



Graham Richards  
Director, Planning & Performance  
Office of Rail and Road  
25 Cabot Square  
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By email

1 April 2021

Dear Graham

### **Managing Change - Worcester area transfer**

We are writing to seek ORR's approval of revised CP6 regulatory baseliens and floors for CRM-P and FDM-R following the transfer of the Worcester area in Wales & Western (W&W) region to North West & Central (NW&C) region, as required under ORR's Managing Change Policy. Both impacted regions agree to the change to regional boundaries that results from the transfer.

#### **Context**

On 26 March 2021, the Worcester area transferred from W&W region to NW&C region and became part of Central route.

This transfer provides greater focus on delivery of services in the West Midlands, responding to stakeholder feedback. It will enable a more coherent view of the railway serving Birmingham and the surrounding counties, facilitating end-to-end management of West Midlands Railway services between Hereford and Birmingham. Responsibility for strategic planning, asset management, operations and maintenance for the Worcestershire and West Midlands axis will now all be within the Central route creating strategic business planning benefits. The boundary change will enable the development of a resignalling strategy for the Worcester area, with the opportunity to resignal the line of route as a single entity, bringing capacity and reliability benefits. In addition, West Midlands Trains will benefit from liaison with a single Network Rail route for their Birmingham- Worcester- Hereford services.

The transfer covers all operations, maintenance and renewals activities in the area. The area being transferred equates to 72 miles and 42 chains of rail infrastructure, and includes eight signal box areas. Key stations for commuters into the West Midlands rail hub, such as Worcester Shrub Hill, Worcester Foregate St and Worcestershire Parkway will become part of the Central Route. Worcester Sheriff Street Maintenance Depot will become part of the Birmingham Delivery Unit, which hosts a multitude of maintenance disciplines.

ORR's Managing Change policy is applied where there is a change in a region's accountabilities (including a change in regional boundary) or there is a change in the funding available to the region. The transfer of the Worcester area meets both of these criteria. Following extensive engagement with your team, we concluded that the transfer of the Worcester area is a Level III change under the Managing Change policy. This requires Network Rail to seek ORR's opinion of the change and discuss with relevant stakeholders before a decision is made. We have engaged your colleagues and our key stakeholders throughout this process to allow full consideration of the change. It should be noted that no other Network Rail regions are impacted by the change.

## Stakeholder engagement

The decision to transfer the Worcester area was informed by our key stakeholders in the area. We have engaged extensively with our stakeholders throughout the process and the transfer has the strong support of Great Western Railway, West Midlands Trains, CrossCountry and of Midlands Connect, the West Midlands Rail Executive, Worcestershire County Council and the Local Enterprise Partnership. Stakeholders were consulted and endorsed the Network Change ahead of it being established in January 2021.

## Changes to the CP6 financial settlement

The CP6 Final Determination represents a baseline for the efficient delivery of the railway in both regions. The impact of the transfer of the Worcester area on regional baselines has been agreed by both regions. A year by year summary breakdown for CP6 is set out in the table below. Further detail will be provided to ORR colleagues following the completion of the transfer and through our regular reporting processes.

£m	2021/22	2022/23	2023/24	Total
Income	(0.26)	(0.45)	(0.70)	(1.41)
Opex	9.18	9.42	9.87	28.48
Renewals	14.36	16.17	11.87	42.40
Total	23.28	25.14	21.04	69.47

## Changes to regulatory measures

In addition to the changes set out above, we have worked closely with ORR to understand the impact of the Worcester transfer on the key regulatory metrics for NW&C and W&W as set out in ORR's Final Determination (and rebaselined to regional settlements via the managing change process as a result of the Putting Passengers First Programme).

### Consistent Regional Measure – (Passenger) Performance (CRM-P)

CRM-P measures the Network Rail responsible delay minutes caused by a Region for every 100km of train travelled in that region. Analysis has shown that the change to CRM-P baselines in both NW&C and W&W Regions is small following the transfer of the Worcester area. The tables below set out proposed revised CRM-P baselines and regulatory floors for all years of CP6, with changes only being proposed from 2021-22 onwards, reflecting that the transfer will take place at the end of 2020-21.

CRM-P baselines for CP6:

Region	2019-20	2020-21	2021-22	2022-23	2023-24
North West & Central	1.65	1.57	1.55 (1.53)	1.52 (1.51)	1.49 (1.48)
Wales & Western	1.83	1.78	1.68 (1.70)	1.60 (1.63)	1.58 (1.60)

CRM-P floors for CP6:

Region	2019-20	2020-21	2021-22	2022-23	2023-24
North West & Central	1.96	1.88	1.86 (1.84)	1.83 (1.82)	1.80 (1.79)
Wales & Western	2.17	2.12	2.02 (2.04)	1.94 (1.97)	1.92 (1.94)

### Regional Freight Delivery Metric (FDM-R)

FDM-R measures the percentage of commercial freight services that arrive at a planned destination within 15 minutes of their booked arrival time, or with less than 15 minutes of Network Rail or passenger operator delay, within a region. A review of the number of trains and delay events in the Worcester area highlighted a small impact on FDM-R in both W&W and NW&C following the transfer. The tables below set out the proposed revised FDM-R baselines and floors for NW&C and W&W, with changes only being proposed from 2021-22 onwards, reflecting that the transfer will take place at the end of 2020-21. The numbers included in brackets are those from our letter of 16 March 2021, and the revised numbers on the top line supercede those.

FDM-R baselines for CP6:

Region	2019-20	2020-21	2021-22	2022-23	2023-24
North West & Central	94.6 %	94.6 %	94.5 % (94.6 %)	94.5 % (94.6 %)	94.5 % (94.6 %)
Wales & Western	94.0 %	94.0 %	94.1 % (94.0 %)	94.1 % (94.0 %)	94.1 % (94.0 %)

FDM-R floors for CP6:

Region	2019-20	2020-21	2021-22	2022-23	2023-24
North West & Central	93.2 %	93.2 %	93.1 % (93.2 %)	93.1 % (93.2 %)	93.1 % (93.2 %)
Wales & Western	92.5 %	92.5 %	92.6 % (92.5 %)	92.6 % (92.5 %)	92.6 % (92.5 %)

Please note that for CRM-P and FDM-R, our Annual Report and Accounts for 2020/21 will report NW&C and W&W as aligned to the pre-transfer boundaries. Future Annual Report & Accounts will report against the post-transfer organisation. Baselines and floors for the first two years of CP6 will not be restated, but following finalisation of the Annual Report & Accounts data for 2020/21, we will remap the historical data, which will be available for trend analysis over time on a consistent basis.

### Composite Sustainability Index (CSI)

The Composite Sustainability Index (CSI) is a weighted average of different asset sustainability measures. Each measure is used to calculate the residual value of the assets that they refer to and they are updated at the end of each financial year. The CSI is the percentage change in the total residual value of all the assets from the baseline evaluation at the end of CP4. In the CP6 Final Determination, ORR set CSI regulatory floors for each Network Rail region.

Using the same approach taken when the Core Valley Lines was divested, the potential impact on CSI has been investigated using the impact on track. Analysis of the data shows that the impact on regional forecasts of transferring the track in the Worcester area is 0.07 percentage points worse for NW&C and 0.15 percentage points improvement for W&W. The impact is relatively insignificant because the transferred assets represent a small change in the overall regional asset base and the usage of the track being transferred is very similar to regional averages. The impact on track will not necessarily be replicated for other assets. While it is likely to be of the same order, we will conduct a further review of all assets contributing to CSI based on the data set at the end of March and propose any adjustment to the CSI targets to ORR, if appropriate. Were the change to be material, we would also propose changes to the regulatory baselines and floors.

### **Other key changes**

Overall core volume delivery commitments remain unchanged and the transfer of the Worcester area does not alter the level of performance that Network Rail is committed to deliver over CP6.

Changes to our 2021/22 scorecards, resulting from the transfer, will be implemented following year

end and shared with ORR colleagues in early May 2021. There will not be any impact on our 2020/21 scorecards.

Network Rail has undertaken an extensive internal process to assure itself of the continued safe operation of network following the transfer.

Should you have any questions about this letter or require any further information, please do not hesitate to contact us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Penney', written in a cursive style.

Dave Penney  
Route Director, Central Route

A handwritten signature in black ink, appearing to read 'Chris Pearce', written in a cursive style.

Chris Pearce  
Interim Route Director, Western Route