

CP6 route strategic plan review summary

London North East and East Midlands (LNE&EM) route

Purpose

This document provides a summary of the key proposals in the LNE&EM route strategic plan for control period 6 (CP6)¹ and a short high level overview of our review of this, as part of our 2018 periodic review (PR18). For our more detailed assessment of this and the other strategic plans, please see our PR18 draft determination [supplementary documents](#).

Over summer 2018, Network Rail's routes will be making targeted updates to their plans in line with our overall proposed decisions in the draft determination. For the final determination in October 2018, this summary will be expanded to include more detailed information on the settlement we are setting for the LNE&EM route in CP6.

Summary of key proposals by the route

1. In its route strategic plan (RSP), the LNE&EM route proposed:
 - a safety strategy that delivers significant reductions in workplace accidents and improvements in the safety of its passengers, those working on the railway and the wider public that interacts with the railway;
 - an operations and performance strategy that aims to accommodate the significant increases in train services in CP6;
 - a maintenance strategy, underpinned by detailed planning and the Safe and Effective Working programme that improves the efficiency and effectiveness of delivery. It also plans to extend asset life and reduce maintenance cost through further investment in Intelligent Infrastructure;
 - a renewals strategy built upon detailed workbanks that seeks to prioritise funding towards the minimisation of safety risks and improving performance; and
 - a strengthening of the programme sponsorship capability within the route to enable the delivery of its enhancements portfolio to time and budget.
2. These core strategies are supported by enabling strategies:
 - improving processes that co-ordinate and control asset management activities, establishing Route Asset Management Plans (RAMPs) and effective processes to deliver a stable workbank in terms of both cost and volume;

¹ CP6 will run from 1 April 2019 to 31 March 2024.

- optimising access planning with its train operator customers. It will have fixed maintenance windows and renewals access that is optimised between passenger disruption and efficiency;
 - investing in the skills and knowledge of LNE&EM's workforce to improve the capability to deliver; and
 - enabling Digital Railway on the ECML south of Peterborough by the end of CP6, subject to funding being available.
3. The route's RSP (available [here](#)) sets out more fully what the route proposed to deliver in CP6. Within this, the route included a scorecard containing:
- measures that have been developed with customers/local stakeholders, including particular train operator performance measures; and
 - a set of 'consistent measures' that apply to all of Network Rail's geographic routes and which will enable comparison across routes during CP6.
4. The scorecard included the targets that the route has set itself against these measures. While the full scorecards are available within the [RSP](#), Table 1 below sets out the route's targets for the consistent measures. The measures included in bold are those that we specifically required routes to include a target for².
5. Some of the targets and trajectories over CP6 for train performance and asset sustainability are likely to change to reflect the process we have asked Network Rail to undertake in response to our draft determination decisions, as discussed later in this document.
6. Table 2 below then sets out its expenditure and income forecasts from the RSP.

Table 1: Route consistent measures on the route's scorecard³

Area	Metric	CP6				
		2019-20	2020-21	2021-22	2022-23	2023-24
Safety	Lost time injury frequency rate (LTIFR)	TBC	TBC	TBC	TBC	0.17
	Train accident risk reduction measures	80%	80%	80%	80%	80%
	Top 10 milestones to reduce level crossing risk	8	8	8	8	8
	Railway management maturity model (RM3)	This measure remains in development by Network Rail				

² There will also be other consistent measures that the route will report against in CP6 (but will not necessarily have a specific target for), including end-user measures such as passenger satisfaction with the route. These are discussed in our [scorecards and requirements](#) supplementary document.

³ Definitions of the measures are available [here](#).

Area	Metric	CP6				
		2019-20	2020-21	2021-22	2022-23	2023-24
Train performance	Consistent route measure – passenger performance (CRM-P)	1.34	1.33	1.30	1.28	1.27
	Freight delivery metric – route (FDM-R)	93.9%	93.9%	93.9%	93.9%	93.9%
Asset management	Composite sustainability index (CSI)	-	-	-	-	-2.0%
	Reduction in service affecting failures (SAF)	0.5%	3.0%	3.2%	1.5%	1.7%
	Composite Reliability Index (CRI)	0.5%	3.2%	6.1%	7.4%	8.9%
	7 key volumes	95%	95%	95%	95%	95%
	Top investment milestones	80%	80%	80%	80%	80%
Financial performance	Financial performance measure (FPM) – gross excluding enhancements	£0m	£0m	£0m	£0m	£0m
	Financial performance measure (FPM) – gross enhancements only	£0m	£0m	£0m	£0m	£0m
	Cash compliance – income and expenditure	£0m	£0m	£0m	£0m	£0m

Table 2: Summary of route's proposed expenditure and income for CP6⁴

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Support	402	118	115	115	117	115	580
Operations	581	106	105	104	103	102	521
Maintenance	1,318	298	304	300	297	294	1,493
Renewals	2,949	699	724	744	621	560	3,349
Schedule 4&8	262	94	48	57	44	44	287
Traction electricity, industry costs and rates	494	124	135	152	182	199	791
System Operator	24	11	13	15	13	12	64
Route controlled risk funding	0	26	26	26	26	26	132
Route contribution to group portfolio fund	0	37	53	93	93	123	398
Gross revenue requirement	6,031	1,513	1,522	1,607	1,497	1,475	7,615
Other single till income	(488)	(88)	(88)	(87)	(88)	(89)	(440)
FNPO recharge	0	(371)	(389)	(384)	(348)	(350)	(1,843)
Net revenue requirement	5,543	1,054	1,044	1,136	1,060	1,037	5,332
<u>Recovered through</u>							
Variable charges	(902)	(222)	(189)	(218)	(215)	(234)	(1,078)
Fixed charges / Network Grant	(5,980)	(833)	(856)	(918)	(845)	(803)	(4,255)
Total SOFA related income	(6,882)	(1,055)	(1,045)	(1,136)	(1,060)	(1,037)	(5,333)

⁴ In the CP5 total column, all of the numbers represent actual income and expenditure (including a forecast for the rest of the control period). This means that in the CP5 total column, the fixed charges/network grant number includes income for expenditure that in CP6 is outside of the SoFA and not included in this table (British Transport Police costs, financing costs and corporation tax). For CP6, Network Rail has calculated: the gross revenue requirement to be equal to its proposed expenditure; the net revenue requirement to be equal to the gross revenue requirement less other single till income; and the fixed charges/network grant line to be equal to the net revenue requirement less variable charges. Also, some total values are affected by rounding applied to constituent values.

Table 2a: LNE&EM's proposed support costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route support costs	14	20	20	20	20	20	100
Central support costs	388	99	95	95	97	95	481
Total support costs	402	118	115	115	117	115	580

Table 2b: LNE&EM's proposed operations costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route operations costs	608	104	104	103	101	100	511
Central operations costs	(26)	2	2	2	2	2	10
Total operations costs	581	106	105	104	103	102	521

Table 2c: LNE&EM's proposed maintenance costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route maintenance costs	1,276	293	294	297	293	290	1,467
Central maintenance costs	42	5	11	4	3	4	27
Total maintenance costs	1,318	298	304	300	297	294	1,493

Table 2d: LNE&EM's proposed renewals costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route renewals costs	2,447	561	567	581	498	463	2,669
Central renewals costs	502	139	156	163	124	97	680
Total renewals costs	2,949	699	724	744	621	560	3,349

Our approach to assessing the plan

- Our assessment of the RSP involved a mix of scrutiny at a route-level and of individual activity types.
- We reviewed the proposed costs in the plan, along with the asset management, health and safety, scorecards and performance, and stakeholder engagement aspects. In particular, we carried out:

- three ‘main’ meetings with the route overall, including with the route managing director. This included the route presenting its plan in December 2017. These built on our engagement with the route prior to the SBP submission; and
 - several ‘deep dive’ meetings including on: performance trajectories, structures, earthworks, drainage, electrification & plant, signalling, level crossings, and track. These allowed the ORR teams to meet with the specialists in each relevant area. Our targeting of deep dive meetings was risk based. Where we did not hold deep dive meetings on particular assets/areas with the route, the deep dive meetings that we held with other routes on these helped to inform our assessment⁵. We also put questions to the route via correspondence.
9. We also considered as part of our review the comments we received from stakeholders. This included responses to our invitation to stakeholders to provide their high-level and material points on the SBPs to inform our review.
10. In addition:
- our consultants Gleeds met with the route to discuss its approach to cost planning (i.e. the process to understand the cost of delivering each item of work). Understanding what drives cost is important to the effective scoping of work and selection of the preferred option or technical solution, and as such has a direct effect on efficiency; and
 - together with Network Rail, we commissioned Nichols, an independent reporter, to provide assurance to us on the reasonableness of the efficiency plans of each of the geographic routes. As part of this, Nichols met with all the geographical routes, including LNE&EM.
11. We also discussed, with Gleeds and Nichols together, the conclusions of both of their studies. This was so that we could draw out any common issues, check that the boundary between their reviews was clear and decide how we could incorporate their work into our draft determination. We also considered whether there was any cross-over between these two workstreams and the study we commissioned by our consultants CEPA on Network Rail’s financial risk assessment and management.

Our draft determination

12. As set out in our PR18 draft determination overview, we found the route plans to be an important step forward. The evidence from our work – informed by conclusions from our consultants – was that the RSPs were broadly fit for purpose, and the process followed to prepare them was an improvement on PR13. Further, we

⁵ This was also supplemented by information gained from other aspects of our review. For example, our discussions with Network Rail’s Safety, Technical & Engineering (STE) directorate’s technical specialists for each asset type, consideration of Network Rail’s STE’s assurance review of all the routes, and responses from the ‘main’ route SBP meetings.

welcome the ownership that the routes have demonstrated of these plans. However, we have identified a number of significant adjustments – including to efficiency – that should be made and which provide sufficient funding to allocate at least a further £1bn to improving asset condition across England & Wales.

13. Reflecting this, we are not requiring detailed top down changes to be made to the LNE&EM RSP as part of our draft determination. Instead, we have agreed with Network Rail a process for the routes to make targeted adjustments to all of the route plans.
14. Deliverability is also an important issue as overall activity levels peak in years three and four of the control period, especially in signalling. Network Rail has not yet provided sufficient assurance that its proposed profile of work is deliverable and that it would be the most efficient way of delivering the work, after taking account of the supply chain.
15. These issues will likely have implications for the LNE&EM route, and below we highlight these links and include references to where they are discussed in more detail.
 - **Asset sustainability:** the LNE&EM route set out plans that would result in an overall fall in asset condition over CP6. This reflects a broader trend across England & Wales, and we have asked Network Rail to add around £1bn of additional work to improve asset condition within CP6, and to set out proposals for how this should be allocated across the routes. More information is available in our [draft determination overview document](#).
 - **Safety expenditure:** we considered that in a number of areas more work would be needed to meet the required legal safety standards in CP6. This was particularly the case in respect of user-worked level crossings and driver/worker safety in depots, where we have allocated additional funding. As part of the additional work that Network Rail will consider in respect of improving asset condition (discussed above), we have also asked it to consider prioritising certain assets (including earthworks) where this is needed to control precursors to catastrophic failure. More information is available in our supplementary document on [health & safety](#).
 - **Efficiency:** we did not consider that Network Rail had provided sufficient justification for its overall efficiency challenge, and have asked the company to identify a further £586m of savings in England & Wales, to be found across the company, including within the LNE&EM route. More information on this (and on deliverability) is available in our supplementary document on our [review of Network Rail's proposed costs](#).
 - **Performance:** across England & Wales, we are providing an additional opportunity for routes and passenger operators to agree suitable targets for

delivery across CP6. This includes the LNE&EM route, as it relates to Virgin Trains East Coast (and then imminent successor operator), Northern, East Midlands Trains, Hull Trains and Grand Central. More information is available in our supplementary document on [scorecards and requirements](#).

Route stakeholder engagement

16. As part of our SBP review, we have assessed how well Network Rail's routes and the System Operator (SO) engaged with their stakeholders to inform their strategic plans. We wanted the routes/SO to engage with their stakeholders to help them to understand and meet their stakeholders' requirements, and to allow them to use operators' railway expertise and understanding of operations, access and costs to make their plans more efficient, realistic and credible.
17. We have assessed the LNE&EM route's approach with respect to three areas (scope and methods of engagement; recording and analysis of priorities; and trade-offs and line of sight)⁶. Our findings with respect to each of these three areas are discussed below.

Scope and methods of engagement: Which stakeholders did the route engage with and how well did it do so?

18. The LNE&EM route engaged with a range of stakeholders but lacked engagement with freight end users and external suppliers.
19. The LNE&EM route said it intentionally limited the range of stakeholders it invited to its workshops in order to promote focussed discussion. This is a useful approach, but it could have been supplemented with other forms of engagement to ensure that all stakeholders had an opportunity to provide input.

⁶ We have summarised our assessment of the route's engagement using the following terminology:

Effective: The engagement is effective in supporting delivery of our overall PR18 aims and, specifically, that it enables stakeholders to influence priorities and challenge performance (where necessary). The engagement should also be proportionate to what it is seeking to achieve (so that money on engagement is well spent);

Inclusive: The overall engagement should seek to involve all relevant stakeholders (without undue discrimination) and should adopt different approaches to reflect differing stakeholder capabilities and interests;

Well governed: There should be processes that encourage meaningful engagement and accountability, as well as providing mechanisms for challenge and escalation; and

Transparent: On **performance:** There should be provision of appropriate and relevant information and data to enable stakeholders to influence and challenge in an effective and timely way. On **engagement:** It should be clear how engagement arrangements have been implemented and what impacts they have had on Network Rail's actions and delivery. For example, there should be a record of key points made by different stakeholders and how they have been acted on (or, if not, why not).

20. The LNE&EM route held six CP6 stakeholder workshops across three geographic areas. It also held a number of bilateral meetings with TOCs and FOCs and secured dedicated market research to establish the needs of local enterprise partnership stakeholders.
21. Some of the LNE&EM route's stakeholders have expressed concerns with the route's engagement process. These included that the route did not set out a clear strategy for gathering stakeholders' views, and that the process seemed more like a presentation of the route's plans than a genuine opportunity for stakeholders to influence them.
22. In presenting its understanding of who it has engaged with and how, the LNE&EM RSP included a good stakeholder map and explanation of its engagement activities.
23. The LNE&EM route's engagement appears to have been **well governed**, in that it has demonstrated a good understanding of its stakeholders and presented a rationale for the ways it engaged with them. However, its engagement could have been more **inclusive** by ensuring that all relevant stakeholders were engaged with.

Recording and analysis of priorities: How well has the route recorded, analysed and reflected on its stakeholders' priorities?

24. The LNE&EM RSP included a "you said, we did" table setting out 23 specific stakeholder priorities and what the route has done or planned to do in response to them. The stakeholder engagement section of the RSP also listed further specific stakeholder priorities grouped into 'areas' and explains how the plan addressed them and the limitations on this. Furthermore, the supporting information supplied with the RSP included a log of feedback recorded at the workshops.
25. However, the LNE&EM RSP did not set out the route's understanding of the priorities of passengers and other end users, or what the route planned to do to meet them.
26. The LNE&EM RSP could have explained more **transparently** how the route narrowed down the full range of stakeholder feedback received to the particular items discussed in the plan, although some **transparency** is achieved by listing a number of priorities and the route's responses to them.

Trade-offs and line-of-sight: Has the route demonstrated a robust process for deciding between competing stakeholder priorities? Has it demonstrated a line-of-sight between stakeholder priorities and the actions it has committed to in its RSP?

27. The LNE&EM RSP acknowledged which stakeholder needs the route would not be able to meet and explained what the route would do to mitigate the consequences of this. This suggests that the route has traded-off competing stakeholder priorities, but there is limited explanation of how this was done.

28. The LNE&EM RSP demonstrated some line of sight between stakeholders' needs and the route's commitments for CP6 by cross-referring to parts of the plan where certain stakeholder needs are dealt with.
29. By discussing how it has traded-off competing priorities and showing a line-of-sight to commitments in its plan, the LNE&EM route has shown that its engagement was at least partially **effective**.

Next steps

30. Each of Network Rail's England & Wales routes will now undertake a targeted update of their route business plans. We expect this update to build on the existing stakeholder engagement, by ensuring that operators have an opportunity to comment on the proposed updates to the plan.
31. We will then review the updates to the LNE&EM RSP, alongside the evidence of meaningful stakeholder engagement, when reaching our final determination. At this point, we will set out more detail on what this means for the LNE&EM route.



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