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Minutes of a meeting of the Board

held on Thursday 21 September 2023

at The Quadrant:MK, Elder Gate, Milton Keynes, MK9 1EN

Present	Peter, Lord Hendy of Richmond Hill (Chair) Ismail Amla Mark Bayley Rob Brighouse Stephen Duckworth Andrew Haines	Michael Harrison Silla Maizey David Noyes (via Teams) Mike Putnam Fiona Ross Jeremy Westlake
In attendance	Susan Beadles, Group General Counsel & Company Secretary Louise Kavanagh, Chief of Staff Helen Martin, Deputy Company Secretary Neil Holm (minute 23/95) (via Teams) Gordon Kells (minute 23/95) (via Teams) Hannah Lomas (minute 23/95 (via Teams) Rob McIntosh (minute 23/95) Russ MacMillan, DfT (minute 23/95) (via Teams) Paul Marshall (minute 23/97) (via Teams) Lawrence Bowman (minutes 23/98 and 23/99) Ana Chan (minute 23/98) Chris Stennett (minute 23/98) Chris Curtis (minute 23/99) Chris Rowley (minute 23/99) Prerna Rungta (minute 23/99) Rupert Walker (minute 23/99) Jake Kelly (minute 23/100) (via Teams) Paul Rowley (minute 23/100) (via Teams) Mark Bennett (minute 23/101) Emily Burdon (minute 23/101) Rufus Boyd (minute 23/102) (via Teams) Stewart Fox-Mills (minute 23/102) (via Teams) Ellie Burrows (minute 23/103) Andrew McNaughton (minute 23/103) Brett Murray (minute 23/103) Sue Slaughter (minute 23/103) Robin Dobson (minute 23/106) (via Teams)	
Apologies		

No.	Item	Actions
23/91	**<u>Chair's opening remarks</u>** The Board: • Reflected on the previous evening's discussions. These had focussed particularly on (i) management succession and (ii) Rob McIntosh's initial impressions as the new MD of the North West & Central region. • Noted that the Company had been fined in respect of the derailment at Carmont in August 2020, in which three people died and six were injured. The board acknowledged again the seriousness of the event, expressed its sincere regret at the circumstances which had led to this and its determination to do everything in its power to prevent any reoccurrence.	

- Noted that Rob Brighouse's appointment as a Non-executive Director would be extended, initially until the end of February 2024, while the appointment process to replace him and Silla Maizey progressed. Silla's appointment would terminate on 21 November 2023.

- The strategy day currently planned for 1 November 2023 was being rescheduled to early in 2024, when it was hoped the Final Determination for CP7 would be available. The focus of the session would be to reflect on the safety consequences of significant safety events in CP6 and what safety and/or asset management actions could be taken in CP7.

- [redacted]

  [redacted]

  [redacted].

- Noted some initiatives that the Board was invited to participate in, namely: (i) Network Rail becoming a host Board as part of the DfT's Board Apprentice Scheme, (ii) Directors being asked to volunteer to join the DfT's Public Appointments Diversity Engagement Group, and (iii) participating in Network Rail's national equity, diversity, and inclusion two-way mentoring programme.

23/92 **Minutes of previous meeting**

Subject to one minor amendment the minutes of the Board meeting held on 29 June 2023 were approved.

23/93 **Action list**

The Board reviewed the action list.

23/94 **Directors' interests**

The Chair reported that he had been appointed as President of the National Association of Road Transport Museums in July 2023.

23/95 **TransPennine Route Upgrade – periodic update**

Neil Holm, Gordon Kells, Hannah Lomas, Russ MacMillan and Rob McIntosh joined the meeting.

Paper 56/23 provided an update for the TransPennine Route Upgrade (TRU), specifically on the Programme Business Case and information on delivery progress. The paper also sought approval of the alternate contracting strategy for Project W2B/C (Stalybridge to Huddersfield) and outlined the proposal to get into full contract for delivery schemes with the alliances. Approval from Network Rail's Executive Leadership Team (ELT) of the next investment authority request had been received.

Amongst other things, the Board discussed:

- That the TRU Programme Team and West Alliance had held a ‘Safety Stop’ with the supply chain following a number of safety near misses. All West Alliance work had stopped on 9 August 2023 to allow the teams to review and reset their safety arrangements and culture.

  Some positive outcomes had already been seen following this ‘Safety Stop’.

  The Board commended the TRU and West Alliance team for taking this important step, which demonstrated the importance of the workforce taking accountability for their own safety and that of their colleagues.

  The Board noted that the TRU Safety Training (TRUST) centre had trained over 1,500 people. A question was raised on how that training was being allocated to make sure that front line management was prioritised. It was recognised that initially shift patterns had not been managed to allow that prioritisation, however that had now been addressed.

- How ambitious efficiency targets were being set for the TRU programme.

- [redacted]

  [redacted]

  Andrew Haines, Rob McIntosh and Neil Holm had recently attended a meeting with TRU West Alliance CEOs to highlight the close scrutiny this programme was subject to and to emphasise the need to give taxpayers value for money on their investment.

  A key issue for the Programme Board was that the baseline programme was not yet fully agreed. [redacted]

- That the programme’s Sustainable Development Strategy had been successfully launched, with positive feedback being received on its breadth and ambition. A series of stakeholder events had been held, including local school children submitting their artwork for display at Batley station and engagement with route MPs.

- How the TRU Programme Board was working effectively. With three independent directors, it was the right body to oversee the programme. There continued to be good engagement with train operating companies; the key factor was to ensure that that engagement continued at managing director level.

- Rob McIntosh being Network Rail’s representative on the Transport for the North Board. That was proving useful as he could help that board understand that the trade-off for the TRU programme being progressed more quickly was unacceptable levels of passenger and freight disruption.

During its discussion the Board **NOTED**:

- [redacted]

	[redacted] • [redacted]. • The status of the Programme Business Case and the quarterly update. Having carefully considered paper 56/23 the Board: 1. **DELEGATED AUTHORITY** to the Chief Financial Officer to approve and sign the RNEP Remit Letter in accordance with C2a of the Delegation of Authority Policy. This was in line with C2a of the Delegation of Authority Policy when the ELT had approved the Investment Authority. 2. [redacted] The Board recognised that the TRU programme was a mammoth project that was entwined with the rail network, meaning that the works could not always be segregated from the live railway. The Board thanked the team for its comprehensive update and clear explanations. *Neil Holm, Gordon Kells, Hannah Lomas, Russ MacMillan and Rob McIntosh left the meeting.*	
23/96	**<u>Board report</u>** The comprehensive Board report was reviewed, and the Board focussed its discussion on: 1. **Eastleigh, Carmont and Margam – update and wider safety implications** Court proceedings had now concluded for the Carmont derailment where three people died, and also in relation to the death of a colleague in Eastleigh. The fines were £6.7m in respect of Carmont and £1.2m in respect of Eastleigh. However, the Court hearings were also a painful reminder of the loss of lives and the impact on loved ones. In both cases Network Rail had entered a guilty plea, acknowledging its culpability and in an attempt to lessen the pain and impact on the families, friends and colleagues that would have resulted from a trial. These tragedies at Carmont and Eastleigh had multiple and complex root causes. Network Rail was committed to continuing its work to address these, and to learn from them. 2. **Fire safety** Following actions identified in internal audits and from two independent reports, the National Fire Safety Programme had been established in December 2022. This programme was focussed on the fundamentals of fire risk assessment and was already benefitting from a more cohesive approach from all regions to delivering the programme. The Safety, Health and Environmental Compliance Committee (SHEC) had oversight of this programme. Rather than addressing the myriad of individual	

issues identified, the programme had grouped them under 13 categories. These however, needed careful prioritisation.

The issues appear to have arisen from a failure to embed the lessons from past events as well as poor data management practices.

3. **Reinforced Autoclaved Aerated Concrete (RAAC)**
Network Rail was not currently aware of any RAAC risk sites where there was not satisfactory mitigation in place. The routine inspection regime had not identified any issues however work had been commissioned to confirm this. The Board would be updated on the findings as they emerged.

4. **Train performance**
The last two performance periods (covering 25 July to 19 August) had seen improving train performance. This was at least partially due to having a wetter summer than in 2022.

5. **Modernising maintenance**
In October 2023 10 of 13 routes would go live with modernising maintenance; the other three would go live in November 2023. It was acknowledged that the full benefits of modernising maintenance would not be realised immediately. However, the Company was fully committed to delivering the full range of financial savings during the 2024/25 financial year.

6. **PR23 – preparations for CP7**
[redacted]

[redacted]

The focus now was on resolving key issues ahead of the ORR issuing its Final Determination on 31 October, in particular:

- [redacted]

[redacted]

[redacted]

	[redacted] **<u>Chief Financial Officer Commentary</u>** 7. **Financial performance** Performance improvement plans were being implemented to target train performance, which was behind target in three regions (Wales & Western, North West, and Central). Network Rail had identified potential risks to the realisation of these plans and were working through mitigatory activity. [redacted] Renewals delivery was currently ahead of target. 8. **Efficiencies** For 2023/24 financial year, £1.8bn of efficiencies was required to be delivered in order to achieve the CP6 plan of £4bn. This was the highest yearly value in CP6, driven by recurring efficiencies and also efficiencies from modernisation programmes. On enhancements, efficiencies delivered were ahead of target. 9. **ORR's Regulatory Escalator** There were a number of changes to the regulatory escalator since the last report, including two downgraded matters and one removal. The remaining matters were being monitored. The SHEC Committee was reviewing the 'structures examinations' item. 10. **Corporate Finance and Business Development** [redacted] [redacted] [redacted]	
23/97	**<u>Rolling forecast 3 – 2023/34 financial year</u>** *Paul Marshall joined the meeting.* The Rolling Forecast (RF) process provided an updated forecast for each year of the control period so that 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 the Company's funding position in the context of the Departmental Expenditure Limit (DEL) flexibilities. The RF process (RF3, RF6, RF9 and RF11) aligned with train operators' quarterly forecasting to facilitate consolidation of the rail industry financials. Given the advanced stage of the control period the range of outcomes for this control period was now much narrower as the business started to shift its focus to CP7. Having discussed paper 57/23, the Board noted that the overall RF3 forecast met the government funding available, with additional grant funding agreed to cover schedule 8 costs for DfT operators.	

The Board **APPROVED** the final RF03 forecast.

Paul Marshall left the meeting.

23/98 **Passenger demand forecasting - update**

Lawrence Bowman, Ana Chan and Chris Stennett joined the meeting.

Paper 59/23 provided an update on the work done with industry partners on monitoring and forecasting rail demand. This covered a wide range of issues, including the financial sustainability of the industry, the need and case for future investment, the economics of the railway and the performance of the railway.

During discussion, the Board **NOTED** that:

- Although at face value revenue and journey recovery was at 97% of 2019 (i.e., pre-pandemic) levels, the real rate of recovery when adjusting for the Elizabeth line, inflation and industrial action was closer to 79% for revenue and 82% for journeys. The economic outlook continued to be challenging.

- The Passenger Revenue Optimisation Plan developed by GBRTT showed the key areas that, if leveraged, could help attract more revenue. The Plan also set out the key accountabilities across the industry to deliver this.

- While the team had identified opportunities to increase revenue, the challenge was particularly acute where revenue flows were influenced by industrial action and other areas of workforce reform.

- Customer experience was being discussed under three different agenda items at the meeting, and the Board asked what was being done holistically and collaboratively on collecting and leveraging passenger data. Management was asked to reflect on how that data could be treated as an asset, rather than simply as a driver to deliver increased revenue and improve the passenger experience. It was recognised that that was a legitimate challenge for Great British Railways (GBR), however Network Rail was not able to progress this given the terms of its Network Licence. In the transitionary period before GBR was delivered, Network Rail was building its knowledge in this area.

  The next passenger demand update would include the demographic profile of passengers and who was travelling when.

  Network Rail's Property team did a six monthly report on the demographics of people using Network Rail's managed stations. This information was helping to drive decisions on what was being done at stations, particularly in terms of environmental matters and sustainability.

The Board thanked the team for an interesting conversation.

Ana Chan and Chris Stennett left the meeting.

23/99 **Function update – System Operator**

Chris Curtis, Chris Rowley, Prerna Rungta and Rupert Walker joined the meeting.

Paper 60/23 provided an overview of the System Operator function and its priorities for CP7, alongside an introduction to the function's four key delivery areas of: network strategy and reform, capacity planning, network operations, and freight and customers.

The Board's discussion included the following:

- How Modernising Management had been implemented across the System Operator function, and that now that had been completed the focus was shifting to delivering the function's vision of making the rail network operate as one seamless and high performing unit.

  That had involved re-assessing and streamlining the number of programmes the function was running, to focus on those that would deliver the required customer outcomes.

- During the year there had been a strong focus on getting the function ready for CP7, by engaging with stakeholders in creating delivery plans. In doing this the function had addressed feedback from customers and was now giving a clearer rationale and whole-industry perspective for the decisions the function was taking.

- The Capacity Planning team, which produced the national timetable, was in a period of relative stability having withstood the challenges of timetabling through the Covid pandemic and subsequent industrial action (albeit some train operators were still in dispute with the trades unions).

  The key challenge facing the team continued to be the high number of change requests received late in the timetable planning process. This would prove particularly problematic with the significant timetable changes currently scheduled for December 2023 and December 2024. Discussions with the DfT on this continued.

- The Network Operations team was focussed on providing assurance for the industry that the national timetable would work, as well as planning for emergency or special events, supporting the regions in managing operational signalling competency and co-ordinating Network Rail's response to weather related incidents.

- The Analysis and Economics team provided the business with data to help support business decisions, particularly around passenger demand and what passengers wanted. The Board noted that while there was good data within the rail industry, for commercial reasons it was not always easy for Network Rail to access that data. This was being addressed by Network Rail entering into data sharing agreements with train operators. The Company had also partnered with BT to get access to mobile data which helped Network Rail to better understand passenger movements and therefore demand.

  There was also discussion on how this data could be leveraged to support improvements to the timetable which in turn would support revenue generation.

- Whether there was scope for any of System Operator's work to be devolved to Regions. This was periodically reviewed for some parts of System Operator, however the business case for doing so was not strong enough. In any event, the System Operator was viewed as a centre of excellence that should continue.

  Rather than devolution, System Operator was currently more focussed on integration and collaboration with both GBRTT and the DfT, particularly in the context of rail reform.

The Board thanked Lawrence and his team for an interesting paper and discussion.

Lawrence Bowman, Chris Curtis, Chris Rowley, Prerna Rungta and Rupert Walker left the meeting.

23/100	**<u>Sourcing strategy – Eastern Works Delivery Reactive and Small Schemes Framework</u>** *Jake Kelly and Paul Rowley joined the meeting.* The Board reviewed paper 65/23 which sought approval of Eastern region's strategy for the procurement of a framework for maintenance, reactive work and small schemes for Works Delivery in Eastern region. This would supersede the current Works Delivery Buildings and Civils framework which would expire on 1 April 2024. [redacted] [redacted] [redacted] After due consideration, the Board: 1. **NOTED** that the current framework would be extended by six months to allow the Company to complete procurement of the new framework; and 2. Subject to satisfying the Chief Financial Officer on the two challenges stated above, **APPROVED** and **AUTHORISED** the procurement strategy under section A1 of the delegation of authority policy to commence procurement. *Jake Kelly and Paul Rowley left the meeting.*	
23/101	**<u>Emergency Intervention Unit</u>** *Mark Bennett and Emily Burdon joined the meeting.* The Board was briefed on and viewed the Emergency Intervention Unit vehicles that provided 24/7 incident response coverage. This capability had been developed in North West & Central region in preparation for the Commonwealth Games in 2022. The EIU vehicle contained innovative technology and equipment, and provided full command and control facilities to improve how Network Rail could deal with emergency incidents. *Mark Bennett and Emily Burdon left the meeting.*	
23/102	**<u>Great British Railways Transition Team update</u>** *Rufus Boyd and Stewart Fox-Mills joined the meeting.*	

	[redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] Following discussion, the Board: 1. **ENDORSED** the paper and the project categorisation; 2. **NOTED** the forward look of decisions; and 3. [redacted] The Board thanked Rufus and Stewart for their update. *Rufus Boyd and Stewart Fox-Mills left the meeting.*	
23/103	**<u>Network Rail (High Speed)</u>** *Ellie Burrows, Andrew McNaughton, Brett Murray and Sue Slaughter joined the meeting.* Paper 62/23 updated the Board on the business risks and opportunities that Network Rail (High Speed) Limited (NR(HS)) faced, both immediate and over the coming	

decade, and how they would likely affect NR(HS)’s hitherto stable environment and activity.

[redacted]

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	The Board **NOTED**: 1. the broad direction of travel described in paper 62/23, which was aimed at ensuring the successful continued performance of NR(HS) and its longer term future; and 2. the potential dependencies on corporate and regional resources especially in respect of major asset renewals and systems. The Board thanked the NR(HS) team for their commitment to the business and for facilitating an interesting paper and discussion. *Ellie Burrows, Andrew McNaughton, Brett Murray and Sue Slaughter left the meeting.*	
23/104	**Regulatory Financial Statements 2022/23** Paper 63/23 sought delegated authority to a sub-committee of the Board to sign the Regulatory Financial Statements ("RFS") on behalf of the Company. The Board noted that licence condition 9 of the network licence required Network Rail to prepare and publish RFS for each of its financial years ended 31 March in accordance with Regulatory Accounting Guidelines and templates issued by the Office of Rail and Road. Network Rail Infrastructure Limited (NRIL) was also required to submit a Statement of Sufficiency of Resources ("SSR"). Both the RFS and the SSR are audited by NAO. Arup review and report on parts of the RFS. After due consideration, the Board: 1. **APPROVED** the contents of paper 63/23; 2. **AUTHORISED** the Chief Financial Officer to sign the SSR on behalf of NRIL, and 3. **DELEGATED AUTHORITY** to a sub-committee comprising of two board members to sign the RFS on behalf of the Company.	
23/105	**Network Rail Infrastructure Limited – Accounts for year ended 31 March 2023** The Board considered paper 58/23 which sought approval of Network Rail Infrastructure Limited's annual report and accounts 2022/23. Following discussion, the Board: 1. **APPROVED** the Network Rail Infrastructure Limited annual report and accounts for the financial year ended 31 March 2023, and the associated Letter of Representation. 2. **AUTHORISED** Andrew Haines and Jeremy Westlake to sign these documents on behalf of the Company.	
23/106	**Joint Venture with Homes England** *Robin Dobson joined the meeting.* The Board discussed paper 64/23 sought approval for Network Rail to enter into a 50:50 joint venture with Homes England (HE).	

	The proposed joint venture (JV) presented an opportunity to bring together two public bodies into a corporate partnership entity that would serve the purposes of both organisations. The JV would unlock complex railway sites, deliver financial returns on a portfolio level and up to 5,000 homes across England, generating capital to improve station and customer infrastructure. HE had approval from HM Treasury and the Department for Levelling up, Housing and Communities to inject cash equity to fund redevelopment of rail estate land provided by Network Rail. The Office of Rail and Road (ORR) had agreed the principle of this NR/HE JV. During its discussion, the Board **NOTED** that: • [redacted] • [redacted] • [redacted] [redacted] After due and careful consideration, the Board: 1. **APPOINTED** the Chief Financial Officer and the Chair of the Treasury Committee (together the Sub-committee) to review the details of the proposed transaction on behalf of the Board; and 2. **DELEGATED AUTHORITY** to the Sub-committee (i) to approve all relevant JV documents and (ii) once all necessary work and detail had been finalised, and subject to having received DfT consent, and having consulted with the General Counsel and Company Secretary, approve standing up the JV company. *Robin Dobson left the meeting.*	
23/107	**<u>Committee updates</u>** The Board was updated on recent meetings of the: • Property Supervisory Committee • Safety, Health & Environmental Compliance Committee, and • Audit & Risk Committee.	

23/108	**<u>Company Secretary's report</u>** Having reviewed paper 52/23 the Board: 1. **NOTED** the resignation of Tim Shoveller as a director of Network Rail International Limited; 2. **APPROVED** the derogation from the Network Rail International Limited terms of reference in relation to the composition of that company's board; 3. [redacted] 4. **NOTED** the appointment of James Facey as a director of the NR Corporate Secretary Limited Board; 5. **APPROVED** the Network Rail Modern Slavery Statement; and 6. **RATIFIED** the use of the Company seal.	
23/109	**<u>Prosecution report</u>** The Board noted the updates provided in the Prosecution Report (paper 68/23).	
23/110	**<u>Board agenda planning</u>** The Board reviewed the draft agenda for the October 2023 meeting. A number of changes were proposed.	
23/111	**<u>Any other business</u>** Noting that he would be absent from the October Board meeting, the Chair recorded his personal thanks to Silla Maizey for her significant contribution to Network Rail and for her friendship.	
Date of next scheduled meeting: 19 October 2023.		
…………………………………….. Chair		