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1. Overview

- 1.1. This monitor provides ORR's assessment of Network Rail's performance during the second half of 2018-19, the fifth and final year of Control Period 5 (CP5). It also offers a commentary on the company's performance over the whole of CP5. For ease of reference we have produced documents providing commentary in more [detail](#) on Network Rail's performance in Great Britain, its performance in [Scotland](#), [Wales](#) and [comparisons](#) between its route functions.

Health and safety

- 1.2. During CP5 Network Rail established key strategies in order to focus on controlling major risks. This resulted in various plans, monitored at high level, which have achieved real reductions in risks over the control period. Reductions in Network Rail owned railway risk, accident rates and level crossing risks are at least in part attributable to Network Rail's sustained, focused attention on these areas. This shows what can be achieved with consistent management attention.
- 1.3. Our assessment of Network Rail's management maturity across CP5 has seen little overall change but greater consistency. Attainment remains at the 'managed' or 'standardised' level, with scope for improvement. Nevertheless Network Rail has maintained or improved management attainment in all but five areas. Policy, governance and leadership and organising for control and communications have seen sustained improvements. However planning and implementing risk controls has seen less sustained improvement, and monitoring, audit and review attainment has been inconsistent.

CP 5 Comparison Year 1 & Year 5



1.4. Our inspections and investigations in 2018-19 found areas where risk controls continued to be inconsistent or vulnerable to failure. Management of drainage at high-risk soil cuttings, vegetation control and lineside fencing are still areas where greater focus is needed.

1.5. Sadly 2018 saw the deaths of two railway workers across Great Britain; a station contractor in June and a track worker struck by a train in November. Network Rail also continued to see near-misses involving track workers. Over CP5 Network Rail's Planning and Delivery of Safe Work initiative did not deliver the step-change improvement in track worker safety that it promised. This remains an area where Network Rail needs to focus on achieving substantial and lasting improvement.

Train service performance

Passenger

1.6. Passengers have suffered a decline in train service performance throughout CP5. They rely on both Network Rail and train operators working together to deliver punctual and reliable train services. ORR's remit is to ensure that Network Rail is doing everything reasonably practicable to deliver its contribution.

- 1.7. The CP5 framework comprised national targets set in October 2013 and local targets agreed annually between Network Rail and each of its customers, the train operators. The local, annual targets were our focus, reflecting the significant changes to Network Rail's structure and status during CP5. In the last two years we undertook a closer examination of Network Rail's delivery to two train operating companies (TOC), Southeastern and [South Western Railway](#), publishing our findings.
- 1.8. In 2018/19 passenger train performance was significantly worse for nearly all targets agreed between Network Rail and its TOC customers. Adverse weather and serious problems implementing the May 2018 timetable contributed significantly to this outcome. However, since the December 2018 timetable change, performance has improved for Trans Pennine Express (TPE) and Northern Rail, two large operators whose services operate mainly in the north of England.
- 1.9. Failings in Network Rail's underlying performance management capability became evident through a series of industry reviews and our own "deep dives" into particular routes undertaken in the last two years. In November 2018, ORR took formal enforcement action making a Provisional Order. This required Network Rail, in conjunction with train operators, to identify and address the issues highlighted by these reviews around performance management capability and service recovery following incidents on the network.
- 1.10. Network Rail responded positively and submitted a thorough [response](#) detailing how it was tackling the systemic issues. We will monitor Network Rail's implementation and have incorporated this new element into our framework for holding the company to account. We continue to focus on Network Rail's delivery for passengers and will report on delivery, including where the action of train operators is falling behind.
- 1.11. We have finalised a revised framework to hold Network Rail to account to meet the reasonable requirements of its customers in Control Period 6 (CP6). Our '[CP6 holding Network Rail to account](#)' policy was published in March 2019 and took effect from the beginning of April 2019.

System Operator

- 1.12. Network Rail's System Operator (the SO) manages strategic planning, output changes, the access rights framework and production of the national timetable. This year the SO instigated a number of changes to improve its capability, particularly regarding production of the national timetable. The SO has significantly increased planner resource, has led on work to improve timetable technology, and in April 2019 successfully recovered to informed traveller timescales for publication of the national timetable.

1.13. Further, Network Rail oversaw the creation of an industry Programme Management Office (PMO) to provide a robust and collaborative joint industry mechanism to identify and address risks and issues that arise in relation to timetable change.

Freight

1.14. Network Rail's performance for the freight sector was strong. The Freight Delivery Metric (FDM) for the Great Britain network was at a moving annual average (MAA) of 94.0% at the end of CP5.

Asset management

1.15. Overall asset performance has been positive in CP5 compared to CP4. While the average number of asset-related incidents decreased¹, the amount of delay minutes was comparable with CP4. However, comparing each year within CP5 there was a noticeable increase in year five². Examining this data together shows that there has been a steady rise in the amount of delay caused per incident over the control period – fewer incidents occurring but more delay to passengers resulting when an incident does occur.

1.16. In terms of monitoring Network Rail's approach to asset management, we will continue to examine whether its response to preparing for and fixing asset failures is the best it could be. However, there is also the question of whether Network Rail is appropriately managing the recovery of service through how it operates the network. We are following up this aspect through our monitoring of train service performance where we included a specific focus on reactionary delay in the provisional order discussed in the previous section.

1.17. Network Rail deferred a number of planned renewals from its original plans but it has mitigated any adverse effects on asset performance by increasing maintenance activity. As a result the CP5 Composite Reliability Index is 19.9% better than the end of CP4.

1.18. In the PR13 final determination ORR required Network Rail to have a specific focus on asset management and put in place four outputs to be delivered in CP5 (AMEM capability, ORBIS milestones, asset data quality and station stewardship measure).

1.19. Network Rail has broadly delivered on these commitments. However, implementing CSAMS (Civils Structures Asset Management System) a key element of the ORBIS programme has been indefinitely delayed. This is a concern. We have required that

¹ 2013-14 – 42,255 incidents vs 2018-19 – 35,954 incidents – a 14.9% annual improvement over CP4 exit

² 2013-14 – 4,610,577 delay minutes vs 2018-19 – 5,268,499 delay minutes - 14.3% increase)

Network Rail must now put in place suitable mitigations pending delivery of the product.

- 1.20. Scotland was the only route to meet its target for Service Affecting Failures (SAFs) on the route scorecards.
- 1.21. For asset renewals, route performance is measured against the 'seven key volumes' on their scorecards. All routes achieved their target scores for delivery of these physical renewal volumes for the year, and nationally, delivery of track and switches and crossings (S&C) asset volumes were 30% and 27% respectively ahead of plan.

Developing the network

- 1.22. By the end of the control period many enhancements had been introduced across Great Britain. In CP5 there were 311 regulated milestones of which 79 were replanned for a variety of reasons. Of the remaining 232, the majority (168) were delivered on time but 64 were missed.
- 1.23. Great Western Electrification Programme: On the main line, Didcot to Wootton Bassett and Wootton Bassett to Bristol Parkway, electrification work was successfully completed and commissioned following earlier problems that have been well documented. Reading to Newbury electrification was also finished for December 2018, allowing electric multiple units to run on the Berks & Hants line for the first time.
- 1.24. North West Electrification Programme (NWEPP): The project has a history of failure to deliver short term milestones and this continued in 2018-19. Non-delivery of NWEPP milestones was identified as a major cause of the May 2018 timetable problems. Problems continue although a significant milestone was achieved in February 2019 with the first electric passenger train entering into service between Preston and Manchester Piccadilly via Bolton.
- 1.25. Thameslink: Thameslink's full fleet of 115 units was introduced and is in service. Full infrastructure capability was achieved through the central London core. All works at the rebuilt London Bridge station were completed and the station was finally handed back at the end of March 2019.
- 1.26. Crossrail: At the end of 2018-19 surface works were 95% complete, new Elizabeth Line trains had been introduced and were running in service, between Hayes and Paddington high level (May 2018). Some surface works were still to be completed (largely station refurbishments of Western outer stations and Ilford and Romford).
- 1.27. Scotland: The Scotland Route finished strongly on its CP5 enhancements programme, meeting a number of regulated milestones on or ahead of schedule and

adeptly managing late emergent issues. Key successes included; the efficient delivery of the Highland Mainline Phase 2 project, Stirling Dunblane Alloa Electrification achieving its regulated milestone and continued good progress on the redevelopment at Glasgow Queen Street Station.

Expenditure and finance

- 1.28. Network Rail overspent against its internal budget in every year of CP5 due to declining efficiency in its core business activities, higher schedule 8 payments and expenditure on enhancements projects. Financial performance was significantly worse than our PR13 financial assumptions.
- 1.29. Financial performance is measured using the Financial Performance Measure (FPM). This provides a better understanding of Network Rail's financial performance than simple income and expenditure variances. FPM for 2018-19 was £0.3bn worse than Network Rail's internal budget mostly due to enhancements and schedule 8 costs. There were significant route-level variations.
- 1.30. We monitor the efficiency of Network Rail's core business activities. These are operations, support, maintenance and renewals. Expenditure increased by 18% on these activities in 2018-19 compared to 2017-18. Network Rail has largely attributed this increased expenditure to planned activities to make use of available funds including catching up on deferred renewals from earlier in CP5. We will report further on this in our annual efficiency and finance assessment.
- 1.31. Network Rail used all of its available CP5 borrowing, but did not exceed the available funds. In previous Monitors, we have expressed concern with Network Rail's processes for managing its cash position. Network Rail considers that its business forecasting has improved through clarifying accountabilities, benchmarking and best practice sharing. In CP6, Network Rail will no longer borrow other than to refinance existing debt, and it will be subject to more restrictive government budgetary processes. Maintaining this focus on cash management will be important given the limits on Network Rail's ability to move funding between years.

Monitoring efficiency

- 1.32. At the end of March 2019 we published an update letter, detailing our increased concerns about efficiency plans. Routes had not made the progress we expected with leading indicators since we last reported in November. Network Rail has now put an action plan in place and we have seen some progress. We have commissioned the independent reporter, Nichols, to review routes' efficiency and renewals workbank preparations.

Network Rail’s initiative for putting passengers and freight users first

- 1.33. In February 2019, following an extensive review (“the 100-day review”), Network Rail announced that it would be making changes to how it operates. The proposal was a new model for the organisation that Network Rail considers will better align with train operators and franchises. Network Rail has confirmed that this is intended to bring track and train closer together, embed a customer service mind-set and ensure a better focus on performance.
- 1.34. Network Rail intends to implement the programme in four phases. The first phase went live on 24 June 2019 with the creation of five regions and the devolution of parts of Infrastructure Projects and the System Operator. The final phase is expected to be completed by May 2020. We have reviewed the company’s detailed proposals in order to understand the impact on its commitments to customers and funders in CP5 and its relationships with stakeholders. We will continue to evaluate the company’s proposals as they develop.

Route Comparisons

- 1.35. This edition includes a more detailed [comparison](#) of Network Rail’s routes. It is primarily based upon our analysis of Network Rail’s route comparison and route scorecards as at the end of 2018-19. This aspect will feature more prominently in future publications as we have moved to a new framework for CP6.



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