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Minutes of a meeting of the Board

held on Thursday 19 January 2023

at 1 Stratford Place, Montfichet Road, Stratford, London, E20 1EJ

Present	Peter, Lord Hendy of Richmond Hill (Chair) Ismail Amla (via Teams) Mark Bayley Rob Brighouse Stephen Duckworth (via Teams) Andrew Haines	Michael Harrison Silla Maizey David Noyes Mike Putnam Fiona Ross Jeremy Westlake
In attendance	Susan Beadles, Group General Counsel & Company Secretary Louise Kavanagh, Chief of Staff David Leam, Group Director, Communications Helen Martin, Deputy Company Secretary Anit Chandarana (minute 23/06) Michael Clark (minute 23/06) Hannah Deveson (minute 23/07) Jonathan Hulme (minute 23/07) Paul McMahon (minute 23/07) Pauline Holroyd (minute 23/08) (via Teams) Tim Shoveller (minutes 23/08 and 23/09) (via Teams) Rob Bolton (minute 23/09) (via Teams) Dave Penney (minute 23/09) (via Teams) Ellie Burrows (minutes 23/10 and 23/11) Dave Harding (minute 23/10) Verity Hinde (minute 23/10) Jake Kelly (minute 23/10) (via Teams) Toufic Machnouk (minutes 23/10 and 23/11) Rob McIntosh (minute 23/11)	
Apologies		

No.	Item	Actions

23/01	**<u>Chair's opening remarks</u>**
	
	The Board:
	
	• Considered the conversations the previous day with colleagues from Eastern region. Key insights from Board members included [redacted]
	
	• Reflected on recent engagement between the Board and the DfT noting that:
	  ○ the process for appointing non-executive directors could take nine months or sometimes more;
	  ○ the Non-executive Directors had met with the Ministerial team at the DfT;
	  ○ the Chair and Chief Executive had a very constructive meeting with the Secretary of State. The Secretary of State had since confirmed that he	

	believed that rail reform was the right thing to do, not least because the only way to deliver efficiencies was through reform. ○ the Secretary of State would deliver the George Bradshaw Address in February 2023. • [redacted] • [redacted] The Board noted that Network Rail was less exposed to inflation risk due to the structure of its contracts though it was still a significant issue especially for major schemes which were not yet in contract. • Mike Putnam reported that following the Autumn Statement 2022, the DfT had halted its work relating to acceleration of projects listed in the Growth Plan 2022. The focus was now to de-risk existing programmes. There would also be an emphasis on eliminating or reducing the barriers to progressing infrastructure delivery (e.g., local authority planning delays). • Congratulated three colleagues who had been recognised in the King's New Year's Honours: ○ Mark Bridel BEM, train running controller, Eastern, for services to charity in the local community; ○ Stephanie Hart MBE, end-user compute lead, Route Services for services to the railway and underprivileged children's education; and ○ Nick Millington MBE, route director, Wales & Western, for services to the railway, charity and the NHS (Nightingale Hospital build).	
23/02	**Minutes of previous meeting** The minutes of the Board meeting held on 1 December 2022 were approved.	
23/03	**Action list** The Board reviewed the action list.	
23/04	**Directors' interests** None.	
23/05	**Board report** The comprehensive Board report was reviewed, and the Board focussed its discussion on: 1. **Festive period 2022 engineering works** The Board was briefed on the work that had been delivered over the festive period. That work had required a huge amount of planning and then re-planning due to industrial action by several Trades Unions. Despite this, and thanks to the efforts of	

our project planning teams and contingent and contractor colleagues who were deployed across the network, 85-90% of the planned work was completed safely and on time.

The Board acknowledged this success and asked that its appreciation of the efforts made by all those involved in delivering these works was passed on; this was a brilliant achievement in the circumstances.

2. **Landslip at Hook**

On 14 January 2023 a landslip at Hook closed the line between Basingstoke and Woking. Heavy rain resulted in a 44-metre section of track being left unsupported. As a result, both the 'down' lines were closed. Initial investigations had not identified a specific structural problem as rainwater had flowed where expected.

A creative solution had been found to re-open the track, and work on this was continuing. This involved first building a road over bogland to access the track and changing one of the 'up' lines into a 'down' line, which involved moving associated signalling. It was expected that from 23 January 2023 this section of track would re-open, allowing six out of seven trains to run.

The Board discussed how in CP7 it was proposing to allocate money to address issues with drainage and landslips, as part of the weather action task force. The localisation factor of weather events made the prediction of earthwork failures a challenge. Strengthening works took place where intelligence on asset condition indicated a problem with the slope. Focussed investment targeted high risk locations, albeit a proportion of failures occurred in low to medium risk assets when they were exposed to significant stress from weather events.

3. **Severe weather events**

The Board noted that the Mair and Slingo reviews had, respectively, provided expert and new insights on emerging issues into how Network Rail might (i) improve the management of earthworks and (ii) solve problems with railway infrastructure caused by heavy rainfall.

Two new reviews were underway led by Sir Doug Oakervee and Simon Lane. These reviews were identifying where Network Rail could already do things differently and/or better. Initial findings were that:

- [redacted]
- [redacted]

Work was underway to address the initial findings, including scenario planning by each Region on how it would respond when temperatures reached 38°c, 40°c and 42°c. Planning for these scenarios now would make it easier for teams to respond more effectively in the moment.

Another piece of work was to apply the SPEED (swift, pragmatic, efficient enhancement delivery) approach to challenging technical standards. Jake Kelly would lead this.

4. [redacted]

[redacted]

[redacted]

[redacted]

5. **Network Performance Board (NPB)**
Jake Kelly, as newly appointed Chair, was looking to relaunch the work of the NPB. Its focus would be on the top 10 things that would make a difference to train performance. There was currently a backlog of maintenance caused by the reduction in red zone working and industrial action. However, and with due regard to the safety implications, maintenance work would be prioritised where genuine performance improvements would be delivered.

<u>Chief Financial Officer Commentary</u>

6. **Financial performance**
Network Rail's financial performance outlook for the 2022/23 financial year had worsened by circa £1bn, largely due to costs incurred as a result of industrial action and the extremely hot weather during summer 2022.

The renewals and enhancements financial performance measure had also been negatively affected with industrial action causing lower volume delivery.

7. **Efficiencies**
The Board noted that challenges were reported on delivering renewals and asked why the same challenges were not being reported in terms of delivering efficiencies. The Board sought assurance that this did not mean that the Company was not pushing hard enough to deliver efficiencies.

It was discussed that Network Rail's funding for operations, maintenance and renewals (OMR) was on a post-efficiency basis. Therefore, delivering these efficiencies did not give the Company more money.

A key concern on OMR delivery was that inflation meant works were costing more, meaning that less could be delivered for the funds available.

The Board was pleased to note that Network Rail's culture had now changed to the extent that efficiency was integrated into projects and routinely discussed.

8. [redacted]

23/06	[redacted] [redacted] [redacted] [redacted] [redacted]	
23/07	<u>**Periodic Review (PR) 23 – progress update**</u> *Hannah Deveson, Jonathan Hulme and Paul McMahon joined the meeting.* The Board considered paper 01/23 which updated the Board on Network Rail's approach to and progress on developing its Control Period 7 strategic business plan (SBP). The SBP would be presented to the Board in February 2023 for approval, prior to its submission to the ORR. There was significant challenge to the programme timetable while the Scotland HLOS and SoFA remained unpublished. A number of items under the "central services" heading had been discussed. There was now more understanding by Transport Scotland of the benefits of central services/programmes. The level of allocation for some services had been adjusted and the allocation of ETCS cab fitment costs to Scotland had been removed unless and until Scotland's future signalling strategy encompassed ETCS. Network Rail had engaged extensively with Transport Scotland and progress had been made over the last week. There was now some confidence that these documents would be made available on 27 January. An overview of the SBP would be provided to the ORR on 24 February with a significant amount of supporting evidence for each Region. It was hoped that by the end of March 2023 the DfT would authorise publication of Network Rail's SBP (as required by Network Rail's Framework Agreement with DfT). The Board asked that the section on resilience for running the railway during extreme weather be enhanced. For example, being more explicit about plans for establishing how the railway would operate when temperatures were at 38°c, 40°c and 42°c would help to manage expectations. The team agreed to strengthen the section on resilience and also to include this as part of the risk analysis. It was recognised that while scenario planning was possible for incidences of extreme heat, this was not the case for other severe weather events, such as heavy and/or prolonged rain. The Board noted that more work was needed on the metrics for environmental sustainability, commenting that it would be hard to justify the funds requested if metrics could not be specified. The Board also noted that the SBP did not refer to reducing scope 3 carbon emissions. This was because the works relating to reductions in carbon emissions were classified as enhancements rather than OMR, were funded separately and not therefore, included in the SoFA. The Board thanked Paul McMahon and his team for their continued hard work, recognising the positive feedback that had been received from the DfT on the quality of this work.	

	Hannah Deveson, Jonathan Hulme and Paul McMahon left the meeting.	
23/08	[redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted]	

	[redacted]	
23/09	**Network Rail and HS2 interfaces - update** *Rob Bolton and Dave Penney joined the meeting.* Paper 02/23 summarised the key Network Rail and HS2 interfaces and their management. The paper had been prepared in response to concerns raised by some members of the Board that they did not have sufficient visibility of these matters. One non-executive director, upon reading the paper had emailed a series of questions to Rob Bolton and received a detailed response, which was to be shared with the whole Board. The Board welcomed the paper and stressed the importance of monitoring the programme risks as the various projects evolved, and especially around entry into service. The Board discussed how the team was taking this opportunity to look at the passenger experience. There was a particular focus on making the passengers' experience seamless as they traversed and interacted with different aspects of the railway. The team recognised that a technically compliant railway could fail from a passenger perspective. The Board would receive periodic updates on this work. *Rob Bolton, Dave Penney and Tim Shoveller left the meeting.*	
23/10	**Passenger demand forecasting – quarterly update** *Ellie Burrows, Dave Harding, Verity Hinde, Jake Kelly and Toufic Machnouk joined the meeting.* Paper 03/23 provided an update on the work done with industry partners on monitoring and forecasting rail demand and providing a tactical response to the situation due to the pandemic. Amongst other things the Board discussed: 1. that industry revenue at P9 was 82% of pre-pandemic levels; the economic outlook continued to appear challenging; 2. that it was now considered unlikely that there would be any substantial further increase in levels of commuting and business travel. That would have a significant impact on the industry's forecast recovery; 3. the demand/revenue dichotomy - sometimes capacity did not meet demand; however, at the same time revenue was down. This was largely due to leisure travel passengers having significantly more discretion over when and whether to travel than pre-pandemic; 4. the best approach to fares, which might give different answers when viewed through a revenue lens as opposed to a sustainability lens;	

	5. how rail reform would help in this space by having an industry guiding mind that could take a whole industry profit and loss account approach; 6. that while service patterns and fares were important, a key factor in enticing people back to rail travel was train performance, which currently was not good enough. Cancelled trains were considered worse by passengers than delayed trains, until the delay became so long that the train was essentially cancelled. Passengers had much more discretion about same day travelling and if they experienced disruption on a Monday, they were generally less likely to travel for the rest of the week; and 7. how the forecasting work focussed on current behaviours rather than expected future behaviours. The Board shared insight from the aviation industry which was predicting very strong growth over the next 18-24 months, especially in the leisure market. The Board encouraged the team to take a longer-term view on passenger behaviours. The Board thanked the team for an excellent and thought provoking paper. *Dave Harding, Verity Hinde and Jake Kelly left the meeting.*	
23/11	**<u>Region update – Eastern</u>** *Rob McIntosh joined the meeting.* Paper 04/23 updated the Board on the progress and activities of the Eastern Region over the past year. Rob McIntosh was very proud of what his team had delivered in the year, citing in particular managing works successfully through and despite the industrial action, including works over the festive period. The Board focussed its discussion on: 1. Eastern's continued attention to devolving decision making to be closer to its customers. Accountability was pushed deeper into the organisation and closer to the passenger, freight user and stakeholders. Route Directors in Eastern had full accountability for all aspects of OMR and enhancements, allowing them to make trade-off decisions in the interests of the passengers and communities they served. This model also supported rail reform by creating a more localised rail industry. Improvements in works delivery and stakeholder relationships had emanated from this devolved model. One example was on Anglia where the local team had been able to deliver passenger benefits by validating new rolling stock more quickly than would previously have been possible. 2. improving safety trends. Each of the routes and the capital delivery teams had safety plans and were delivering against them. 3. challenging train service delivery, due in part to cable theft and an increase in the number of people committing suicide on the railway. The team was working with British Transport Police on cable theft. During the summer decisions had been taken to close the Midland Main Line and East Coast Main Line due to extreme heat. The team had believed it was prepared for summer 2022, but this proved not to be the case. Lessons had been learned and planning for summer 2023 had started earlier, in autumn 2022. 4. five members of the leadership team had progressed their careers outside of Eastern. This had created challenges, but also opportunities to develop other	

	people and make further progress with the devolution model. New leadership team members were already making an impact, bringing new energy and ways of thinking. 5. the work being done to develop Eastern's plan for CP7. Lots of the lessons from planning CP5 and CP6 had been embedded into the CP7 process. The Chief Financial Officer commended the overall quality of CP7 planning, but particularly in Eastern, and said it proved the benefit of devolution. 6. the East Coast Digital Programme reached a critical milestone in summer 2022 with the sign-off of the full business case for a multi-billion pound investment in new digital signalling (European Train Control System (ETCS)) for the Region. The programme was now in delivery phase with a unique industry partnership to upgrade lineside equipment, rolling stock and industry systems. This project was laying the foundations for implementing ETCS on other routes as the technical and delivery standards would be refined as the programme evolved in the real-world environment. It would then become a 'business as usual' standard. The possibility was raised of how data in the digital signal platform may be helpful in terms of understanding or improving customer experience. It was confirmed that the team was alive to this possibility. However, the ability to exploit that data was a future rather than immediate goal. 7. that there was a need to reassess the approach to improving equality, diversity and inclusion across Eastern (and indeed Network Rail). The Region was the first to undertake a systems intervention programme to address this. It was believed that the best time to launch this initiative was once the industrial action was settled. The Board praised Rob McIntosh on his excellent paper, congratulated the team for its Christmas works delivery, and thanked Rob for hosting the meeting. The Board had valued the time spent with Rob, Ellie and Toufic the evening before and the depth and quality of their discussions. *Ellie Burrows, Toufic Machnouk and Rob McIntosh left the meeting.*	
23/12	**<u>Committee updates</u>** The Board was updated on recent meetings of the: • Environmental Sustainability Committee • Property Supervisory Committee	
23/13	**<u>Company Secretary's report</u>** Having reviewed paper 06/23 the Board: 1. **NOTED** the resignation of Digby Nicklin as an authorised representative of Network Rail Infrastructure Limited on the partnership board of West Hampstead Square LLP and the appointment of Steve Peggs as an authorised representative of Network Rail Infrastructure Limited on the partnership board of West Hampstead Square LLP, and 2. **RATIFIED** the use of the Company seal. The Group General Counsel referred to her email of 16 January 2023 advising the Board that the Cabinet Office had confirmed Network Rail's administrative classification as a Non Departmental Public Body. The DfT Shareholder Team had confirmed that such classification was not intended to alter the status of Network Rail, nor how the Company was currently governed, nor the controls that were already in place.	

23/14	**Prosecution report** The Board noted the Prosecution Report (paper 07/23) and the oral updates provided on the current status of three matters.	
23/15	**Board agenda planning** The Board reviewed the draft agenda for the February 2023 meeting.	
23/16	**Any other business** None.	
Date of next meeting: 16 February 2023.		

……………………………………….. Chair