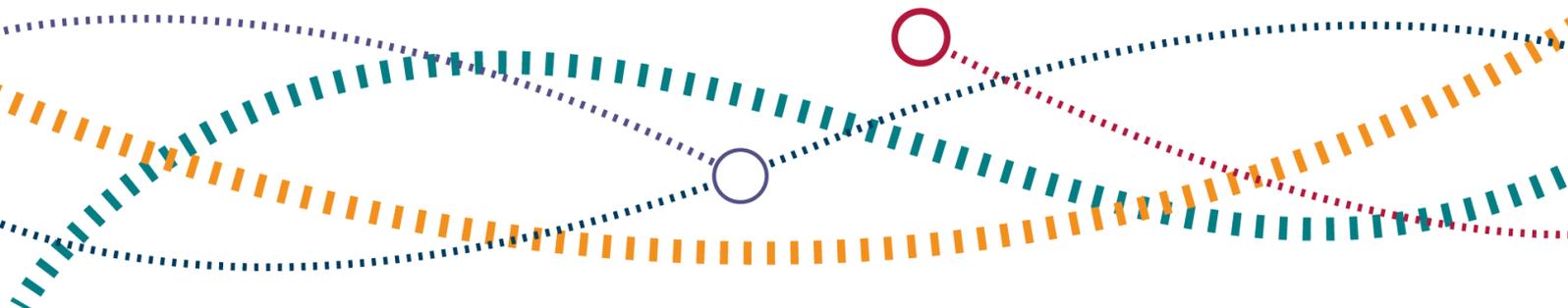




Annual assessment of Network Rail's stakeholder engagement

2020-21

22 September 2021



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1. Introduction

- 1.1 Good stakeholder engagement is at the heart of running an effective business that listens to and delivers for its customers and stakeholders. Network Rail has identified stakeholder engagement as a fundamental part of how it seeks to improve its performance on a continuous basis. In Control Period 6 (CP6, which runs from 1 April 2019 to 31 March 2024), we require Network Rail to engage with its stakeholders in a way that improves delivery for passengers and freight end users and enhances value for money.
- 1.2 This report presents our key findings and recommendations on the quality of Network Rail's stakeholder engagement during the second year of CP6, from 1 April 2020 to 31 March 2021. It follows on from [our first annual assessment of Network Rail's stakeholder engagement](#) for year 1 of CP6, which we published in August 2020.
- 1.3 We have assessed the engagement carried out by Network Rail's five regions, the System Operator (SO) and Freight and National Passenger Operators (FNPO). We reviewed the extent to which they are demonstrating the four overarching principles of good stakeholder engagement set out in [Network Rail's Network Licence](#):
- (a) **Inclusivity:** Engagement seeks to involve all relevant stakeholders in a fair and proportionate manner;
 - (b) **Effectiveness:** 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;
 - (c) **Good governance:** Engagement is underpinned by effective processes and governance arrangements that encourage meaningful engagement; and
 - (d) **Transparency:** 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.

Approach

- 1.4 Our assessment has looked at the application of these principles across all of Network Rail's business activities. This included examining the quality of

Network Rail's stakeholder engagement with respect to its Enhancements Delivery Plan (EDP). We have formed conclusions for Network Rail as a whole as well as the individual business units, who have primary responsibility for stakeholder engagement.

1.5 In carrying out our assessment, we drew on the following evidence:

- (a) **ORR independent online survey.** We commissioned Bays Consulting Limited, an analytics company, to help us conduct a short online survey of Network Rail's stakeholders during May and June 2021. The survey was designed to collect both qualitative and quantitative data on the quality of Network Rail's stakeholder engagement during year 2 of CP6. A total of 234 stakeholders responded to the survey (a response rate of 30%), covering the full breadth of business units and stakeholder groups. Additionally, a total of 27 individual telephone interviews were conducted with organisations from across the stakeholder groups. These semi-structured interviews provided a more in- depth understanding of stakeholders' experiences on the quality of Network Rail's engagement.
- (b) **Self-assessments.** Each Network Rail business unit produced a self- assessment which reviewed its own stakeholder engagement against the four principles of good stakeholder engagement. These self-assessment reports were compiled based on guidance provided by both ORR and Network Rail's Planning and Regulation team. Network Rail's business units provided detail on the activities that took place and the outcomes from their engagement. Overall, the company's business units provided a good amount of evidence and detail on their engagement activities.
- (c) **ORR ongoing monitoring.** We have supplemented the information received through the online survey by drawing on intelligence collected over the course of the year by our Senior Regulation Managers who co-ordinate our region-based regulation and hold Network Rail's Regions, Routes, Freight and National Passenger Operators and the System Operator to account for delivery of the CP6 settlement. We have also used information provided in Network Rail's Customer Agreement Templates which record train and freight operator feedback on the development of scorecard metrics. Network Rail's scorecards help it to align its priorities with those of its customers and incentivise its management teams to deliver those priorities.
- (d) **Expert panel.** We have taken advice from an external panel of experts in stakeholder engagement, with experience across transport and other

regulated sectors. These experts were drawn from our [Consumer Expert Panel](#). Our expert panel reviewed and commented on each of the business units' self- assessments and provided input into our individual assessments and overarching conclusions and recommendations. We present our expert panel's observations in Section 2.

- (e) **Railway Board Chairs.** We met individually with the Railway Board Chairs and the [System Operator Advisory Board](#) in August 2021 to seek their views on Network Rail's stakeholder engagement and to discuss our preliminary survey results for the company as a whole.

Our assessments

1.6 The rest of this document presents our key findings across Network Rail's business. Alongside this report we have separately published individual assessments for:

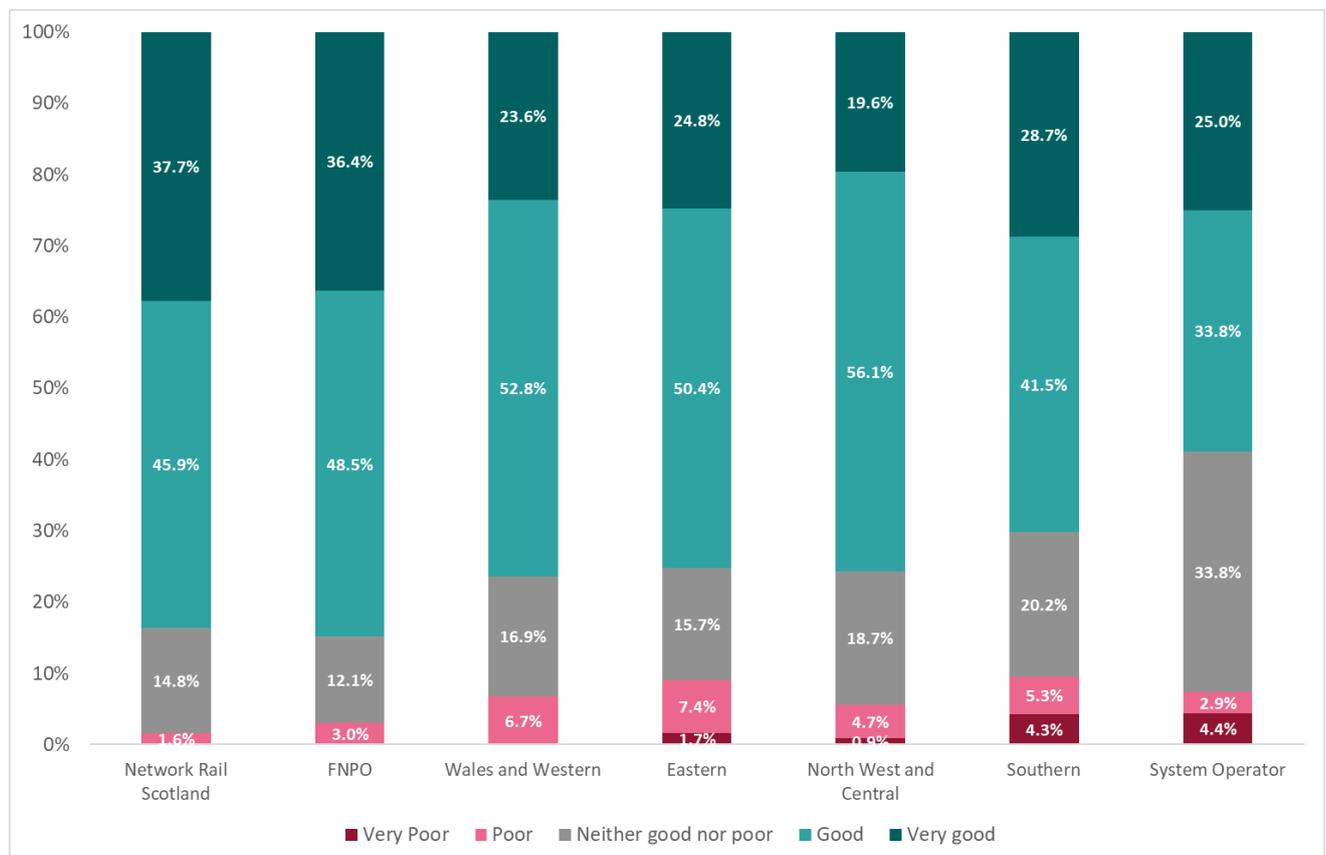
- (a) each Network Rail region;
- (b) FNPO;
- (c) SO; and
- (d) Network Rail's engagement on its Enhancements Delivery Plan.

2. Key findings and recommendations

Introduction

- 2.1 This section presents our key findings from our year 2 assessment across each of the four principles of good stakeholder engagement. In this report, we have sought to identify key themes emerging, present illustrative examples highlighting best practice and common problems and areas for further development over the year ahead. There are more specific key findings in the individual assessments.
- 2.2 Our survey findings showed that the majority of stakeholders felt that Network Rail's engagement was good or very good (73%), although this varied across business unit (Figure 2.1). There was also variance in the quality of engagement across each of the four principles of good stakeholder engagement (Figure 2.2).

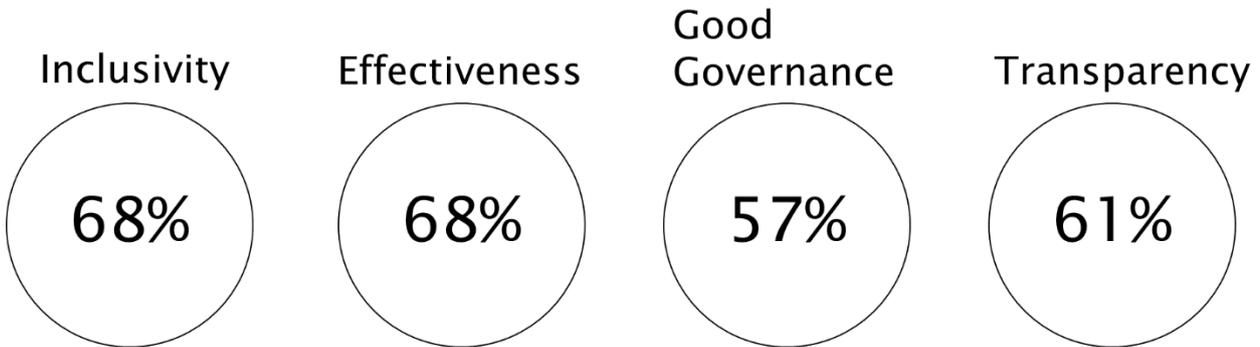
Figure 2.1 Overall quality of Network Rail's stakeholder engagement, by business unit, 2020-21



Survey question: "Overall, how would you rate the quality of Network Rail's engagement with you during the last year?"

Source: ORR's stakeholder survey

Figure 2.2 Proportion of stakeholders rating engagement as good or very good across each of the four principles, 2020-21



Survey question: "In your opinion how would you rate Network Rail's engagement with you on its Network Licence obligations of inclusivity, effectiveness, good governance, and transparency?"

Source: ORR's stakeholder survey

2.3 The rest of this chapter presents our key findings across each principle of good stakeholder engagement - a summary of each of these is presented in the Box below. Rather than trying to summarise good practice and areas for further development for each business unit we provide illustrative examples to provide context to our findings. There are more specific key findings in the individual assessments. We would expect each of the business units to actively look to find ways to incorporate shared learnings from the examples and areas for development highlighted across all our assessments.

Summary of key findings across each principle

Inclusivity

- All parts of Network Rail engaged with a wide range of relevant stakeholders, in particular showing extensive engagement with train and freight operators and suppliers.
- We saw improvements to widen the reach of engagement, particularly by Network Rail Scotland and its Eastern region.
- Network Rail now needs to ensure engagement is more consistently inclusive of all stakeholders.

Effectiveness

- Overall, Network Rail showed stronger engagement with its stakeholders in response to the exceptional circumstances of the coronavirus (COVID-19) pandemic.
- There is evidence that some parts of Network Rail were reacting to the feedback given by stakeholders, using it to inform internal thinking and business priorities, particularly by the SO and the Eastern region.
- Successes were often down to excellent individuals. It was less clear that there was an embedded culture of stakeholder engagement within Network Rail.

Good governance

- There was quite significant variation in processes and governance arrangements across Network Rail.
- Whilst engagement by sub-regional route teams was often valued by stakeholders, in some instances this has led to additional complexity in engaging with Network Rail.
- The FNPO performed strongly in our assessment. It is now amalgamated into the System Operator, which performed less well. This brings both opportunities and risks for future freight engagement, which we will monitor in our next assessment.

Transparency

- Although Network Rail has taken positive steps to improve the transparency of its engagement, it remains a key area of improvement for stakeholders.
- Business units need to provide stakeholders with feedback in a more systematic manner, in particular showing how their engagement influenced Network Rail's actions.

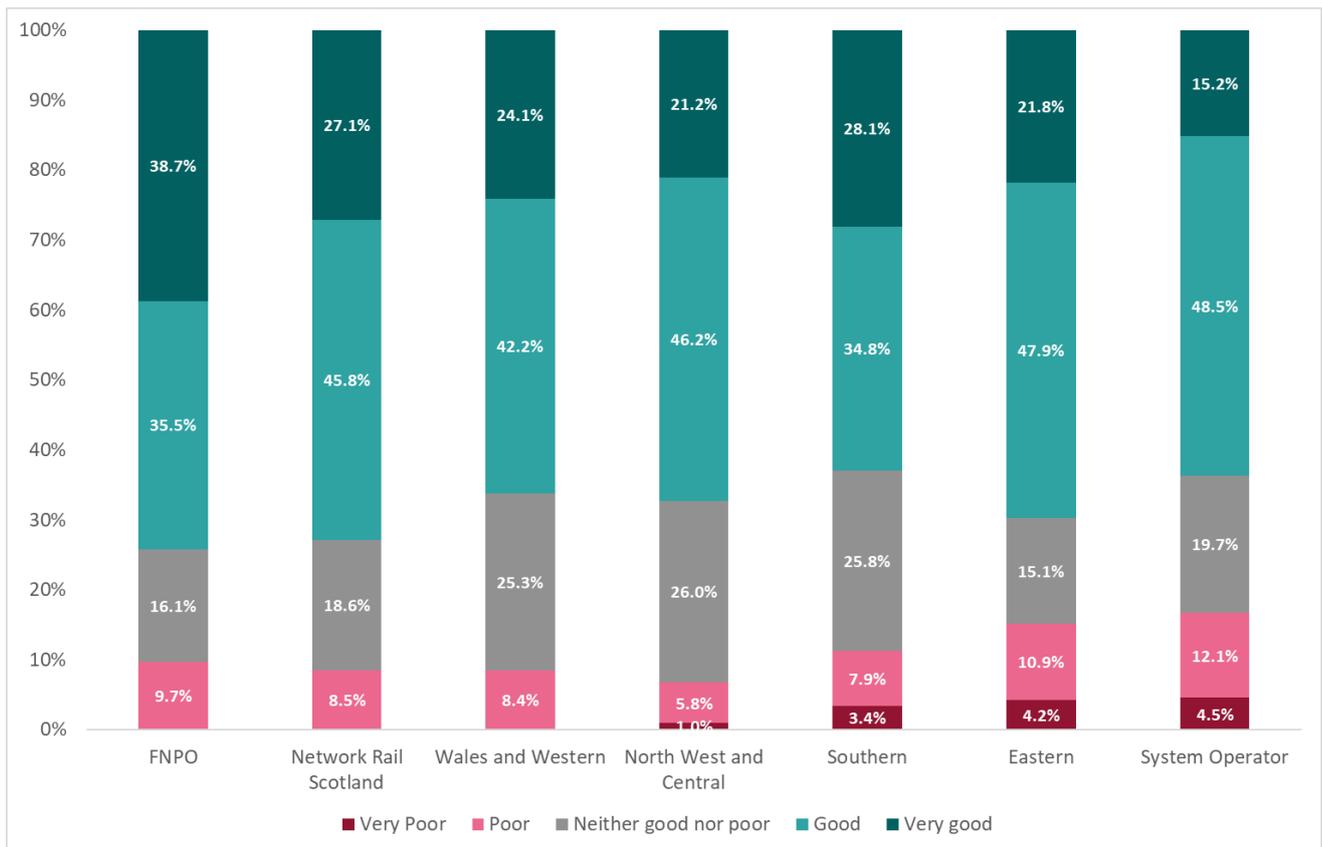
Inclusivity

Principle 1: We expect Network Rail’s engagement to be **inclusive**, in that its engagement seeks to involve all relevant stakeholders in a fair and proportionate manner and adopts different approaches to reflect stakeholders’ differing capacities and interests.

All parts of Network Rail engaged with a wide range of relevant stakeholders, in particular showing extensive engagement with train and freight operators and suppliers.

2.4 From the evidence we collected we saw that, in general, engagement with industry stakeholders such as train and freight operators, and suppliers was strong across the business units. Our survey results showed that over half of all respondents across each of the business units rated Network Rail's engagement as good or very good on the principle of inclusivity (Figure 2.3).

Figure 2.3 Stakeholder views on inclusivity, by business unit, 2020-21



Survey question: "In your opinion, how would you rate Network Rail's engagement with you on its Network Licence obligation of inclusivity?"

Source: ORR's stakeholder survey

- 2.5 As an illustrative example of good practice, in its self-assessment the North West and Central region described strengthening its relationships with train and freight operators through year 2 through the introduction of the Rail Efficiency Board and the Senior Freight Forum. Both of these initiatives highlighted a strong two-way listening dialogue with these stakeholders. The North West and Central region provided evidence that feedback has been positive, as did qualitative feedback received from our survey:

"...each side is listening to each other's requirements, and we are also able to raise items in a two way conversation." (A North West and Central region stakeholder).

- 2.6 The Eastern region segmented its engagement strategy with some stakeholders to ensure it met the needs of each group. For example, in its self-assessment the Eastern region described dividing suppliers into three different groups and adapting its engagement approach accordingly. Our survey indicated that suppliers responded positively to this initiative and several regarded it as best practice to share more widely.

We saw improvements to widen the reach of engagement, particularly by Network Rail Scotland and its Eastern region.

- 2.7 There are good examples of business units finding effective and accessible ways to engage with all of their stakeholders, in a proportionate manner, to ensure a true diversity of stakeholder opinion. To illustrate this point, Network Rail Scotland now has a regular programme of engagement with the Mobility and Access Committee for Scotland. Network Rail Scotland had also extended its engagement with smaller suppliers, including widening it to cover the indirect supply chain supporting the railway in Scotland.
- 2.8 The Eastern region implemented a strategy to improve engagement with local stakeholders, in particular Community Rail Partnerships and lineside neighbours. Our survey indicated that these stakeholders responded positively to this initiative, highlighting that the Eastern region had made more of an effort to engage on a regular basis with a regular schedule of meetings and much greater visibility and transparency about its activities.

Network Rail now needs to ensure engagement is more consistently inclusive of all of its stakeholders.

- 2.9 Stakeholder feedback suggests that engagement needs to be undertaken in a way that is more consistently inclusive across Network Rail. Our qualitative feedback showed that Network Rail often adopted a one size fits all approach to sharing information with stakeholders. This did not fully support the breadth of stakeholders engaging with Network Rail.
- 2.10 As an illustrative example, the Southern region's engagement was less well developed with smaller stakeholders. In general, these stakeholders responded less positively on the Southern region's engagement in our survey. In its self-assessment, the Southern region recognised this as an area for improvement and provided evidence of it taking steps to improve its engagement with public officials and local stakeholders (in particular Community Rail Partnerships and its lineside neighbours). These efforts are acknowledged by us, and in our survey results which indicated positive progressions with these stakeholders.
- 2.11 The FNPO engagement was less well developed with freight end-users. The FNPO recognised this as an area for further development and described developing a 'plan on a page' to engage with freight end-users on a more regular basis.

Effectiveness

Principle 2: We expect Network Rail's engagement to be **effective**, in that it supports the delivery of a safer, more efficient and better used rail network (in terms of its performance and capacity), including by ensuring that stakeholders' views are duly taken into account.

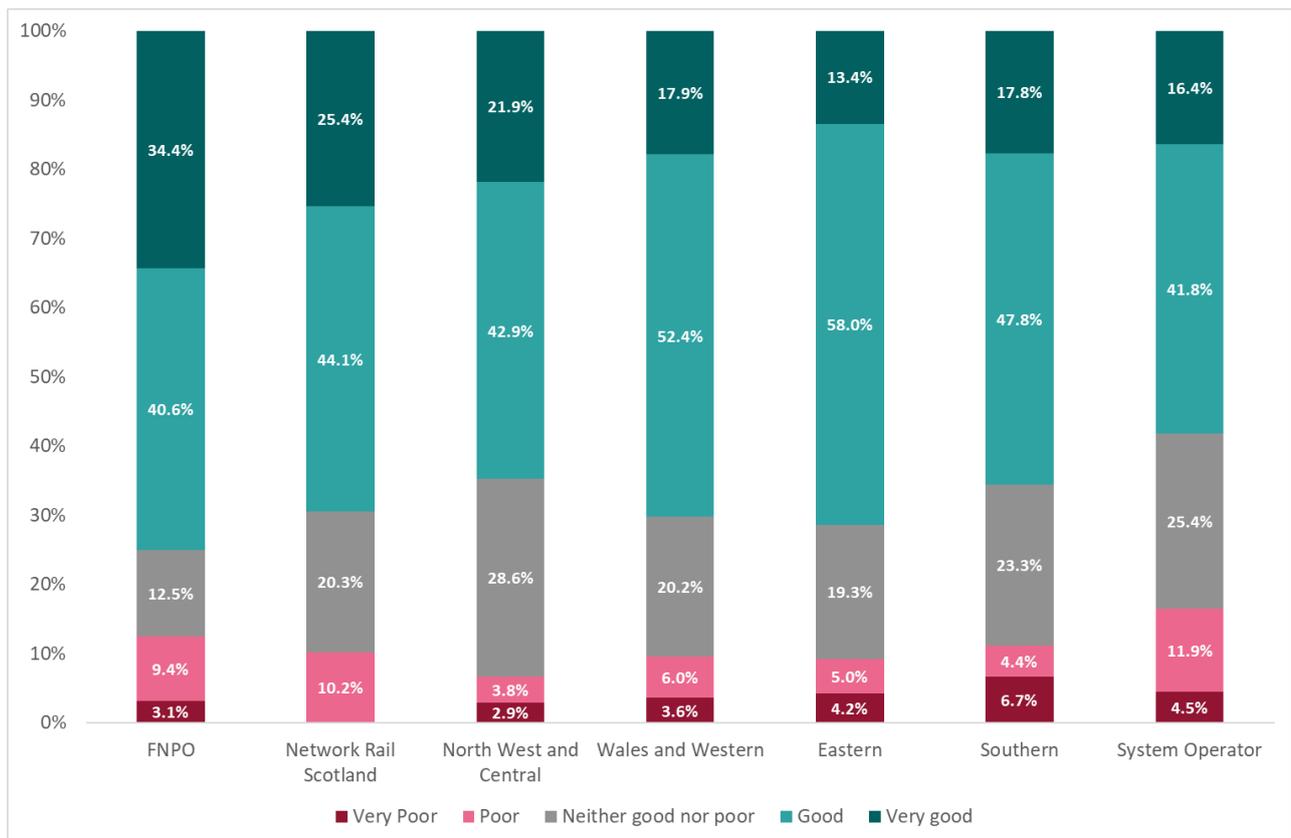
Overall, Network Rail showed stronger engagement with its stakeholders in response to the exceptional circumstances of COVID-19.

- 2.12 The coronavirus (COVID-19) pandemic has presented huge challenges to Network Rail and the wider rail industry throughout 2020-21. Ways of working have adapted and Network Rail has worked hard to ensure that it was still able to meet with its stakeholders and that the quality of its engagement was not adversely affected. Indeed just over half (52%) of respondents to our survey felt that engagement with Network Rail had somewhat improved or improved through a challenging year.

2.13 Each of the business units reacted swiftly to put measures in place to support online engagement with their stakeholders. New forums were created which has meant communication with stakeholders has increased and allowed for more effective and collaborative relationships with stakeholders. The increase in virtual meetings has allowed for a wider variety of stakeholders to attend meetings which has supported greater knowledge sharing. Some business units noted that they intend keeping these online forums in place in the future. Our qualitative feedback showed that stakeholders valued the virtual forums and meetings. Regular engagement sessions were also valued, as was a consistent stream of information to support their businesses and planning e.g. through the daily stand-up meetings, and regular cadence of email communications.

2.14 Discussions with the Railway Board and System Operator Advisory Board Chairs indicated that Network Rail has done well during an exceptionally challenging year in regards to working collaboratively with its stakeholders. Our survey results also show that over half of all respondents rated Network Rail's engagement as good or very good on the principle of effectiveness (Figure 2.4).

Figure 2.4 Stakeholder views on effectiveness, by business unit, 2020-21



Survey question: "In your opinion, how would you rate Network Rail's engagement with you on its Network Licence obligation of effectiveness?"

Source: ORR stakeholder survey

- 2.15 As an illustrative example, the Eastern region effectively increased its engagement to support suppliers through the coronavirus (COVID–19) pandemic, for example through more regular engagement and increased payment frequency. Other business units also put in place similar measures to support suppliers through the coronavirus (COVID- 19) pandemic for example the Wales and Western and the Southern regions.
- 2.16 In another example, Network Rail Scotland developed [Scotland's Railway](#) website to ensure regular engagement with stakeholders through year 2. The site allowed Network Rail Scotland to hold virtual forums such as community drop–in sessions, arrange meetings with project teams and share information.

There is evidence that some parts of Network Rail were reacting to the feedback given by stakeholders, using it to inform internal thinking and business priorities, particularly by the System Operator and the Eastern region.

- 2.17 There was some evidence of the business units responding to feedback given by stakeholders by adapting their plans and priorities. In their self–assessments some of the business units described reflecting on feedback given by stakeholders and amending their processes or decisions/priorities in response to the feedback. This evidence showed these engagement activities were timely and undertaken prior to decisions being made.
- 2.18 As an illustrative example, although the SO rated relatively poorly on our survey (with 16% of stakeholders rating its stakeholder engagement as poor or very poor on its effectiveness), we saw evidence that it has been making improvements. The SO undertakes an annual Customer Advocacy Survey to conduct over 100 interviews with key industry players and collect in-depth feedback from them. The SO reflected honestly on the feedback collected at a senior level and the results were used in developing the revised SO business model, which was introduced in October 2020. The case for this change made specific reference to stakeholders' experiences of engaging with the SO and the need for a perception of 'impenetrability' to drive change. In 2020-21, the SO also included measures on its scorecard which related to scores from the Customer Advocacy Survey to track progress made on stakeholders' perceptions and feedback.

2.19 In another example, the Eastern region worked on improving its processes to respond to stakeholder feedback during year 2. For example, its self-assessment described historically poor lineside neighbour engagement and outlined steps taken to improve. The Eastern region developed and presented an improvement plan to proactively listen to neighbours' complaints to understand their issues and concerns, and reviewed its processes accordingly, with input from experts inside and outside of the rail industry (e.g. customer service leaders outside of the rail industry). Whilst these are positive initiatives which have secured some improvements in the region further improvements are required.

Successes were often down to excellent individuals. It was less clear that there was an embedded culture of stakeholder engagement across Network Rail.

2.20 Our qualitative survey results indicated that successes were often dependent upon key individuals at Network Rail, in particular this came down to whether there was a dedicated contact in place. Our interview feedback further showed that Network Rail's understanding of stakeholder's needs and priorities was dependent upon who the stakeholder engaged with.

2.21 It was less clear, however, whether there was an embedded culture of stakeholder engagement within Network Rail. This was a theme that also came out through our interviews with stakeholders citing that Network Rail does not always actively listen or show that it has taken stakeholder views into account. As a result stakeholders felt that they were being told the outcome of their engagement activities without any ability to discuss the decisions being made. This lack of clarity leads us to question the focus of stakeholder engagement within some of the business units. Stakeholders recommended making the following improvements:

- (i) demonstrate how it is listening to stakeholders (such as through targeted, timely feedback);
- (ii) provide greater transparency in why and how decisions were made; and,
- (iii) demonstrate how stakeholder views are being taken into account during the decision making process.

2.22 As an illustrative example, in the evidence we collected on the Southern region's stakeholder engagement, we noted a stronger focus on communication activities aimed at improving stakeholders' perception of Network Rail and securing support

from them on the Southern region's own priorities. We also noted from reading its self-assessment that communication activity seemed to be the dominant response to stakeholder concerns, potentially overtaking material action to address concerns. While stakeholder communications is a legitimate business activity, it is important that driving stakeholders' perceptions of Network Rail does not overtake the primary purpose: to secure business improvements.

- 2.23 Network Rail should seek to embed a more consistent culture of stakeholder engagement throughout the company, recognising that business units are free to innovate their local approaches but that the whole organisation needs to achieve the principles of good stakeholder engagement.

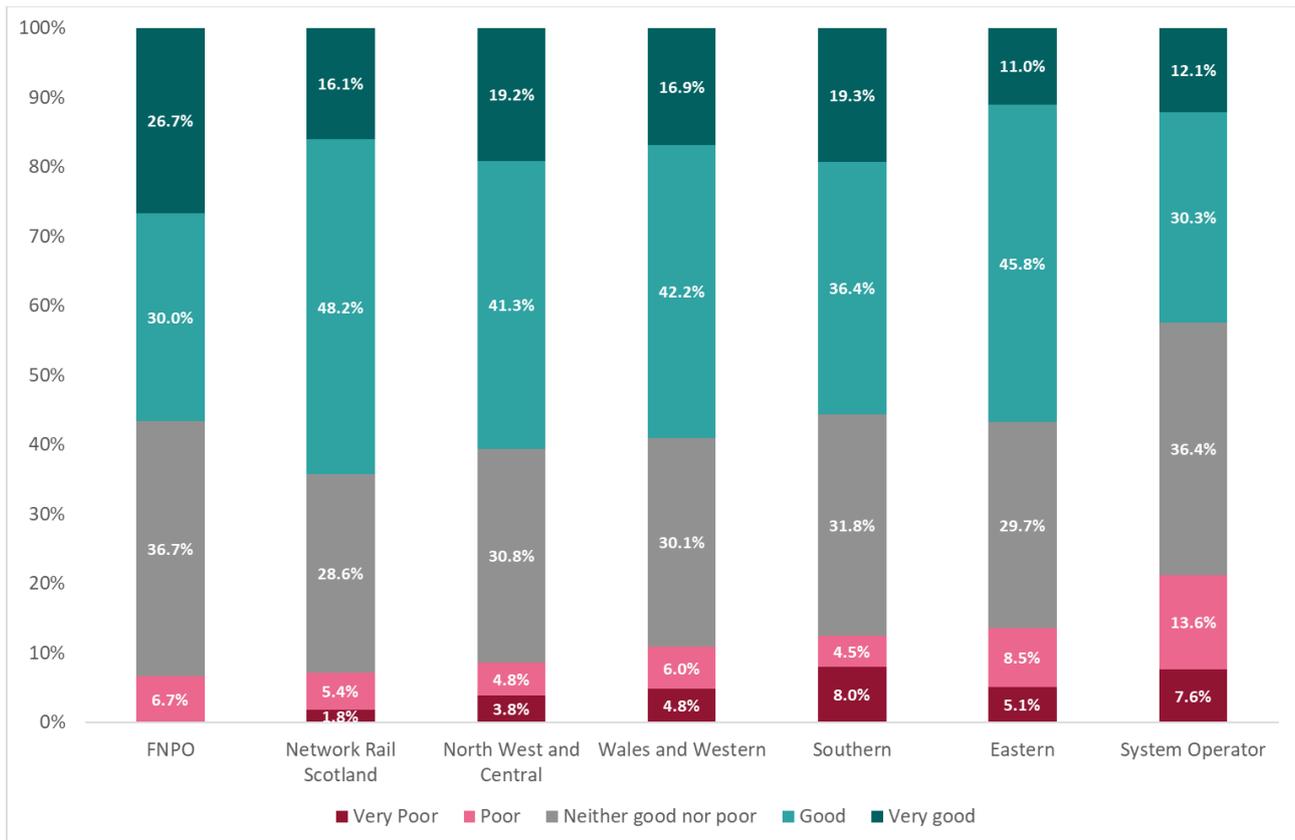
Good governance

Principle 3: We expect Network Rail's engagement to be **well-governed**, in that it is underpinned by effective processes and governance arrangements that encourage meaningful engagement and accountability, and provides mechanisms for challenge and escalation.

There was quite significant variation in processes and governance arrangements across Network Rail.

- 2.24 The business units have all established their own processes and governance arrangements to structure their stakeholder engagement activities. Our evidence highlighted there was quite significant variation between them, and our qualitative survey feedback showed that for some stakeholders these systems were working well, but not for all. Governance of stakeholder engagement is perceived as a relatively weaker area by stakeholders (Figure 2.2 above and Figure 2.5).

Figure 2.5 Stakeholder views on good governance, by business unit, 2020-21



Survey question: "In your opinion how would you rate Network Rail's engagement with you on the Network Licence obligation of good governance?"

Source: ORR's stakeholder survey

- 2.25 Whilst it is important to recognise that not all processes and governance arrangements are visible to stakeholders, our qualitative survey evidence showed that stakeholders valued having clear structures in place that made it easy for them to engage on the issues that mattered to them.
- 2.26 We outline some illustrative examples of good practice from Network Rail Scotland and the Southern region who had strong internal structures and processes in place, which made sure that engagement took place in a comprehensive manner:
 - (a) In its self-assessment Network Rail Scotland presented comprehensive summary tables for each stakeholder. These clearly showed, for each stakeholder, their concerns and key issues (alongside planned mitigations), the forums for engagement, tracked actions to improve engagement in year 2 (with accountable owners for each action), and planned improvements for year 3 (with accountable owners for each action).

(b) The Southern region described putting in place engagement strategies for each stakeholder group and implementing qualitative measures to track the implementation and performance of these strategies, which are reviewed periodically by its senior management.

2.27 In another illustrative example of good practice, the West Coast South route in the North West and Central region presented a tracker where teams were encouraged to briefly record examples of positive and negative stakeholder interactions so that it can continually reflect and learn and that key areas of learning are captured for reference. The North West and Central region also introduced Customer Account Managers during year 2, which provided clarity to stakeholders over whom to engage with. Qualitative feedback from our survey highlighted this as a positive development in the region, with respondents citing improvements made to the annual customer scorecard agreement process.

2.28 Some other regions had well-established processes in place to support continuous improvements in their stakeholder engagement activities. As an illustrative example of good practice, the Eastern region implemented internal processes to support continuous improvement in its stakeholder engagement. The Eastern region described carrying out a maturity assessment in its self-assessment, which allowed the region to assess its stakeholder engagement across a range of criteria.

Whilst engagement by sub-regional route teams was valued by stakeholders, in some instances this has led to additional complexity in engaging with Network Rail.

2.29 Where stakeholder engagement has been devolved to route level, a more local approach to stakeholder engagement has developed, and many respondents to our survey noted that devolution had positively impacted upon the region's engagement.

"The transition to regions and routes has led to a general refresh and improvement in engagement." (An Eastern region stakeholder).

2.30 However, others noted that devolution had added additional complexity and potentially made it less clear who stakeholders should escalate their concerns to. This has made it more difficult to ensure consistency in engagement and introduced multiple interfaces and contact points for stakeholders. Our qualitative

feedback showed that stakeholders value having a single point of contact to ensure their needs and priorities are understood and factored into decisions and plans.

- 2.31 As an illustrative example, the Eastern region has devolved its stakeholder engagement to its routes. On the one hand this has brought improvements to the Eastern region's engagement as it has allowed it to develop a localised approach to stakeholder engagement. However, devolution has also made the distribution of responsibilities and accountabilities between the region and the route more complex, and limited opportunities for strong regional governance and the sharing of best practice. This has led to reduced consistency and clarity in the Eastern region's stakeholder engagement.
- 2.32 In another illustrative example, the FNPO set up route-level freight teams allowing them to engage with freight stakeholders on a regular and local basis. Whilst this provided a key point of contact to freight stakeholders, these changes also created additional complexity for stakeholders. The FNPO has now published its governance framework which should help stakeholders better understand the interfaces between the FNPO and other parts of Network Rail.

The FNPO performed strongly in our assessment. It is now amalgamated into the System Operator, which performed less well. This brings both opportunities and risks for future freight engagement, which we will monitor in our next assessment.

- 2.33 Our evidence showed that the national freight team (part of the FNPO) is performing well relative to Network Rail as a whole. In our survey 94% of freight respondents rated the national freight team's engagement with them as good or very good, and this was well above the Network Rail average (73%).
- 2.34 The FNPO has faced a number of organisational changes since the start of CP6 and since April 2021 the FNPO has become part of the SO, which has wider responsibilities for the operation of the network. Whilst this change is out of scope for this assessment, we intend to keep this under review as the SO scored more poorly relative to other parts of Network Rail.
- 2.35 On good governance, we did not find evidence of a strategy or framework in place which underpinned the SO's engagement approach, and 21% of respondents felt that the SO's governance was poor or very poor (Figure 2.5). Whilst it was not entirely clear why this was the case, respondents to our survey, as well as to the

SO's Customer Advocacy Survey, reported that its role and accountabilities lacked clarity. We intend to follow this up as part of our year 3 assessment.

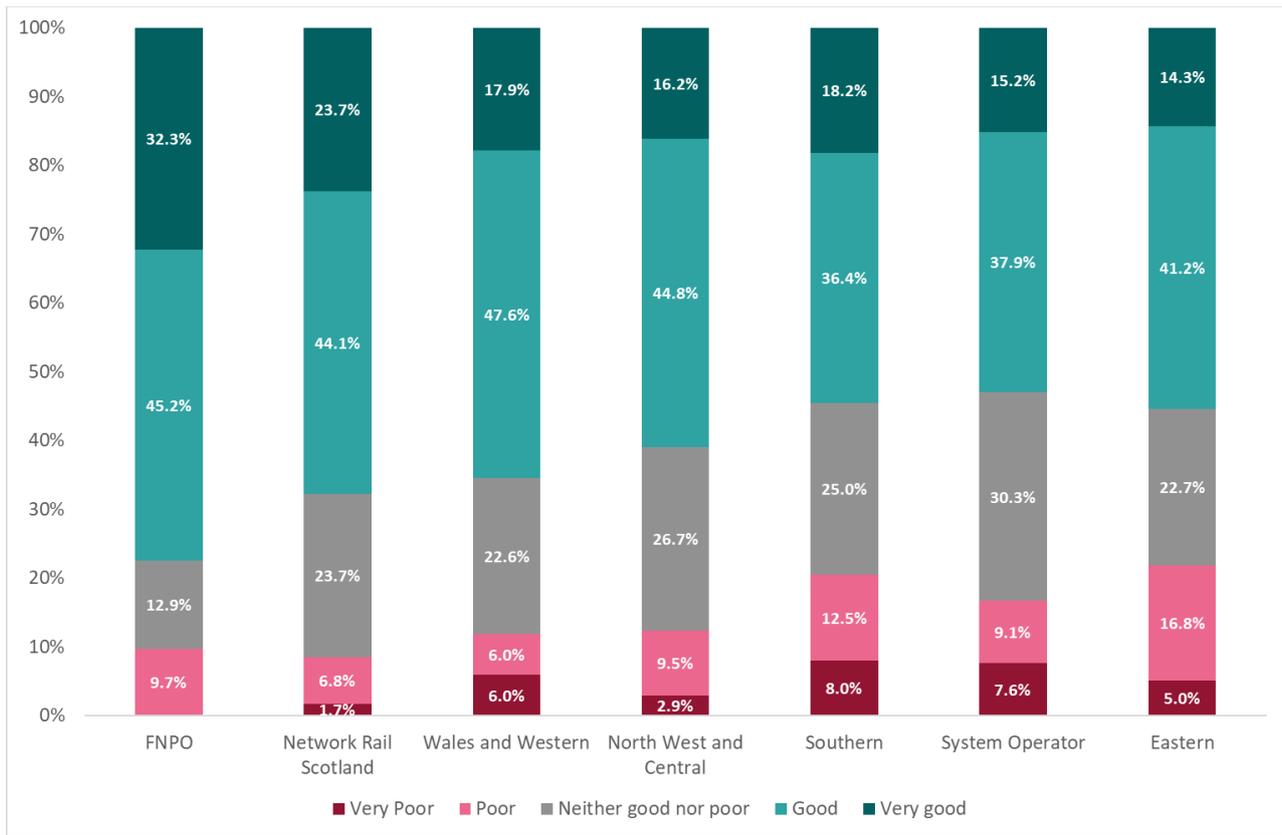
Transparency

Principle 4: We expect Network Rail's engagement to be **transparent**, in that Network Rail provides sufficient information to its stakeholders to enable them to engage properly with it, and can demonstrate how it has engaged with its stakeholders and how this has influenced its actions and delivery.

Although Network Rail has taken positive steps to improve the transparency of its engagement, it remains a key area of improvement for stakeholders.

- 2.36 All business units have taken steps to increase the transparency of their engagement, in particular to share information more regularly with stakeholders through project briefings, periodic newsletters, and dedicated websites. One positive illustrative example is the North West and Central region's initiative to invest in a number of new Information Technology platforms, which were available to all stakeholders.
- 2.37 Discussions with the Railway Board and SO Advisory Board Chairs also indicated that Network Rail is transparent with them and shared relevant materials with them, such as performance reports, which allowed them to engage meaningfully. Where further information was requested Network Rail provided this in a timely manner.
- 2.38 Nonetheless, stakeholders reported very mixed views on the transparency of Network Rail's stakeholder engagement, and perceptions varied significantly across business units (Figure 2.6). The FNPO scored particularly well, with 78% of respondents rating transparency as good or very good. In contrast, the Southern region and the System Operator received lower proportions of good or very good ratings (55% and 53% respectively).

Figure 2.6 Stakeholder views on transparency, by business unit, 2020-21



Survey question: "In your opinion how would you rate Network Rail's engagement with you on the Network Licence obligation of transparency?"

Source: ORR's stakeholder survey

2.39 Our qualitative survey results indicated that stakeholders want clear, open and timely information making it clear what is required of them. Transparency over plans, performance and the results of stakeholder engagement were all important to stakeholders. Finally stakeholders also noted that it should provide greater transparency in why and how decisions are made.

2.40 Finally, we did not find evidence of any business unit having designed and implemented a systematic approach to increase the transparency of their engagement. This supports the perception that information and data is not shared with stakeholders on a consistent basis and it is often not clear how or why decisions are made. This indicates a potential lack of overview and ownership of this issue at Network Rail Board level. Going forward, the business units would benefit from having a more holistic approach to ensure timely sharing of data and information.

Business units need to provide stakeholder feedback in a more systematic manner, in particular showing how their engagement influenced Network Rail's actions.

- 2.41 In their self-assessments, some business units provided some evidence of feeding back to their stakeholders on how their engagement and input influenced decisions at Network Rail. As an illustrative example, in its self-assessment, the Eastern region mentioned the existence of a 'you said, we did' programme which aimed to inform train operators how it responded to their feedback. Similarly, the North West and Central region described a similar initiative in the freight section of its self-assessment, with its 'you said, we did and are still doing' quarterly programme. Other business units, notably the Southern region and the FNPO reported feeding back to stakeholders on a more informal basis, through regular engagement.
- 2.42 It remains unclear how systematic Network Rail's feedback to stakeholders is, both across its business units and to different stakeholder groups. Not all business units provided evidence of feeding back to stakeholders on a regular basis and the initiatives described above seem largely centred on train operators. We did not find similar evidence for other stakeholder groups.
- 2.43 Our qualitative survey results also highlighted that stakeholders would like Network Rail to follow-up on agreed actions and provide feedback on how stakeholder input was used – this would show that it is actively listening to its stakeholders. Stakeholders also want to understand how their views are being taken into account in its decision making.

“It is helpful if Network Rail cannot only be represented at meetings, but also take agreed actions and follow up on them with progress reports” (A Network Rail stakeholder).

3. Conclusions and recommendations

- 3.1 Stakeholder engagement needs to be at the heart of Network Rail's business and is a core condition in the Network Licence. We have seen evidence of significant improvements by Network Rail in 2020-21, despite the challenging context of COVID-19. However, Network Rail still needs to do more to consistently meet the four principles of good stakeholder engagement: whilst the majority of stakeholders provided positive feedback, a sizeable minority are not yet content (Figure 2.2). There are many encouraging examples of good practice which Network Rail should now build upon.
- 3.2 We found significant variation in approaches to engagement across Network Rail, and in the effectiveness of engagement and satisfaction of stakeholders. Network Rail should seek to build a more consistent culture of stakeholder engagement throughout the company, recognising that business units are free to innovate their local approaches but that the whole organisation needs to achieve the principles of good stakeholder engagement. Improvements in the governance and transparency of engagement will in particular be crucial to support this - these were relatively weaker areas across the different business units we reviewed. We suggest Network Rail focus on the following elements to ensure that a more consistent culture of stakeholder engagement becomes embedded throughout the company:
- (i) engaging stakeholders in order to continuously improve outcomes, rather than being primarily a stakeholder management or communications exercise;
 - (ii) reaching out to include the very broad and diverse nature of Network Rail's stakeholders; and,
 - (iii) acting transparently with stakeholders to show the difference that their engagement has made.
- 3.3 In support of the introduction of Great British Railways, as announced by the Williams-Shapps Plan for Rail, it is especially important that a strong customer focused culture is embedded across the railway. Feedback from our expert panel indicated the importance of Board leadership in setting a strong culture for stakeholder engagement. Although the focus of our review has been the individual

business units which directly engage with stakeholders, rather than the corporate centre, Network Rail's Board has a crucial role to play in setting culture throughout the organisation whilst continuing to support innovation. This will be essential in helping continue to embed a consistent culture of stakeholder engagement across the business, in line with the findings above.

3.4 In addition to the specific areas for improvement we have identified in the individual business unit assessments, we make the following overarching recommendations:

- (a) Network Rail's senior leadership and its Board have a crucial task ahead in driving an organisation-wide culture of continuously improving stakeholder engagement and driving forward the areas for development outlined in this report and the individual assessment reports.
- (b) Network Rail should actively build on and disseminate good practice to facilitate and continuously improve its engagement with its stakeholders. We want to see particular improvements in the principles of good governance and transparency, where stakeholder satisfaction is lower. We would expect each of the business units to actively look to find ways to incorporate shared learnings from the examples and areas for improvement highlighted across all our assessments.
- (c) We expect Network Rail to proactively look beyond the boundaries of its own organisation and review and embed, where relevant, good practice from other sectors.

Observations from our expert panel

3.5 As in year 1, our assessment was informed by discussions with an expert panel drawn from ORR's Consumer Expert Panel. Our expert panel reviewed each of the business unit's self-assessments and provided their observations on Network Rail's stakeholder engagement across each of the four principles. The observations made by our expert panel are particularly relevant in establishing the right culture of engagement, as highlighted above.

Observations from our expert panel

Helen Parker, Trisha MacAuley OBE, Marie Pye, Ray Kemp (ORR Consumer Expert Panel members)

As members of the ORR's Consumer Expert Panel, we bring experience of best practice in stakeholder engagement from sectors as varied as energy, water and health - as well as transport. Time and again, we have seen how maintaining a deep understanding of the experience and needs of stakeholders, and using this insight to drive business change, can deliver vital improvements for users.

We've also seen how self-assessment, encouraged by independent challenge, can help monopoly services become more user focused. When consumers and stakeholders have no choice, it's more important than ever for providers to hold themselves to account for understanding and responding to their needs.

We welcome the improvements that Network Rail's business units have delivered this year. Here are our top five suggestions for how they can further strengthen their approach.

- **Focus:** This process is about developing engagement with stakeholders in a way that influences decision-making and drives business improvement. It is not about reputation management – it is about listening and improving. Reputation follows good performance, having addressed stakeholders' needs and concerns.
- **Feedback:** We would like to see more evidence that business units are routinely feeding back to stakeholders, explaining how their input has been used. Closing the loop builds stakeholder trust, helps encourage further, better feedback, and keeps the wheels of continuous improvement oiled.
- **Embedded:** Self-assessment is not arduous if stakeholder engagement is embedded across the business. Some units provided evidence, as opposed to claims, that ORR's four key criteria were understood and being put into action as part of business as usual, with clear ownership by all teams.
- **Inclusive:** Network Rail's work serves and impacts the whole of society. So we want to see more evidence that business units had found effective, accessible ways to engage with minority stakeholders such as disabled passengers, older people or families with young children. Without this insight, it will have only a partial picture.
- **Lead from the top:** Deep, lasting change will only happen if it is led from the top. So we would like to see more evidence that engagement strategies are driven and applied by senior management. And, although business units contribute individually, they do ultimately come together as one organisation. We would like to see how Network Rail's board and leadership as a whole drove this activity and used it in its decision making.

Our year 3 assessment

- 3.6 We expect business units to build on their experiences of engaging with their stakeholders during the second year of CP6, and continue to refine and improve their engagement approaches. In particular, we expect them to reflect on the strengths and best practice as well as areas of improvement identified in this assessment.
- 3.7 We will undertake another assessment of the quality of Network Rail's stakeholder engagement for year 3 of CP6. As with year 2, this will focus on assessing the quality of Network Rai's stakeholder engagement across the four principles of good stakeholder engagement in the Network Licence.



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