

# CP6 route strategic plan review summary

## Wessex route

### Purpose

This document provides a summary of the key proposals in the Wessex route strategic plan for control period 6 (CP6)<sup>1</sup> 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 Wessex route in CP6.

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### Summary of key proposals by the route

1. In its route strategic plan (RSP), Wessex proposes to focus on:
  - delivering a safe railway by implementing a number of schemes including faster safer isolations and reducing level crossing risk;
  - delivering a reliable railway through a reduction in Service Affecting Failures and faster recovery from incidents; and
  - increasing capacity on the route through early, efficient access planning and implementing a localised Traffic Management Scheme.
2. The plan also includes re-signalling proposals at Feltham and Farncombe to Petersfield. These re-signalling schemes are large, with the Feltham scheme having a GRIP4 estimated cost of £160m.
3. The Feltham re-signalling scheme was deferred in CP5 and the deferral has led to assets nearing the end of their life degrading rapidly with unpredictable consequences for reliability and performance. The re-signalling schemes aim to reduce the number of signalling failures and significantly reduce the impact of any failures; leading to improved reliability and performance on the suburban and Portsmouth direct route.

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<sup>1</sup> CP6 will run from 1 April 2019 to 31 March 2024.

4. Wessex has made a number of safety commitments for CP6, including:
  - enabling faster safer isolations by investing extensively in equipment such as negative short circuit devices, which will improve safety and meet more fully duties under the Electricity at Work Regulations;
  - rationalising the planning and organising of maintenance work with the aim of making best use of available engineering access in coordinated, standardised possessions; and
  - reducing level crossing risk, for example through the upgrading of some half-barrier crossings.
5. The route's proposed performance trajectories have been reviewed and analysed in the context of poor performance in the latter part of CP5 and regulatory scrutiny from ORR. This recent performance has depressed the forecasted entry point in to CP6. The route has noted further downward pressures on performance from passenger growth, traffic growth resulting from the 2018 and 2020 timetable changes, implementation of the Feltham and Portsmouth re-signalling schemes and "historical trend". To compensate for these downward pressures the route plans a number actions including:
  - Predictive and planned maintenance;
  - Reducing reactionary delay; and
  - Reversing out impacts of significant "one off" CP5 events (Waterloo redevelopment and Industrial Action).
6. 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.
7. 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 for<sup>2</sup>.
8. 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

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<sup>2</sup> 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.

to undertake in response to our draft determination decisions, as discussed later in this document.

9. Table 2 below then sets out its expenditure and income forecasts from the RSP.

**Table 1: Route consistent measures on the route's scorecard<sup>3</sup>**

Area	Metric	CP6				
		2019-20	2020-21	2021-22	2022-23	2023-24
Safety	Lost time injury frequency rate (LTIFR)	0.407	0.348	0.288	0.229	0.170
	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				
Train performance	<b>Consistent route measure – passenger performance (CRM-P)</b>	<b>2.35</b>	<b>2.30</b>	<b>2.36</b>	<b>2.27</b>	<b>2.22</b>
	<b>Freight delivery metric – route (FDM-R)</b>	<b>93.6%</b>	<b>93.6%</b>	<b>93.6%</b>	<b>93.6%</b>	<b>93.6%</b>
Asset management	<b>Composite sustainability index (CSI)</b>	-	-	-	-	<b>-5.4%</b>
	Reduction in service affecting failures (SAF)	1%	1%	1%	1%	1%
	Composite Reliability Index (CRI)	1.0%	2.0%	3.0%	3.9%	4.9%
	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	£0	£0	£0	£0	£0
	Financial performance measure (FPM) – gross enhancements only	£0	£0	£0	£0	£0
	Cash compliance – income and expenditure	£0	£0	£0	£0	£0

<sup>3</sup> Definitions of the measures are available [here](#).

**Table 2: Summary of Wessex's proposed expenditure and income for CP6<sup>4</sup>**

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Support	150	47	47	47	48	46	236
Operations	175	44	43	43	43	44	217
Maintenance	518	114	114	110	106	106	549
Renewals	1,121	254	314	366	318	186	1,439
Schedule 4&8	241	29	31	33	34	28	155
Traction electricity, industry costs and rates	299	77	79	79	86	86	407
System Operator	12	4	5	5	5	4	23
Route controlled risk funding	0	13	13	13	13	13	65
Route contribution to group portfolio fund	0	16	22	40	40	52	169
<b>Gross revenue requirement</b>	<b>2,516</b>	<b>597</b>	<b>668</b>	<b>737</b>	<b>693</b>	<b>565</b>	<b>3,261</b>
Other single till income	(435)	(71)	(72)	(71)	(71)	(73)	(358)
FNPO recharge	0	(34)	(41)	(46)	(41)	(35)	(197)
<b>Net revenue requirement</b>	<b>2,081</b>	<b>492</b>	<b>555</b>	<b>620</b>	<b>581</b>	<b>458</b>	<b>2,705</b>
<u>Recovered through</u>							
Variable charges	(496)	(126)	(131)	(132)	(135)	(129)	(653)
Fixed charges / Network Grant	(1,870)	(366)	(425)	(488)	(446)	(329)	(2,052)
<b>Total SOFA related income</b>	<b>(2,366)</b>	<b>(492)</b>	<b>(556)</b>	<b>(620)</b>	<b>(581)</b>	<b>(458)</b>	<b>(2,706)</b>

<sup>4</sup> 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: Wessex'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	2	10	10	10	10	10	48
Central support costs	148	38	38	38	38	37	188
<b>Total support costs</b>	<b>150</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>48</b>	<b>46</b>	<b>236</b>

**Table 2b: Wessex'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	174	43	43	43	43	43	215
Central operations costs	1	1	0	0	0	1	2
<b>Total operations costs</b>	<b>175</b>	<b>44</b>	<b>43</b>	<b>43</b>	<b>43</b>	<b>44</b>	<b>217</b>

**Table 2c: Wessex'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	508	113	111	109	105	105	543
Central maintenance costs	9	1	3	1	1	1	7
<b>Total maintenance costs</b>	<b>518</b>	<b>114</b>	<b>114</b>	<b>110</b>	<b>106</b>	<b>106</b>	<b>549</b>

**Table 2d: Wessex'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	912	185	235	291	243	132	1,086
Central renewals costs	208	69	79	76	75	54	353
<b>Total renewals costs</b>	<b>1,121</b>	<b>254</b>	<b>314</b>	<b>366</b>	<b>318</b>	<b>186</b>	<b>1,439</b>

## 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.

11. 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 looking at performance and areas of asset management such as signalling, earthworks and operational property. 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 areas helped to inform our assessment<sup>5</sup>. We also put questions to the route via correspondence.
12. 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.
13. 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 Wessex.
14. 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.

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<sup>5</sup> 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.

## Our draft determination

15. 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 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.
16. Reflecting this, we are not requiring detailed top down changes to be made to any of the England & Wales RSPs 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.
17. 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.
18. These issues will likely have implications for the Wessex route, and below we highlight these links and include references to where they are discussed in more detail.
  - **Asset sustainability:** the Wessex 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 Wessex route. More information on this (and 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 Wessex route, as it relates to South Western Railway. More information is available in our supplementary document on [scorecards and requirements](#).

## Route stakeholder engagement

19. 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.
20. We have assessed the Wessex 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)<sup>6</sup>. 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?

21. South Western Railway took over the Wessex franchise in August 2017, and the Wessex route has had to deal with the change of franchise while undertaking its engagement activities. The route has assessed the 'collaborative maturity' of its relationship with South Western Railway (rating it as moving from 'exploring' to

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<sup>6</sup> 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).



'defined', the second and third points on a five point scale) and has committed to improving this.

22. First Group, South Western Railway's owning group, noted that the Wessex route engaged with it informally prior to August 2017, but suggested that the route should have followed a more controlled process with set dates and timescales. It also suggested that the route should have done more to engage the incumbent franchisee. The route has responded that it did engage with the incumbent franchisee, that it invited First Group to its February 2017 workshop and that it engaged with South Western Railway's executive team as soon as it was announced.
23. The scope and methods of engagement used by the Wessex route are unclear from its RSP, but based on supporting information supplied with the strategic plan and at route challenge meetings, we can see that the route has used a good variety of methods to engage with its stakeholders (including workshops, email, board meetings and liaison meetings). It held two separate workshops, one for operators, and another for local authorities and representative bodies.
24. The Wessex route circulated a briefing pack on its RSP to a range of local authorities for comment in August 2017 and received a good range of responses. The RSP also included a good stakeholder map identifying who its key stakeholders are.
25. The Wessex route's engagement was **inclusive** and **well governed**. However, the route could have been more **transparent** in setting out its engagement processes in its strategic plan.

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

26. The Wessex RSP listed several stakeholder priorities, but did not link these to stakeholders or groups of stakeholders.
27. The Wessex route analysed its stakeholders' needs by using the methodology of MoSCoW principles to break them down into ones that it 'must, should, could and won't' meet, and placed the needs that it considered it must, should or could meet on a chart according to their importance and urgency (that is, whether they need to be met in CP5, CP6 or CP7). This gave a clear picture of the route's views of its stakeholders' needs, but the RSP could have explained in more detail how these specific views were arrived at.
28. The Wessex RSP also identified three "highest collective stakeholder priorities", but did not explain why those three were chosen.
29. The Wessex RSP referred to evidence gathered by route studies, the National Rail Passenger Survey (NRPS) and the National Freight Strategy. It could have been

clearer about how these sources influenced the route's plans for CP6 and the extent to which they were a complement to or a substitute for direct engagement with stakeholders.

30. The Wessex route's adoption of clear procedures for analysing its stakeholders' priorities suggests that the route's engagement was **well governed**. However, it could have been more **transparent** in explaining how it arrived at the three "highest collective stakeholder priorities", which would have added confidence that the engagement was **effective**.

### **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?**

31. As noted above, the Wessex route used MoSCoW principles to analyse its stakeholders' priorities according to their importance and urgency. However, more explanation is needed on how this was done and how this analysis has been used to inform the route's decision making.
32. The Wessex RSP included a line-of-sight chart linking the three "highest collective stakeholder priorities" to the route's CP6 priorities, its objectives and workstreams, and finally to 21 specific activities. This would help the reader to understand how stakeholders' priorities have influenced the route's plans.
33. The Wessex RSP **transparently** demonstrated how the route planned to meet the three "highest collective stakeholder priorities", although the overall **effectiveness** of the route's engagement could have been better demonstrated by more fully explaining how the route identified those three priorities.

### **Next steps**

34. 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.
35. We will then review the updates to the Wessex 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 Wessex route.



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