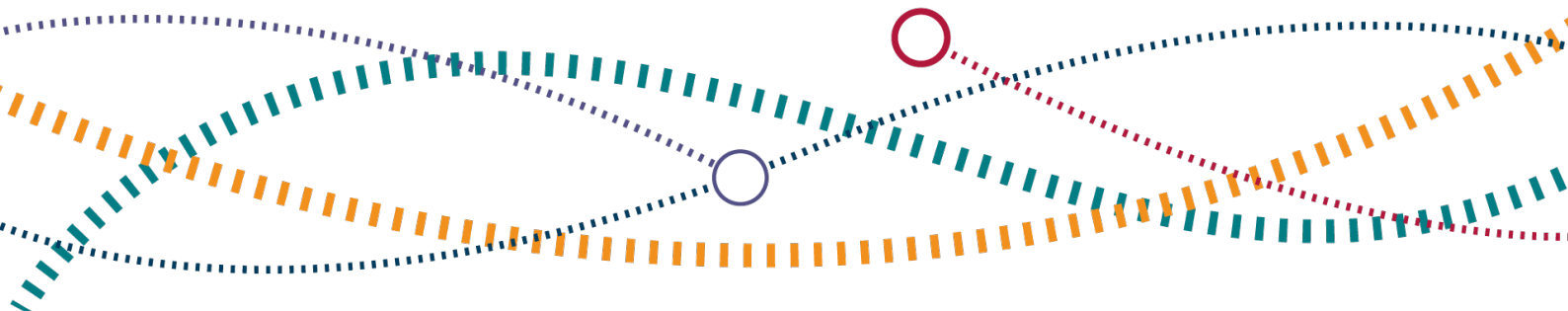




Enhancements in control period 7

Roles and responsibilities

20 May 2024



Contents

Introduction.....	3
Background	3
England & Wales enhancements.....	4
Scotland enhancements	8
Devolved government, third party funded enhancements and other programmes	12

Introduction

1. This document sets out ORR's roles and responsibilities for the regulation of railway enhancements in England, Wales and Scotland in control period 7 (CP7), from April 2024 to March 2029.
2. Specifically, we have set out how our roles interact with the roles performed by Network Rail, the Department for Transport (DfT) and Transport Scotland. However, this document does not provide a complete list of the roles performed by other parties.

Background

3. In control period 6 (CP6) the Department for Transport (DfT) and Transport Scotland adopted pipeline approaches to commissioning enhancement programmes and projects. The pipeline approaches for DfT and Transport Scotland are continuing in control period 7 (CP7).
4. Our periodic review for CP6 ('PR18', in 2018) did not determine funding or milestones for enhancements. These were determined separately, through the pipeline processes noted above. Similarly, enhancements were excluded from our periodic review for CP7 ('PR23', in 2023).
5. The regulatory obligations on Network Rail, set out in its Network Licence, have not changed from CP6 to CP7.
6. Given that the pipeline processes, the periodic review process and the Network Licence all remained unchanged from CP6 to CP7, ORR's roles and responsibilities for enhancements remain the same in CP7 as they were in CP6.

England & Wales enhancements

7. Overall objective of ORR's role: To incentivise Network Rail to effectively deliver its obligations for the CP7 enhancements portfolio, consistent with the DfT/Network Rail Memorandum of Understanding regarding enhancements, and to support and challenge Network Rail in building its capability.
8. The **role of the DfT**, working directly with Network Rail, is to:
 - agree a plan for taking forward enhancements, including agreeing milestones with Network Rail;
 - hold Network Rail to account in a client/delivery agent relationship, working closely with Network Rail through the project/programme boards;
 - work with Network Rail to gain assurance on individual projects;
 - establish a funding baseline and agree management of this (including provisions for risk and efficiency) with Network Rail; and
 - monitor future performance against the agreed baseline (which will be subject to change control during the control period). This baseline would be used by the ORR for the purpose of any addition to the regulatory asset base (RAB) (if applicable) and commentary on financial performance.
9. ORR's role on the enhancements portfolio funded by DfT is as set out below.
 - Monitor Network Rail's delivery of enhancements, to enable a holistic view of Network Rail's performance across operations, maintenance, renewals and enhancements.
 - Provide public accountability and reputational incentives through independent reporting in the Network Rail Annual Assessment on Network Rail's progress delivering enhancements and highlighting the reasons for any changes to its baseline.
 - Inform an assessment of the risk to successful timetable changes, impacting on passenger and freight end-users of the railway, by providing an independent view on Network Rail's delivery of infrastructure enhancements. This is part of ORR's role to monitor the preparedness across the industry for forthcoming timetable changes and maintain this focus while the industry increases its timetabling capability.

ORR will undertake the above three roles by:

- (1) reviewing Network Rail's project, programme and portfolio reporting;
 - (2) completing reviews of Network Rail's capability to develop and deliver enhancements This is in accordance with the Capital Investment Capability Framework—a structured approach agreed upon by ORR and Network Rail during CP6. The summary report on the baseline assessment of Network Rail regions, published by ORR in December 2020, provides more details and is available [here](#).
 - (3) attending industry programme delivery groups and boards for information; and
 - (4) making enquiries to informed Network Rail teams and challenging their response, to inform an independent view.
- Publicly report on the cost of enhancement projects as part of ORR's annual efficiency and finance assessment of Network Rail as a whole.

Support the DfT's client role by:

- providing an understanding of Network Rail's broader capability to deliver across its business and steps to address capability issues; and
 - advising DfT of any issues identified through ORR's monitoring, that may assist DfT in holding Network Rail to account, by taking a proportionate approach and using industry programme delivery groups and boards to provide this advice.
 - **Not** to monitor the cost efficiency of enhancement projects or take action in relation to specific milestones, which will **not** be regulated outputs. Albeit milestone performance, and lessons learnt from a particular milestone, may be a relevant input into identifying broader capability issues and informing our public commentary.
12. Network Rail will produce a quarterly England and Wales Enhancements Delivery Plan (EDP). Its purpose will be to:
- allow railway undertakings to plan their businesses with a reasonable degree of assurance (fulfilling a network licence condition); and

- provide transparency on enhancement commitments which should incentivise Network Rail to deliver a high level of performance and inform public and parliamentary debate around this performance.

13. This EDP will contain:

- schemes which are post-final investment decision (as per the DfT Rail Network Enhancements Pipeline);
- milestones describing Network Rail's obligations to its funders and customers (for various key outputs if applicable);
- contact details, to facilitate stakeholders looking for additional information; and
- a brief narrative to enable stakeholders to understand how the scheme could impact on their businesses.

14. When a change is required to the published baseline of Network Rail's obligations for enhancements:

- the change will be agreed between Network Rail and its client through the joint governance (joint project/ programme boards and joint portfolio board), involving broader, affected stakeholders;
- Network Rail and DfT will agree and provide transparency on the status of the changed milestone in the EDP;
- ORR will consider if the change arises from a capability issue and report on this as appropriate in the Network Rail Annual Assessment;
- ORR's specific role in change control will be to provide process assurance for Network Rail's customers and funders (i.e. that a reasonable process for accurate public reporting of Network Rail's performance is in place, has been followed and stakeholders have been consulted), but not to sign off any change; and
- ORR will also note any changes that materially impact the PR23 settlement. These changes will be managed in accordance with a separate change control policy outlined in the 'Managing Change Policy for CP7', published by ORR in December 2023, available [here](#).

15. In CP7, we will review whether stakeholders can access the information they need to plan their businesses using the EDP and related information and identify if any improvements are required.

Scotland enhancements

16. Overall objective of ORR's role: To incentivise Network Rail to effectively deliver its obligations for the CP7 enhancements portfolio, consistent with the principles agreed between Transport Scotland and Network Rail, drive efficiency, and to support and challenge Network Rail in building further capability.
17. The role of **Transport Scotland**, working closely with Network Rail, is to:
 - agree and apply a pre-pipeline and pipeline for taking forward Scotland enhancements, including agreeing milestones with Network Rail;
 - hold Network Rail to account for the delivery of enhancements in a client/deliverer relationship, working closely with Network Rail through project/programme and portfolio boards, to deliver on time and on budget in accordance with agreed the projects pipeline governance for Scotland;
 - work with Network Rail to gain assurance on the affordability and deliverability of individual projects from a client and funder perspective; and
 - establish a funding baseline and agree management of this (including provisions for risk).
18. **ORR's** role is as set out below.
 - Designate milestones that have been agreed between Transport Scotland and Network Rail as formal regulatory requirements and hold Network Rail to account for the efficient delivery of those milestones.
 - Provide public accountability on the Network Rail enhancements portfolio. To use the Network Rail Annual Assessment to independently report on overall Network Rail progress on enhancements and to provide a commentary on the Transport Scotland / Network Rail agreed plan, highlighting reasons for changes. This should support effective delivery by providing reputational incentives.
 - Monitor Network Rail's delivery of enhancements, to enable a holistic view of Network Rail's performance across operations, maintenance, renewals and enhancements and to highlight the impact of these enhancements on other parts of complex cross-industry programmes.

- Inform an assessment of the risk to successful timetable changes, impacting on passenger and freight end-users of the railway, by providing an independent view on Network Rail's delivery of infrastructure enhancements. This is part of ORR's role to monitor the preparedness across the industry for forthcoming timetable changes, and maintain this focus while the industry increases its timetabling capability
- Support the effective delivery of the portfolio in Scotland by providing an understanding of Network Rail's broader capability to deliver across its business and taking steps to address capability issues.
- ORR will undertake the above five roles by:
 - (1) reviewing project, programme and portfolio reporting;
 - (2) completing reviews of Network Rail's capability to develop and deliver enhancements (in CP6, ORR and Network Rail agreed a structured approach for this);
 - (3) attending industry programme delivery groups and boards for information; and
 - (4) making enquiries to informed Network Rail teams and challenging their response, to inform an independent view.
- To provide advice to Transport Scotland (as requested) on the efficient cost and scope of delivering a specified output at investment decision points to incentivise Network Rail to deliver efficiently. This baseline will be used by ORR for the purpose of additions to RAB, if applicable in the future, and commentary on financial performance; and
- Publicly report on the cost of enhancement projects as part of ORR's annual efficiency and finance assessment of Network Rail as a whole.

19. Network Rail will produce a quarterly Scotland EDP. Its purpose will be to:

- allow railway undertakings to plan their businesses with a reasonable degree of assurance (fulfilling a network licence condition); and
- provide transparency on enhancement commitments which should incentivise Network Rail to deliver a high level of performance and inform public and parliamentary debate around this performance.

20. The Scotland EDP should contain:

- Schemes that are post-Final Business Case, in accordance with the 'Rail Enhancements & Capital Investment Strategy' by Transport Scotland, published in March 2018, available [here](#).
- milestones describing Network Rail's obligations to its funders and customers (for various key outputs if applicable);
- contact details, to facilitate stakeholders looking for additional information; and a brief narrative to enable stakeholders to understand how the scheme could impact on their business.

21. When a change is required to the baseline of the agreed Scotland EDP:

- the change will be agreed between Network Rail and its client through the joint governance (joint project/programme boards and joint portfolio board), involving broader, affected stakeholders;
- ORR will consider if the change arises from a capability issue and report on this as appropriate in the Network Rail Annual Assessment;
- ORR's specific role in change control will be to provide process assurance (i.e. that a reasonable process for accurate public reporting of Network Rail's performance is in place, has been followed and stakeholders have been consulted) to Network Rail's customers and funders, but not to sign off the change. ORR will provide advice if requested on the efficient cost of a change; and
- ORR will note changes impacting materially on any PR23 settlement which will in parallel be subject to a separate change control policy as set out in our Managing Change Policy for CP7.

22. A separate document will be produced to describe Network Rail's obligations for schemes in the pipeline but not committed for delivery by the Scottish Government, including:

- a brief description of schemes including their strategic fit with details of what Network Rail is delivering and how it might contribute to a future service output;

- milestones describing Network Rail's obligations to develop projects in the pipeline as agreed with, and funded, by Transport Scotland; and

Devolved government, third party funded enhancements and other programmes

23. We have outlined our approach to facilitating third-party investment in the rail network on our website. Our response to stakeholder feedback has led to various actions, as detailed in our document, ['Investing in the Rail Network: The Investment Framework'](#). These include:
- launching a new railway investment web section;
 - providing a single point of initial contact for investor queries;
 - publishing updated guidance on how investors can secure access rights on the national network;
 - commissioning an independent review of Network Rail's Industry Risk and Network Rail Fee Funds; and
 - updating the investment framework.
24. We will work with other government bodies to understand their expectations for enhancements and how we can work together. We have already had some discussions with Welsh Government and other devolved bodies to understand their views. In principle, we could, if requested, advise on the efficient cost of delivery of a particular scheme or portfolio of work, or assist with reputational incentives on delivery through monitoring and reporting.
25. Significant third party funded schemes delivered by Network Rail will be included in its EDP where appropriate, considering the requirements of each funder. This will include as a minimum a summary of the entry into service milestone(s) and Network Rail obligations.
26. We recognise that other major rail infrastructure programmes are being delivered by parties other than Network Rail. Whilst we have no formal role in regulating these programmes, we recognise that they have a significant impact on Network Rail's plans during CP7 and we will monitor project interdependencies and the impact of these projects on Network Rail's plans.
27. During CP6, we began monitoring renewals activity by collecting information on a sample of individual projects. In CP7 we will continue with this approach and look to develop this role further, in line with our PR23 determination for renewals funding



© Crown copyright 2024

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at orr.gov.uk

Any enquiries regarding this publication should be sent to us at orr.gov.uk/contact-us

