



ORR PR18 Delivery Planning Review

Summary

31 July 2017

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Introduction

Periodic Review 18 (PR18) refers to the process by which the Office of Rail and Road (ORR) in 2018 will determine Network Rail’s funding settlement for Control Period 6 (CP6) covering April 2019 to March 2024. The determination will include funding for its operations, maintenance and renewals (OMR) activities. Network Rail has eight geographic routes and each undertakes strategic business planning of their OMR and enhancements leading to them submitting Route Strategic Plans (RSP) to Network Rail’s central business planning team who aggregate these into the Strategic Business Plan (SBP). The SBP is submitted to ORR in late 2017 and will feed into the ORR’s PR18 funding determination process. The Network Rail business planning process is continuous and takes an eight-year look-ahead using a ‘rolling forecast (RFxx)’ methodology illustrated in Figure 1 below. The intention is that the rolling forecast is updated at least annually, however at present it is being updated up to three times per year due to uncertainties relating to Network Rail’s funding settlement.

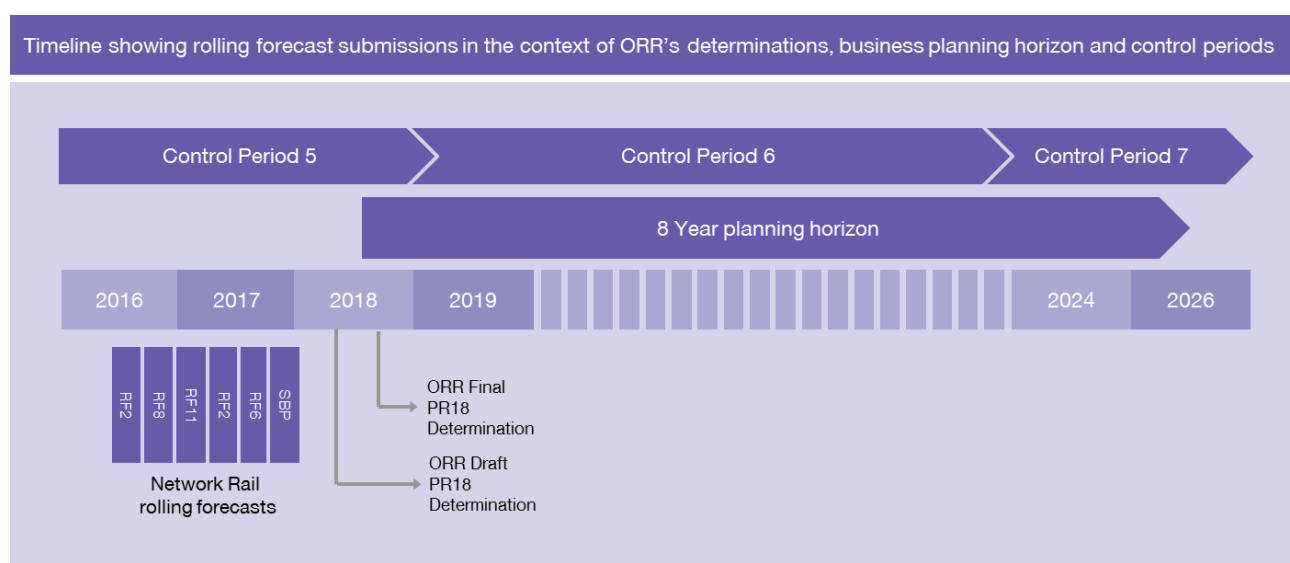


Figure 1 – Strategic business planning and rolling forecasts (RFxx)



The ORR wants assurance that RSPs are deliverable by examining whether Network Rail's delivery planning process takes account of limiting criteria, such as the availability of track access for engineering work, the availability of nationally controlled key resources (for example, special plant), the capacity of the supply chain and programme/project management resources. The ORR expects Network Rail's delivery planning to demonstrate that each RSP and the enhancements investment portfolio can be delivered. This will require a portfolio-based approach to optimising delivery of the work at both route and network level.

ORR appointed Nichols in April 2017 to undertake an independent review of Network Rail's delivery planning process to:

1. Determine if Network Rail has a clear and robust process to assess if its RSP and enhancements portfolio are deliverable and identify any gaps in the process.
2. Review if Network Rail has improvement plans to fill any gaps it has identified and those identified by the reporter.
3. Recommend criteria that ORR will use to review Network Rail's delivery planning, as set out in Network Rail's SBP and throughout CP6, for agreement between ORR and Network Rail.

There are two parts to the Network Rail delivery planning process:

- Work undertaken by each route to produce a RSP and assess its deliverability (referred to as 'Level 1' assurance).
- Work coordinated by a central team within the Infrastructure Projects (IP HQ) Directorate to validate the individual route submissions and to assess deliverability of the overall portfolio by consolidating the individual route plans to form a national level plan (referred to as 'Level 2' assurance).

This report is the output of the Nichols independent review and assesses this delivery planning process.



Conclusions

We conclude that there are clear processes in place to compile RSPs and enhancements portfolio that assess if these are deliverable. However, these processes are evolving, unproven and may at best be considered to be a 'work in progress'. On this basis they cannot yet be considered to be robust. There are some gaps we have identified:

- There appears to be a heavy reliance on volumetric comparison, both in the routes (whilst deriving the route plans for years 3, 4 and 5 of CP6), and at IP HQ (whilst carrying out Level 2 assurance of the plans for the whole of CP6). The use of volumetric comparisons, suitably adjusted for future traffic forecasts, is appropriate for deriving, and assuring the deliverability of plans in the later stages of a 7-year rolling forecast, but not for the early years.
- There has been only a limited attempt to aggregate the route submissions for the purpose of assessing the portfolio effect of combining 8 individual plans. Aggregation appears to have been done for assessing key resource availability only, and not for assessing the capability of the industry, including its supply chains, to deliver the aggregated national workbank over the full five years of CP6.
- There has been limited detailed challenge of RSPs during the Level 2 assurance process, and therefore, there is insufficient confidence that Route Strategic Plans are deliverable.

In summary, we have sought to capture our understanding of Network Rail's delivery planning processes in figure 2 below. We have distinguished between the route level (Level 1 in the deliverability assurance model) and IP centre (Level 2 in the deliverability assurance model). The workings of the process are represented in diamonds and we have RAG rated these to illustrate our assessment of the robustness of Network Rail's current processes. The Route processes appear to be in relatively good shape, although more needs to be done to define what Level 1 assurance is required. The IP HQ Level 2 assurance process is at a very early stage of development and cannot be considered to be robust.

Network Rail's delivery planning processes

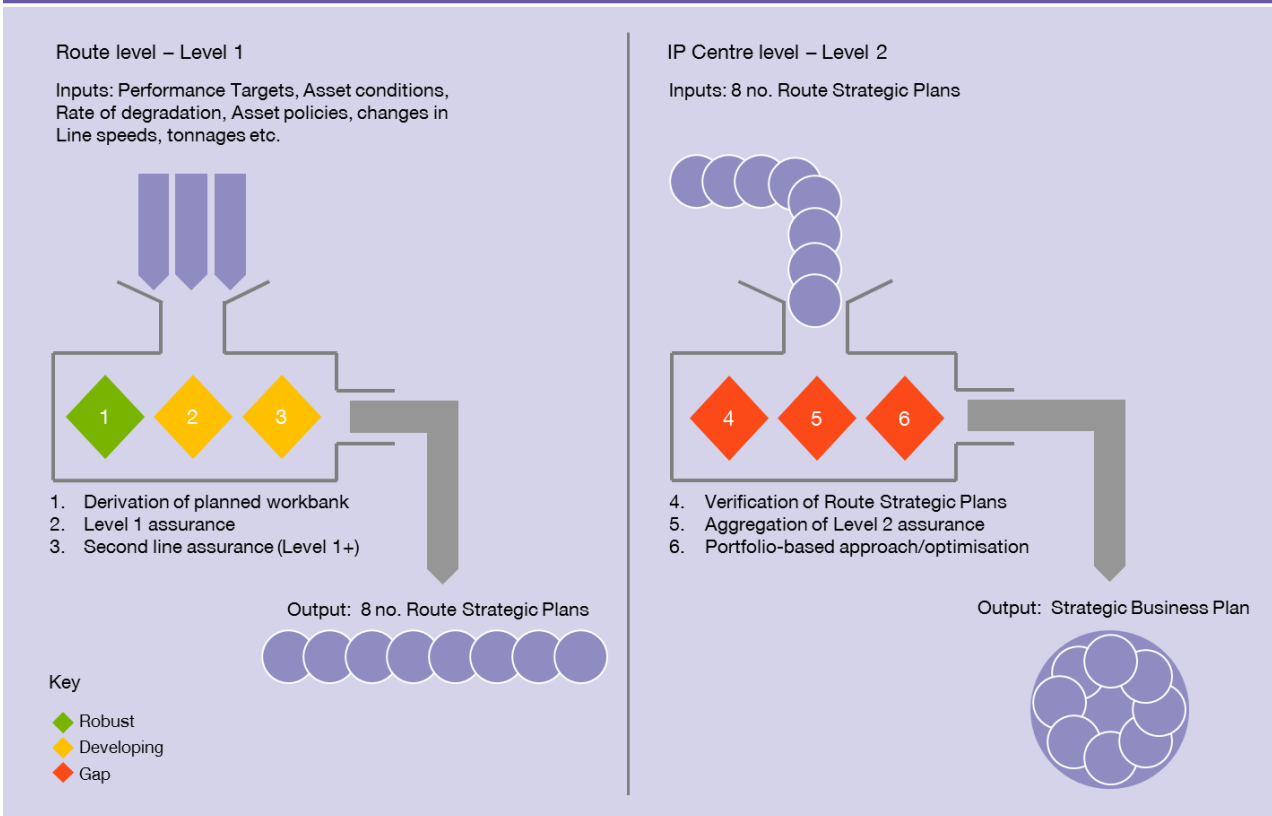


Figure 2 – Network Rail's delivery planning processes

Recommendations

We have made a number of recommendations for improvements to Network Rail delivery planning process and we have grouped them under two headings in Table 1. These are Group A, related to the process of assessing deliverability of the RSPs, and Group B, and related to checking the national consolidated picture. The next rolling forecast (RF6) is due to complete at the end of September 2017 and will be used as the basis for the CP6 SBP. We have prioritised those recommendations that need to be addressed before RF6 is finished as critical or post-RF6 as part of improving the on-going business planning process.

Recommendations	Priority
Group A: improvements to delivery planning of route strategic plans	
1. Network Rail should create a standardised 'best-practice' framework approach to assessing the deliverability of its plans	Post RF6
2. Network Rail should create a clear audit trail between RSP submissions and the supporting evidence	Critical (by RF6)
Group B: improvements to delivery planning of the national consolidated plan	
3. Network Rail should develop and issue clear and comprehensive guidance for the routes on deliverability and assurance	Critical (by RF6)
4. Network Rail should create a national consolidated baseline of workbanks to allow it to carry out portfolio planning	Critical (by RF6)
5. Network Rail IP HQ should prepare a Level 2 Assurance Execution Plan	Critical (by RF6)
6. Network Rail should clarify the roles and responsibilities of the IP HQ team with regards to deliverability of the SBP	Critical (by RF6)
7. ORR and Network Rail should develop a method of quantifying the outcome of the Level 1 and Level 2 assurance processes so that the current status of deliverability of the developing SBP can be quickly assessed	Post RF6

Table 1 – Summary of recommendations