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Minutes of a meeting of the Board

held on Thursday 4 May 2023

at 151 St Vincent Street, Glasgow, G2 5NJ

Present	Peter, Lord Hendy of Richmond Hill (Chair) Ismail Amla (by Teams) Mark Bayley Rob Brighouse Stephen Duckworth (by Teams) Andrew Haines	Michael Harrison Silla Maizey David Noyes Mike Putnam Fiona Ross Jeremy Westlake
In attendance	Susan Beadles, Group General Counsel & Company Secretary Louise Kavanagh, Chief of Staff David Leam, Group Director, Communications Helen Martin, Deputy Company Secretary Dave Penney (minute 23/61) (by Teams) Stuart Pountney (minute 23/61) (by Teams) Kate Roberts (minute 23/61) (by Teams) Tim Shoveller (minute 23/61) (by Teams) Kevin Swarbrick (minute 23/61) (by Teams) Alex Hynes (minute 23/62) Catherine Hall (minute 23/62) Gordon Kells (minute 23/63) (by Teams) Hannah Lomas (minute 23/63) (by Teams) Russ MacMillan, DfT (minute 23/63) (by Teams) Rob McIntosh (minute 23/63) (by Teams) Jonathan Callis (minute 23/64) Neil Strong (minute 23/64) Verity Hinde (minute 23/65) (by Teams) Jake Kelly (minute 23/65) (by Teams) Chris Stennett (minute 23/65) (by Teams) Kris Kinnear (minute 23/65)	
Apologies		

No.	Item	Actions
23/56	**<u>Chair's opening remarks</u>** The Board: • Reflected on the conversations with stakeholders the previous evening. • Noted that the Chair had, at the request of the Secretary of State, reviewed public transport arrangements ahead of King Charles III's coronation celebrations from 6 to 8 May and the Eurovision Song Contest from 9 to 13 May. The FA Cup Final between Manchester City and Manchester United would be at Wembley stadium on 3 June. Train drivers union ASLEF and the RMT had called for the withdrawal of non-contractual overtime and strike action on several dates during May and June 2023 affecting both the Eurovision Song Contest and the FA Cup Final.	

	• [redacted]	

	[redacted]	
23/57	**<u>Minutes of previous meeting</u>** Subject to one minor amendment the minutes of the Board meeting held on 23 March 2023 were approved.	
23/58	**<u>Action list</u>** The Board reviewed the action list.	
23/59	**<u>Directors' interests</u>** Mark Bayley confirmed that he would soon be stepping down as a director of the UK Atomic Energy Authority.	
23/60	**<u>Board report</u>** The comprehensive Board report was reviewed, and the Board focussed its discussion on: 1. **Nuneham Viaduct abutment failure, Western** The Nuneham Viaduct on the main line between Oxford and Didcot Parkway was closed on 3 April 2023 due to the progressive failure of the abutment which supported a circa 25 metre metal deck over the River Thames. The original wooden structure was built in 1844 and replaced in 1856 with a seven span metallic structure with cast iron piers and masonry abutments and wing walls. Records from 1906 indicated that some settlement was noted in the low mileage abutment, and periodic monitoring of the asset occurred. In 2012/13 the structure was subject to both a structural assessment and a detailed examination. Since then, there had been progressive settlement of the low mileage abutment and this was being regularly monitored, not least to ensure track alignment was maintained. In early 2023 a series of interventions was recommended by Network Rail's design team, including further monitoring, track bed improvement and geopolymer ground improvement works beneath and behind the abutment. It became apparent towards the end of March 2023 that the abutment was moving in an unexpected way, leading to the closure of the line. The immediate focus was on remedial works to the abutment so that the line could re-open. Difficulties accessing the site and restricted headroom at the site made the work challenging but it was hoped the line would re-open on 10 June. A full investigation would be undertaken, but early conversations with independent experts had confirmed that Network Rail had not acted unreasonably in the interventions it undertook and no-one could have predicted how the abutment would move following those latest interventions. In the meantime, the Chief Executive had instigated a range of activities to learn lessons from this incident, specifically around how Network Rail managed critical structures and assets on strategically important routes. The Safety, Health and Environmental Compliance Committee would review this incident in detail. The Board would receive further updates as the investigation's findings became clear.	

The Board broadened the discussion to the Strategic Business Plan for CP7 and reports in the media that in Control Period 7 (CP7) Network Rail would carry out less operations, maintenance and renewals (OMR) work due to cost pressures.

The Chief Executive was aware of these media reports and emphasised that in CP7 Network Rail would continue to do OMR work based on risk-based assessments. He also highlighted that concerns over funding constraints could be at least partly alleviated by progressing rail reform.

It was also important to emphasise that Network Rail was committed to running a safe rail network for employees, contractors, passengers and others interacting with the railway. Network Rail would continue to apply the highest standards of safety across its business.

2. **Signal passed at danger**

On 12 April 2023 a West Midlands Train driver passed two consecutive signals at danger without authority. The red signals were protecting a team working on the overhead line. That work had just finished so the team was in a position of safety when the signals were passed. A formal, cross-industry investigation was taking place.

3. **Extreme hot weather – external reviews**

The resilience of the rail network had been severely tested in summer 2022 due to a prolonged period of extremely high temperatures. A series of external reviews was commissioned to scrutinise Network Rail's preparation for and handling of extreme heat, as well as to identify recommendations on how the railway could become more resilient.

As the Chief Executive had requested, the reviews had delivered a strong level of challenge to the Company's processes and standards. The interim findings and conclusions were being reviewed in the context of practicability and affordability.

The Safety, Health and Environmental Compliance Committee would review those reports and the proposed action plans once finalised.

The Board noted that:

1. Separate to these reports a lot of work had been done across the business since summer 2022, to plan for extreme heat. This meant that faced with similarly high temperatures, Network Rail expected to be able to manage its assets better and keep the network open.

2. Network Rail was liaising with rail industry colleagues with experience in Australia and Asia to learn lessons from their approach to running and maintaining the railway in extreme heat.

3. On Network Rail's high speed line, on the hottest days in summer 2022 the only delays were caused by a car fire on the motorway adjacent to the railway. The rail infrastructure itself performed well.

4. There were opportunities to improve Network Rail's engineering standards to get the best performance in hot weather. A number of relevant standards were revised by Technical Authority and improved arrangements were put in place in March 2023. These revised arrangements would deliver a considerable improvement during summer 2023 if similar temperatures arose.

4. **CP7 Strategic Business Plan**

Network Rail continued to engage with the ORR on the CP7 Strategic Business Plan for England and Wales, ahead of the ORR's Draft Determination being issued towards the end of June 2023.

Key challenges currently were that the ORR (i) believed Network Rail had over-estimated the impact of inflation on inputs this current year which would affect the baseline for the start of the new control period , and (ii) was taking a shorter-term view in some instances, preferring Network Rail to spend on core asset renewal rather than longer-term investment programmes.

Network Rail would receive the ORR's Draft Determination by the end of June 2023 and would respond in early August 2023. The ORR would then issue its Final Determination in October 2023.

The SBP for Scotland's Railway is still at an interim stage reflecting the later publication by the Scottish Government of their HLOS and SoFA.

The Board discussed the SBP media coverage following the article in the Independent.

5. **King Charles III's Coronation celebrations from 6 to 8 May 2023**

Planning and rehearsals for the Coronation continued. The main concern currently was the large number of troop movements on the morning of 6 May.

Arrangements had been peer reviewed and the Command Team was established and preparing. Contingency plans for a range of potential unexpected eventualities were in place.

6. [redacted]

	[redacted]	
	Chief Financial Officer Commentary 7. **Financial performance** For the 2022/23 financial performance was expected to be an under-performance of circa £860m mainly due to industrial action causing increased Schedule 4 compensation payments to train operators, reduced income and project work being cancelled or taking longer and therefore costing more. 8. **Efficiencies** The business continued to deliver on efficiencies and the Board commended the work going on. 9. [redacted] 10. **Electric vehicle charging points** The Board sought and received confirmation that the electric vehicle charging points being installed in railway station car parks did comply with the relevant BSI standards and were accessible for disabled drivers.	
23/61	**Midland Rail Hub sourcing strategy** *Dave Penney, Stuart Pountney, Kate Roberts, Tim Shoveller and Kevin Swarbrick joined the meeting.* Legally privileged advice on this matter had been provided separately to the Board in advance of the meeting. The purpose of the Midlands Rail Hub (MRH) programme was to provide up to an additional 10 services per hour into central Birmingham by 2030. The programme had three phases: Snow Hill, West & Central and East. Paper 31/23 sought approval of the MRH sourcing strategy to deliver two procurement events (signalling and all other disciplines) in an alliance model that would incentivise and reward delivery of programme outcomes. Amongst other things the Board discussed: • That as with any alliance partnership, Network Rail would need to provide strong leadership in managing that alliance. The implementation plan, including who would fill which roles in the alliance, was being developed. • The importance of looking across all Network Rail programmes that any alliance partner was involved with to ensure that any one contractor was not overloaded with work. • How it was generally more effective for each of design and delivery to have their own pain/gain sharing arrangements. That way, delivery could be appropriately incentivised.	

	• The importance of early engagement with train operators on programmes such as this. Although Network Rail must manage this targeted engagement and input carefully to moderate train operators' aspirations. • That the DfT's Investment Portfolio and Delivery Committee would determine what work went into each design stage. Network Rail had clearly explained to the DfT the risks to the programme if funding was not made available at the relevant times. It was also important that the scope and pricing of any signalling work was agreed at the appropriate times to mitigate programme delays and additional cost. Network Rail had been explicit with the DfT about the various options and the implications of removing work from the programme. Options had been designed and explained to the DfT to ensure that they related to whole elements of the programme, for example the whole of the West element of the programme could be delivered or none of it. The Mayor of the West Midlands had also been briefed on the various options and trade-offs. After due consideration, the Board: 1. **APPROVED** the MRH sourcing strategy as set out in paper 31/23, and 2. **DELEGATED** to the NW&C Procurement Executive Panel authority to contract for both the Train Control System Framework signalling partner and the non-signalling partners procured at open market, [redacted] in accordance with this sourcing strategy, **SUBJECT TO** investment authority having been received separately in advance of these awards. *Dave Penney, Stuart Pountney, Kate Roberts, Tim Shoveller and Kevin Swarbrick left the meeting.*	
23/62	**<u>Region update – Scotland's Railway</u>** *Catherine Hall and Alex Hynes joined the meeting.* Having reviewed paper 33/23 which provided an update on Scotland's Railway, the Board discussed the following: 1. Safety – the reduction in the amount of time people had taken off work due to work-related injury; [redacted] and that tactile paving would be installed on every platform at every station in Scotland by the end of 2023/24. 2. Train service delivery – that while performance was relatively strong, it was behind target. A performance summit was scheduled for June 2023. 3. Efficiencies – a comprehensive review of the confidence levels in delivering CP6 efficiencies had been undertaken that led to a change in approach in some areas. A key part of this was assessing when engineering works would happen so as to affect the fewest number of passengers. 4. People – there was a strong and stable leadership team in Scotland. Their focus was on 'inverting the pyramid' so that the leadership team was supporting and helping the people whose role was to help passengers.	

	The work to improve leadership skills across the region continued. This was underpinning work to identify the top performers with potential and ambition so that they could be developed further. A scheme was described whereby ScotRail and Scotland's Railway would mentor one another which was helping to build a customer service culture within the business. It had been widely praised. The leadership team was also passionate about making sure that every employee in the region was digitally connected. This was so that as well as receiving messages from Alex and his team, people could send messages to them; two-way dialogue was an essential part of building trust and commitment. 5. CP7 preparation – having received the Statement of Funds Available for CP7 the team was now assessing what could be delivered during the control period for the funds available. The people who developed the strategic business plan were those who would be responsible for delivering it. However, as the different industry bodies in Scotland had different funding regimes and were incentivised differently, it could be hard to get the approvals needed. To mitigate this, Network Rail was leading the process of helping people balance the trade-offs and deciding which options to pursue. The Company was also focussing on the programmes that were deliverable without industry partners. Funding decisions were always challenging. They involved making sure that active travel links were embedded within communities. People needed to be able to connect with stations and thereby gain access to education and jobs, especially in deprived areas. 6. Social value – the team was commended on all the great work it was doing on adding social value. The Board asked for more of this to be included in future presentations. 7. Political engagement – every three months the Scotland's Railway team held a drop-in session at Holyrood for all Members of the Scottish Parliament. This regular engagement with all political parties was helping to build relationships and trust and was hugely beneficial. The Board thanked Alex and Catherine for their update and wished them well as they planned for CP7. *Catherine Hall and Alex Hynes left the meeting.*	
23/63	**TransPennine Route Upgrade (TRU) - Programme Business Case 2 (PBC2)** *Gordon Kells, Hannah Lomas, Russ Macmillan and Rob McIntosh joined the meeting.* Paper 32/23 sought formal approval to submit Network Rail's proposals and funding request to the DfT for PBC2. This proposal covered Network Rail's formally remitted contribution to TRU outcomes. It excluded other industry cost – such as rolling stock – which had been provided directly by operators to the DfT. The DfT would consider PBC2 at Investment Portfolio and Delivery Committee on 15 May 2023 and the Major Projects Review Group in June. PBC2 marked a significant change from PBC1 which was mainly *commit to design* with indicative costs for three Northern Powerhouse Rail (NPR) facilitation projects. This	

PBC2 approved *commit to deliver* decisions for the two largest projects for each main alliance and approved the *commit to design* Anticipated Final Costs for the majority of the remaining items, moving the alliances into full delivery and formalising the programme's scope.

[redacted]

	[redacted] *Gordon Kells, Hannah Lomas, Russ Macmillan and Rob McIntosh left the meeting.*	
23/64	**Forestry in Scotland** *Jonathan Callis and Neil Strong joined the meeting.* Having previously reviewed paper 34/23 the Board discussed: 1. 'The right tree in the right place' philosophy that underpinned the team's commitment to only remove trees where they had to. This meant that there were site specific interventions that also aimed to increase biodiversity. 2. The Scotland team's commitment to include some form of biodiversity enhancement features, every 200 metres or so. This might be the creation of habitat piles for birds, insects and mammals or the retention of raptor perches for birds of prey and owls or the retention of existing bat commuting or foraging 'corridors'. 3. Stakeholder engagement had become a key part of the team's work. In particular joint working had involved Forestry and Land Scotland, the Highland Raptor Study Group, and National Trust for Scotland. Network Rail had also joined Scottish Land and Estates which represents Scottish land owners from farmers to large multi-use estates and private forestry interests. There was also extensive collaboration across Network Rail, sharing lessons, ideas and challenges with other teams. 4. The team was developing its professional skills to include tree climbing and dismantling. This had proved particularly helpful in managing the challenge of Ash Die Back. 5. A key emerging risk to trees came from Eurasian beavers. These recently reintroduced native mammals had both very positive (e.g., water catchment control) but also some negative impacts (e.g., when trees were felled towards are rail lines or our culverts were blocked). The Board thanked Jonathan and Neil for the tremendous work that they and their teams were doing. Many people would not appreciate the amount of work Network Rail was doing in this space, but it was very important work and deserved to be recognised as such. The Board also congratulated Jonathan on becoming the first ever Professional Forester of the Year, at the Institute of Chartered Foresters Awards. *Jonathan Callis and Neil Strong left the meeting.*	
23/65	**Passenger demand forecasting** *Verity Hinde, Jake Kelly and Chris Stennett joined the meeting.* Paper 35/23 provided an update on the work being done with industry partners on monitoring and forecasting rail demand. Amongst other things, the Board discussed:	

	1. That the rate of revenue recovery was distorted by the impact of inflation, which meant that in real terms revenue recovery was 15 percentage points lower than the headline figure of 87% of pre-covid levels. 2. Similarly, the opening of the Elizabeth line (central section in May 2022 and through running in November 2022) artificially inflated industry journey recovery by 15 percentage points in period 13. 3. The National Industry Revenue Model (NIRM) showed that levels of commuting and business travel were unlikely to significantly improve further and were expected to remain broadly unchanged in the coming year. The forecasts for 2027/28 had been reduced. 4. The point at which reporting should be re-baselined to strip out the effects of the pandemic. It was noted that from period 1 2023/24 reporting had shifted to year-on-year changes. 5. How the data model was being developed to provide more real time information to help improve the passenger experience. The Board thanked the team for an interesting update. *Verity Hinde, Jake Kelly and Chris Stennett left the meeting.*	
23/66	**<u>Scotland's Railway - CP7 strategy – civils and electrification</u>** *Kris Kinnear joined the meeting.* The Board discussed paper 37/23 which sought approval for Phase One of Scotland's Railway's CP7 procurement sourcing strategy. The particular focus was on the procurement of two new CP7 Frameworks to deliver civils engineering and electrification works. The Board noted that future phases of the procurement strategy were being developed and approval would be sought for those in due course. The Board also noted that this approach was an evolution of that taken at the start of CP6. The Board discussed, amongst other things: • That efficiencies would primarily come from the relationship with supply chain partners rather than through procurement competitions; • That a track access panel was established early in the works programmes to discuss how to maximise the benefits of access. This approach was used for the works at Carstairs, and that collaborative approach had changed the pattern of the access taken. In other programmes, the panel had considered a range of options to optimise the track access taken. • The relative advantages and disadvantages of using minimum value rather than zero value frameworks. This would be considered further. • That a 'bulk buy' mindset had been used on products where the pricing appeared more volatile, e.g., steel. • That during the enabling works for electrification, freight clearance work was also done. It was this element of route clearance that provided the biggest opportunities.	

	Following this discussion, the Board: 1. **APPROVED** the strategy and **AUTHORISED** the implementation of the procurement process in accordance with the approved strategy, and 2. **DELEGATED AUTHORITY** to the Scotland Procurement Executive Panel to approve the award of the Phase One Framework Agreements described in paper 37/23. *Kris Kinnear left the meeting.*	
23/67	**Company Secretary's report** Having reviewed paper 38/23 the Board: 1. **NOTED** the resignation of Rupert Walker as a director of Network Rail (High Speed) Limited; 2. **NOTED** the appointment of Neil Reynolds as a non-executive director of Network Rail International Limited; 3. **APPROVED** the appointment of Terri Cave as an authorised representative for Network Rail Infrastructure Limited on the joint venture board of Blocwork (No 5) LLP; and 4. **RATIFIED** the use of the Company seal.	
23/68	**Prosecution report** The Board noted the updates provided in the Prosecution Report (paper 39/23).	
23/69	**Board agenda planning** The Board reviewed the draft agenda for the June 2023 meeting and requested some changes to the proposed timings.	
23/70	**Any other business** The Board thanked Alex Hynes and his team for hosting the Board, saying how much they had enjoyed having the opportunity to engage with Scotland's Railway colleagues over lunch.	
Date of next meeting: 29 June 2023.		
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