Official-sensitive **Minutes of a meeting of the Board** **held on Thursday 20 October 2022** **in the Board Room at The Quadrant, Milton Keynes, MK9 1EN**			
Present	Sir Peter Hendy (Chair) Ismail Amla Rob Brighouse Stephen Duckworth Andrew Haines	Michael Harrison Silla Maizey (from min 22/120) Mike Putnam Fiona Ross Jeremy Westlake	
In attendance	Louise Kavanagh, Chief of Staff David Leam, Director Communications Susan Beadles, Group General Counsel & Company Secretary James Facey, Assistant Company Secretary Martin Frobisher, (min 22/117 and 22/125) Michael Clark, Director, (min 22/123 via Teams) Pauline Holroyd (min 22/124) Clive Berrington (min 22/125 via Teams) Paul Marshall (min 22/129 via Teams) Christian Irwin (min 22/129 via Teams) Harriet Hepburn (min 22/129 via Teams) Tim Coucher (min 22/130 via Teams) Bobby Hannah (min 22/130 via Teams) Cameron Burns (min 22/130 via Teams)		
Apologies	Mark Bayley, David Noyes		

No.	Item	Actions
22/117	**<u>Function Review – Technical Authority</u>** *Martin Frobisher joined the meeting* The Board was advised that the regional finance directors had signed off and endorsed £155m of savings delivered / to be delivered by Technical Authority in CP6 and CP7. It was noted that industrial relations had not negatively affected the Safety Council, and the relationship on safety with the National Union of Rail, Maritime and Transport Workers (RMT) remained strong. The Board also noted that Network Rail had won Innovation of the Year at the 2022 National Rail Awards for its Overlay Miniature Stop Light for level crossings, and other international awards for ground-breaking biodiversity mapping. Switches made of heavier rail had been introduced to improve durability. Due to the asset footprint of the heavier rail being different to the existing rail, the cost of installation was estimated to be high. To reduce the installation cost the heavier rail was redesigned to have the same footprint as the existing rail. Great strides had been made in Research and Development following an increase in investment. The Board noted that the security cameras at London Bridge station had been connected to Artificial Intelligence to help identify incidents in the station. The Board was informed that HM Treasury and the Foreign and Commonwealth Office had authorised Network Rail to provide a £10m aid package to Ukraine consisting of	

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bridging material. It was noted that the package represented more than 10% of the UK’s civilian aid to Ukraine.
On concerns, it was reported that the industrial action had affected Semi-Automatic Track Warning Systems installation. Work was continuing with the regions to ensure that installations were not delayed further. Overdue Special Inspection Notices and Maintenance backlogs were also noted as areas of concern.
On culture, the Board was advised that there needed to be more challenge from the regions and from within Technical Authority. Following a question regarding the relationship between the regions and Technical Authority, Martin Frobisher reported that the relationship had improved during his time as Group Safety, Technical and Engineering Director. The challenge was to ensure that this good relationship did not compromise challenge and constructive criticism. The Board discussed the extent to which Network Rail had benefitted from devolution and the importance of constructive challenge. The Board noted the importance of quality engagement between the regions and Technical Authority and suggested that the regions and Technical Authority needed to be more proactive to improve engagement.
Responding to a question from the Board regarding the Technical Authority team’s relationship with wider stakeholders in the rail industry, it was reported that the Rail Safety and Standards Board (RSSB) was the stakeholder the function engaged with the most. There had been improvements in the information obtained from the RSSB due to the function increasing engagement and being more specific with respect to their challenges. The Board discussed the risk of the RSSB being slow in their adoption of improving European standards and noted RSSB was continuously challenged to translate improvements into UK standards in a timely manner.
The Board noted that the recruitment of key hires in the Technical Authority function had been positive and significant improvements had been seen in the areas they managed. The Board was provided with an overview of the Target 190 project (a Research & Development programme that looks at the sustainability of signalling systems with the aim of reducing the signalling unit rate) which had received interest from the International Union of Railways.
The Board discussed the exceptionally dry summer and the effect that this had on the soil beneath the railway tracks. Although the autumn rainfall had improved soil consistency, tamping had been avoided so as not to disturb the ballast, which created a backlog of track maintenance. The Board discussed the heatwave in the UK in 1976 and it was highlighted that there had been significantly less rail buckling than in 1976 so from a safety perspective there had been improvements. It was noted that Dame Julia Slingo had suggested that the risk of dry weather could be predicted using Key Performance Indicators she had identified.
The Board thanked Martin Frobisher and his colleagues for their achievements.
Martin Frobisher left the meeting
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<u>Chair’s opening remarks</u>
The Board:

Reflected on discussions the previous day at the Board dinner.
Congratulated Stephen Duckworth on obtaining a postdoctoral degree from Southampton University.
Was informed that Sir Peter Hendy and Andrew Haines’ first meeting with the (then) Secretary of State had been positive and insightful.
Noted that Sir Peter Hendy had met with the (former) Minister of State for Transport, Kevin Foster, to discuss the programme for rail reform.

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22/118	**Minutes of previous meeting** The minutes of the Board meeting held on 22 September 2022 were approved.	
22/119	**Action list** The Board discussed the action list and agreed those actions that could be closed. The Board noted that there were several other actions that could be closed outside of the meeting and Andrew Haines would work with Susan Beadles to condense the action list.	
22/120	**Directors' interests** *Silla Maizey joined the meeting* No new interests were declared.	
22/121	**Board report** The comprehensive Board report was reviewed, and the Board focussed its discussion on: 1. **Carlisle Derailment** The Board noted that a freight train had derailed in Carlisle in the early hours of 20 October. The cause was under investigation. The train was carrying cement but there was no contamination as the cement remained in the wagons following the derailment. The Board was pleased to hear that there had been no casualties. 2. [redacted] 3. **Performance** Train service performance had stabilised but continued to be challenging. The main issues affecting performance related to soil moisture and the related decision to delay tamping. Temporary Speed Restrictions had been put in place until tamping could be resumed. Cancellations had improved, but there was still further room for improvement. It was explained that cancelling a train at least 48 hours before its departure meant that it would not be logged as a cancellation. The Board discussed the financial impact of train cancellations due to industrial action. The Board queried the mood amongst employees amidst the ongoing industrial action. The Chief Executive said that despite the pressures caused by industrial action the mood in the business was better than expected. The Board raised its concerns around the cumulative effects of fatigue on employees, on managers, and the backlog of maintenance. 4. [redacted]	

	[redacted] The Board queried whether there was visibility of the average age of track infrastructure. It was reported that this was monitored and would be included in the asset management plan in PR23. **Chief Financial Officer commentary** **1. Financial Performance** The financial performance outlook for FY23 was currently an underperformance. Work continued with the DfT to ensure sufficient flexibility regarding control totals should strike costs continue to rise based on the early view of RF6. **2. Efficiencies** It was noted that Network Rail's inflation experience had been different to HS2 however it was believed there was a lag and inflation was expected to move in line with HS2. The Board noted that a Swift, Pragmatic and Efficient Enhancement Delivery (SPEED) conference for supply chain had taken place, the feedback on the presentations had been positive. Efficiencies were still on track. £90m of efficiencies had been delivered across the Operations, Maintenance, Signalling and Renewals (OMSR) portfolio in Period 5, with an overall plan for the 2023 financial year higher than that for the 2022 financial year. **3.** [redacted] **4. National Scorecard** Scorecard performance at P6 was at 32.8% and regional scorecards were beginning to line up with the national ones. The Board considered the implications of any new government potentially cutting public spending and how funds might be prioritised in those circumstances. It was noted that Network Rail had the ability to model and explain how infrastructure renewals would be prioritised to avoid major asset failure.	
22/123	[redacted]	

	[redacted]	
22/124	[redacted]	

	[redacted]	
22/125	**<u>Contractors / Sub-Contractors – zero hours contracts & working multiple jobs</u>** *Martin Frobisher and Clive Berrington joined the meeting* The Board discussed paper 75/22 which was produced in response to a concern raised by the Board regarding the safety and fatigue of Front-Line Labour (FLL) workers and contractors who were employed on zero-hour contracts or held multiple roles. The Board noted that the FLL market had been challenging for the Company due to Brexit, the type of work and the rates of pay that were on offer. The Board asked whether contractors had taken this issue seriously and were told that contractors understood the seriousness of the issue; however, their business models were based on having temporary labour and therefore implementing change would be challenging. The Board discussed how contractors could be monitored in relation to temporary labour fatigue, and the importance of doing so from a safety perspective. The Board agreed that the Safety Health and Environmental Compliance Committee would consider how monitoring could be put in place. The Board noted that Network Rail considered contractors it had worked with to fill permanent roles when there were vacancies. The Board discussed that voluntary severance would be offered to some employees, and suggested that those who took voluntary severance could, if appropriate, move to contingent labour. *Martin Frobisher and Clive Berrington left the meeting*	
22/126	[redacted]	

22/127	**Tax Strategy** The Board discussed paper 80/22 which sought approval for the Network Rail Group Tax Strategy prior to publication. The Board noted that the strategy had been endorsed by the Treasury Committee. The Board **APPROVED** the Network Rail Group Tax Strategy.	
22/128	**Network Rail Infrastructure Limited – Annual Report & Accounts 2022** The Board considered paper 79/22 which sought approval of Network Rail Infrastructure Limited's annual report and accounts 2021/22. Following discussion, the Board: 1. **APPROVED** the Network Rail Infrastructure Limited annual report and accounts for the financial year ended 31 March 2022, and the associated Letter of Representation. 2. **AUTHORISED** Andrew Haines and Jeremy Westlake to sign these documents on behalf of the Company.	
22/129	**Function Review – CFO Directorate** *Christian Irwin, Harriet Hepburn, Paul Marshall and Robin Dobson joined the meeting* The Board considered paper 76/22 which provided an overview of the CFO Directorate. There were eight functional areas five of which were under new leadership and the Board recognised the work that had been done to make the transitions seamless. Jeremy Westlake highlighted the priorities for transitioning from CP6 to CP7 which were: • To deliver on CP6 commitments while managing significant new financial pressures from inflation, industrial disputes, performance challenges and potential changes in Government priorities; • To negotiate the best funding available for the outputs Government wished to buy and develop detailed plans, while building strong relationships with funders and cross industry colleagues to achieve a strong start to CP7; • To support the roll out of project SPEED, promoting best practice and working with our supply chain to develop its maturity and impact, adapting our portfolio to changes in Government priorities as required; • To set up for successful deployment of a new UK fibre network and passenger connectivity on main lines by progressing Project Reach through to contract signature and early delivery; • To develop and deliver on our decarbonisation programme to move to new renewable sources of power using our spending power; and • To support the GBR Transition Team in the set-up and mobilisation of GBR and to lead industry finance director group initiatives to reduce net subsidy and provide governance, risk and assurance support. On engagement and culture, headcount had been reduced by 20% due to modernisation, which provided a saving of over £12m. Engagement scores fell to a low of 31% as a result and due to the cost of living crisis. The Board noted that following the settlement of management within the CFO Directorate function there had been an improvement in morale. The Board queried how the relationships between the regional and national functions were developing. Christian Irwin reported that he was pleased that the relationship and	

	engagement between his team and the regions was continuously improving. The main area of focus was improving relationships with teams further down the business to develop community practices. The Board discussed the Project SPEED conference that took place in October 2022. Christian Irwin reported that the supply chain had shown great enthusiasm towards the initiatives that were presented, and he expected to receive detailed feedback in the coming days. [redacted] Robin Dobson reported that he had been impressed with the quality of people in property functions across the business. He said that it was important to him that the regions had the tools to make decisions to ensure that there could be regional ownership and accountability. He expressed his excitement at the prospect of leveraging relationships, such as one recently built with Homes England, to undertake projects that would contribute to the national growth agenda. The Board noted that Paul Marshall had been appointed to the London North Eastern Railway board to improve the working relationship. *Christian Irwin, Harriet Hepburn, Paul Marshall and Robin Dobson left the meeting*	
22/130	**CP7 Building and Civils Minor Works (Southern region)** *Tim Coucher, Bobby Hannah and Cameron Burns joined the meeting* The Board considered paper 77/22 which sought approval of the contracting strategy for the Southern Region's Buildings and Civils minor works in CP7 & CP8. Following discussion, the Board: 1. **APPROVED** the contracting model to deliver the Southern CP7/CP8 Buildings and Civils Planned maintenance and Reactive works; and 2. **DELEGATED** approval of the Contract Decision paper outlining the award recommendation to the Executive Leadership Team. *Tim Coucher, Bobby Hannah and Cameron Burns left the meeting*	
22/131	**Committee updates** The Board was updated on recent meetings of the: • Property Supervisory Committee, and • Audit & Risk Committee.	
22/132	**Company Secretary's Report** Having reviewed paper 83/22, the Board: 1. **NOTED** the proposed amendments to the UK Corporate Governance Code. 2. **NOTED** the resignation of Ian Dobbs as a director of Network Rail Consulting Limited.	

	3. **RATIFIED** the use of the Company seal.	
22/133	**<u>Prosecution report</u>** The Board noted the Prosecution Report paper 84/22. [redacted]	
22/134	**<u>Board agenda planning</u>** The Board **NOTED** the draft agenda for the December 2022 meeting.	
22/135	**<u>Any other business</u>** None.	
Date of next meeting: 1 December 2022.		
……………………………….. Chair		