Annual Assessment of Network Rail's stakeholder engagement April 2023 to March 2024

1. Introduction

This report sets out ORR's assessment of the quality of Network Rail's stakeholder engagement for the fifth year of Control Period 6 (CP6, April 2023 to March 2024), referred to as 'year 5' throughout this document.

Our assessment is based on the requirements placed upon Network Rail in its network licence, in particular the extent to which it meets the four overarching principles of good stakeholder engagement specified in the Stakeholder Engagement Duty.

Network Rail is one organisation, and the requirements of the licence condition affect all parts of its business. As well as assessing Network Rail's overall performance, we also assess the performance of Network Rail's regions and its System Operator function, referred to as its 'business units' in this document. An overview of each business unit, including their function, geographic extent and operators can be found in our most recent Annual assessment of Network Rail.

This year's stakeholder engagement assessment builds on the previous four annual reports in CP6.

Purpose of report

This report provides a proportionate, evidence-based assessment of Network Rail's performance.

It is focused on encouraging Network Rail to conduct and promote good quality stakeholder engagement across its organisation, incentivising continuous improvements each year by:

- assessing Network Rail's understanding of the quality of its stakeholder engagement activity, and its processes and policies; and
- reporting on Network Rail's performance, providing reputational and comparative regulation while promoting and protecting stakeholder's interests.

Approach and methodology

Our year 5 assessment and conclusions were based on a range of evidence, including:

- Network Rail's delivery plans for 2024-2029 (Control Period 7 or CP7);
- stakeholder responses to our PR23 Draft Determination consultation;
- Network Rail business units' self-assessment submissions; and
- insight from our routine monitoring of Network Rail.

We did not conduct an ORR stakeholder survey this year owing to previous data limitations and our work with Network Rail to establish how they are currently measuring stakeholder satisfaction, in order to remove duplication.

A subgroup of our Consumer Expert Panel also reviewed the business units' self-assessments and their insight has contributed to our analysis. Our assessment has taken a holistic view across all the evidence, recognising that each has advantages and limitations.

In the absence of any other indication, we must take the quality of evidence provided in the delivery plans and self-assessment submissions as indicative of the quality of stakeholder engagement it relates to. For example, where a business unit did not provide evidence on governance arrangements, we have assumed that they are lacking. We have not referenced every instance of good practice and instead have highlighted a range of examples.

Principles of stakeholder engagement

We have assessed Network Rail against the overarching principles of stakeholder engagement specified in its licence as including:

1. **Inclusive:** engagement seeks to involve all relevant stakeholders in a fair and proportionate manner;
2. **Transparent**: engagement provides sufficient information to stakeholders to enable proper engagement; and they can demonstrate how they have engaged with their stakeholders and how this has influenced their actions and delivery;
3. **Well-governed:** engagement is underpinned by effective processes and governance arrangements that encourage meaningful engagement; and
4. **Effective:** engagement supports the delivery of a safer, more efficient and better used rail network, including by ensuring that stakeholders' views are duly taken into account.

Definition of stakeholder

Our assessment focuses on engagement with external stakeholders, reflecting the definition of 'stakeholder' in the licence. However, effective two-way internal engagement, particularly between the System Operator (SO) and the regions, is required for good stakeholder engagement. We considered that evidence of this internal engagement does not in itself contribute to meeting the stakeholder engagement licence condition; for this requirement to be met the business units must demonstrate how this benefited engagement with external stakeholders.

Our guidance to the business units for year 5 self-assessments categorised external stakeholders into the following groups:

- all operators (including passenger, freight, open access, heritage, charter and prospective operators);
- passengers, passenger bodies and rail communities;
- elected representatives / public affairs;
- funders / regulator bodies;
- supply chain partners; and
- lineside neighbours, currently defined by Network Rail as anyone who lives or runs a business within 500 metres of a railway.

Sources of evidence

Stakeholder responses to ORR's PR23 draft determination

We published our draft determination for PR23 in June 2023. We received 31 responses in which stakeholders raised mixed views on Network Rail's stakeholder engagement. Nine responses raised concerns with the consistency of stakeholder engagement, particularly when engaging across multiple regions and the System Operator.

Network Rail Delivery Plans

In March 2024, Network Rail published its CP7 delivery plans. It undertook stakeholder engagement during the development of these plans, which we reviewed and provided challenge on the stakeholder engagement approach where necessary. Our overarching assessment of Network Rail's delivery plan is that it is consistent with the priority outcomes and budgets set through the periodic review. More on our assessment can be found in our March 2024 letter to Network Rail.

Self-assessment submissions

As in previous years, each of Network Rail's regions (Eastern, North West & Central, Southern, Scotland and Wales and Western) plus the SO were required to submit a self-assessment reflecting on its stakeholder engagement activities during year 5 of CP6. The self-assessment is a particularly important piece of evidence as it gives an opportunity for the business unit to outline the breadth of its stakeholder engagement activities, processes and outcomes.

The submissions were based on ORR guidance. This stressed that a high-quality self-assessment would be impact-focused, targeted, and comparable across business units. We stated business units must include detail on:

- **Business planning:** such as how both annual business planning and longer-term processes (including CP7) have been developed using stakeholder input.
- **Day-to-day business performance issues:** how engagement has identified and addressed day to day issues, including shaping decisions.
- **Approach to obtaining assurance of stakeholder views:** how business units assess stakeholder satisfaction (e.g. surveys, focus groups)

- **Consistent culture of stakeholder engagement:** provide evidence of how Network Rail has built and maintained a culture of stakeholder engagement.

Structure of this report

First, we summarise our key findings on Network Rail's stakeholder engagement at an organisational level, including making recommendations for improvement which apply across the entire business. We then present our analysis of the individual business units, considering the evidence provided and including specific recommendations to business units.

Next steps

We expect Network Rail and its business units to implement all of the recommendations made in this report, which we are summarised in Annex A.

Our assessments in CP6 have established a clear baseline of how Network Rail's business units are performing on stakeholder engagement. In our PR23 Final Determination, we stated we would work with Network Rail to remove the duplication of any Network Rail and ORR stakeholder surveys and to agree the form and content of its stakeholder engagement assessment for CP7. We are looking at opportunities to simplify, streamline and increase impact by:

- increasing our focus on Network Rail's governance and assurance;
- ensuring a streamlined approach to monitoring; and
- undertaking targeted deep-dive reviews of specific issues, if required.

We are currently waiting for Network Rail to provide us:

- detail on its overarching governance and coordination processes for stakeholder engagement;
- arrangements for how information on stakeholder engagement activity is reported across Network Rail, including sharing good practice and identifying issues;
- the status of the existing Stakeholder Relations Code of Practice (how it is actually used and whether there are any plans to revise it); and
- pre-existing proxy measures, such as those referenced in self-assessment submissions. This will enable us to see whether new data sources need to be developed.

In the event that specific issues relating to Network Rail's stakeholder engagement arise during CP7, we will work with Network Rail to understand and address the causes. Recent examples of this have included identification of weaknesses in the stakeholder engagement element of the now withdrawn Better Timetables for Passengers & Freight (BTPF) programme, and the development of a freight growth plan in consultation with its stakeholders.

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