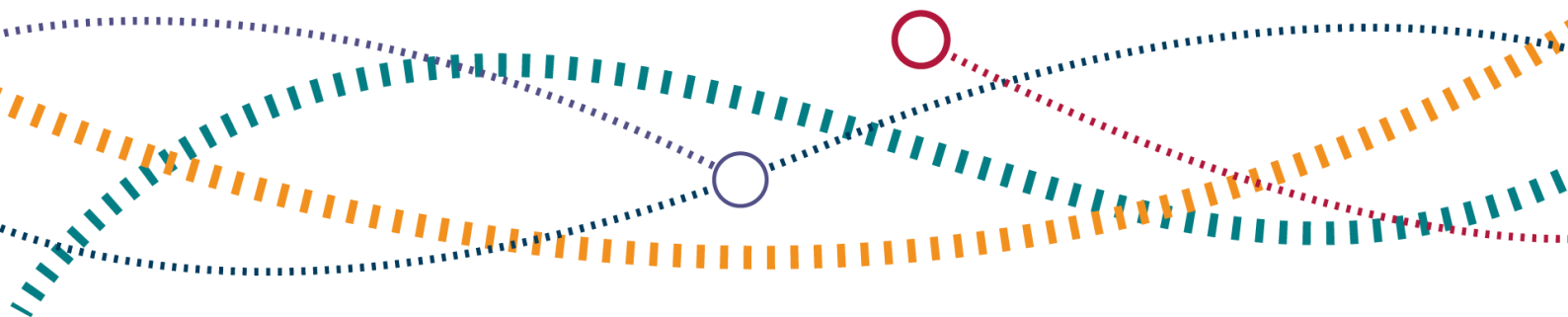




Annual assessment of Network Rail's stakeholder engagement 2020-21

System Operator – individual assessment

22 September 2021



Contents

System Operator	2
Introduction	2
Summary	2
Key conclusions across each principle	5

System Operator

Introduction

1.1 This report presents our key findings and recommendations on the quality of the System Operator's (SO) stakeholder engagement during the second year of Control Period 6 (CP6), from 1 April 2020 to 31 March 2021. Alongside this report we have separately published our key findings and recommendations on the quality of Network Rail's stakeholder engagement as a whole during year 2 of CP6, as well as individual assessments for:

- (a) each of the five Network Rail regions;
- (b) the Freight and National Passenger Operators (FNPO) function; and,
- (c) Network Rail's engagement on its Enhancement Delivery Plan (EDP).

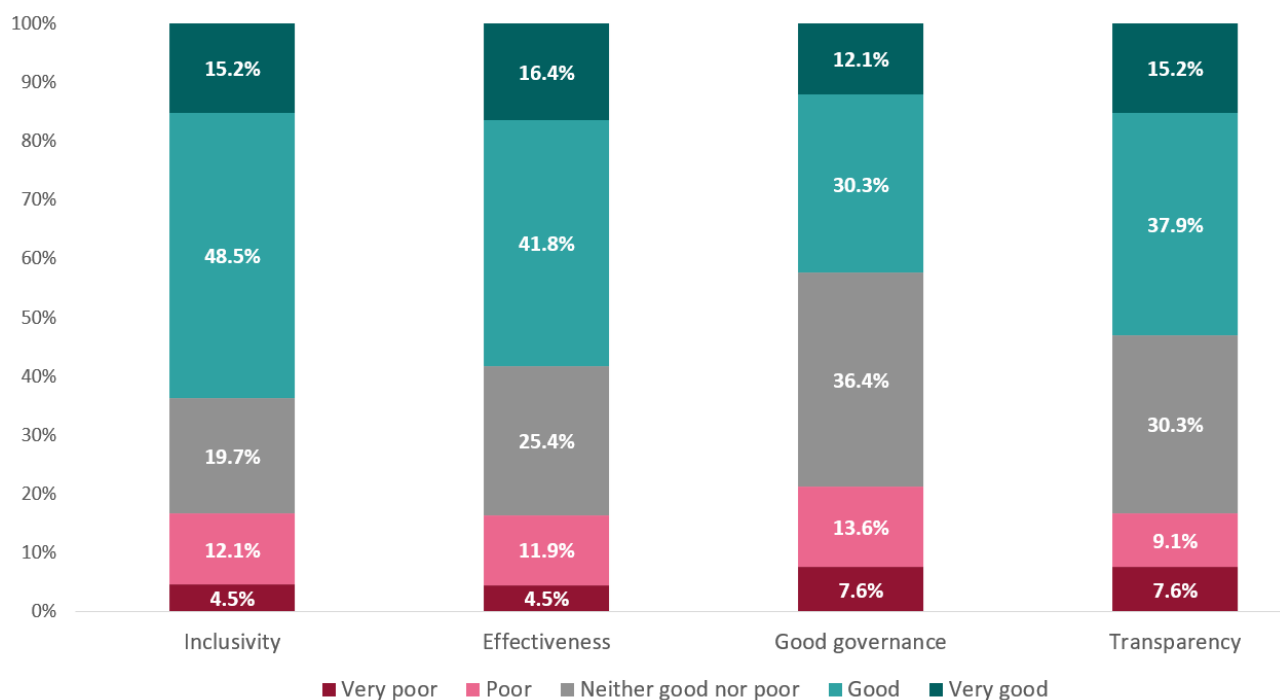
Summary

1.2 Network Rail's SO performs a range of high-profile network functions including strategic planning, managing changes to what the network delivers, providing information about capacity, managing operator access to the network, and producing the timetable.

1.3 The SO has recently undergone two major organisational changes. In October 2020, the SO delivered a transformation programme in response to stakeholder feedback aimed at making its operating model easier for its customers to understand. This resulted in roles delivering strategic planning for the regions moving from the SO to the regions. In April 2021, Network Rail's Network Services function was dissolved and transferred to the SO. This organisational change took place at the start of the year 3 of CP6 and is therefore out of scope for this assessment. We will review the impact of this change as part of our year 3 assessment.

1.4 The SO's stakeholders were generally less positive about the engagement that had taken place over the year, compared to that of other business units. Only 59% of respondents described the SO's engagement as good or very good and 18% of respondents said the quality of the SO's engagement declined.

Figure 1.1 Stakeholder views on the SO's engagement across the four principles, 2020-21



Survey question: "In your opinion how would you rate the SO's engagement with you on Network Rail's Network Licence obligations of inclusivity, effectiveness, good governance, and transparency?"

Source: ORR's stakeholder survey

1.5 The SO's own self-assessment demonstrated that it had undertaken extensive and timely engagement with major industry players over a range of key industry processes. We also found that the SO had a robust approach to seeking stakeholder feedback, in particular with its annual Customer Advocacy Survey, and that it reflected candidly on the findings. However, the SO's self-assessment had significant gaps, including:

- (a) An honest reflection assessing the performance of its stakeholder engagement across the four principles of good stakeholder engagement, as defined in Network Rail's Network Licence.
- (b) Evidence of mapping and analysing who the SO's stakeholders were;
- (c) A description of the governance in place to ensure that engagement activities were planned and run in a structured way; and,

(d) A description of the arrangements in place supporting the transparency of the SO's stakeholder engagement.

1.6 Consequently, we relied more heavily on our survey results and our own intelligence to draw our conclusions for this assessment. During initial discussions with the SO, it recognised these areas for improvement and we agreed to engage further to improve the quality of the information provided by the SO for the year 3 assessment.

1.7 Our own experience of engaging with the SO highlighted that it has worked hard to develop its stakeholder engagement. Stakeholder feedback has effectively influenced its operating model and business planning and the SO sought to improve in some of the areas outlined above. We also noted that the SO's own stakeholder research, through its Customer Advocacy Survey found a net improvement in how favourably it is viewed by its stakeholders.

1.8 The SO recognised a couple of areas for improvement in its own self-assessment:

- (a) Engagement on business planning can be further improved, in particular in terms of consistency and timeliness, and by giving stakeholders sufficient time to respond; and,
- (b) The SO is working on a plan to improve the transparency of its engagement and suggested, for instance, to better track the deliverables it committed to.

1.9 Our view is that these are right and should be supplemented by:

- (a) Undertaking a detailed mapping exercise of its stakeholders to evidence or challenge its current approach, in particular with regards to wider stakeholders, and assess the impact of the organisational changes the SO has undergone on the identity and profile of its stakeholders;
- (b) Reviewing whether further steps should be taken to improve the governance of its engagement activities, for example by defining an evidence-based strategy or engagement framework; and,
- (c) Reviewing whether feedback is consistently and sufficiently given to all stakeholders on how their input influenced business decisions.

Key conclusions across each principle

Principle	Key conclusion(s)
Inclusiveness	<p>Our evidence suggests that the SO has a good understanding of key industry players, who are its primary customers, and of their priorities, and engages well with them on key industry processes.</p> <ul style="list-style-type: none"> The SO was able to describe its customers' priorities along with what they need from it, which denotes a good understanding of its customers. We also had evidence that the SO has worked to improve the timelines of its engagement with its customers on key industry processes (e.g. business planning, timetabling, and scorecards). In particular, the SO responded to our previous feedback and developed its engagement on business planning, notably by engaging a larger range of stakeholders and launching engagement earlier than usual. This made it possible to take account of customers' priorities earlier in the process and to better align the SO's and its customers plans. Our survey results reflect this, as 64% of respondents rated the inclusivity of the SO's engagement as good or very good. <p>However, we noted that the SO's engagement may be predominantly focused on key industry players so that wider stakeholders, for example end users and passenger representatives, local authorities, and local stakeholders, are much less included. We will be seeking further assurance on this.</p> <ul style="list-style-type: none"> The SO's self-assessment was entirely focused on operators, funders and infrastructure managers. While we recognise that engagement should be proportionate to stakeholder needs and capabilities, the SO manages activities which can significantly affect a wider range of stakeholders. It is therefore important that these stakeholders are given a sufficient opportunity to voice their priorities and concerns to contribute to the SO's thinking and decision-making. We raised this with the SO. The SO's view is that its engagement should be focused on Network Rail's geographic regions and routes and the FNPO function, operators, infrastructure managers and funders, as they are its direct customers. The SO also

	<p>underlined that, in some cases, it is Network Rail’s geographic regions which hold stakeholder relationships.</p> <ul style="list-style-type: none"> As a priority for the year 3 assessment, we would recommend the SO to undertake a stakeholder mapping exercise to challenge its current approach. This will allow the SO to identify and analyse all its stakeholders (not just customers), and to reflect in particular on the relative influence, capability and interest of different stakeholder groups. This exercise will also help the SO to analyse the impact of recent organisational changes on the identity of its stakeholders and to adapt its approach as required.
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Key strength

- The SO presented a detailed understanding of key industry players and had engaged extensively with them.

Area for development

- The SO should undertake a stakeholder mapping exercise to identify and analyse its stakeholders.

Effectiveness	<p>Our own evidence highlighted that the SO sought feedback from stakeholders and reflected honestly on it.</p> <ul style="list-style-type: none"> The SO undertakes an annual Customer Advocacy Survey, which is a unique initiative at Network Rail, to conduct over 100 interviews with key industry players and collect in-depth feedback from them. This research is conducted by an independent market researcher. Importantly, the SO reflected honestly on the feedback collected at senior level and the results were used in developing the revised SO business model which was introduced in October 2020. The case for this change made specific reference to stakeholders’ experiences of engaging with the SO. In 2020- 2021, the SO also included measures on its scorecard which related to scores from the Customer Advocacy Survey to track progress made on stakeholders’ perceptions and feedback. The Customer Advocacy Survey and the SO’s use of it stand out as good practice to share more widely.
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The SO engaged with a large range of key industry players on high-profile issues, in a timely manner.

- For example, the SO engaged with over 200 individuals across 70 organisations to produce a draft Freight Strategy and with over 300 organisations from within and outside the rail industry to develop the Traction Decarbonisation Network Strategy. These examples were noteworthy and demonstrated that a range of stakeholders were given the opportunity to voice their views and participate in the SO's decision-making.
- Nonetheless, there was less evidence on how exactly stakeholder views influenced the SO's plans and what changed as a result. In future, the SO should ensure that it is able to demonstrate more clearly that stakeholders were able to participate and influence the SO's business decisions.

In addition, the SO had closely collaborated with its customers on a range of issues and had gone out of its way to find practical solutions, in particular to manage the impacts of the Coronavirus (COVID-19) pandemic.

- For example, the SO engaged significantly with operators via the Operational Planning Practitioner Group to implement at short notice the multiple timetable changes needed to meet unpredictable passenger demand levels. Conference calls were organised on a weekly basis which, at its peak, were attended by over 70 industry representatives (including passenger and freight operators, but also interested infrastructure managers and Transport for London). Stakeholders responded well to this increased engagement in our survey and stated that they hoped to see these positive developments endure beyond COVID-19.

“The System Operator capacity planning team has engaged well in facilitating agile planning as a result of Covid impact, with regular dialogue at a cross country and train operating company (TOC) specific level, a clear strategy on how to plan (outside of the normal process)

and a willingness to work with us when circumstances change". (A SO stakeholder).

However, we noted in our survey that 58% of respondents rated the effectiveness of the SO's engagement as good or very good and 16% of respondents rated it as poor or very poor, which did not compare well with its other business units.

- This was partly due to concerns some freight operators had about their ability to secure firm access rights to the network this year e.g. disputed track access applications on the East Coast Mainline and congestion on the Castlefield Corridor in Manchester. These concerns were referred to us and we understand that they are now resolved. Further detail on this issue is available in our [Annual Assessment of Network Rail 2020-21](#) (paragraphs 8.36 and 8.37).

Key strengths

- Customer Advocacy Survey and the use made by the SO to effectively influence its plan stands out as good practice.
- Strong evidence of extensive and timely engagement with key industry players over a range of high-profile issues.
- Quickly adapted to the Coronavirus (COVID-19) pandemic with close engagement with industry players to manage the impacts of the crisis and find practical solutions.

Area for development

- The SO should strengthen its line of sight and demonstrate more clearly that stakeholders are able to both participate in and effectively influence business decisions.

Well – governed

The SO has a unique governance structure which embeds stakeholder engagement in its business processes.

- An Advisory Board holds the SO to account for the development and delivery of its business plan. The SO's Advisory Board has a formal role in feeding in and approving its annual business plan and annual narrative report. It is independently chaired and made up of experts from the passenger, freight and system operation

community, as well as a representative of DfT and Transport Scotland and the operators. The Advisory Board is supported by two Standing Advisory Groups consisting of operators and infrastructure managers. These structures allow the SO to directly engage with all its customers in a single forum and also gives its customers a direct route to provide comment and feedback on its delivery to them and we have generally been impressed by the dialogue and openness between the SO and the Advisory Board. We are therefore confident that stakeholder engagement is strongly embedded in the SO's governance.

However, the SO could do more to ensure that its stakeholder engagement activities are planned and run in a structured way.

- The SO's self-assessment provided no evidence of a strategy or governance framework in place underpinning its stakeholder engagement.
- In addition, stakeholders did not respond positively on the governance of the SO's stakeholder engagement. In our survey, only 42% of respondents rated governance as good or very good and as many as 21% rated it as poor or very poor, which did not compare well to the other business units. In our survey and in the SO's Customer Advocacy Survey, stakeholders reported that its role and accountabilities lack clarity, and that it tends to be too focused on process.

“Network Rail is very tied up to process which often generates additional costs both for the supply chain and Network Rail themselves. If this process was significantly reduced, it would lead to a more efficient railway.” (A SO stakeholder)

- The SO should review if further steps should be implemented to improve the governance of its engagement activities, for example by defining an evidence-based strategy or a framework underpinning its stakeholder engagement.

Key strength

- The SO has a mature governance structure which embeds stakeholder engagement at the heart of its business processes.

Area for development

- The SO should review whether further steps should be implemented to improve the governance of its engagement activities, for example by defining an evidence-based strategy or framework underpinning its stakeholder engagement.

Transparency

While the SO's governance includes obligations on transparency, for example to publish the meeting minutes of the Advisory Board and an annual narrative report, we found that the SO's stakeholder engagement was not sufficiently transparent.

- In our survey, 53% of respondents thought that the transparency of the SO's stakeholder engagement was good or very good and 17% said it was poor or very poor, which does not compare well to the other business units. The SO's Customer Advocacy Survey similarly found that stakeholders required greater transparency from the SO. Stakeholders would like the SO to communicate more directly and openly, notably to share relevant information with stakeholders on a more regular basis.
- The SO should review whether transparency is properly embedded across its organisation and ensure that data and information are shared in a timely manner to support meaningful engagement with stakeholders.

Furthermore, the SO should review whether it consistently feeds back to stakeholders on how their priorities influenced decisions and if further steps should be implemented to improve in this area. It is important that stakeholders know how their engagement influenced the SO's plans to maintain stakeholders' trust in the meaningfulness of their engagement with Network Rail.

Areas for development

- Review whether transparency is properly embedded across the business and ensure that data and information are shared in a timely manner to enable informed engagement by stakeholders.

- Review whether the SO consistently feedbacks to stakeholders if and how their feedback was used, and if not, why not.



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