**Official-sensitive**

**Minutes of a meeting of the Board**

**held on Thursday 23 March 2023**

**at The National Railway Museum, Leeman Road, York YO26 4XJ**

| | | |
|---|---|---|
| **Present** | Peter, Lord Hendy of Richmond Hill (Chair)<br>Ismail Amla<br>Mark Bayley<br>Rob Brighouse<br>Stephen Duckworth (by Teams)<br>Andrew Haines | Silla Maizey<br>David Noyes<br>Mike Putnam<br>Fiona Ross<br>Jeremy Westlake (mins 23/28 - 23/48) |
| **In attendance** | Susan Beadles, Group General Counsel & Company Secretary<br>Louise Kavanagh, Chief of Staff<br>David Leam, Group Director, Communications<br>Helen Martin, Deputy Company Secretary<br>Paul Marshall (minutes 23/43 and 23/48) (by Teams)<br>Anit Chandarana (minute 23/44) (by Teams)<br>Pauline Holroyd (minute 23/45)<br>Tim Shoveller (minutes 23/45 and 23/51) (by Teams)<br>Claire Grundy (minute 23/46) (by Teams)<br>Jana Sparks (minute 23/46) (by Teams)<br>Ben Edwards (minute 23/47) (by Teams)<br>Rob Cairns (minute 23/49)<br>Mel Foster (minute 23/49)<br>Ellie Burrows (minute 23/50) (by Teams)<br>Mark Ellerby (minute 23/50) (by Teams)<br>Michelle Handforth (minute 23/51) (by Teams)<br>Kayleigh Spires (minute 23/51) (by Teams) | |
| **Apologies** | Michael Harrison | |

| No. | Item | Actions |
|---|---|---|
| 23/38 | **<u>Chair's opening remarks</u>**<br><br>The Board:<br><br>• Reflected on the outcome of the recent referendum where eligible members of the RMT had voted overwhelmingly to accept Network Rail's pay offer for Bands 5-8 and general grades. The Company was awaiting written confirmation from the RMT that this dispute was now resolved.<br><br>Information had been shared with colleagues on how and when the pay offer would be implemented.<br><br>The focus now was on moving forward together, continuing modernisation and building a railway for the future.<br><br>The Board thanked those who had worked to resolve the dispute and also those who had worked hard to keep the railway running throughout the industrial action.<br><br>• Was delighted to hear that Jonathan Callis, Senior Asset Engineer (Support) (Lineside) had been awarded the inaugural Professional Forester of the Year Award at the recent Confederation of Forest Industries awards. This award was judged by a panel from the Institute of Chartered Foresters. That panel | |

| | | |
|---|---|---|
| | recognised the amazing work that Jonathan was doing in leading the management of lineside vegetation, which was a key part in setting Network Rail's policy for sustainable management of trees and woodland along the railway.<br><br>The Board congratulated Jonathan on winning this award and looked forward to hearing more about his work at the Board meeting in May. | |
| **23/39** | **<u>Minutes of previous meeting</u>**<br><br>Subject to one minor amendment the minutes of the Board meeting held on 16 February 2023 were approved. | |
| **23/40** | **<u>Action list</u>**<br><br>The Board reviewed the action list. | |
| **23/41** | **<u>Directors' interests</u>**<br><br>Fiona Ross had been appointed to the Northern Ireland Office as a Non-Executive Board Member from 1 March 2023.<br><br>The DfT's Acceleration Unit was being disbanded at the end of March 2023, and as such Mike Putnam's role as a member of the Unit's Expert Panel would also end. | |
| **23/42** | **<u>Board report</u>**<br><br>The comprehensive Board report was reviewed, and the Board focussed its discussion on:<br><br>1. **Industrial relations**<br>The national safety consultation with the Trades Unions closed on 3 March 2023. This was a critical milestone in implementing the modernising maintenance principles which was key to making Network Rail a safer and more efficient business.<br><br>2. **Train performance**<br>There was some sign of improved train performance. It was important to build on that momentum as further improvement was needed.<br><br>That a more effective set of incentives needed to be activated for train operating companies (TOCs). The Board considered the extent to which Network Rail was able to influence the DfT's recovery plan for the TOCs and requested sight of that plan.<br><br>It was noted that the financial out-turn for train operators was better in the 2022/23 financial year than the DfT had forecast. However, some cost increases (for example, traction costs) would only flow through in the 2023/24 and 2024/25 financial years.<br><br>3. **May 2023 timetable change**<br>The May 2023 timetable change would not result in many changes to service delivery. The most notable change would be the full service in operation on the Elizabeth Line. The timetable changes in December 2023 and May 2024 would likely see more extensive changes.<br><br>Work was continuing on developing 10 consistent principles against which all train plans would be measured. | |

4. [redacted]

5. [redacted]

6. **ORR – presentation of Business Plan**
The Chief Executive would soon be meeting with the Regulator to present Network Rail's CP7 business plan. The key message was that the Plan required trade-offs to be made and it was important for the ORR to understand those trade-offs and the wider implications of any decisions made.

The Board considered that it would be helpful for the Regulator to agree to more frequent recalibrations of performance during the Control Period to recognise when Network Rail was meeting its input targets.

7. **Structures review**
As the Board was aware, there had been some concern around the backlog of structures inspections. While that backlog had been reduced by circa 50%, due to the huge number of ageing and therefore increasingly vulnerable assets, this was still a matter of concern and was receiving a lot of focus. The Board heard that this structures review included rafts.

8. [redacted]

| | | |
|---|---|---|
| | [redacted] | |
| | **Chief Financial Officer Commentary**<br><br>9. **Financial performance**<br>The provisional P11 outlook for the full year had been for £1,045m negative against target, primarily resulting from Schedule 4 payments to train operating companies due to industrial action and Schedule 8 payments following performance challenges due to extreme hot weather. That was now likely to be smaller, but obviously still very substantial, largely due to planned strike action having been cancelled.<br><br>10. **Inflation**<br>The impact of inflation was currently primarily affecting capital delivery rather than operations, with two or three schemes in particular being hit.<br><br>11. **Spring Statement 2023**<br>There had been little mention of heavy rail in the Spring Statement, just a reference to East West Rail (linking Oxford and Cambridge) supporting growth in life sciences and other high productivity sectors.<br><br>HM Treasury had confirmed Network Rail's available cash position for the next five years, allowing the Company to continue to develop schemes.<br><br>12. [redacted] | |
| **23/43** | **2023 Rolling forecast (RF) 11 overview**<br><br>*Paul Marshall joined the meeting.*<br><br>The Rolling Forecast (RF) process provided an updated forecast for each year of the control period so Network Rail could monitor progress against its plans to deliver for passengers within its agreed funding. The RF was also used to update the Department for Transport and HM Treasury on Network Rail's funding position in the context of the Departmental Expenditure Limit (DEL) flexibilities. From the 2022/23 financial year, the RF process was completed four times a year (RF3, RF6, RF9 and RF11), to align with train operators' quarterly forecasting and to facilitate consolidation of the rail industry financials. The Board considered paper 20/23 which reflected RF11, which would become Network Rail's Business Plan 2023.<br><br>The Board noted that the key change from RF9 was the removal of the impact of industrial action and lower Schedule 4 payments to train operators. The recently agreed pay settlement was reflected in the Plan, as was an updated number of anticipated redundancies related to maintenance modernisation.<br><br>The Board reviewed and **ENDORSED** the final RF11 forecast.<br><br>*Paul Marshall left the meeting.* | |

| | | |
|---|---|---|
| **23/44** | [redacted] | |
| **23/45** | [redacted] | |

| | | |
|---|---|---|
| | [redacted] | |

*The meeting was adjourned to allow the Board to attend the Rail Industry's Covid Memorial Service.*

*The service was a chance to remember the contribution from rail industry colleagues to keep people and goods moving during the national lockdowns. It was important to recognise the impact, personal sacrifice, and sad loss within the industry, and also appreciate the valuable contribution of rail.*

*So many people worked hard in difficult circumstances. The service remembered both colleagues and family members we lost, and those still affected by Covid. The service was also a chance to celebrate the rail industry's people, say thank you, and reflect and take pride in what the industry had delivered.*

| | | |
|---|---|---|
| **23/46** | **Group Communications strategy**<br><br>*Claire Grundy and Jana Sparks joined the meeting.*<br><br>David Leam discussed paper 21/23 with the Board, noting that the focus was on what have been learned about internal engagement and communications, and what could be done better.<br><br>The Board discussed, amongst other things:<br><br>1. That the focus on internal engagement and communication was the right thing to do. The best way to get messages to people on the front line was from local communications teams. However, the central communications team had an important role to play in providing guidance on the message themes. | |

| | | |
|---|---|---|
| | 2. The central communications team was actively engaging with the GBRTT leadership team to develop a strategy for engaging with external stakeholders where there was a clear overlap between the two teams.<br><br>The end of the industrial action allowed the communications team to get out to meet with external stakeholders and build or re-build those relationships.<br><br>The team was also developing targeted communications programmes for each of internal colleagues, external stakeholders and passengers.<br><br>The team was encouraged to recognise the extent to which passenger satisfaction could be improved through good communications during and after disruption.<br><br>It was acknowledged that more could be done in this area. Historically the focus had always been on communicating about planned disruption. Unplanned disruption received less of a focus in terms of communications and that would be addressed. The Board emphasised that by central communications teams being involved early on in unplanned disruption, the need to issue information to passengers would drive operators to make decisions more quickly.<br><br>[redacted]<br><br>3. The use of net promoter scores as an indicator of passenger satisfaction. Network Rail was fully committed to this however, the introduction of Wavelength was being managed by the DfT.<br><br>4. That in a customer centric organisation, everyone was a communicator, and asked whether the communications function had a training department. It was noted that there were separate training functions within Route Services and Group HR. A review would be undertaken of the extent to which communications training was currently available to employees and how that might need to be improved.<br><br>5. How the Network Rail communications team worked with the Government Communications Service (GCS). It was noted that in particular campaigns needed the approval of the Cabinet Office. GCS set best practice, stipulating that communications must have a purpose and a business case or aim to change behaviours. GCS also looked for alignment of campaigns across departments, for example making sure that safety campaigns for rail and road were aligned.<br><br>6. How Network Rail's communications with its people compared with the Trades Unions' communications with them. It was acknowledged that Network Rail had improved, and provided simple, joined-up messaging. However, the Trades Unions were sometimes quicker to issue communications as they had a more agile approvals process. Network Rail would continue to focus on this as an area for improvement.<br><br>The Board thanked David, Claire and Jana for an interesting paper and discussion.<br><br>*Claire Grundy and Jana Sparks left the meeting.* | |

| | | |
|---|---|---|
| **23/47** | **Risk appetite 2023**<br><br>*Ben Edwards joined the meeting.*<br><br>Risk appetite was defined as "the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time". It provides a framework for making informed management decisions. Network Rail's risk appetite statements were owned by the Board and reviewed annually, as set out in paper 22/23.<br><br>Since the risk appetite statement was last approved, it had been reviewed in the round. The need to consider all of the four risk appetite areas together was now emphasised and some briefing notes had been developed to describe actions that were consistent or inconsistent with risk appetite. These note pulled out the broader context of the risks and would form the basis of future training and communication materials.<br><br>The risk appetite statements had also been amended to include a note that they all include compliance with relevant laws and regulations.<br><br>The Board noted that the statements and briefing notes were aimed at those who owned enterprise risks.<br><br>Mark Bayley confirmed that the Audit & Risk Committee had reviewed the updated risk appetite statement and supporting briefing notes and recommended that the Board approve them.<br><br>The Board **APPROVED** the changes to the risk appetite statements and **ENDORSED** the new interpretation guidance.<br><br>*Ben Edwards left the meeting.* | |
| **23/48** | **Financial Year (FY) 2024 national scorecard**<br><br>*Paul Marshall joined the meeting.*<br><br>Paper 23/23 updated the Board on the FY24 National Scorecard metrics, weightings, targets and tapers and the approach taken in its development and assurance. The increased focus this year was in-line with the Nomination & Remuneration Committee's (Nom Rem Co) feedback with the aim of ensuring that Network Rail did not reward mediocre performance and that there were stretching upper tapers to reward genuine outperformance.<br><br>The Board focussed its discussion on:<br><br>• The proposed lower taper for on time was noted as being below the 2022/23 outturn. Nom Rem Co had confirmed that it would likely be minded to make a reduction to PRP where on time performance was worse than 2022/23 if Network Rail's share of delay minutes had also not improved.<br><br>• The need for very clear communications to employees to explain the scorecard and how it would work. Fundamentally, the proposed changes were not that significant in terms of people being able to work out potential performance and associated pay-outs under the scheme.<br><br>• That for the longer term and in respect to GBR, work was progressing on three key, cross industry performance measures, currently proposed to be | |

| | | |
|---|---|---|
| | (i) train punctuality; (ii) net promoter score and an equivalent measure for freight; and (iii) net system profit.<br><br>Following its discussion, the Board:<br><br>1. **NOTED**<br>a. The DfT's recommendation that the scorecard weighting be adjusted for National On Time (from 12.5% to 15%) and National Passenger Satisfaction – Wavelength (from 15% to 12.5%), affecting both National and Region Scorecards.<br>b. That at the request of the Nomination & Remuneration Committee, additional information had been provided to the Board on two metrics, On Time and Freight Cancellations.<br>c. Management was not seeking endorsement of the FY24 Performance Related Pay Scheme, and<br>d. That finalised targets in many cases would need to be confirmed after the end of the financial year 2022/23.<br><br>2. **APPROVED**<br>a. The FY24 National Scorecard, and<br>b. The FY24 Region, Route Services, Group Property and Network Rail (High Speed) Scorecards.<br><br>*Paul Marshall and Jeremy Westlake left the meeting.* | |
| **23/49** | **<u>Eastern region CP7 sourcing strategy</u>**<br><br>*Rob Cairns and Mel Foster joined the meeting.*<br><br>Following approval of a previous sourcing strategy, the CP7 Renewals and Minor Enhancements Framework was abandoned in October 2022. This was due to risk incurred around the procurement process and updated delivery and strategic requirements which were not suitably addressed in the original documentation, and which became clear during the business assurance reviews.<br><br>Paper 24/23 asked the Board to approve a revised strategy for, and authorise the implementation of, the procurement process in accordance with the revised strategy.<br><br>The abandoned event would be replaced with a competitive tender process for an Eastern Routes Partnership Framework (ERP) which would, as per the existing approved strategy, contract a range of single-discipline contractors to deliver the Strategic Business Plan work bank as well as enhancements (predominantly where there was a core lead discipline but equally discrete enabling packages).<br><br>The paper summarised the lessons learned from the previous tender, which had resulted in the proposed adoption of a 'one' partnership approach. There were no fundamental changes to the strategic objectives and principles previously approved.<br><br>The Group General Counsel outlined the advice given to Network Rail on the risks of the proposal set out in paper 24/23.<br><br>The Board **APPROVED** the 'revised strategy and, subject to the outcome of the Cabinet Office review, **AUTHORISED** the implementation of the procurement process in accordance with the approved strategy.<br><br>*Rob Cairns and Mel Foster left the meeting.* | |

| | | |
|---|---|---|
| **23/50** | [redacted] | |
| **23/51** | **Old Oak Common on Network Works Authority Position Paper**<br><br>*Michelle Handforth, Tim Shoveller and Kayleigh Spires joined the meeting.*<br><br>The Board considered paper 26/23 which sought approval of a strategy for the delivery and funding of Old Oak Common (OOC) Rail Systems Main Works, and associated contracts, agreements, and authorities.<br><br>The Board noted that:<br><br>a. The Board (and DfT as funder, and HS2 Ltd) had previously agreed that there should be a new Great Western Mainline (GWML) Network Rail station. That it should be constructed integrally with HS2 Ltd's station at OOC; and that civils construction of Network Rail's station should be undertaken by HS2's contractor under asset protection. Network Rail and HS2 Ltd had also agreed | |

| | | |
|---|---|---|
| | that the relevant alterations to GWML rail systems should be undertaken by Network Rail and its contractors as On Network Works funded by HS2 Ltd through a proposed Implementation Agreement Stage 2 Remit.<br><br>b. The project under consideration was to provide GWML rail systems in this context to complete the station. OOC would be the HS2 London terminus from 2030 until its Euston HS2 station was operational. The OOC station would provide an interchange between the GWML, Heathrow, Elizabeth line and high-speed services.<br><br>c. A procurement strategy for appointing contractors to undertake the OOC On Network Works had previously been authorised based on target cost submission by contractors. Those figures were now undergoing a final review and acceptance following efficiency challenge, benchmarking and Quantitative Cost Risk Analysis.<br><br>d. The project's currently reported AFC was expected to increase because of inflationary pressure and increased complexity of staging requirements.<br><br>e. The scope of the project procurement activity so far excluded modifications to a European Train Control Systems (ETCS) overlay, which was a Network Rail regulatory obligation (being delivered separately to the OOC project). Network Rail was actively seeking to obtain a derogation from the Regulator to defer ETCS beyond OOC construction timescales. Should ETCS not be successfully deferred this project would be at risk of a two-year delay and additional costs, which were not currently funded. In that event additional DfT funding commitments within RNEP for Network Rail and from further contingency release for HS2 Ltd would most likely be needed.<br><br>Amongst other things, the Board discussed:<br><br>• That the key risks to Network Rail were operational, in terms of train performance, and reputational. The key financial risk sat with Government. That was broadly the same at other sites where Network Rail's infrastructure interfaced with HS2.<br><br>• The need to keep a good and detailed audit trail of decisions made by Government and HS2 Ltd so that it was clear where accountability sat.<br><br>• That given this was a large, complex project alongside an operational railway, Network Rail had appointed a full time sponsor for the On Network Works to help drive delivery of the works and manage the interfaces.<br><br>There was a specific piece of work being done by the System Operator function around how to keep the existing train service protected and viable during the works.<br><br>The potential train service impacts were reflected in Network Rail's CP7 submissions.<br><br>Having discussed paper 26/23 and noted where sufficient authority had been delegated to others to authorise any commitments once the costs had been worked through, the Board **APPROVED** the strategy outlined in this paper.<br><br>*Michelle Handforth, Tim Shoveller and Kayleigh Spires left the meeting.* | |
| **23/52** | **<u>Committee updates</u>**<br><br>The Board was updated on recent meetings of the: | |

| | | |
|---|---|---|
| | • Treasury Committee<br>• Audit & Risk Committee<br>• Property Supervisory Committee<br>• Nomination & Remuneration Committee, and<br>• Environmental Sustainability Committee. | |
| **23/53** | **<u>Prosecution report</u>**<br><br>The Board noted the Prosecution Report (paper 29/23). | |
| **23/54** | **<u>Board agenda planning</u>**<br><br>The Board reviewed the draft agenda for the May 2023 meeting. Further consideration would be given to the location of the meeting. | |
| **23/55** | **<u>Any other business</u>**<br><br>None. | |
| Date of next meeting: 4 May 2023. | | |
| ……………………………………. Chair | | |