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Minutes of a meeting of the Board

held on Thursday 22 September 2022

in the Board Room at Waterloo General Office

Present	Sir Peter Hendy (Chair) Ismail Amla Mark Bayley Rob Brighouse Andrew Haines	Michael Harrison David Noyes Mike Putnam Fiona Ross Jeremy Westlake
In attendance	Louise Kavanagh, Chief of Staff David Leam, Director Communications Susan Beadles, Group General Counsel & Company Secretary Roopa Deshmukh Assistant Company Secretary Paul Marshall, (min 22/105) Michael Clark, Director, (min 22/106) Pauline Holroyd (min 22/107 and 22/108) Ellie Burrows (min 22/107) Natalie Greenwell (min 22/107 and 22/108) (via Teams) Simon Milburn (min 22/107) Ian Joslin (min 22/107) (via Teams) Naveen Kalra (min 22/107) (via Teams) Karl Bollard (min 22/107) (via Teams) Carl Duranthon (min 22/107) (via Teams) Melissa Stone (min 22/107) (via Teams) Tim Shoveller (min 22/108) Rob McIntosh (min 22/109) (via Teams) Neil Holm (min 22/109) (via Teams) John Reed (min 22/109) (via Teams) Farah Sheikh (DfT) (min 22/109) (via Teams) Suzanne Donnelly (min 22/110) Dave Harding (min 22/110) Verity Hinde (min 22/110)	
Apologies	Stephen Duckworth, Silla Maizey	

No.	**Item**	**Actions**
22/100	**<u>Chair's opening remarks</u>** The Chair welcomed Susan Beadles and David Leam to their first Board meeting. The Board: • Was asked to consider the role of NEDs on the Works Assurance Committee. Currently all Board members had a standing invitation to attend the meeting and Mike Putnam attends most meetings, subject to availability. The Board determined that it was not necessary for Board members to attend Works Assurance Committee meetings, but that Board members would be welcome to do so. • Noted that the Transport Commissioner for TfL, Andy Byford had resigned from TfL and that Andy Lord had been appointed as Commissioner on an acting basis. • Noted that Nick Markham had resigned as the Chair of London & Continental Railways following his appointment to the House of Lords.	

22/101	**<u>Minutes of previous meeting</u>** The minutes of the Board meeting held on 20 June were approved.	
22/102	**<u>Action list</u>** The Board discussed the action list and noted the oral updates provided. Action 22/44.1 – Consideration of the updated action list by the Safety, Health & Environment Compliance Committee has been deferred until the Committee meets on 24 November, following which it will be shared with the Board. Action 22/47.2 – The consolidated Terms of Reference for the GBRTT Board would be circulated at the next Board meeting. Action 22/69 - The Board noted that work was being undertaken in Scotland and Wales and Western regions to develop a benchmarking tool to identify management capability. This tool would subsequently be rolled out across the regions. The Board advised on tapping external resources to source further examples of good practice. Action 22/85.1 – Board members reported that they had found the Scorecard Guidance very helpful. Jeremy Westlake informed the Board that the Guidance would be refreshed every year as part of the Scorecard process. The Board asked for a breakdown of pay scales based on banding. The Board was advised that a detailed paper on pay structure had been presented to the Nomination and Remuneration Committee and that this would be shared with the Board.	M Frobisher P Holroyd
22/103	**<u>Directors' interests</u>** The Board **NOTED** that some of the Board members, namely, Sir Peter Hendy, Ismail Amla, Andrew Haines, Michael Harrison, Silla Maizey, David Noyes and Jeremy Westlake were also now directors of Great British Railways Transition Team Limited. The Board also **NOTED** that Rob Brighouse had been asked by Bernadette Kelly to support a review by DfT of learnings from the Crossrail project in relation to governance and sponsorship.	
22/104	**<u>Board report</u>** The comprehensive Board report was reviewed, and the Board focussed its discussion on: 1. **<u>Commonwealth Games</u>** The outstanding leadership provided by the Central Route Director, Denise Wetton and her team during the event was commended. Despite several challenges including a day's strike, her leadership and team had provided excellent services, including the reconfiguration of operations of Avanti West Coats on a daily basis. It was agreed that Sir Peter Hendy would write to Denise to acknowledge her leadership. 2. **<u>Periodic Review 23 (PR23) – preparation for Control Period 7 (CP7)</u>** The Board noted how inflationary pressures presented a risk to the CP7 plans. Although the round five submission had reflected the latest group guidance on inflation, any increases above the threshold might have to be funded by reducing volumes. The Board was concerned about the significant risks this could present	P Hendy

to the funding. The Chair reported that the Board PR23 meeting was due to take place on 3 October 2022 and Fiona Ross was to be invited to attend this meeting.

The Board discussed that the potential for a spending review was likely to delay the HLOS and Statement of Funds available (SoFA). The timelines had not yet been made available. The Office of Rail and Road (ORR) had indicated willingness to extend the deadline for the receipt of SOFA latest by 28 October 2022, but that date was unlikely to be achieved. The Board considered that compressed timelines would leave less time for the preparation of the Strategic Business Planning (SBP) process which was due to be submitted to ORR in February 2023.

3. Operation London Bridge and Operation Golden Orb

The Board congratulated everyone who had contributed to the arrangements for the funeral of the late Queen.

It was noted that services on the Great Western Railway (GWR), Heathrow Express and Elizabeth Line had been affected on the day of the funeral, due to an overhead line equipment (OLE) failure. Significant failures of this sort were exceptionally rare in this location, so the timing was particularly unfortunate. The cause and the management of the incident was being investigated.

Preparations were due to commence in the following week for Operation Golden Orb.

4. Performance

The Chief Executive advised that together with Sir Peter, he had written to the new Transport Secretary, Anne-Marie Trevelyan congratulating her on her appointment and setting out key rail issues for consideration. Following a virtual meeting with her to discuss Operation London Bridge, he and Sir Peter had met with her and the new Minister of State for Transport, Kevin Foster on Tuesday, 13 September 2022 to provide background briefing on the current industrial relations landscape.

5. Safety

The Board was saddened to hear the Chief Executive reporting on a fatal accident on a construction site at Gatwick Airport, where a steel frame, which was being lifted into position by a tower crane, fell after a webbing sling snapped.

Network Rail is the client and principal designer for the purposes of the Construction (Design and Management) Regulations. Costain is the principal contractor and is carrying out the Level 3 investigation. The deceased was employed by Costain’s subcontractor, Kilnbridge.

As the incident occurred on a construction site, it is being investigated by the Health and Safety Executive (HSE) rather than the ORR.

6. Weather and effects on Train Service Delivery

During the third week of period 5, there had been unprecedented air and rail temperatures which had caused severe disruption through a combination of infrastructure failures and necessary precautions. The Chief Executive explained the rationale for the precautionary actions that had been taken in the interest of passenger safety to manage the weather impact including suspension of the East Coast main line.

An independent review had been commissioned to explore how railways could prepare for periods of hot weather and mitigate the impact the weather had on passenger and freight services. Good progress was being made and initial outputs were expected in November 2022, which would be reported to the Board at a future meeting.

The Board discussed whether this independent review would set out expectations on performance and service in adverse weather conditions. It was pointed out that there were several variables, and whilst asset performance in hot weather was somewhat predictable, impact on performance from other weather conditions was harder to predict.

The Board discussed that Network Rail's devolved operating model had been introduced in the summer of 2020, but that the pandemic and other factors had delayed its full implementation. The Board noted how the Regional Managing Directors (RMDs) were being held accountable and how some were being challenged on their approach to risk-based decisions. The Board was reassured that the regions had adequate resourcing to be able to meet the additional demands placed upon them.

The Board deliberated at length on the concerns it had over deteriorating levels of passenger service and the extent to which this was a function of widespread fatigue in the industry as a result of industrial action, and a blunting of the pre Covid incentives for train operators. [redacted] The Board encouraged the Chief Executive to ensure these issues were actively considered with DfT colleagues.

7. [redacted]

Chief Financial Officer commentary

1. **Financial Performance**

The financial outlook for FY23 was a £372m overspend. TOC compensation is a significant proportion of this overspend and is predominantly due to schedule 8 payments made due to network performance during hot weather.

	2. <u>Efficiencies</u> Efficiencies were still on track. £90m of efficiencies had been delivered across the Operations, Maintenance, Signalling and Renewals (OMSR) portfolio in P5, with an overall FY23 plan of £934m (compared with £840m in FY22). The Board noted that the gross efficiencies did not present a complete picture as the business had also been negatively impacted by the headwinds. It was agreed that the analysis would be provided at a future Board meeting to capture the net efficiencies in the forecast and take account of the impact of risks, including inflation. **3. <u>Rail Investment Centre of Excellence (RICoE)</u>** A Rail Investment Oversight committee, consisting of leaders across the business, has been established to provide oversight, guidance, challenge, and support to RICoE in achieving the needs of the business/industry. The capital delivery processes adopted through RICoE had received favourable reviews from the Treasury. **4. <u>Regulation</u>** The Board noted the changes to the Regulatory Escalator in the period. In respect of 'Access to Tenanted Arches', Eastern region had been removed from the escalator on the basis that it had completed its agreed actions. The Southern region score had been reduced to level 1 on the basis that it was adhering to its programme. NW&C had missed several track performance targets; track performance was a new item added to the escalator level 1. [redacted] **5.** [redacted]	J Westlake
22/105	**<u>RF3 for CP6 Paper</u>** *Paul Marshall joined the meeting* Paper 63/22 provided the Rolling Forecast 3 (RF3) which was used to update the Department for Transport and HMT on the funding position in the context of the Departmental Expenditure Limits (DEL) flexibilities. From the current financial year, the	

	RF process was being increased to four times a year to align with operators' quarterly forecasting and to facilitate consolidation of the rail industry financials. The Board noted that the forecast remained compliant with government funding set at Spending Review 2021 and reflected the changes since the previous forecast incorporated within Delivery Plan 2022 (DP22). The impact of inflation had been factored in and provision had been made for other elements including higher energy costs and impact of industrial action. The Board discussed that the expected fiscal event during the year may impact budgets following government re-prioritisation. There were also wider rail industry risks which could impact Network Rail. The remaining monies within the risk fund would likely be fully drawn into the plans during the current financial year. The Board discussed risk management strategies and it was pointed out that the RMD reports had little reference to the management of future risks. It was noted where there was a lag in the regions, reserves had been retained, and the figures would be captured in RF6. The Board commended Jeremy Westlake and Paul Marshall for the diligent work carried out in execution of the RF process and the delivery of efficiencies. The Board **APPROVED** the RF3 forecast as presented. *Paul Marshall left the meeting.*	
22/106	[redacted]	

	[redacted]	
22/107	**<u>Functional Review - Group HR transformation</u>** *Pauline Holroyd, Ellie Burrows, Natalie Greenwell, Simon Milburn, Ian Joslin, Naveen Kalra, Karl Bollard, Carl Duranthon and Melissa Stone joined the meeting* Pauline Holroyd, Group Human Resources Director introduced herself and her team. Ellie Burrows, Route Director, Anglia was attending as sponsor for some parts of the transformation work. Paper 64/22 was a set of slides that outlined how the Human Resources function was being evolved as an expertise and service led function, focussed on business outcomes. Pauline Holroyd highlighted key aspects of the new operating model and design. In the current HR model, services were fragmented; the new transformation team's approach was to work systematically in a more integrated way to optimise the shift to GBR with a whole industry approach and deliver on the white paper commitments. Maintenance modernisation was at the core of this reform and the team explained how some of the interventions had been deployed within delivery units to tackle the systemic challenges that had been identified through the deep dive diagnostics. Ellie Burrows highlighted a case study from Anglia and how successful and agile themes had been identified and rolled out to other DUs in the region. The Board was updated on how the end of shift reporting mechanism had enabled staff to provide feedback on improvements. The Board advised on devising a process to actively respond to the feedback irrespective of whether the suggestion was being implemented. In the context of maintenance reform, there was discussion on how management capability was being developed and honed and aligned with other safety initiatives. The Board was reassured of the support and tools to equip managers, but also that managers would be appropriately held to account. The Board noted that the future focussed model was intended to be adaptable, agile, and geared to minimise bureaucratic procedures. The team were mindful of costs and creating value was the key. Natalie Greenwell highlighted the systems thinking interventions which were being delivered in association with the Shared Service team. It was noted that Investigation Management training was being delivered to all managers simultaneously with	

	mediation training. It was hoped that this would allow for early resolution on many grievance cases. Navleen Kalra reported that following a diagnostics process, a series of interventions had been designed to further support diversity and inclusion (D&I). The interventions were focussed on four key areas to make the work environment more inclusive. The pilot was due to commence in the Eastern region in the following week. Work was also due to start on the re-design of the D&I team. She explained how an inclusive approach would help increase diversity across the organisation. The Board invited Navleen Kalra to provide a progress update to the Board at a future meeting. *Ellie Burrows, Natalie Greenwell, Simon Milburn, Ian Joslin, Naveen Kalra, Karl Bollard, Carl Duranthon and Melissa Stone left the meeting*	P Holroyd / N Kalra
22/108	[redacted]	
22/109	**Trans Pennine Route Upgrade (TRU)** *Neil Holm, Rob McIntosh, John Reed, and Farha Sheikh joined the meeting.* The Board discussed paper 65/22 which was a regular quarterly update to the Board in relation to the Trans Pennine route upgrade. It was noted that Mark Wild had taken up his post as the independent Chair of the TRU Programme Board alongside two new non-executive directors Mike Putnam (for Network Rail) and Becky Wood.	

	It was noted that the NAO 'value for money' inquiry report on TRU had been published on 20th July which had made five recommendations that had been accepted in full. The approach and the response to those recommendations were highlighted. The Board discussed that the new Target Operating Model had been developed with DfT and TOCs to formalise and clarify ways of working across the industry and deliver TRU as a major programme. The intent was largely aligned to the Project 13 approach. Mike Putnam updated the Board on the strategy for mitigating the top strategic risks identified in the paper. The Board was keen to understand how risks around inflation were intended to be managed and the mechanisms that the Alliance had built in to offset those risks. The Board discussed how wider passenger benefits had been incorporated into the programme including improvement to passengers' end-to-end journeys. [redacted] The Board **ENDORSED** the strategy of the commitment authority for the RNEP Remit Letter and associated Funding from Network Rail Agreements being exercised in accordance with the Delegation of Authority Policy. *Neil Holm, Rob McIntosh, John Reed, and Farha Sheikh left the meeting.*	
22/110	**<u>Passenger demand forecasting – quarterly update</u>** *Suzanne Donnelly, Dave Harding, and Verity Hinde joined the meeting.* The Board discussed paper 66/22 which provided a joint Network Rail/ GBRTT update on the work done with industry partners on monitoring and forecasting rail demand and providing a tactical response to the situation following the pandemic. The rate of recovery in commuting and business markets had yet again not materialised in the way that customer research had indicated. Industry revenue had fallen to 76% of pre-pandemic trading in period 5 and this had been attributed to rail strikes and school summer holidays. In respect of journeys, 97% of passengers had returned to the railway but were travelling less frequently and therefore the challenge was to attract new customers to travel by train. The Board noted that several external factors including inflation, cost of living and continued industrial action had affected overall recovery. The Board was updated on the forward plan and on the prioritisation of initiatives that could drive revenue. It was recognised that whereas Network Rail and GBRTT did not have direct accountability, GBRTT had the ability to influence those that held the levers and thus play a significant role in the recovery of revenue and demand.	

	There was potential for a review of existing elasticities particularly for the short-distance commuting segment. The Board noted that short-distance commuters had the option to trade-off between commuting and working from home. There was significant opportunity for growth through the promotion of long-distance travel across ToC boundaries and utilise under promoted capacity. [redacted] The Board thanked Suzanne Donnelly, Dave Harding, and Verity Hinde for the quality of the material in the Board paper and for an interesting discussion. *Suzanne Donnelly, Verity Hinde, and Dave Harding left the meeting.*	
22/111	**Regulatory Accounts 2022** The Board considered paper 67/22 which set out Network Rail's financial performance in 2021/22 including comparison with the regulatory targets. Network Rail, in accordance with its Network Licence, was required to published Regulatory Financial Statements (RFS) for each financial year in accordance with the Regulatory Accounting Guidelines and templates issued by the ORR. In addition to the RFS, NRIL was also required to submit a Statement of Sufficiency of Resources (SSR) and both statements were audited by the National Audit Office. An Independent Reporter would review and report on parts of the RFS. Following due consideration, the Board **AUTHORISED** Jeremy Westlake to sign any necessary documents associated with the RFS and SSR on behalf of the company.	
22/112	**Committee updates** The Board was updated on recent meetings of the: • the Property Supervisory Committees, • the Nomination & Remuneration Committee, • Environmental Sustainability Committee, • the Safety, Health & Environmental Compliance Committee, and • the Audit & Risk Committee.	
22/113	**Company Secretary's Report** Having reviewed paper 72/22, the Board: **NOTED** the appointment of Phillip Thrower and the resignation of Peter Neville as directors of Network Rail Insurance Limited. **APPROVED** the change of registered office for Network Rail Limited and Network Rail Infrastructure Limited from 1 Eversholt Street, London, NW1 2DN to Waterloo General Office, Waterloo Station, London, SE1 8SW. **RATIFIED** the use of the Company seal. **APPROVED** the changes to the Audit and Risk Committee Terms of Reference.	

22/114	**<u>Prosecution report</u>** The General Counsel provided an update on matters that had occurred since the Prosecution Report had been issued. <u>Surbiton:</u> The pre-inquest review hearing had taken place. No date had been set for the inquest. <u>Margam:</u> Network Rail's response to the ORR was submitted in September – time was extended. The coroner had proposed to list a pre-inquest review hearing on 1 December 2022 and hold the inquest sometime after 1st April 2023. [redacted] The Board noted the Prosecution Report (paper 73/22) and the updates from the General Counsel.	
22/115	**<u>Board agenda planning</u>** The Board **NOTED** the draft agenda for the October 2022 meeting. It was agreed that the Board Strategy meeting scheduled for 2 November 2022 should be cancelled and that the May 2023 meeting should be brought forward to a more suitable date in February/March 2023.	Secretariat
22/116	**<u>Any other business</u>** Copies of the latest edition of 'Speak Passenger' were made available to members of the Board.	
Date of next meeting: 20 October 2022.		
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