

THE OFFICE OF RAIL AND ROAD
136th BOARD MEETING
09:00 -13:15 TUESDAY 23rd MAY 2017
CROWNE PLAZA HOTEL, CENTRAL SQUARE, BIRMINGHAM B1 1HH

Non-executive members: Stephen Glaister (Chair), Tracey Barlow, David Franks, Anne Heal, Bob Holland, Michael Luger, Justin McCracken, Graham Mather

Executive members: Joanna Whittington (Chief Executive), John Larkinson (Director Railway Markets and Economics), Ian Prosser (Director Railway Safety), Graham Richards (Director Railway Planning and Performance).

In attendance: Peter Antolik (Director Highways Monitor – items 1-8), Dan Brown (Director Strategy and Policy), Russell Grossman (Director Communications), Juliet Lazarus (Director Legal Services and Competition), Tess Sanford (Board Secretary),

Other ORR staff in attendance are shown in the text.

Item 1 WELCOME AND APOLOGIES FOR ABSENCE

1. The chair welcomed everyone to the meeting.
2. There were no apologies for absence.

Item 2 DECLARATIONS OF INTEREST

3. There were no declarations of interest in relation to the planned business.

Item 3 APPROVAL OF PREVIOUS MINUTES

4. The Board agreed the minutes. The board noted updates on the action list: Joanna Whittington had circulated a note to members about the treatment of vacancies in the quarterly business reports.

Item 4: REGIONAL LEARNING

5. The Board reflected on the visits they had undertaken the day before, the discussions with stakeholders over dinner, and the meeting with Birmingham based staff.
6. The three visits had been to Freightliner's Birmingham depot, to the Midlands Metro tram system and to look at maintenance challenges at Gravelly Hill ('spaghetti junction'). All three groups commented on the level of time and resource invested by the hosts in ensuring that visits were informative and enjoyable. The chair would write to thank our hosts. [Action – Secretariat]
7. The board agreed that we should send a note of feedback to guests and invitees. [Action: Russell Grossman].
8. The arrangements had been well made and delivered and the board thanked the Secretariat team for a successful day.

Item 5: HEADLINES AND REGULAR REPORTS

9. Ian Prosser gave some more detail on the wrong-side failures commented on at the last meeting and their significance. He also reported on:
 - Questions around fatigue management on trams;

- Challenges around the introduction of new rolling stock;
 - NR's SHE Committee had made the adoption of RM3¹ by the devolved routes a priority.
 - Recruitment of new trainee inspectors and a new deputy Director and head of CTSA.
10. Board members sought assurance that the move to SMIS+ and the resultant changes to the PIM was not materially reducing understanding about the overall risk picture. They also discussed issues around the use of regular visual inspection in monitoring deteriorating assets.
11. **Graham Richards** drew on the CP5 tracker to discuss current performance by NR.
12. **John Larkinson** discussed the PR18 report and described the progress of discussions with government on their future funding of NR.
13. John also reported on: current funding challenges, progress on the efficiency debate, progress on the TfL/HAL appeal and discussions with Transport Scotland on the EGIP programme. John would send board members the latest draft efficiency document. [Action: JLk]
14. **Joanna Whittington** reported on:
- The IT transformation project and recruitment of a new Director of Corporate Operations and Organisational Development.
 - No judgement had been issued on the HAL judicial review.

Item 6 ANNUAL REPORT AND ACCOUNTS

15. The board considered the draft annual report and accounts which had been reviewed in detail by the Audit and Risk Committee. The board suggested some drafting and presentational changes to the report.
16. The board thanked Lucy Doubleday and the accounts and communications teams for their work on this.
17. The board approved the accounts and the draft annual report.

Item 7 END OF YEAR MONITOR REPORTS

Gordon Cole joined the meeting for this item and the next.

18. Graham Richards introduced the paper which set out key comments and evidence on performance. The board was invited to discuss the evidence and comment on the appropriate tone for the report to take.
19. Highways Committee had seen and discussed the draft performance letter to the DfT about Highways England and this was broadly agreed by the board. The board also discussed the importance of establishing better understanding with HE at board level.
20. The board discussed the evidence for the Network Rail Monitor. They commented that while safety was at a good level, it was not improving and it was not clear that all the necessary elements were in place to make current safety levels sustainable. National passenger

¹ Rail management maturity model – the model by which ORR assesses a body's safety culture and practice.

performance had been distorted by the impact of GTR's industrial relations issues but route-based data help put this in context. There continued to be significant and increasing financial challenges, including with NR's programme of asset disposals.

Item 8 HIGHWAYS – RIS2 PROGRAMME AND PROGRESS

David Hunt joined the meeting for this item

21. Peter Antolik introduced the first of the proposed quarterly reports to the Board on the progress of the RIS2 programme. Working relationships with DfT and HE were good.
22. The board discussed the challenges of identifying and evidencing efficiency for Highways England and how these compared to those for NR.
23. The board noted the report and agreed to receive a regular quarterly report in future.[Forward programme]

Item 9 PR18 PROGRAMME

24. John Larkinson introduced the paper which set out the way that programme was being developed and managed and explained the governance and assurance arrangements. As part of these, an audit of some parts of the programme would be undertaken in Q3 by our internal audit providers.
25. The board also discussed the Joint Steering Group arrangements and the specific role that ORR plays in the overall framework (as illustrated in the paper).

Item 10 PR18 CHARGING STRUCTURE AND INCENTIVES

Chris Hemsley, Deren Olgun and Alex Bobocica joined the meeting for this item

26. John Larkinson introduced the team and the item which built on previous discussions and drew on responses to our charges and incentives consultation run earlier in the year.

Paragraphs 27-34 inclusive have been redacted until after the publication of the 'letter to the industry' because they are about policy development and pending publication. Paragraph 33 will be permanently redacted from the public version as legally privileged.

35. The board discussed issues around the communication of these decisions. Public understanding of the Schedule 8 regime in particular needed to be strengthened.
36. The board delegated to John Larkinson agreement of the 'letter to the industry' which would set out these decisions. [action list]

Item 11 FEEDBACK FROM COMMITTEES

FOR PUBLICATION

37. The Highways Committee and Audit and risk Committee had met since the last board meeting in order to consider reports which the Board had now considered as part of its business today.

Item 12 ANY OTHER BUSINESS

38. The board noted the board forward programme.
39. The board agreed that it would add an awayday to its forward programme to run from dinner on 5 October to close of business on 6 October.

Signed by Stephen Glaister

14 August 2017