should enter into Stage Two contracts in relation to work underway as set out in Table 1 of paper 33/20; and 	

	<p>2. DELEGATED AUTHORITY to the Chief Financial Officer to finalise and enter into the Stage Two contracts as set out in Table 2 of paper 33/20.</p> <p>The Board welcomed the team’s honesty and transparency in bringing this paper to the Board.</p> <p>Management was asked to provide a paper for the Audit & Risk Committee setting out why governance had not been followed when these works were originally agreed, what lessons had been learned from the NW&C review, and how those lessons had been embedded within current processes throughout Network Rail.</p> <p style="text-align: center;"><i>Jake Kelly left the meeting.</i></p>	<p>Tim Shoveller</p>
<p>20/61</p>	<p><u>TransPennine route upgrade (TRU)</u></p> <p style="text-align: center;"><i>Gareth Davies, Rob McIntosh and John Reed joined the meeting.</i></p> <p>The Board had previously approved the submission to the DfT of (i) the Option D AFC range and the (ii) funding envelope needed for Option D to reach FBC gateway. The Board had noted that a submission had been made to the DfT of the indicative cost range and schedule for full route electrification (Option F).</p> <p>The Board noted that the duration of Network Rail approvals and authorities, coupled with the transition of the TRU programme to a new Option, meant that Network Rail was unable to run these pieces of work sequentially in less than 3-6 months, which would slow down the work and potentially require the supply chain to stand down their teams. Paper 34/20 sought a number of approvals to resolve this.</p> <p>Following discussion the Board, pursuant to the contents of paper 34/20:</p> <ol style="list-style-type: none"> 1. APPROVED the incremental investment authority and cumulative investment requested, to allow the TRU programme to continue in line with programme and NOTED the ongoing work to develop the transition to Option F with the DfT; and 2. APPROVED the drawdown of funds against the incremental authority, being the forecast expenditure for the 2020/21 financial year, excluding financial overlay; and 3. CONDITIONALLY AGREED that the further drawdown of funds against the incremental investment authority beyond the amount requested under 2 above would be managed by Regional Investment Panel for individual financial values of less than £250m and Investment Panel for individual financial values greater than £250m. This agreement was granted on the condition that authority was only approved for packages of work for which the programme had received a remit/agreement from the DfT. <p>The Board would be provided with quarterly updates on the TRU programme.</p> <p>The Board noted that the DfT required capital project oversight/approval powers overriding those of the Network Rail Board. This eroded the Board’s accountability on such programmes. Discussions on this aspect of governance were being held with the DfT, alongside proposals for a new governance model. The Board would receive feedback on the outcome of those discussions.</p> <p style="text-align: center;"><i>Gareth Davies, Rob McIntosh and John Reed left the meeting.</i></p>	<p>Rob McIntosh</p> <p>Andrew Haines</p>
<p>20/62</p>	<p><u>Committee updates</u></p> <p>The Board was updated on the recent Audit & Risk Committee meeting, held to review the Group Assurance Letter and process (GALP).</p>	

	Sharon Flood commended the Internal Audit team for its continued focus and energy on driving GALP improvements.	
20/63	<p><u>Company Secretary's report</u></p> <p>Having considered paper 36/20 the Board:</p> <ol style="list-style-type: none"> 1. NOTED the update on company law and corporate governance; 2. RATIFIED the use of the company seal as set out in the paper; and 3. NOTED the outcome of Network Rail Certification Body Limited's board effectiveness review. 	
20/64	<p><u>Prosecution report</u></p> <p>The Board noted paper 37/20, which outlined health, safety and environment incidents that gave rise to the likelihood of, or actual, prosecutions.</p>	
20/65	<p><u>Delegated authority – one level up reporting</u></p> <p>The Board reviewed paper 38/20.</p>	
20/66	<p><u>Board agenda planning</u></p> <p>The Board reviewed the draft June 2020 agenda.</p>	
20/67	<p><u>Any other business</u></p> <p>None.</p>	
Date of next meeting: 22 & 23 June 2020		
<p>..... Chair</p>		