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

2. Key findings

This chapter sets out our main findings and recommendations and also summarises specific areas of Network Rail's engagement, such as its overarching governance and assurance processes.

Overview and recommendations

Overall, Network Rail has demonstrated that it can deliver positive change and improvements. It has reflected and responded to last year's report, recommendations and feedback from the workshop we held with its business units. Network Rail now needs to maintain the level of improvement shown this year and demonstrate it has consistently high-quality stakeholder engagement that is embedded across the organisation.

While we are pleased with the improvement that Network Rail has demonstrated this year, we would have expected to have seen a greater acceleration in improvement earlier in the control period. Network Rail is a highly capable operator, and we would expect it to be able to deliver a well-developed and effective stakeholder engagement process.

We expect Network Rail to have a stakeholder engagement framework that enables it to engage effectively and consistently across all stakeholders. We have seen evidence of well-governed and effective stakeholder engagement approaches to interacting with particular groups (e.g. elected officials), but these are not widespread. We want to see Network Rail demonstrating it has robust

processes and standards which enable this type of approach consistently across all types of stakeholders.

There are positive signs in this year's assessments that business units are seeking to improve their approach. We would strongly encourage Network Rail to take advantage of the ability to learn from its different business units that are already undertaking effective and innovative engagement approaches to drive up standards across the organisation. There is still more to do, and it is important that it remains continually reflective and systematically demonstrates how stakeholder engagement has impacted its decisions, while providing a consistent level of quality in its engagement across all stakeholder groups.

Consumer Expert Panel

There also needs to be consistency of approach between Network Rail's business units – to ensure best practice is adopted and that stakeholders that engage with more than one region receive a consistently good standard of interaction. Network Rail's overall governance of its stakeholder engagement remains an area of concern. We are challenging Network Rail to address this and have requested further detail on how it assures itself, its stakeholders and ORR on the processes that it has in place.

Our findings by business unit are set out in the following chapters and are summarised in Table 2.1, with more detail on recommendations provided in Annex A.

Across its business, Network Rail should ensure that it:

- **Systematically obtains, understands, and responds to stakeholder views in a consistently high-quality manner, adopting recognised best practice.** We will engage with Network Rail about whether it signing up to a stakeholder engagement standard might be useful and reduce the need for ongoing ORR intervention in this area.
- **Demonstrates consistently high-quality stakeholder engagement is embedded across its business.** Network Rail needs to better demonstrate how it has fostered a culture of continuous improvement and how it embeds best practice, such as crisis communication management in storm events, throughout the organisation.
- **Replicate areas of mature and well-governed stakeholder engagement across all stakeholder groups.** We have seen evidence that there are mature approaches to Network Rail's stakeholder engagement in some areas and with certain groups (e.g. elected officials). We want to see this being adopted and maintained across all stakeholder groups.

- **Adopts consistent, comparable, quantitative metrics to monitor stakeholder satisfaction across business units.** In our PR23 policy framework consultation, Network Rail provided us assurance that this is already the case, and we are reviewing existing measures to see if we need to establish potential future measures in this area.
- **Consistently monitors the impact of its stakeholder engagement activity, using this to improve and refine its processes.** We have seen pockets of improvement from last year, but this has not been consistent across the organisation.
- **Ensures that its regions can demonstrate that they are working constructively with the System Operator to undertake engagement with their freight customers.** While we recognise the work done by the SO on engagement with external freight stakeholders, we do expect other regions to support the work of the SO with their own freight customer engagement activities. Each region will work toward a target for growth in the freight sector for the first time across CP7.

Throughout the PR23 process and into CP7, we have identified concerns with Network Rail's governance arrangements, particularly its ability to coordinate stakeholder activity, and share best practice across its organisation.

A significant proportion of Network Rail's stakeholders engage with more than one business unit (e.g. freight operators, national and larger passenger operators, supply chain). It is therefore important that it can demonstrate how its overall strategy on stakeholder engagement is systematic and coordinated to enable all its customers and stakeholders to experience high-quality engagement across its activities and business units, as per requirements of the Stakeholder Engagement Duty.

In CP7 we are challenging Network Rail to address this and have requested further detail on how it assures itself, its stakeholders and ORR on the effectiveness of the engagement processes that it has in place. This includes:

- Network Rail's overarching governance processes for stakeholder engagement, and how it assures its Executive and Board that it is meeting its licence requirement and delivering high quality stakeholder engagement for all stakeholders;
- what processes are in place to ensure that those stakeholders engaging across multiple business units have a well-governed and efficient experience;
- what activity Network Rail has underway to make improvements in how it governs and assures stakeholder engagement at a central level given its devolved structure, to ensure

a consistent level of quality and experience;

- arrangements for how information on stakeholder engagement activity is reported, analysed and disseminated across Network Rail, including sharing good practice and identifying issues.

Relative performance ratings

Table 1 sets out our comparative assessment across the business units' performance against the principles of stakeholder engagement across all the evidence sources considered. Our rationale for these assessments can be found in the chapters on each business unit.

Our comparative assessment does not signify good or poor-quality stakeholder engagement, but instead reflects each unit's performance relative to the others. The year-on-year ranking denotes overall position and does not necessarily demonstrate a reduction in stakeholder engagement performance in itself. In some categories business units performed equally well, while in others there were clear differences.

Table 1: ORR's comparative ratings of each business unit

Business unit	ORR assessment
Southern	Strongest performance
Eastern	Strong with areas for improvement
Scotland	Strong with areas for improvement
Wales & Western	Strong with areas for improvement

Business unit	ORR assessment
North West & Central	Mixed performance with areas for significant improvement
System Operator	Mixed performance with areas for significant improvement

What the evidence showed us

- **Self-assessments:** Network Rail submissions generally met our guidance and covered the key areas of focus and stakeholder groups that we would expect. However, some submissions were less clearly structured than others and missed elements of activity we requested evidence on. There was a range of positive examples, demonstrating evidence that business units are undertaking meaningful engagement with their stakeholders.

- **Responses to PR23 draft determination:** Respondents to our draft determination had mixed views on the quality and consistency of Network Rail's stakeholder engagement. Some highlighted positives, such as the Network Rail freight team within the System Operator gathering stakeholder views at an early stage. However, nine stakeholders raised issues with the varying levels of quality depending on which region was leading the engagement. In our final determination we said that the best engagement was where regions successfully fed back to their stakeholders how their input influenced their plans. Despite the compressed timescales within which Network Rail developed its plans, regions largely demonstrated a structured approach to stakeholder engagement.

- **Network Rail CP7 delivery plans:** Overall, there was an adequate demonstration of how business units engaged with stakeholders in the development of plans published in April 2024. This was an improvement on what we saw in the Strategic Business Plans (SBPs) submitted in 2023, albeit some of the material submitted appeared to date from the SPB

submissions. The plans showed evidence that some engagement had taken place after the PR23 final determination was published. Most of this appeared to focus on informing stakeholders of the plan, as opposed to gathering feedback.

Our findings

We have seen an overall year-on-year improvement in the evidence that Network Rail has provided on its stakeholder engagement. While this year we have seen an improvement, this has not always been the case across the control period. Network Rail has increased its emphasis on stakeholder engagement through the Stakeholder Engagement Duty and has become more self-reflective on its actions. It now needs to maintain the level of improvement shown this year and demonstrate it has consistently high-quality stakeholder engagement that is embedded across the organisation.

In November 2023, we held a workshop with the Network Rail business units which are in scope of this assessment. The workshop was designed to highlight and share good practice between business units, discuss and clarify expectations around the stakeholder engagement duty and how this is evidenced and share learnings from an energy network operator. It was positive to see the challenges and concerns raised at the workshop addressed in submissions this year.

In last year's assessment we made a number of recommendations for Network Rail as an organisation as well as the business unit specific recommendations. Table 2 below outlines our assessment of how Network Rail has performed against them.

Table 2: ORR assessment of Network Rail's year 4 recommendations

Recommendation	Result	ORR commentary
Foster a culture of continuous improvement in stakeholder engagement, consistently looking to improve processes to	Partial	Business units have shown a year-on-year improvement on their demonstration of stakeholder engagement activities. However, across the control period we have not seen the level of continuous

Recommendation	Result	ORR commentary
benefit stakeholders		improvement across all regions, year-to-year, that we would have expected.
Measure and demonstrate the impact of engagement, as opposed to simply identifying that it took place.	Partial	Some regions and case studies demonstrated quantitative data, which we welcome. This supported the narrative on how the impact of engagement has played into overall decision-making. North West & Central, Scotland and the System Operator could have done this more effectively through the evidence provided.
Effectively share best practice and stakeholder insight between business units. We identified lots of good practice, but fewer examples of how it is shared and embedded across Network Rail to the benefit of stakeholders.	Partial	We saw evidence of sharing information and approaches between regional business units in this year's exercise in isolated examples. We have not seen demonstration that there is any organisational level coordination or facilitation of this. We encourage the continued exchange of information on a regular basis.
Embed genuine transparency of engagement, both by keeping stakeholders informed in an open and	Partial	Engagement was broadly timely and included sharing of information with stakeholders in advance. However, it is important that Network Rail remains proactive in this area and does not use

Recommendation	Result	ORR commentary
candid way.		this as a remedial approach. North West & Central need to improve in this area.
Demonstrating to stakeholders how their feedback has impacted business decisions, or by explaining to stakeholders how it considered feedback even if it decided not to act on it.	Partial	Evidence of feedback impacting business decisions has been drawn out in isolated case studies, such as Eastern and Southern. This was not systematically demonstrated across all activities and business units.

We also made recommendations in relation to Network Rail's engagement on the Enhancement Delivery Plans (EDP), that it should:

- continue to publish quarterly updates of the England & Wales EDP, making it clearer to stakeholders when new versions are available and where to find them;
- undertake a gap analysis to identify what information is missing in the CP6 EDP and how this information gap should be addressed in CP7; and
- use the EDP as a main reference document when briefing stakeholders on enhancement projects – linking its focus groups, press releases and newsletters to what is in the plan, and ensuring this is reflected in its stakeholder engagement self-assessments.

In our guidance for the self-assessments, we noted that we expected submissions to include reference to EDPs and so we are extremely disappointed not to see any reference or information. The EDPs set out Network Rail's commitments to funders and provides transparency about the status of schemes. It gives visibility of plans to stakeholders, train operators and the public, allowing them to plan their business with a reasonable degree of assurance. We continue to liaise with Network Rail on its EDP outside of the stakeholder engagement assessment and report on Network Rail's delivery of enhancement schemes in our annual assessment of Network Rail.

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