

CP6 route strategic plan review summary

Western route

Purpose

This document provides a summary of the key proposals in the Western route strategic plan for control period 6 (CP6)¹ and a short high level overview of our review of this, as part of our 2018 periodic review (PR18). For our more detailed assessment of this and the other strategic plans, please see our PR18 draft determination [supplementary documents](#).

Over summer 2018, Network Rail's routes will be making targeted updates to their plans in line with our overall proposed decisions in the draft determination. For the final determination in October 2018, this summary will be expanded to include more detailed information on the settlement we are setting for the Western route in CP6.

Summary of key proposals by the route

1. In its route strategic plan (RSP), the Western route outlined the following key objectives for CP6:
 - getting everyone home safe every day;
 - supporting the economic development of the Western route region, including new jobs and housing, with higher frequency long distance services across the route and the introduction of key sections of the Elizabeth Line (Crossrail);
 - taking forward 'speed to the west' initiatives by bringing track and train operations closer together, for example through the route's alliance with Great Western Railway;
 - working effectively with High Speed Two (HS2), including on the development of a key interchange station at Old Oak Common; and
 - providing improved network reliability for freight train operators.
2. Western's RSP is primarily concerned with the operation and maintenance of the route in CP6, and the renewal and improvement of network assets. Enhancements whose delivery had commenced by February 2018 are referred to in the RSP, because they will affect operations, maintenance and renewals activities, but prospective enhancements, that are still subject to final funding decisions are not. Western has expressed support for Network Rail's Digital Railway programme in CP6 and will trial traffic management technology in the Thames Valley Signalling Centre

¹ CP6 will run from 1 April 2019 to 31 March 2024.

by the end of CP5. However, no other Digital Railway initiatives are presently scheduled for the route.

3. The route's RSP (available [here](#)) sets out more fully what the route proposes to deliver in CP6. Within this, the route included a scorecard containing:
 - measures that have been developed with customers/local stakeholders, including particular train operator performance measures; and
 - a set of 'consistent measures' that apply to all of Network Rail's geographic routes and which will enable comparison across routes during CP6.
4. The scorecard included the targets that the route has set itself against these measures. While the full scorecards are available within the [RSP](#), Table 1 below sets out the route's targets for the consistent measures. The measures included in bold are those that we specifically required routes to include a target for².
5. Some of the targets and trajectories over CP6 for train performance and asset sustainability are likely to change to reflect the process we have asked Network Rail to undertake in response to our draft determination decisions, as discussed later in this document.
6. Table 2 below then sets out the expenditure and income forecasts from Western's RSP.

Table 1: Route consistent measures on the route's scorecard³

Area	Metric	CP6				
		2019-20	2020-21	2021-22	2022-23	2023-24
Safety	Lost time injury frequency rate (LTIFR)	0.383	0.320	0.277	0.223	0.170
	Train accident risk reduction measures	80%	80%	80%	80%	80%
	Top 10 milestones to reduce level crossing risk	8	8	8	8	8
	Railway management maturity model (RM3)	This measure remains in development by Network Rail				
Train performance	Consistent route measure – passenger performance (CRM-P)	1.80	1.77	1.75	1.71	1.69
	Freight delivery metric – route (FDM-R)	94.0%	94.0%	94.0%	94.0%	94.0%

² There will also be other consistent measures that the route will report against in CP6 (but will not necessarily have a specific target for), including end-user measures such as passenger satisfaction with the route. These are discussed in our [scorecards and requirements](#) supplementary document.

³ Definitions of the measures are available [here](#).

Area	Metric	CP6				
		2019-20	2020-21	2021-22	2022-23	2023-24
Asset management	Composite sustainability index (CSI)	-	-	-	-	1.3%
	Reduction in service affecting failures (SAF)	0.6%	1.5%	3.6%	3.5%	2.7%
	Composite Reliability Index (CRI)	-3.0%	-2.8%	1.1%	4.9%	7.5%
	7 key volumes	95%	95%	95%	95%	95%
	Top investment milestones	80%	80%	80%	80%	80%
Financial performance	Financial performance measure (FPM) – gross excluding enhancements	£0	£0	£0	£0	£0
	Financial performance measure (FPM) – gross enhancements only	£0	£0	£0	£0	£0
	Cash compliance – income and expenditure	£0	£0	£0	£0	£0

Table 2: Summary of Western's proposed expenditure and income for CP6⁴

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Support	169	46	45	44	44	43	222
Operations	231	65	64	64	63	63	319
Maintenance	668	146	153	143	142	142	726
Renewals	1,540	334	364	364	313	269	1,643
Schedule 4&8	215	24	30	30	27	23	134
Traction electricity, industry costs and rates	169	49	52	52	62	62	277
System Operator	12	5	5	6	5	5	27
Route controlled risk funding	0	13	13	13	13	13	63
Route contribution to group portfolio fund	0	17	24	43	43	56	183
Gross revenue requirement	3,004	698	751	759	711	675	3,594
Other single till income	(536)	(71)	(72)	(72)	(73)	(74)	(362)
FNPO recharge	0	(191)	(190)	(186)	(172)	(159)	(899)
Net revenue requirement	2,467	436	489	501	466	442	2,333
<u>Recovered through</u>							
Variable charges	(387)	(87)	(97)	(96)	(92)	(89)	(460)
Fixed charges / Network Grant	(2,604)	(349)	(392)	(405)	(374)	(353)	(1,873)
Total SOFA related income	(2,991)	(436)	(489)	(501)	(466)	(442)	(2,334)

⁴ In the CP5 total column, all of the numbers represent actual income and expenditure (including a forecast for the rest of the control period). This means that in the CP5 total column, the fixed charges/network grant number includes income for expenditure that in CP6 is outside of the SoFA and not included in this table (British Transport Police costs, financing costs and corporation tax). For CP6, Network Rail has calculated: the gross revenue requirement to be equal to its proposed expenditure; the net revenue requirement to be equal to the gross revenue requirement less other single till income; and the fixed charges/network grant line to be equal to the net revenue requirement less variable charges. Also, some total values are affected by rounding applied to constituent values.

Table 2a: Western's proposed support costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route support costs	34	4	4	4	4	4	19
Central support costs	135	42	41	40	41	39	203
Total support costs	169	46	45	44	44	43	222

Table 2b: Western's proposed operations costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route operations costs	240	64	64	63	63	62	315
Central operations costs	(9)	1	1	1	1	1	4
Total operations costs	231	65	64	64	63	63	319

Table 2c: Western's proposed maintenance costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route maintenance costs	651	144	149	141	140	140	715
Central maintenance costs	17	2	5	2	1	2	12
Total maintenance costs	668	146	153	143	142	142	726

Table 2d: Western's proposed renewals costs for CP6

£m (2017-18 prices)	CP5 total	CP6					Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
Route renewals costs	1,307	278	289	302	265	221	1,355
Central renewals costs	233	56	75	62	48	49	289
Total renewals costs	1,540	334	364	364	313	269	1,643

Our approach to assessing the plan

7. Our assessment of the RSP involved a mix of scrutiny at a route-level and of individual activity types.
8. We reviewed the proposed costs in the plan, along with asset management, health and safety, scorecards and performance, and stakeholder engagement aspects. In particular, we carried out:
 - three ‘main’ meetings with the route overall, including with the route managing director. This included the route presenting its plan in December 2017. These built on our engagement with the route prior to the SBP submission;
 - several ‘deep dive’ meetings including on: level crossings, drainage, electrification and electrical plant issues, health and safety, structures, and efficiency and risk factors. We also held an analytical meeting with the route on performance. These meetings allowed us to meet with the specialists in each relevant area. Our targeting of deep dive meetings was risk based. Where we did not hold deep dive meetings on particular assets/areas with the route, the deep dive meetings that we held with other routes on these helped to inform our assessment⁵. We also put questions to the route via correspondence; and
 - a cross-route deliverability assessment.
9. We also considered as part of our review the comments we received from stakeholders. This included responses to our invitation to stakeholders to provide their high-level and material points on the SBPs to inform our review.
10. In addition:
 - our consultants Gleeds met with the route to discuss its approach to cost planning (i.e. the process to understand the cost of delivering each item of work). Understanding what drives cost is important to the effective scoping of work and selection of the preferred option or technical solution, and as such has a direct effect on efficiency; and
 - together with Network Rail, we commissioned Nichols, an independent reporter, to provide assurance to us on the reasonableness of the efficiency plans of each of the geographic routes. As part of this, Nichols met with the routes.
11. We also discussed, with Gleeds and Nichols together, the conclusions of both of their studies. This was so that we could draw out any common issues, check that the boundary between their reviews was clear and decide how we could incorporate their

⁵ This was also supplemented by information gained from other aspects of our review. For example, our discussions with Network Rail’s Safety, Technical & Engineering (STE) directorate’s technical specialists for each asset type, consideration of Network Rail’s STE’s assurance review of all the routes, and responses from the ‘main’ route SBP meetings.

work into our draft determination. We also considered whether there was any cross-over between these two workstreams and the study we commissioned by our consultants CEPA on Network Rail's financial risk assessment and management.

Our draft determination

12. As set out in our PR18 draft determination overview, we found the route plans to be an important step forward. The evidence from our work – informed by conclusions from our consultants – was that the RSPs were broadly fit for purpose, and the process followed to prepare them was an improvement on PR13. Further, we welcome the ownership that the routes have demonstrated of these plans. However, we have identified a number of significant adjustments – including to efficiency – that should be made and which provide sufficient funding to allocate at least a further £1bn to improving asset condition across England & Wales.
13. Reflecting this, we are not requiring detailed top down changes to be made to any of the England & Wales RSPs as part of our draft determination. Instead, we have agreed with Network Rail a process for each of the routes to make targeted adjustments to their route plans.
14. Deliverability is also an important issue as overall activity levels peak in years three and four of the control period, especially in signalling. Network Rail has not yet provided sufficient assurance that its proposed profile of work is deliverable and that it would be the most efficient way of delivering the work, after taking account of the supply chain.
15. These issues will likely have implications for the Western route, and below we highlight these links and include references to where they are discussed in more detail.
 - **Asset sustainability:** the Western route set out plans that would result in an overall fall in asset condition over CP6. This reflects a broader trend across England & Wales, and we have asked Network Rail to add around £1bn of additional work to improve asset condition within CP6, and to set out proposals for how this should be allocated across the routes. More information is available in our [draft determination overview document](#).
 - **Safety expenditure:** we considered that in a number of areas more work would be needed to meet the required legal safety standards in CP6. This was particularly the case in respect of user-worked level crossings and driver/worker safety in depots, where we have allocated additional funding. As part of the additional work that Network Rail will consider in respect of improving asset condition (discussed above), we have also asked it to consider prioritising certain assets (including earthworks) where this is needed to control precursors

to catastrophic failure. More information is available in our supplementary document on [health & safety](#).

- **Efficiency:** we did not consider that Network Rail had provided sufficient justification for its overall efficiency challenge, and have asked the company to identify a further £586m of savings in England & Wales, to be found across the company, including within the Western route. More information on this (and deliverability) is available in our supplementary document on our [review of Network Rail's proposed costs](#).
- **Performance:** across England & Wales, we are providing an additional opportunity for routes and passenger operators to agree suitable targets for delivery across CP6. This includes Western route, as it relates to:
 - Great Western Railway;
 - Heathrow Express;
 - MTR Crossrail;
 - CrossCountry; and
 - freight operators.

16. More information is available in our supplementary document on [scorecards and requirements](#).

Route stakeholder engagement

17. As part of our SBP review, we have assessed how well Network Rail's routes and the System Operator (SO) engaged with their stakeholders to inform their strategic plans. We wanted the routes/SO to engage with their stakeholders to help them to understand and meet their stakeholders' requirements, and to allow them to use operators' railway expertise and understanding of operations, access and costs to make their plans more efficient, realistic and credible.
18. We have assessed the Western route's approach with respect to three areas (scope and methods of engagement; recording and analysis of priorities; and trade-offs and line of sight)⁶. Our findings with respect to each of these three areas are discussed below.

⁶ We have summarised our assessment of the route's engagement using the following terminology:

Effective: The engagement is effective in supporting delivery of our overall PR18 aims and, specifically, that it enables stakeholders to influence priorities and challenge performance (where necessary). The engagement should also be proportionate to what it is seeking to achieve (so that money on engagement is well spent);

Inclusive: The overall engagement should seek to involve all relevant stakeholders (without undue discrimination) and should adopt different approaches to reflect differing stakeholder capabilities and interests;

Scope and methods of engagement: Which stakeholders did the route engage with and how well did it do so?

19. The Western route engaged a good variety of stakeholders, in particular local authorities and local enterprise partnerships. However, there appears to have been only limited engagement with supply chain partners.
20. The Western route tailored its approach to its different stakeholders by adopting a 'multi-channel approach' to engaging with its stakeholders. This included workshops, bilateral meetings and online surveys.
21. The Western route started engagement early, with an initial briefing of the lead operator taking place in July 2016. It also adopted an iterative approach in sharing its views on the plan with stakeholders. For example, it held a series of workshops over February and March 2017 to gain insight into customer's priorities, and a further series of workshops in June 2017 to gain stakeholder views on the draft plan and scorecard. The workshops included presentations by senior route managers and break-out discussion groups. The route demonstrated a proactive approach by including 'you said, we did' sessions highlighting developments in the plan at later events in the series. The Western RSP explained its engagement activities fully and clearly.
22. CrossCountry commented that the Western route's workshops compared favourably to those held by other routes.
23. The Western route's engagement was generally **inclusive**. It was **well governed** and well documented.

Recording and analysis of priorities: How well has the route recorded, analysed and reflected on its stakeholders' priorities?

24. The Western RSP grouped stakeholder priorities into a number of themes reflecting the forum in which the feedback was received: workshops, bilateral, and routine engagement. However, comments are not linked to specific stakeholders or stakeholder groups. Stakeholder feedback is also presented in more detail in the supporting information supplied by the route.

Well governed: There should be processes that encourage meaningful engagement and accountability, as well as providing mechanisms for challenge and escalation; and

Transparent: On **performance:** There should be provision of appropriate and relevant information and data to enable stakeholders to influence and challenge in an effective and timely way. On **engagement:** It should be clear how engagement arrangements have been implemented and what impacts they have had on Network Rail's actions and delivery. For example, there should be a record of key points made by different stakeholders and how they have been acted on (or, if not, why not).

25. The Western route adopted an explicit methodology for the analysis of stakeholder feedback (grounded analysis and SWOT analysis), which was carried out by an independent party. The RSP does not explain whether or how the route's views on passengers' priorities has been informed by passenger research.
26. The Western route's adoption of a clear methodology for analysing stakeholder and its explanation of this in its RSP were **transparent**.

Trade-offs and line-of-sight: Has the route demonstrated a robust process for deciding between competing stakeholder priorities? Has it demonstrated a line-of-sight between stakeholder priorities and the actions it has committed to in its RSP?

27. The Western route has identified ways in which it could address each theme of stakeholder feedback, with several options listed in some cases. A further table is presented giving the route's response to some, but not all, of these themes.
28. The Western RSP explained that the route has balanced conflicting requirements "principally through qualitative assessment" and notes that there are some items referred to in stakeholder feedback which the route has been unable to take forward (whether because they conflict with other stakeholder requirements or because they are outside the scope of the process). However, the plan could have benefited from a more detailed explanation of how the route made its decisions on whether to take forward each individual stakeholder request.
29. The Western RSP did a good job of presenting a line-of-sight between stakeholder requirements and the Western route's commitments for CP6, setting out clearly what the route planned to do to address its stakeholders' needs.
30. The Western route has generally done a good job of demonstrating that its engagement has been **effective**. However, it could have offered more **transparency** on its reasoning on whether to take forward individual stakeholder requirements.

Next steps

31. Each of Network Rail's England & Wales routes will now undertake a targeted update of their route business plans. We expect this update to build on the existing stakeholder engagement, by ensuring that operators have an opportunity to comment on the proposed updates to the plan.
32. We will then review the updates to the Western route RSP, alongside the evidence of meaningful stakeholder engagement, when reaching our final determination. At this point, we will set out more detail on what this means for the Western route.



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