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**Minutes of a meeting of the Board**

**held on Thursday 29 June 2023**

**at UKRRIN centre, University of Birmingham, Edgbaston, Birmingham, B15 2TT**

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| **Present** | Peter, Lord Hendy of Richmond Hill (Chair)<br>Ismail Amla (by Teams)<br>Mark Bayley<br>Rob Brighouse<br>Andrew Haines (by Teams, to min 23/77)<br>Michael Harrison | Silla Maizey<br>David Noyes<br>Mike Putnam<br>Fiona Ross (by Teams, from min 23/78)<br>Jeremy Westlake |
| **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>Anit Chandarana (minute 23/75) (via Teams)<br>Pauline Holroyd (minute 23/77) (via Teams)<br>Rob McIntosh (minute 23/77) (via Teams)<br>Lindsey Worton (minute 23/77) (via Teams)<br>Martin Frobisher (minutes 23/78 to 23/80)<br>James Ambrose (minute 23/79) (via Teams)<br>Ian Brookes (minute 23/80) (via Teams)<br>Ben Wilkinson (minute 23/80) (via Teams)<br>Jo Grew (minute 23/81) (via Teams)<br>Michelle Handforth (minute 23/81) (via Teams)<br>Dal Chatta (minute 23/82) (via Teams)<br>Mark Dickinson (minute 23/82) (via Teams)<br>Julia Territt (minute 23/82) (via Teams)<br>Hannah Deveson (minute 23/84) (via Teams)<br>Paul McMahon (minute 23/84) (via Teams) | |
| **Apologies** | Stephen Duckworth | |

| No. | Item | Actions |
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| **23/71** | **<u>Chair's opening remarks</u>**<br><br>The Board:<br><br>• Had very much enjoyed meeting colleagues from the Technical Authority the previous evening. The Board was impressed by the knowledge, eloquence and enthusiasm shown by colleagues and had appreciated the open and honest conversations.<br><br>• [redacted]<br><br>• Was updated on the DfT's initiative for experienced non-executive directors (NEDs) to buddy with those new to the non-executive role. The NEDs were happy to support this programme. In a different context Mark Bayley had presented on his experience | |

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| | as a NED; he would welcome the Board's feedback on the presentation material he had used. | |
| **23/72** | **Minutes of previous meeting**<br><br>Subject to minute 23/63 being amended, the minutes of the Board meeting held on 4 May 2023 were approved. | |
| **23/73** | **Action list**<br><br>The Board reviewed the action list. | |
| **23/74** | **Directors' interests**<br><br>Mark Bayley reported his appointment as treasurer of a local community organisation. | |
| **23/75** | [redacted] | |
| **23/76** | **Board report**<br><br>The comprehensive Board report was reviewed, and the Board focussed its discussion on:<br><br>1. [redacted] | |

[redacted]

2. **King Charles III's coronation**
The movement of circa 5,000 troops by rail on the morning of the coronation had been the largest troop movement since Winston Churchill's funeral in 1965. This had involved a huge amount of innovative and constructive collaboration between Network Rail and several stakeholders. The Board thanked all those involved in making this a success.

3. **Extreme hot weather – external reviews**
Four external reports had been commissioned into Network Rail's response to extreme weather following Summer 2022. These reports covered engineering, operations, weather and passengers.

The reports and associated action plans had been, or would be, when agreed, made available to the Board. The findings and action plans had been broadly categorised into five areas:

i Standards – changes to technical or operational standards to improve Network Rail's ability to safely run trains (rather than safely stopping trains) during hot weather;
ii Purpose – moving from relatively independent standards-led weather asset interventions, towards a train service-led system view of interventions and outcomes;
iii Capability, leadership model and culture – improving management capability, the leadership model and culture;
iv Systemic asset maintenance and renewal – the engineering and operational reports recognised the huge challenge of managing an often Victorian railway during climate change;
v Cross industry working – to work with the passenger and freight operators (who themselves experience material resilience problems during hot weather) to improve service planning and customer information.

4. **May 2023 timetable change**
The May 2023 timetable change had introduced 19% more trains on Western route than in 2021/22, boosting capacity on the network. These changes brought over 4,800 extra station stops for passengers on this route.

This timetable change had also introduced the fully integrated service on the Elizabeth line.

5. **Potential acquisition by Hitachi Rail Ltd of Thales SA's Ground Transportation Systems Business**
The Board was updated on this matter, the potential effects on Network Rail and the investigation by the Competition and Markets Authority.

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| | 6. **Senior Leadership Group session**<br>This had been a good session, with the focus on re-energising the team around Network Rail's agenda while waiting for clarity on the timing and scope of Great British Railways.<br><br>A second theme of the day had been how to address the results of the Your Voice employee engagement survey. The engagement score for 2023 was 49%, down six percentage points from the previous survey in 2021. While this result was disappointing, coming after a year of industrial action it was not surprising.<br><br>To address some of the Your Voice feedback, the Chief Executive would introduce a monthly call for all managers.<br><br>Another initiative taken forward was that senior leaders would supplement discussions with Trade Unions by also engaging directly with staff. The Board would like an opportunity to meet with a selection of these people in due course to listen to their feedback. Consideration would be given as to how best to achieve this.<br><br>On a separate but related matter, the Chairs of the Employee Networks would be invited to lunch with the Board in early 2024.<br><br>7. **Modernising maintenance**<br>The Board was told that safety validation was progressing. The first incidence of failing to agree rosters had arisen, although Network Rail remained committed to implementing modernising maintenance in October 2023.<br><br>8. **Old Oak Common – potential passenger disruption**<br>The works at Old Oak Common (OOC) would involve building the largest new railway station for 100 years, on the largest new railway. The Chief Executive acknowledged the scale of these works and the potential disruption to passengers over many years. The DfT had asked Network Rail to assume a 'GBR role' in this regard, and that work had already started.<br><br>The Executive Leadership Team had been challenging itself and the wider business on the OOC works. It had been acknowledged that if the timescales associated with HS2 works slipped, then it would likely be possible to re-phase how and when the OOC works were done.<br><br>**<u>Chief Financial Officer Commentary</u>**<br><br>9. **Financial performance**<br>Full year targets remained on track, albeit it was early in the year. Some pressures were emerging on train performance. Agreement had been reached with the DfT that variance to target on the circular flows between Network Rail and train operators (i.e., schedule 4 and schedule 8 payments) would be held neutral for government funding.<br><br>10. **Efficiencies**<br>In this last year of CP6, Network Rail had to deliver £1.1bn of efficiencies. Thus far, the target appeared achievable.<br><br>11. **PR23 Draft Determination**<br>The ORR's Draft Determination (DD) was published on 15 June 2023. This set out the ORR's draft decisions on CP7 funding, outcomes and the regulatory, financial, charges and incentives framework. Network Rail was required to respond by 31 August 2023. This would be discussed in more detail later in the meeting. | <br><br><br><br><br><br><br><br><br><br><br><br><br><br>David Leam |

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| | 12. [redacted] | Jeremy Westlake |
| **23/77** | **<u>Trade Union relations</u>**<br><br>*Pauline Holroyd, Rob McIntosh and Lindsey Worton joined the meeting.*<br><br>Paper 40/23 outlined how the organisation's trust objective would be delivered through Leadership and Engagement and how the strategy would be implemented to work in the Company's devolved model.<br><br>The Chief Executive had a performance objective to "*Improve Network Rail's operational resilience, focus on rebalancing [trades union] relationships and successfully navigate the next round of pay negotiations. Through building the peace, engage the workforce to get Network Rail ready to embark upon industry reform*". Three key areas of focus were:<br>(i) Engagement – a great place to work<br>(ii) Leadership capability and development – inverting the pyramid<br>(iii) Rebuild different trade union relationships – charter for change<br><br>These three pillars would be delivered at a regional and functional level, driven and enabled at a network level.<br><br>A vital component would be to involve frontline workers in fixing the problems they encounter in doing their jobs. Two way, face-to-face conversations were the key to building trust.<br><br>The Board endorsed the strategy, recognising the need to have strong, innovative leaders who were able to deliver it.<br><br>*Andrew Haines, Pauline Holroyd, Rob McIntosh and Lindsey Worton left the meeting.* | |
| **23/78** | **<u>Function update – Technical Authority</u>**<br><br>*Martin Frobisher and Fiona Ross joined the meeting.*<br><br>Martin Frobisher, Group Safety & Engineering Director, updated the Board on the Technical Authority function's work over the past year.<br><br>In particular, the Board discussed with Martin:<br><br>1. The team's successes in the past year, including the significant number of changes made to Network Rail's standards to improve performance, the development of automated video inspection of rail head conditions to replace on-track manual inspection, completion of the Safety Task Force's work to close out the ORR Improvement Notices. | |

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| | 2. Some areas highlighted for improvement, including the speed at which products were approved for use on the railway, and improving how we monitor the fire safety risk of Network Rail's buildings.<br><br>3. How Technical Authority would contribute to making Network Rail fit for the future in terms of technology. The business logged problems with the Technical Authority, which then considered if there was technology that could resolve those problems. However, a concern currently was that this lead to too much short-term problem-solving and too little longer-term innovation.<br><br>4. The Technical Authority leadership team, and how those individuals linked into the wider business.<br><br>5. That it would be useful for Martin to update the Board on Network Rail's Environmental Sustainability strategy, the progress made against that strategy and how the key challenges were being addressed.<br><br>6. The work being led by Denzel Collins on developing a model to improve passenger service in bad weather whilst delivering the levels of safety compliant with our legal duties. The model would provide a formula for assessing safety risk to help people exercise judgement about imposing line speeds or closures. This model had been through both safety expert and legal reviews and was supported by the ORR. Consideration would be given to briefing the Rail Accident Investigation Branch on this model.<br><br>From a governance perspective, this model would be brought back to the Board to approve its proposed implementation at the appropriate time.<br><br>7. In the context of using machine learning and artificial intelligence (AI), the Board was advised that algorithms changed depending upon the learning received. Consideration must be given to the appropriateness of contributing to private and/or public sector AI projects. In this context there would also be considerations around ownership of intellectual property.<br><br>The Board thanked Martin for an interesting update. | Martin Frobisher<br><br>Martin Frobisher |
| **23/79** | **Alternative traction fuels**<br><br>*James Ambrose joined the meeting.*<br><br>The Board considered paper 42/23 which updated the Board on projects and technology relevant to decarbonisation of plant and traction in the rail sector.<br><br>In particular, the Board noted that:<br><br>• A range of technologies was being monitored as different solutions were suited to different situations and what might be relevant for train operators may not meet Network Rail's needs.<br>• Developments in lineside battery charging were also being monitored.<br>• Power storage was a key issue for Network Rail, given the distances that needed to be covered. However, while Sodium Ion batteries might provide more power than the equivalent sized Lithium batteries, they were less stable.<br>• The team was monitoring emerging UK and EU regulatory and legislative requirements, in addition to being aware of developments in the US and Canada.<br><br>The Board appreciated this update on a complex topic. | |

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| | *James Ambrose left the meeting.* | |
| **23/80** | **Structures risks**<br><br>*Ian Brookes and Ben Wilkinson joined the meeting.*<br><br>Paper 43/23 updated the Board on Network Rail's approach to and progress in managing safety and sustainability of the structures portfolio in delivering a reliable railway for passengers and freight customers.<br><br>The paper had been prepared in the context of the closure of Nuneham viaduct between Didcot to Oxford to allow emergency works to be carried out to its low mileage abutment.<br><br>The structures ranged from small retaining walls to globally recognisable bridges, with most of them built between 1850 and 1920. In many instances, they were constructed before the introduction of formal design codes and there were no records of their construction and early maintenance.<br><br>Amongst other things, the Board discussed:<br><br>1. Whether the funding sought for CP7 would be sufficient to manage the risks these structures posed. It was noted that the assets deteriorated at varying rates influenced by their use and the local environment. Structures are long-life assets and their condition deteriorates slowly. Low investment over many decades has contributed to their decline, including prior to the creation of British Rail. Network Rail now has to prioritise its limited funding across all assets, including structures and their funding legacy. However, in managing these assets Network Rail had prioritised certain activities: (i) maintaining safety; (ii) targeted risk reduction; and (iii) achieving sustainability.<br><br>The Board noted that Network Rail was working hard to help its funders and regulator understand that it was managing a declining asset.<br><br>2. Network Rail continued to improve its database of these assets and their condition to help people decide where to prioritise the available funds. This was being supplemented by an increased focus on training and developing the workforce so it could better understand the nature of these assets and how best to maintain them.<br><br>Modernisation of the policy and processes for managing structures formed part of the industry response when a metal bridge collapsed under a freight train in Scotland in 2009. The Network Enterprise Structures & Tunnels system (NEST) aimed to embed those improvements into day-to-day management. NEST had been partially implemented, with the most significant module of NEST scheduled to be implemented in early 2025. A jointly agreed programme with Regions and the Technical Authority, and shared with the ORR, would fully implement the NEST system by March 2027.<br><br>3. Noted that this topic was reviewed periodically by the Safety, Health & Environmental Compliance committee, and would be added to an upcoming agenda.<br><br>The Board thanked the team for a very interesting paper.<br><br>*Ian Brookes, Martin Frobisher and Ben Wilkinson left the meeting.* | |

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| **23/81** | [redacted] | |

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| | [redacted] | [redacted] |
| **23/82** | [redacted] | |
| **23/83** | <u>**Network Rail Limited – Annual Report & Accounts (ARA) 2023 and Annual General Meeting (AGM) 2023**</u><br><br>The Board discussed two papers (ref: 46/23) related to the ARA. The first paper presented the key financial results. The second paper sought specific approvals related to the Viability Statement and that the ARA as a whole was “fair, balanced, and understandable”. As the ARA was not yet finalised, the Board was also asked to appoint a sub-committee to review and if appropriate, formally approve the final version of the ARA.<br><br>The Board noted that the Audit & Risk Committee had reviewed a substantially complete draft of the ARA and recommended it to the Board for approval once finalised and signed-off by the National Audit Office. It was currently expected that the ARA would be laid before Parliament on 12 July 2023, with a backstop date of 18 July 2023. | |

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| | The Board:<br><br>1. **APPROVED** the Viability Statement in the Annual Report and Accounts 2022/23;<br><br>2. **APPROVED** the Annual Report and Accounts 2022/23 as being "fair, balanced, and understandable";<br><br>3. **APPROVED** the appointment of a sub-committee of the Board to approve the Network Rail Limited Annual Report and Accounts 2022/23. That sub-committee to comprise of any three directors, to include at least one of Mark Bayley and/or Jeremy Westlake; and<br><br>4. **APPROVED** the Network Rail Limited Notice of the Annual General Meeting 2023 and associated paperwork. | |
| **23/84** | **Periodic Review (PR) 23**<br><br>*Hannah Deveson and Paul McMahon joined the meeting.*<br><br>The Board discussed paper 47/23 which set out the key headlines in the ORR's Draft Determination, Network Rail's proposed approach to responding to the ORR, and to seek the Board's approval for delegating authority to the Chief Executive and the Chief Financial Officer, and Scotland's Railway's MD (as appropriate) to sign off Network Rail's overall draft determination response.<br><br>The key points from the Draft Determination included:<br><br>• the ORR's request that Network Rail should reallocate £550m of expenditure to some core assets across England & Wales and £50m in Scotland; Network Rail only partially accepted the ORR's view;<br>• a proposal from the ORR that the England & Wales plan should be based on Network Rail's 'risk adjusted' level of activity and outputs, meaning that some activity would be scaled back to augment the 'cash' risk fund rather than it being identified as deferable and so representing contingent funding for risk;<br>• the ORR's recognition of the continued pressures of inflation risk, but had not reflected the Bank of England's May 2023 forecast in its proposals, impacting Network Rail's plan by circa £1bn;<br>• the ORR's consultation with the rail industry on a potential reduction in Schedule 8 rates for CP7 compared to the CP6 rates; Network Rail strongly supported this proposal.<br><br>The Board asked that the Summary of Key Risks include a clear heading around asset degradation. Network Rail was managing a degrading asset base, while maintaining as far as possible, asset safety. In accepting the Plan, both the ORR and Network Rail had to be cognisant of asset degradation.<br><br>Having noted the process and timings for the remainder of the PR23 process, including that the draft response would be reviewed by the Board's PR23 Committee, the Board **DELEGATED AUTHORITY** to the Chief Executive and the Chief Financial Officer (and Scotland's Railway's MD as appropriate) to sign off the overall response to the ORR's draft determination by 31 August 2023.<br><br>The Board asked that Network Rail's formal response to the draft determination be circulated to the Board when it was sent to the ORR.<br><br>*Hannah Deveson and Paul McMahon left the meeting.* | |

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| **23/85** | **<u>Committee updates</u>**<br><br>The Board was updated on recent meetings of the:<br>• Property Supervisory Committee<br>• Nomination & Remuneration Committee<br>• Safety, Health & Environmental Compliance Committee<br>• Environmental Sustainability Committee<br>• Treasury Committee; and<br>• Audit & Risk Committee. | |
| **23/86** | **<u>Company Secretary's report</u>**<br><br>Having reviewed paper 52/23 the Board:<br><br>1. **NOTED** the re-appointment of Paul Norris as a director of Network Rail Pension Trustee Limited;<br><br>2. **APPROVED** the Network Rail (High Speed) Limited (NR(HS)) board terms of reference as presented to the meeting and **DELEGATED AUTHORITY** to the Group General Counsel and/or the Company Secretary to approve future changes to NR(HS)'s board's terms of reference that are of a minor and/or administrative nature provided that they support the effective governance and running of NR(HS)'s business. All amendments of a more significant nature will continue to require Network Rail Infrastructure Limited (NRIL) Board approval;<br><br>3. (1) **APPROVED SUBJECT TO** the travel policy for Network Rail Certification Body Limited (NCB) being the same as for NRIL, the changes proposed in April 2023 by the NCB board to the Governance Framework Agreement (GFA); (2) **NOTED** the changes to the Matters Reserved & Statements of Responsibility (MRSR), including giving retrospective approval of changes that were adopted by the NCB board in October 2020, January 2021, October 2022, and (3) **DELEGATED AUTHORITY** to the Group General Counsel and/or the Company Secretary to approve future changes to NCB's GFA and MRSR documents that are of a minor and/or administrative nature, and provided that they support the effective governance and running of NCB's business. All amendments of a more significant nature will continue to require NRIL Board approval; and<br><br>4. **DELEGATED AUTHORITY** to the Group General Counsel and Company Secretary, and in their absence, the Deputy Company Secretary to accept indemnities in venue hire contracts capped at £10m and to sign those contracts on behalf of the Company and any successor company;<br><br>5. **RATIFIED** the use of the Company seal; and<br><br>6. **NOTED** the proposed amendments to the UK Corporate Governance Code that are currently being consulted upon. | |
| **23/87** | **<u>Prosecution report</u>**<br><br>The Board noted the updates provided in the Prosecution Report (paper 54/23).<br><br>[redacted] | |

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| **23/88** | **Claims report**<br><br>The Board noted the updates provided in the Claims Report (paper 55/23).<br><br>Network Rail had lodged its appeal against the Valuation Office Agency's decision on the treatment of business rates in relation to advertising sites located at Victoria station and Liverpool Street station. It was expected that a hearing would take place in circa 6-9 months. | |
| **23/89** | **Board agenda planning**<br><br>The Board reviewed the draft agenda for the September 2023 meeting. | |
| **23/90** | **Any other business**<br><br>None. | |
| Date of next scheduled meeting: 21 September 2023. | | |

…………………………………….. Chair