NetworkRail

Official-sensitive

Minutes of a meeting of the Board

held on Thursday 24 March 2022

at Networx, Puddle Dock, London EC4V 3DS

Present	Sir Peter Hendy (Chair) Ismail Amla Mark Bayley Rob Brighouse Stephen Duckworth Andrew Haines	Michael Harrison Silla Maizey David Noyes (mins 22/40 to 22/49) (via Teams) Mike Putnam Fiona Ross (via Teams) Jeremy Westlake
In attendance	Louise Kavanagh, Chief of Staff Stuart Kelly, Group General Counsel & Company Secretary Helen Martin, Senior Assistant Company Secretary Caroline Murdoch, Director, Corporate Communications (via Teams) Martin Frobisher (min 22/44) (via Teams) Alan Spence (min 22/44) (via Teams) Paul Marshall (min 22/46) Anit Chandarana (min 22/47) Michael Clark (min 22/47) Emily Hawkins (min 22/47) Conrad Bailey, DfT (min 22/48) Jonathan Hulme (min 22/49) Paul McMahon (min 22/49) Peter Luby (min 22/50) (via Teams) Suzanne Mathieson (min 22/50) (via Teams) Dave Penney (min 22/50) (via Teams) Tim Shoveller (mins 22/50 and 22/51) Pauline Holroyd (mins 22/51 and 22/52) Jon Payne (min 22/52) (via Teams) Navleen Kalra (mins 22/52) (via Teams) John Halsall (min 22/53) (via Teams) Stuart Calvert (min 22/54) (via Teams) Michelle Handforth (min 22/54) (via Teams) Michael Hunt (min 22/55) (via Teams)	
Apologies		

No.	**Item**	**Actions**
22/40	**<u>Chair's opening remarks</u>** The Board: 1. reflected on discussions the previous day with industry colleagues at the Southern event, and at the Board dinner, particularly in terms of the financial challenges facing the rail industry. 2. discussed high level progress on some aspects of rail reform insofar as they related to rail industry workforce modernisation. 3. noted that following publication of the Rail Accident Investigation Branch's report into the derailment at Carmont in August 2020, there was time dedicated to this matter later in the meeting.	

	4. agreed that following the very positive feedback from the independent Board Evaluation Review in 2021, having regard to the use of public money and in the context of the focus on the transition to Great British Railways, the next evaluation would not be carried out before 2023.	Stuart Kelly [Feb 23]
22/41	**<u>Minutes of previous meeting</u>** Subject to one minor amendment the minutes of the Board meeting held on 17 February 2022 were approved.	
22/42	**<u>Action list</u>** The Board discussed the action list, noting the action responses and those actions proposed for closure. The Board noted that: 1. the scope of the TransPennine Route Upgrade was not yet finalised; and 2. once appointed, the Board would have an early opportunity to meet the new lead for Diversity & Inclusion.	
22/43	**<u>Directors' interests</u>** David Noyes reported that he had been appointed as Non-executive Chairman of Celestyal Cruises Limited. Silla Maizey's tenure as Chair of the NHS Business Services Authority would end on 31 March 2022.	
22/44	**<u>RAIB report – derailment at Carmont in August 2020</u>** *Martin Frobisher and Allan Spence joined the meeting.* The Board discussed the RAIB report into the derailment of a passenger train near Carmont on 12 August 2020. Tragically, three people died as a result of the accident, Donald Dinnie, Brett McCullough and Christopher Stuchbury. Six other people on the train were injured. In addition to its report RAIB had produced two videos (available on the RAIB website) that were helpful in explaining what had happened. The cause of the accident was that following exceptionally heavy rainfall in a short period of time, debris had washed out of a drainage trench onto the track; the passenger train hit that debris and derailed. The drainage had been built between 2010 and 2012 but not in accordance with the agreed design. Immediately following this accident Network Rail commissioned two in-depth reports – Dame Julia Slingo was asked to review Network Rail's capability to understand and manage adverse weather and Lord Robert Mair reviewed Network Rail's management of earthworks. These reports had offered more than 50 recommendations on how to improve safety and performance. Those recommendations would be reviewed in light of the RAIB report and updated. The updated action list would be reviewed by the Safety, Health & Environmental Compliance Committee and shared with the Board. The Board discussed, amongst other things: 1. that within 24 hours of the RAIB report being published Network Rail, with the agreement of its insurers, had accepted liability for the third party claims thereby progressing matters for those people directly affected.	Martin Frobisher [Oct 22]

	2. RAIB's recommendations around Network Rail's supervision and assurance of works contracted to third party suppliers. Once proposals to address this recommendation were drawn up, they would be shared with the Board. The Board stressed the importance of having an approach across the devolved Regions that was coherent to the supply chain 3. the wellbeing of those directly and indirectly affected by the Carmont tragedy. Alex Hynes and his executive team had given and continued to give a lot of support to colleagues, supported where appropriate by the legal team in Scotland. 4. How Lord Robert Mair's report had challenged the way in which Network Rail understood its work sites, which was causing the Company to redefine what was classified as a "high risk" site and what that meant in terms of managing those sites and the response to exceptional weather conditions. 5. the effectiveness of control operations teams during emergencies. It was recognised that those staff required a specific skill set and training. The executive was encouraged to look and learn lessons from outside the rail industry. This was also being reviewed as part of the RAIB investigation into the train collision near Salisbury in October 2021. The Board noted that the Scotland team had reported on its drainage asset verification and identification work and asked to see similar reports on the work being done in other regions. Those updates would be included within their Board reports. *Martin Frobisher and Allan Spence joined the meeting.*	Louise Kavanagh [May 22]
22/45	<u>**Board report**</u> The comprehensive Board report was reviewed, and the Board focussed its discussion on: 1. **Covid-19** The Company had seen an increase in the number of people off work with Covid; with several recent instances of network closures due to signaller absence for several hours. Train operating companies were also understood to be experiencing increased sickness levels. 2. **Passenger numbers** Passenger numbers continued to increase, with footfall at managed stations now at 68% of pre-pandemic levels. Wednesday to Saturday were the busiest days in terms of passenger numbers, primarily due to the return of leisure travel. 3. **Ukraine** Network Rail's supply chain had been assessed in light of the invasion of Ukraine. A very small number of potential risks had been identified and these were being monitored and managed. 4. **TransPennine Route Upgrade (TRU)** Interviews had taken place for an independent chair of the TRU programme board. A suitable candidate had been identified and their application was being progressed through Government approval channels. 5. **Train performance during named storms** An internal investigation was looking at how Network Rail worked operationally during recent, named, storms. One aspect of that was to review train performance during those storms separately from regular performance monitoring. The findings would be shared with the Board. They might also be used to manage passenger	Oliver Bratton [TBC]

	expectations of what was deliverable during storms and improve passenger communications. **<u>Chief Financial Officer's Board report</u>** The Chief Financial Officer discussed with the Board: 6. **Financial performance** The outcome for the year's Financial Performance Measure (FPM) was expected to be a net shortfall of circa £45m on an overall budget of £11.97bn. This is predominantly driven by underperformance in renewals. 7. **Efficiencies** Delivery of efficiencies continued to be in line with forecast for both the financial year and CP6, although the timing of the benefits of workforce modernisation needed clarification. Work continued on refining processes to ensure only true efficiencies were recorded. 8. **Inflation** The key inflationary pressure currently related to pay. The trades unions had submitted pay claims, and this would be discussed more later in the meeting.	
22/46	**<u>Rolling Forecast 11 (RF11) outcome and delivery plan (including 2022/23 scorecard)</u>** *Paul Marshall joined the meeting.* The rolling forecast process provided an updated forecast for each year of the control period and allowed the business to monitor progress against its plans to deliver for passengers within agreed funding levels. The outcome of RF11 would become the Company's business plan for 2022/23. The Board noted that the biggest change since RF8 reflected the impact of inflation. Thus far inflationary pressures had been managed through the risk fund. The Board also discussed the proposed scorecard for 2022/23. The scorecard had been reviewed by the Nomination & Remuneration Committee, where there had been focus on the lower tapers for some measures. The Board **APPROVED** the scorecard as presented and noted that it would now progress to the Secretary of State for formal approval. The Board thanked Paul Marshall for his excellent work on running the planning process. *Paul Marshall left the meeting.*	
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22/48	**<u>Passenger Service Contracts</u>** *Conrad Bailey joined the meeting.* The Board discussed the new commercial model that was proposed to replace the franchise model. The DfT was now engaging collaboratively with the market, including existing train operating companies and potential new service providers. Lots of feedback, concerns and different perspectives had been raised. More market engagement was being planned to help pin down the best approach. Once the model had been finalised, a decision would be made on when to go to market. That timing would depend on a number of factors such as progress on rail industry reform, including workforce modernisation. The Board noted that in terms of workforce modernisation Network Rail had progressed further than other industry bodies and was already delivering efficiencies. *Conrad Bailey left the meeting.*	
22/49	**<u>PR23 – finalising the initial CP7 submission to funders</u>** *Jonathan Hulme and Paul McMahon joined the meeting.* Paper 29/22 updated the Board on progress towards developing the initial industry advice (IIA) submissions to the DfT and Transport Scotland on 31 March. Those submissions would set out Network Rail's high-level plans and funding proposals for CP7 (1 April 2024 to 31 March 2029). After reviewing the initial submissions, the DfT	

	and Transport Scotland would prepare their High Level Output Statements and Statements of Funds Available. Network Rail believed that its IIA represented a cogent plan which offered sufficient optionality to the funders. Given the current financial climate, it was anticipated that the governments may seek to reduce the amount of funds available, however that could create a future backlog of works to be delivered. A key part of the narrative of the IIA was that a move to a more market led and whole industry approach would represent better value for money for HMG. The Board noted that the England & Wales plan included in the IIA the installation of digital signalling on the East Coast and works on HS2 whereas there was no equivalent included for Scotland. The Board **DELEGATED** authority to the Chief Executive and Chief Financial Officer to give formal approval to the IAAs before they were submitted. The Board thanked Paul McMahon and his team for their excellent work and said that the proactive and open engagement with the Board's PR23 sub-committee had been very much appreciated. *Jonathan Hulme, Paul McMahon and David Noyes left the meeting.*	
22/50	**<u>Crewe core station area and Crewe overarching programme</u>** *Peter Luby, Suzanne Mathieson, Dave Penney and Tim Shoveller joined the meeting.* Paper 30/22 sought the Board's approval for additional funding in respect of the Crewe core station area and Crewe overarching programme. The Crewe Programme was a set of projects that were strategically linked to delivering conventional renewals and HS2 enhancements. The Crewe Programme was being led by a joint Network Rail and HS2 team, with accountability for the delivery of each phase sitting with the lead organisation on that phase. It was noted that the sequencing and integration of the projects was critical to its successful delivery. The Board asked for a briefing on the Network Rail and HS2 interfaces across the network. Having carefully considered the request the Board **APPROVED**: 1. the request for funding to conclude PACE 1 (GRIP 3) for Crewe Core Station area; and 2. the request for funding for implementation of the over-arching programme costs in line with the agreed operating model, both as set out in paper 30/22. *Peter Luby, Suzanne Mathieson and Dave Penney left the meeting.*	Tim Shoveller [Oct 22]
22/51	[redacted] [redacted] [redacted]	

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22/52	**<u>Lessons learned from Stand Up for Race Equality initiative</u>** *Navleen Kalra and Jon Payne joined the meeting.* The Board discussed paper 32/22 which shared the lessons learned from the Stand Up for Race Equality initiative. This work involved employees attending sessions to discuss videos of real-life scenarios where colleagues' mental or physical safety had been negatively affected by non-inclusive behaviour and language in the workplace. By 14 March 2022, 90.32% (or 37,390) of Network Rail colleagues had attended the briefing. This initiative had also been adopted by others in the rail industry, with over 6,000 people outside Network Rail having attended sessions. These sessions had been positively received, with colleagues reporting they had a better understanding of the impact of non-inclusive behaviour on mental and physical safety, and that they felt more confident in challenging poor behaviours in the workplace. As a result of these briefings, Network Rail had received more reports of non-inclusive behaviour during the time the programme had been running than in the prior three years. The key lessons learned related to how the programme had been rolled out, and what would be done differently in future. However, a key change was that more listening sessions would be held with black, Asian and minority ethnic colleagues to understand their concerns, the challenges they faced, and the interventions they believed would improve diversity and inclusion at Network Rail. It was widely recognised that creating a more inclusive workplace would improve diversity and business performance. The Board commended this initiative and in particular the amount of data that had been collected. However, the data indicated some concerning trends. For example: 53% of grievances raised related to diversity and inclusion; and only 49% of respondents felt that the outcome of the reasonable adjustments process had met their needs. This highlighted the need for a step change in the diversity and inclusion interventions being made.	

	Board members shared their experiences from other organisations, stressing: (i) the importance of those without protected characteristics feeling included in the interventions being made because unless they felt included they would be less inclined to behave inclusively towards those with protected characteristics; and (ii) that successful reasonable adjustments processes operated with centralised budgets, systems and processes were generally more successful than the utilisation of wholly local arrangements. The Board looked forward to hearing more about the development of diversity and inclusion, and the interventions being made within Network Rail. *Pauline Holroyd, Navleen Kalra and Jon Payne left the meeting.*	
22/53	**<u>Region presentation – Southern</u>** *John Halsall joined the meeting.* Paper 33/22 set out the developments on the Southern region since the presentation to the Board in May 2021. Amongst other things, the Board discussed: 1. the tragic death of a passenger the previous day who had lost control of his mobility scooter, falling from the platform onto the track. This accident was the subject of live investigation. 2. the importance of colleague wellbeing. The Rail Wellbeing Live event in November 2021 was attended by circa 16,000 rail industry colleagues. It saw 135 inspirational speakers deliver over 50 hours' worth of sessions on physical and mental wellbeing. Alongside this, Southern region was promoting and mandating mental health training for its people. Talking about mental health was a vital first step towards removing stigma and helping people become more resilient. 3. how the Southern team was looking forward to emerging from a relatively reactive period covering the pandemic to a proactive phase of modernising the region's culture and workforce. This would focus on the four change priorities of: Safety: good progress had been made in reducing unassisted lookout working, which had decreased 98.5% year on year. However there had been an increase in the number of apparently low impact accidents that had relatively high-level implications, and this was being addressed. People: three principles had been identified following conversations with the Region's people that would underpin work to evolve the culture: (i) keep it simple; (ii) show you care; and (iii) listen, learn, improve. Train performance: Southern's train performance was reasonable, although that was not reflected in the scorecard, which was a holding position based on the prior year's atypical service level. Finance: two key workstreams were focussed on developing the strategic business plan for CP7 and transforming the model through which renewals work would be delivered in CP7 and beyond.	

	4. what was being done to retain talented people who had been working on projects in the south that had been deferred. The Government’s levelling up policy had seen a lot more investment further north, and people were being introduced to those Regions with funded programmes of work, in an effort to keep them at Network Rail. The Board thanked John for his update and asked that he congratulate his team on delivering the interesting and enjoyable Better Together market stall event the previous day. *John Halsall left the meeting.*	
22/54	**<u>Wales & Western CP7 Capital Delivery Strategy</u>** *Stuart Calvert and Michelle Handforth joined the meeting.* The Board discussed paper 34/22 which outlined Wales & Western’s proposed strategy for delivering investment in the railway in CP7. It was noted that the proposed strategy was designed to improve the performance of the Region’s renewals and enhancements projects by working more collaboratively as an intelligent client with a smaller number of high calibre, specialist suppliers. Contracts and behaviours were aligned to the Government’s ‘Construction Playbook’ and SPEED (swift, pragmatic and efficient enhancement delivery) principles, as well as addressing lessons learned from the CP5 and CP6 frameworks. The Board noted that Regions had adopted different approaches to their CP7 sourcing strategies. It discussed suppliers’ responses to those different approaches, and how the lessons learned were being shared amongst the Regions. The Board: • **ENDORSED** the Wales & Western Buildings & Civils Structures & Geotech sourcing strategy for CP7 and up to three years of CP8 as set out in paper 34/22; • **APPROVED** the Wales & Western Buildings & Civils Stations sourcing strategy and the Electrification & Plant sourcing strategy, both for CP7 and up to three years of CP8 as set out in paper 34/22; and • **DELEGATED** future approvals for the Wales & Western CP7 Buildings & Civils Structures and Electrification & Plant contract awards to the regional Procurement Executive Panel, in order to streamline the process and maximise mobilisation and CP7 development time after contract award. *Stuart Calvert and Michelle Handforth left the meeting.*	
22/55	**<u>Network Rail’s tax strategy</u>** *Michael Hunt joined the meeting.* Paper 35/22 sought the Board’s approval of Network Rail’s Tax Strategy prior to its publication online, thereby meeting Network Rail’s statutory obligation. The Tax Strategy set out: • details of legislation it complied with; • how the Company managed tax risk; • the Company’s attitude to tax planning; • the level of risk the Company would accept for UK taxation; and • how the Company worked with HMRC.	

	The Board noted that the Treasury Committee had reviewed the Tax Strategy at its February meeting and recommend that the Board approve it. After due consideration the Board **APPROVED** the Network Rail Group Tax Strategy for publication on the Company's website. *Michael Hunt left the meeting.*	
22/56	**Committee updates** The Board was updated on recent meetings of the: • Audit & Risk Committee • Treasury Committee • Property Supervisory Committee; • Environmental Sustainability Committee; and • Nomination & Remuneration Committee.	
22/57	**Company Secretary's report** Having reviewed paper 38/22 the Board: 1. **APPROVED** the appointment of Susan Slaughter and Brett Murray as Non-Executive Directors of Network Rail (High Speed) Limited; 2. **NOTED** the progress on the priorities set by the Secretary of State for Network Rail in 2021 and the next steps; 3. **NOTED** the update on corporate governance; and 4. **RATIFIED** the use of the Company seal.	
22/58	**Prosecution report** The Board noted the Prosecution Report (paper 39/22).	
22/59	**Board agenda planning** The Board reviewed the draft agenda for the May 2022 Board meeting. It was noted that the Property Supervisory Committee was meeting in Glasgow the day before the Board, and that a site visit to Glasgow Central station had been arranged. Arrangements were underway for the Board's Strategy Day to be held on 11 May 2022. Topics would include: (i) digital twin technology; (ii) executive bandwidth for dealing with multiple challenges simultaneously; and (iii) how region and function heads collaborate and work with one another following devolution.	
22/60	**Any other business** Jeremy Westlake advised the Board that pursuant to the authority delegated to the Investment Panel in October 2021, this in turn conferred authority on him to enter into the funding agreement. He confirmed that he would shortly be signing the East Coast Digital programme grant funding letter between the DfT and Network Rail, following approval of the full business case by HM Treasury.	
Date of next meeting: 5 May 2022		
………………………………….. Chair		
