

Office of Rail Regulation and Network Rail

Improving Project Delivery – 2010 Audits
(CH005)

Independent Reporter
Final Report

May 2010

Halcrow Group Limited

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Executive Summary

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1 Executive Summary

1.1 Background

- 1.1.1 ORR issued a Final Order¹ to Network Rail, on 22 April 2008, requiring that Network Rail present, by 30 June 2008, a plan to improve its planning and execution of projects involving the renewal, replacement, improvement and enhancement of the network. The plan was required to address issues in supplier management, risk management, site management and communications following possession overruns at Liverpool Street, Rugby and Shields Junction in January 2008. The Final Order required that Network Rail implement its plan by 31 December 2008. On 31 July 2008 ORR wrote to Network Rail stating that the Plan was compliant with the relevant requirements.²
- 1.1.2 The Independent Reporter was appointed to monitor Network Rail's progress in implementing its Plan on 13 August 2008 and undertake audits of Network Rail's compliance with its Work Instruction 'Delivering Work within Possessions' in 2009.
- 1.1.3 The findings of the Independent Reporter's 2009 audit report³ were discussed at the ORR's May 2009 Board meeting, where it was agreed that Network Rail had complied with the terms of the final order, but it was emphasised that there were elements that were not fully embedded and Network Rail needed to maintain momentum until the improvements were fully embedded into the company.
- 1.1.4 This executive summary presents the Independent Reporter's findings on the level of embedment of Network Rail's Work Instruction 'Delivering Work within Possessions', Version 1, 13 February 2009 (incorporating changes at 1 November 2009). The Independent Reporter's detailed findings are presented in a separate report.⁴
- 1.1.5 In arriving at an opinion the Independent Reporter has undertaken four project possession audits and conducted further audits with Infrastructure Maintenance, the HQ 'Central Team' and Government & Corporate Affairs. Throughout this process Network Rail has been committed and resourced to allow the audits to proceed unhindered.

¹ See <http://www.rail-reg.gov.uk/upload/pdf/final-order-let-220408.pdf>

² See http://www.rail-reg.gov.uk/upload/pdf/nrail-engineering_work_orrlet_310708.pdf

³ See Assessment of Network Rail's Compliance with ORR's Section 55 Order, issued 22 April 2008 Independent Reporter – Final Report, Halcrow Group Limited, April 2009.

⁴ Office of Rail Regulation and Network Rail, Improving Project Delivery – 2010 Audits (CH005), Independent Reporter, Final Report, Halcrow Group Limited, 26 May 2010.

1.2 Independent Reporter Opinion

- 1.2.1 The Independent Reporter is satisfied that Network Rail has embedded the use of its Work Instruction. Although the standard compliance date for the Work Instruction has been delayed from September 2009 to June 2010 the evidence demonstrates that the Work Instruction is understood and is generally being used competently.
- 1.2.2 Network Rail is now in a phase of continuous improvement. The Independent Reporter particularly notes the work by the HQ Central Team in administering the data and systems that support the Work Instruction. The initiatives to improve the possessions database are particularly important in sustaining Network Rail's progress.
- 1.2.3 However, a number of specific observations and recommendations have been identified which should be addressed.
- 1.2.4 Key actions are:
- **Supplier management** - Address gaps in WIV1 drafting and guidance for certain procurement situations. WIV1 compels no specific action in relation to either pre or post contract checks on third party contractors. This is a weakness in the reach of WIV1 which was highlighted in the 2009 audit. The 2010 audits reveal that this is still a weakness. In addition, there is the potential for limited pre-contract checks on the supply chain for high-risk possessions where individual contract values are low. This situation may arise more in situations where Network Rail acts as main contractor; an approach which may be increasingly attractive in order to improve the efficient cost of delivery;
 - **Infrastructure Maintenance** – The version of the Work Instruction with a compliance date of June 2010 states that it is not applicable to Infrastructure Maintenance. An equivalent standard to the Work Instruction is to apply instead which is entirely appropriate for basic maintenance tasks. However, care needs to be taken over which standard (WIV1 or the maintenance equivalent) if Infrastructure Maintenance is obliged to deliver complex renewals in future. If so, the Independent Reporter stresses that the Work Instruction and NOT the maintenance equivalent should be used;
 - **Application of the Work Instruction outside of Bank Holidays** – The Work Instruction applies to ALL possessions, not just those executed over bank holiday weekends. In order to ensure that the Work Instruction is applied with the same rigour outside bank holidays it is recommended that all Go / No Go decisions should be formally documented and logged centrally with the HQ Central Team;
 - **Performance Measurement** - The work on revising Key Performance Indicators is evidently ongoing and must now be completed to the stated programme. It is appropriate that the Possession Overrun management Report is amended to be used as a tool by Network Rail. Delay minute targets by Investment Projects programmes and for Infrastructure Maintenance should be made visible and performance measured against them;

- **Learning lessons** - Although evidence existed for the investigation of overrunning possessions, of possessions that have subsequently resulted in network disruption, this is left to the discretion of Investment Projects' programme directors. Minimum requirements for review of failed possessions should be set to ensure that each investigation is thorough and consistent.
- 1.2.5 Through the audit process the Independent Reporter has made a total of twenty five observations. Fifteen of these observations offer the Independent Reporter's opinion on Network Rail's progress against the observations and recommendations made in the 2009 audit.
- 1.2.6 Fifteen of the observations are secondary and ten are good practice recommendations.
- 1.2.7 Of the 2009 observations and recommendations the Independent Reporter considers that: eight have been addressed satisfactorily, or no recurrence of the issue was found in the 2010 audit; six either remain to be addressed fully, or have recurred in the 2010 audit; one observation has been partly addressed.
- 1.2.8 There are nine new observations; eight of these are secondary and one is considered good practice.
- 1.2.9 All of these observations are important. If they are not addressed Network Rail will fall into non-compliance with the Work Instruction in future.
- 1.2.10 Network Rail should therefore remain ready to demonstrate to ORR that it has addressed the observations and recommendations.

David Simmons

**Independent Reporter
Halcrow Group Limited
26 May 2010**