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Minutes of a meeting of the Board

held on Thursday 30 November 2023

at Didcot Thames Valley Signalling Centre, Basil Hill Road, Didcot, Oxfordshire, OX11 7HJ

Present	Peter, Lord Hendy of Richmond Hill (Chair) Rob Brighouse Mark Bayley Stephen Duckworth Andrew Haines Michael Harrison	David Noyes Mike Putnam Fiona Ross Jeremy Westlake
In attendance	Susan Beadles, Group General Counsel & Company Secretary Louise Kavanagh, Chief of Staff James Facey, Assistant Company Secretary Bhavini Kundaiker, Deputy Company Secretary Michelle Handforth (minute 23/133) Marcus Jones (minute 23/133) Martin Frobisher (minutes 23/134) Sir Doug Oakervee (minute 23/134) Paul Rutter (minute 23/136) Rufus Boyd (minute 23/138 (via Teams) Paul McMahon (minute 23/137) (via Teams) Hannah Deveson (minute 23/137) (via Teams) Jonathan Hulme (minute 23/137) (via Teams) Ben Edwards (minute 23/139) Jake Kelly (minute 23/140) (via Teams) Rob Cairns (minute 23/140) (via Teams) Megan Stirrupp (minute 23/140) (via Teams)	
Apologies	Ismail Amla	

No.	**Item**	**Actions**
23/128	**<u>Chair's opening remarks</u>** The Board: • Thanked Rob Brighouse for chairing the previous Board meeting in the Chair's absence. • The Board noted receipt of the Network Rail Chair's letter from the Secretary of State for Transport and the Rail Minister, which related to key priorities. • Welcomed Bhavini Kundaiker to her first meeting as the interim Deputy Company Secretary. The Board reflected on: • Their dinner held the previous evening, where stakeholders from the Wales and Western region had been invited to provide their feedback; • The tour of the Thames Valley Signalling Centre that morning; • The DfT Annual All-NED Engagement Event 15 November 2023; and • The Briefing note sent following the King's speech.	
23/129	**<u>Minutes of previous meeting</u>** The minutes of the Board meeting held on 19 October 2023 were approved.	
23/130	**<u>Action list</u>** The Board reviewed the action list.	

23/131	**<u>Directors' interests</u>** Fiona Ross informed the Board that from 22 December 2023, she would become a member of the National Treasury Management Agency Board, Eire. The Company Secretary was requested to record the declaration in the Register of Interests, having been agreed as posing no conflict to Network Rail, its subsidiaries or to her role as a Director on this Board.	
23/132	**<u>Board Report</u>** The comprehensive Board report was reviewed and the Board focussed its discussions on: **1. Colton Junction** The broken crossing on the East Coast Mainline at Colton Junction and the importance of embedding a professional maintenance culture to mitigate against this type of issue. The Board also discussed the ways in which culture could be improved and were informed of the work being carried out to introduce the use of technology to conduct track inspections. **2. Rail Reform** The Rail Reform Bill which had been mentioned in the King's speech. Notes issued to accompany the speech committed to a process of 'pre-legislative scrutiny', enabling parliamentarians (and therefore, through association, industry experts) to review and test pre-Great British Railway legislation in draft. **3. Minimum Service Levels** The work being carried out to understand the activities and approach required to implement the Strikes (Minimum Service Levels) Act 2023. **4. Signal Maintenance Competence** The significant improvement on wrong side signal failures which the Board was pleased to hear. **5. On the side of passengers and freight users** The complexity in scheduling the East Coast Main Line timetable and that Network Rail assisted with co-ordinating the scheduling process . **6. Autumn Readiness** New initiatives being trialled, and improvements made to Network Rail's autumn weather process. **7. Christmas and New Year Works** The works planned to be undertaken across the network over the Christmas and New Year period. **<u>Chief Financial Officer Commentary</u>** **8. Regulation** There had been significant improvement on the regulatory escalator with three items being removed in P7. **9. Financial Performance** P8 had been more challenging than expected largely due to adverse weather conditions. Renewals delivery remained ahead of target so far but was slowing compared to the first quarter, with P7 total renewal slightly behind target, and at a level which was forecast to deliver in line with the funding available for the remainder of the year. **10. Corporate Finance and Business Development** [redacted]	

[redacted]

11. Rail Investment Centre of Excellence

The Christmas 2023 resource plan had remained stable with full support and endorsement from Supply Chain Operations. [redacted]

The Board was informed that the Chief Fincial Officer would be co-chairing an integrated business planning forum with the DfT, with a view to increasing the planning time horizon for investment cases.

12. Network North / HS2

The Board discussed how Network North commitments were integrated into rail enhancement plans.

23/133 **Region Presentation – Wales & Western**

Michelle Handforth and Marcus Jones joined the meeting.

Paper 84/23 provided an update to the Board on the Wales & Western region.

Michelle Handforth acknowledged that performance in the Western Region had been unsatisfactory. Since the last update provided to the Board, a new Route Director for the Western Route and a new Director of Engineering and Asset Management had been recruited, and Michelle was confident that that was the leadership team necessary to improve performance in the Western Region.

Michelle further highlighted that:

- Network Rail performance in Wales had stabilised since the last update and improvements in operations was expected in the next 18-24 months;
- Following the implementation of the Intelligent Client strategy, the client organisation had been simplified and strengthened despite overall headcount reduction in order to heighten assurance with contractors and reduce administration costs;
- Significant work had gone into modernising maintenance to improve productivity and efficiency;
- Finances had been impacted by inflation, poor train service performance and significant events like the closure of the Nuneham Viaduct.

The Board was informed that the Wales and Western region's performance would be subject to an ORR investigation as a consequence of the poor performance

The Board expressed its grave disappointment in the region's performance and emphasised that it was imperative that the level of service that had been provided to customers did not continue. The Board asked what steps were being taken to ensure emerging risks would be managed effectively, and it was reported that emerging risks had been more severe than expected; that network data was being extracted on a weekly basis and reviewed daily for decision making.

The Board commended the detailed nature of the Thames Valley service improvement plan and was pleased to know that the resources required to carry out the plan would be provided from elsewhere in the organisation.

The Board emphasised the importance of understanding that improving performance in the region was both a marathon and a sprint. Structuring resources to ensure that both the day-to-day activities and longer-term initiatives were equally prioritised would be key to success. The Board discussed the ways in which morale could be managed, understanding that improving the Thames Valley service would be a journey with highs and lows.

The Board commented on the need for positive leadership presence to bring about cultural change. The Board briefly enquired if reallocating funds across the Wales and Western Region should be considered, and it was confirmed that a review had been undertaken

	previously, which had identified areas to be considered without adversely impacting on safety. The Board thanked Michelle and Marcus for their update. *Michelle Handforth and Marcus Jones left the meeting.*	
23/134	**Sir Doug Oakervee's hot weather report and initial response** *Sir Doug Oakervee and Martin Frobisher joined the meeting.* The Board discussed the report produced by Sir Douglas Oakervee, which had concluded that gaps in the capability of Network Rail's engineers and asset managers had contributed to a loss in asset resilience and the overall impact on train services and passengers in July 2022. The report highlighted a need to increase engineering and asset management oversight and direction of maintenance delivery, and to nurture and strengthen engineering leadership across Network Rail. An initial response to this report had also been provided to the Board by Martin Frobisher. There were 48 recommendations from the Oakervee report and of the 48 recommendations: • 30 were proposed for acceptance. • 16 were proposed for further detailed review, prioritisation, and business case development. These would remain open until further work is completed. • 2 were proposed for rejection. The Board was provided with an overview of work that had been carried out and work which was continuing, noting that significant progress had been made on the technical recommendations, including engineering culture and competence. Sir Doug Oakervee provided his feedback on existing rail infrastructure and the challenges against inflationary pressures. The Board was informed that an independent engineering assessment of the CP7 plans has been commissioned through AECOM. The review was being led by well-respected engineers, including David Ventry (track) and Ed Rollings (signalling.) This report would assess if the scope of CP7 renewals was appropriate. A group of experienced senior engineers has also come together to provide advice on engineering policy, mentoring and engineering capability. The Board thanked Sir Doug Oakervee for his report. *Sir Doug Oakervee and Martin Frobisher left the meeting*	
23/135	**Rolling Forecast (RF) 6 update** Paper 86/23 provided an updated rolling forecast at P6 of 2023/24, of progress against the Company's plans to deliver for customers in CP6. The plan was to accelerate £100m of renewals expenditure from CP7 into the current financial year. This acceleration of funding had been discussed with the DfT ahead of the Supplementary Estimates process in January and would support their budgetary position. The CP6 exit headcount had remained in line with Delivery Plan 2023. The Board **APPROVED** the RF6 forecast.	
23/136	**Modernising Maintenance update** *Paul Rutter joined the meeting* Paper 85/23 provided the Board with an update on modernising maintenance. Amongst other things, the Board discussed: • The significant amount of work carried out for regions to go live, and that monitoring post-implementation progress and taking necessary corrective action would be vital to ensuring that maximum value was obtained from the programme;	

- How strong leadership would continue to be required to continue supporting the efforts and commitment towards modernising maintenance;
- That measures and rostering assessments would be essential in identifying which areas were adopting the new working practices better than others, and those areas where more management support was required. A set of metrics would be formulated to measure effectiveness and which could be reported to the regions periodically. An internal audit would also be undertaken;
- Progress on the implementation of technology solutions in the regions being understandably sporadic, and how geofencing was being trialled in a number of regions.

The Board thanked Paul for his update and warmly recognised his efforts in implementing the modernising maintenance programme.

Paul Rutter left the meeting.

23/137 **<u>ORR's final determination and next steps</u>**

Paul McMahon, Hannah Deveson and Jonathan Hulme joined the meeting.

Paper 87/23 provided an update on the Office of Road and Rail's (ORR) 31 October final determination on CP7, and the proposed recommendation to accept ORR's decisions as part of the formal PR23 implementation phase. The Final Determination Key Messages had been provided for review in the reading room.

The Executive Leadership Team had discussed this paper in detail before its submission to the Board.

The Board discussed the content of the final determination, noting that it was as expected and given the challenging circumstances surrounding PR23, reflected a positive outcome overall. The ORR recognised the challenging context for PR23 and CP7, in particular the impact of inflation on the CP7 funding.

The Board reviewed some of the key challenges that would need to be addressed as part of the ongoing CP7 planned work, and discussed the content of the formal acceptance letter that would be sent to the ORR.

On the risk schedule, the Board noted that they would be interested to know the residual risks once the mitigations had been implemented. Data on regional risks was expected to be received shortly and the risk schedule would be replicated for each accordingly.

The Board was informed that a comprehensive response to the ORR on the final determination was being prepared.

The Board thanked Paul, Hannah and Jonathan for their update.

Paul McMahon, Hannah Deveson and Jonathan Hulme left the meeting.

23/138 [redacted]

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23/139	**Annual Review of Key Risks** *Ben Edwards joined the meeting* Paper 88/23 provided an update to the Board on the Network Rail risk profile. Amongst other things, the Board discussed: • The detailed review of the key risks for Network Rail with regards to rail reform. • How conflict in the Middle East and the ongoing war in Ukraine had created significant geopolitical instability. There were potential wide-ranging risks of supply chain disruption from geopolitical factors impacting projections and service delivery, however assessments to exposure had been conducted and these did not identify any specific suppliers at risk. • Increased exposure to artificial intelligence (AI). AI presented an opportunity to improve performance and efficiency in a wide range of uses but could also pose a threat if deployed in an uncontrolled manner. Network Rail was in the process of developing policy and governance to address these risks. • The inclusion of forecasted inflation as a key risk. • The high-risk rating for modernising maintenance which reflected the practicality of successful introduction, high regulatory and stakeholder interest in this initiative. The Board thanked Ben for his update. *Ben Edwards left the meeting.*	
23/140	[redacted]	
23/141	**Network Rail Limited – interim Financial Statements 2023/24** The Board reviewed paper 89/23 which presented Network Rail Limited's interim Financial Statements for the six months ended 30 September 2023. The paper highlighted the key variances and judgements affecting the results. The interim Financial Statements had been previously reviewed by the Audit & Risk Committee and were recommended to the Board for their approval. The National Audit Office had also reviewed the interim Financial Statements and considered them to state fairly the Company's results for the period. Following the Boards due consideration:	

	1. the interim Financial Statements for the six months ended 30 September 2023, and associated documents, be and are hereby **APPROVED**; and that the Board 2. **AUTHORISED** Andrew Haines to sign the interim Financial Statements and the associated Representation Letter, for submission to the auditors forthwith.	
23/142	**<u>Network Rail Tax Strategy</u>** The Board discussed paper 90/23 which sought approval for the Network Rail Group Tax Strategy prior to publication. The strategy which had been endorsed by the Treasury Committee. The Board **APPROVED** the Network Rail Group Tax Strategy.	
23/143	**<u>Approval of CP7 grant and loan funding agreements, including delegating approval to CFO to finalise and sign</u>** The Board discussed paper 91/23 which provided the Board with an update on progress in agreeing grant and loan funding agreements for CP7. The existing funding arrangements would cease at the end of CP6 on 31 March 2024 and would be replaced with new agreements spanning the five year Control Period commencing 1 April 2024. Stakeholders agreed that the CP7 funding framework would replicate the successful framework that had been in place throughout CP6. The Board **DELEGATED** authority to the Chief Financial Officer to agree and execute final versions of the CP7 funding agreements.	
23/144	**<u>Committee updates</u>** The Board was updated on recent meetings of the: • Property Supervisory Committee; • Nomination & Remuneration Committee; • Safety, Health and Environmental Compliance Committee; • Treasury Committee; and • Audit & Risk Committee.	
23/145	**<u>Company Secretary's report</u>** Having reviewed paper 94/23, the Board: 1. **NOTED** the changes to the NRDL Terms of Reference and the updates made to the Delegated Authorities from NR to NRDL; 2. **NOTED** the resignation of **Mark Engelbretson** as a director of the Network Rail Pension Trustee Limited Board; 3. **APPROVED** the appointment of **Paul Marshall** to the Network Rail Holdco Limited Board; 4. **NOTED** the withdrawal of the Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023;; 5. **APPROVED** the appointment of **Sally Jones** and **Phillip Lewis** as non-executive directors of Network Rail Property Limited and as members of the Property Supervisory Committee; 6. **NOTED** the changes to the relevant subsidiary boards**;** and 7. **RATIFIED** the use of the Company seal.	
23/146	**<u>Prosecution report</u>** The Board noted the updates provided in the Prosecution Report (paper 95/23).	
23/147	**<u>Claims Report</u>** The Board noted the update on Network Rail's claims position (paper 96/23)	

23/148	**<u>Board agenda planning</u>** The Board reviewed the draft agenda for the January 2024 meeting.	
23/149	**<u>Any other business</u>** It was agreed that Dame Bernadette Kelly, Permanent Secretary at the Department of Transport, should be invited to the Board dinner in February 2024.	
Date of next scheduled meeting: 18 January 2024.		
……………………………………. Chair		