

CP6: moving from final determination to delivery



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14 November 2018



Periodic Review 2018: ORR's Final Determination

Background to PR18: The basic process



OFFICE OF RAIL AND ROAD



Over a 2-3 year period, ORR develops its policy framework for the periodic review



ORR's determination

High level output specification (HLOS)
What they want to be achieved by railway activities during the control period

Statement of funds available (SoFA)
Public resources likely to be available to achieve the HLOS



Secretary of State (for England & Wales) and the **Scottish Ministers** each provide ORR with:



Produces its 'strategic business plans' setting out how it would deliver the HLOS requirements and how much this would cost



Determines whether Network Rail's SBP would deliver the HLOS and whether there are sufficient funds available for this
Decides what Network Rail should deliver and funding at route level



The final determination in numbers



£35bn of spending on operating, maintaining and renewing the network

£545m in efficiency improvements (a 10% improvement) in E&W

£245m for R&D, backed by new governance

£73m in efficiency improvements (a 12% improvement) in Scotland

£16.6bn of renewals in GB

£40m to set up a new performance innovation fund

An additional **£80m** of safety improvements (on top of the initial plans)

Funding for an additional **100** timetabling staff

Simplification by removing **5** charges/incentive mechanisms



What's different?

■ Context:

- Network Rail in public sector
- Route based approach

■ Learning lessons from CP5

- Simplify framework
- Better processes for managing change
- Focus on Network Rail preparedness

■ Funding increase

- To fund asset sustainability



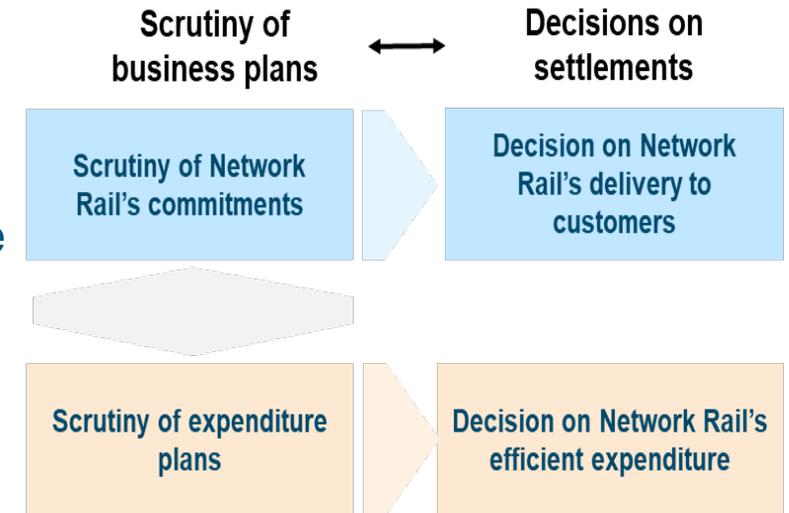


Our decisions regarding Network Rail's delivery in CP6

Our overall findings on Network Rail's Plans

- They are a significant improvement compared with previous plans
 - More justification
 - Improved stakeholder engagement
 - 'Ownership' of the plans by routes and the SO
- The plans are fit for purpose, and we have broadly accepted them.
- This reflects that Network Rail responded positively to a number of challenges that we set in our draft determination.
- We have set out a number of additional requirements, and adjusted the Network Rail performance trajectory for one route.

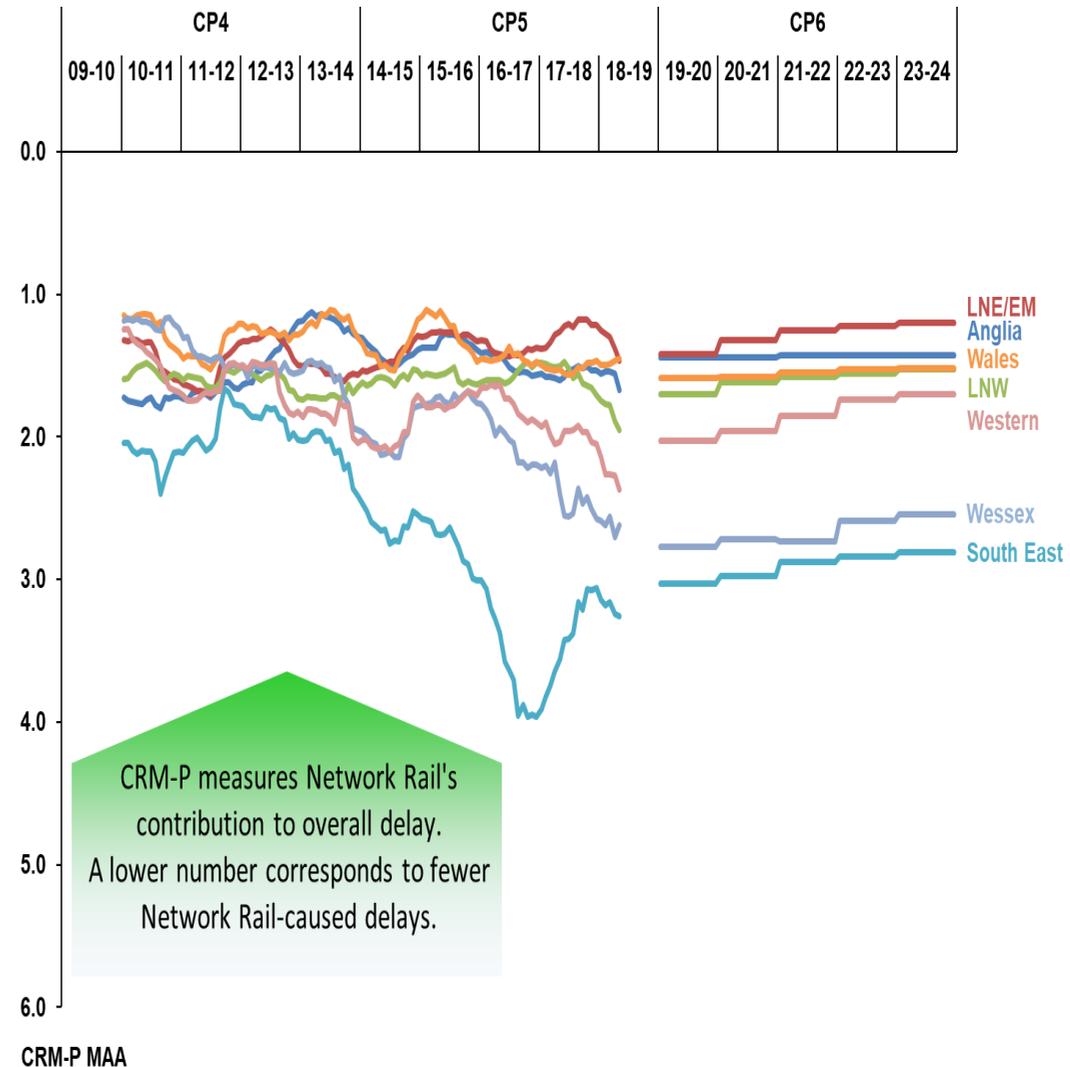
ORR's determination on what Network Rail should deliver in CP6



E&W passenger performance

- Set a series of CP6 baseline trajectories:
 - Used to measure how well each route is performing
 - Specified using a new metric: Consistent Route Measure – Performance (CRM-P)
 - Measures each route's contribution to overall passenger delay
- Two operators presented new evidence, some of which we accepted. This changed the trajectory in one route.

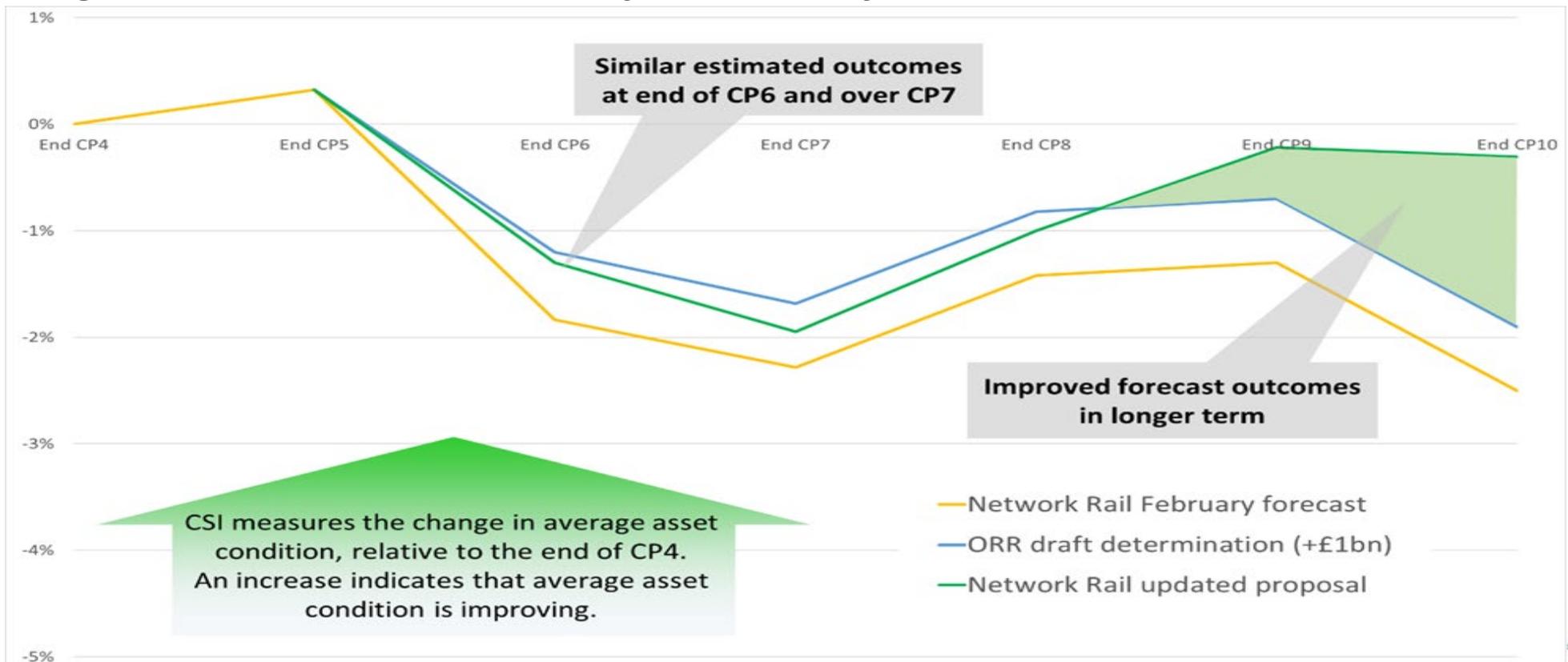
Network Rail route delivery towards passenger performance and CP6 baseline trajectories



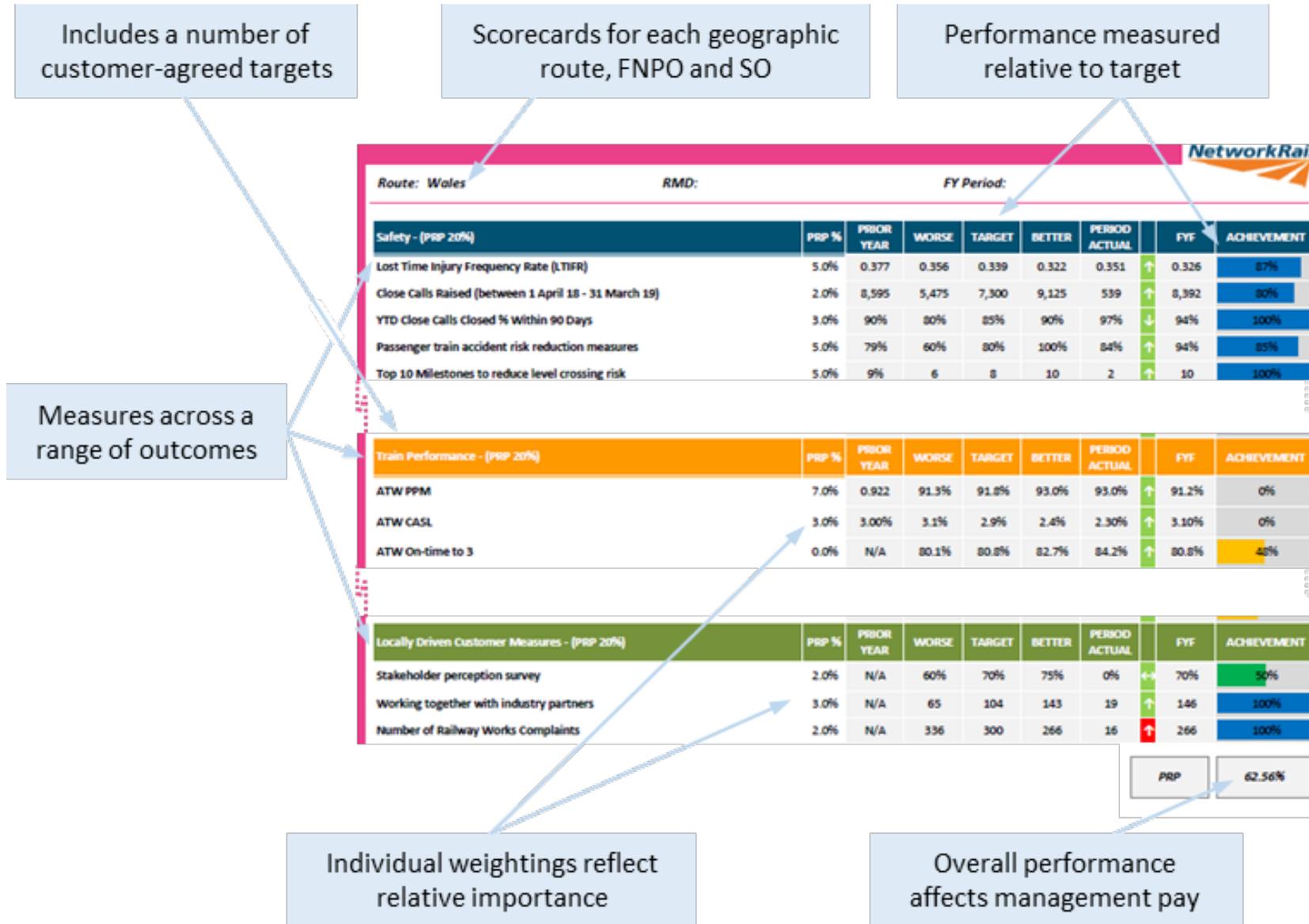
E&W asset sustainability

- We raised concerns that the future profile of asset condition was not sustainable, and asked Network Rail to allocate more funds to renewals
- In response, Network Rail improved its analysis and demonstrated that sufficient progress would be made with a 17% increase in renewals spend (to £14.6bn) relative to its original plans.

Long-term forecasts for asset sustainability, as measured by CSI



Scorecards capture customer requirements

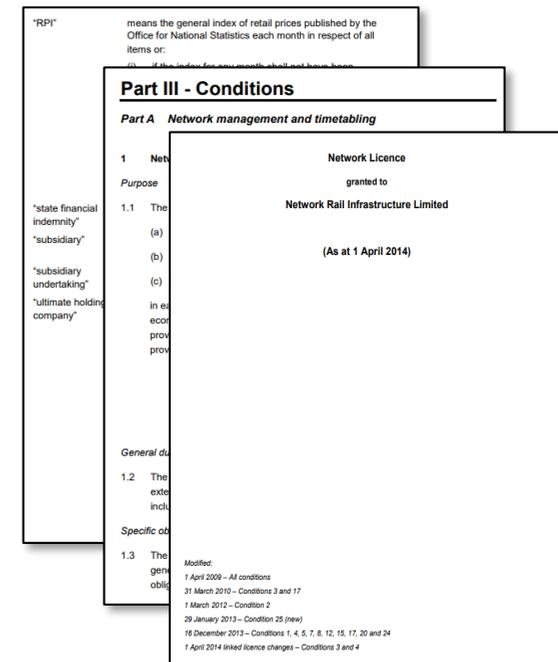




How we will hold Network Rail to account in CP6

Strengthening the role of routes

- Each route has a settlement and separate requirements to deliver
- ORR will be making greater use of comparison between routes to understand how they are performing.
- We are also proposing changes to Network Rail's licence to:
 - recognise the route and SO structure of the company
 - require transparency if route budgets are reduced
 - increase the ability of routes to choose how they procure goods and services



CP6 total, £m (2017-18 prices)	Operations, Support & Maintenance	Renewals	Other *	Total
Anglia	1,185	1,588	1,054	3,826
LNEEM	2,624	3,322	1,985	7,931
LNW	3,411	3,203	2,109	8,724
Southeast	2,018	2,346	1,689	6,052
Wales	678	957	349	1,984
Wessex	1,030	1,455	964	3,449
Western	1,286	1,627	933	3,846

Holding Network Rail to account

Key

- Existing approach
- New approach for PR18 / CP6

ORR ongoing monitoring

- Delivery against PR18 requirements
- Comparison to CP6 baseline trajectories
- Comparisons between routes
- Comparisons to agreed scorecards
- Strength of route and SO level accountability

Network Rail and Industry

- Escalation by operators & funders
- Network Rail's periodic reporting
- Scotland HLOS tracker
- NR explanation of central procurement
- Views of Railway Boards
- SO annual report
- Quarterly Scorecards
- FNPO annual report
- Managing Change Process
- Reporting on cancellations and delay per incident

Holding to account

- Monitoring**
Understanding Network Rail's performance and governance arrangements
- Investigation and early resolution**
Investigating concerns to resolve quickly
- Enforcement**
Deciding if there is a licence breach; taking action
- Reporting**
Publishing information about Network Rail's performance, including to sharpen incentives on delivery

ORR reporting

- ORR report: Network Rail monitor
- ORR report: Network Rail AEFA
- Greater use of comparison tables
- New approaches to reporting?

ORR enforcement

- Enforcement orders
- Financial penalties ('fines')
- Route/ SO financial sanctions

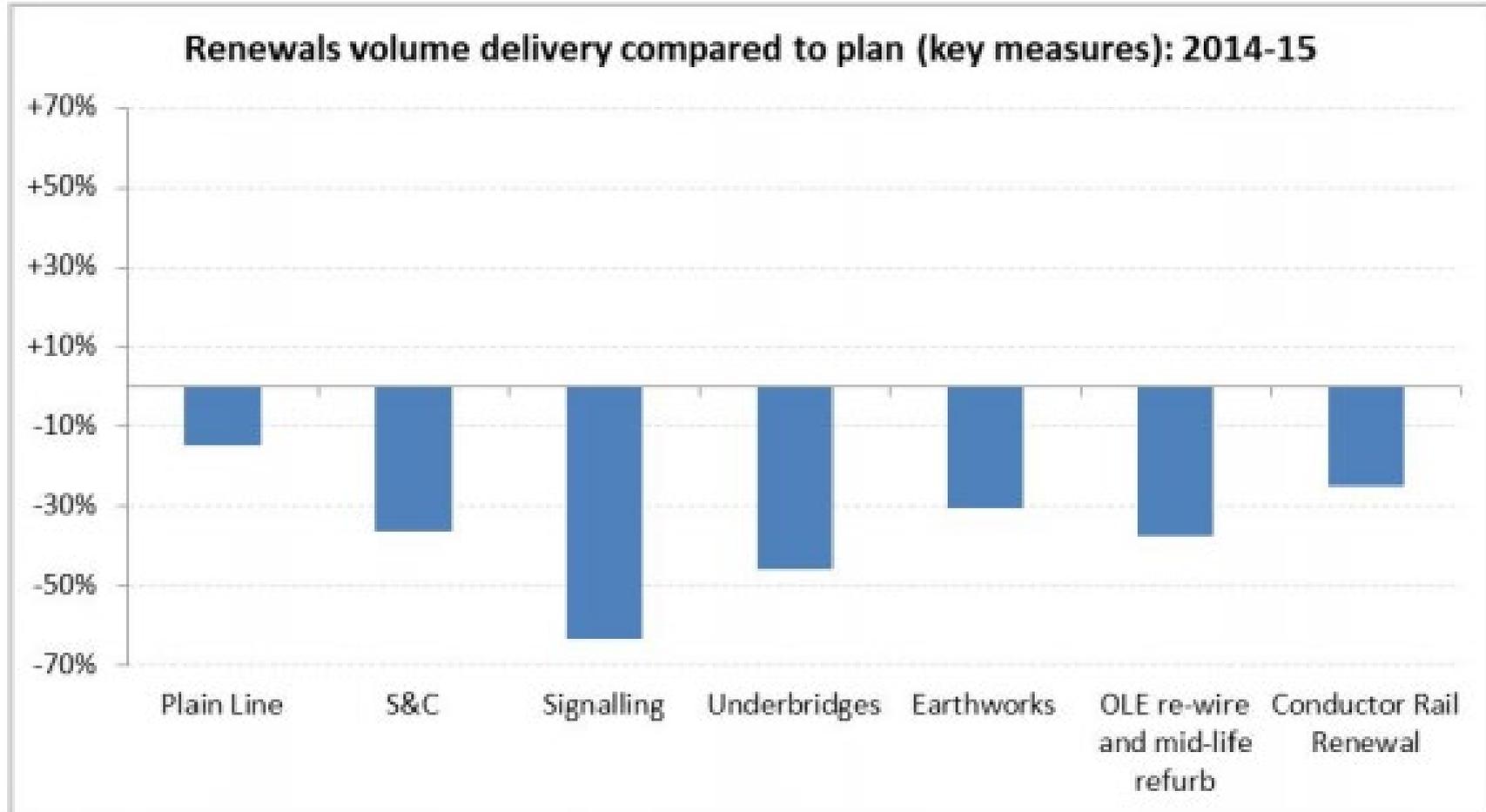
ORR investigation and early resolution

- Gathering in-depth information
- Require a formal improvement plan
- ORR hearings



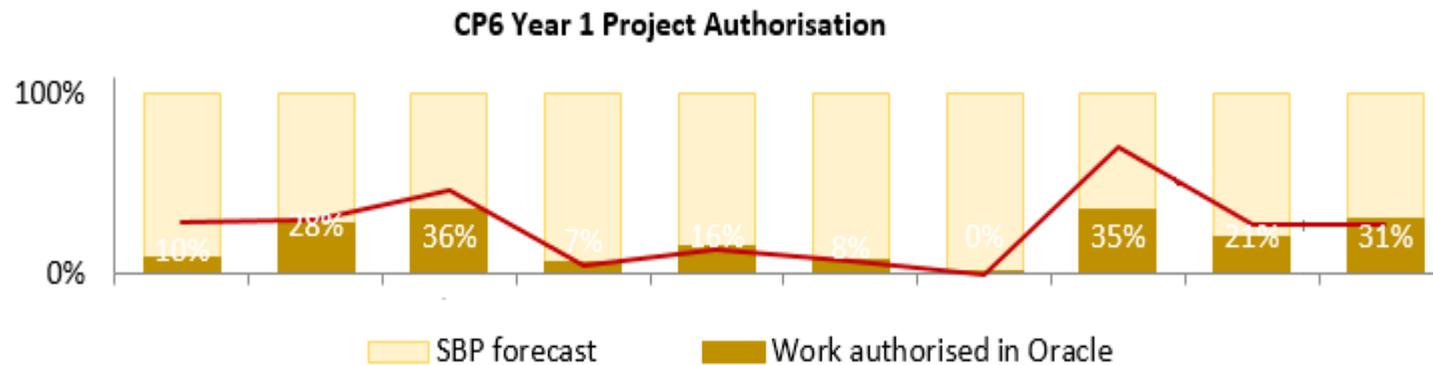
Preparing for CP6

Importance of a good start to a Control Period

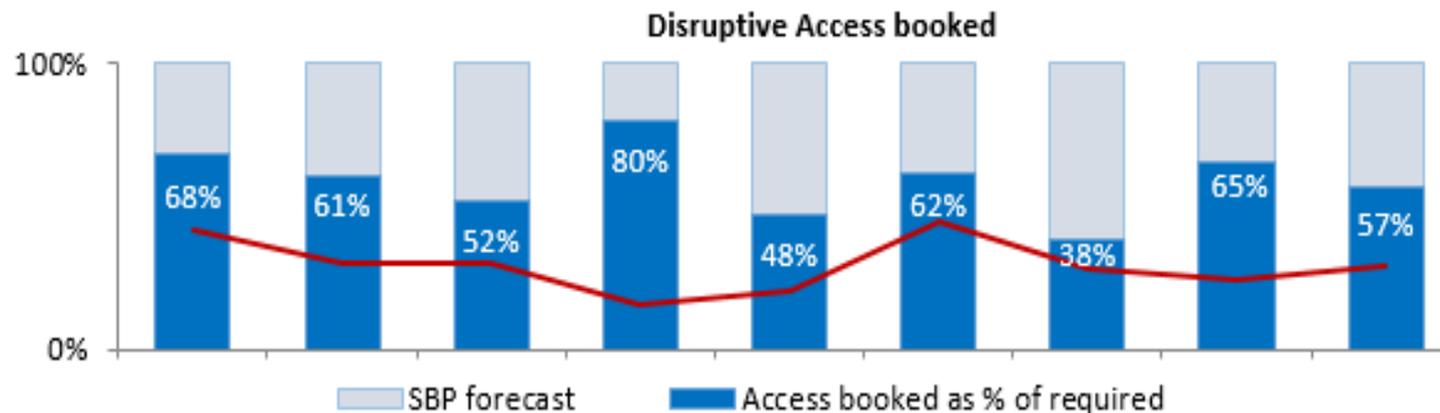


CP6 preparedness – leading indicators

Percentage of renewals projects in 2019-20 with financial authorisation



Percentage of required network access in 2019-20 booked



Our view of NR preparedness

- Route preparation going well on:
 - Renewals workbanks
 - Engineering access
 - Maintenance resource.
- Greater concern on efficiency – less progress in the routes.
- Substantially better than in run-up to CP5, but tracking of route efficiency plans does not yet capture enough information to show progress in developing efficiency plans.
- But Network Rail is developing its capacity and we expect to see substantial progress in next few months.
- We will continue to monitor and report on progress in the run-up to the start of the control period.