Legal & Corporate Services: Strategic Plan - CP6

19.01.18

Contents

1.Purpose, role & vision

1.1. <u>Purpose</u>

Legal & Corporate Services (LCS) works as an integral part of the business to help achieve Network Rail's strategy and objectives by managing and reducing legal, business, financial and reputational risk, being customer and safety focused and providing value for money.

1.2. <u>Role</u>

LCS is a critical business support function.   Each team in the function offers a variety of professional services and undertakes the following core roles in their area of specialism:
- sets policy and standards;
- provides level 2 assurance;
- provides governance;
- manages risk;
- trains and develops capability in the business, supported by appropriate tools;
- provides subject matter expertise;
- holds accountability for compliance with identified pieces of legislation; and
- offers professional advisory services.

1.3. <u>Vision</u>

To be recognised by customers and stakeholders as providing the most compelling legal and corporate business services in terms of quality, value, timeliness and risk management.

2. Objectives & Stakeholder priorities

2.1.   Stakeholders & priorities

As a team, LCS operates across the whole business, working with the Routes, Route Support and Central Support functions. During control period 5 (**CP5**), LCS has increased its focus on and engagement with its internal customers.   Each team within LCS owns its own customer relationships and has engaged with those customers in the development of the team's plans.

The function also works closely with external stakeholders, particularly the Department for Transport, the Office of Rail and Road, train and freight operating companies, other railway infrastructure managers, the Information Commissioner's Office and the National Audit Office.

A number of themes have emerged from discussions with LCS's customers and stakeholders, which have helped us to prioritise:
- effective, efficient and right first time delivery;
- timely advice and support, which will help promote further business accountability;
- proactive engagement to understand and anticipate customer requirements;
- management of risk (including consistency across a devolved business);
- delivering value for money; and
- appropriate governance and assurance

Getting this right will allow LCS to move towards its vision.

2.2.   Specific objectives

The LCS team works with all areas of the business and is a critical support function.   LCS contributes to delivery of the overall corporate objectives and those of its customers.

Figure: LCS's objectives

As a result of customer and stakeholder feedback and the priorities identified in paragraph 2.1, LCS has developed the primary objectives for control period 6 (**CP6**) set out in the figure above.

These are taken forward in section 3.3 below, which sets out the detail on how the team will deliver for its customers. Consistent with the objectives, strong themes from that include continued customer focus, provision of the right advice at the right time, managing risk, delivering value for money and being better every day.

This strategic plan also sets out further detail on how these objectives will be monitored and delivered with the resources available.

3. What Legal & Corporate Services is

3.1.   Structure

At the start of CP6, LCS will consist of 59 people, organised across 4 functional teams:
- Legal Services;
- Company Secretariat (**Co Sec**);
- Transparency, Ethics, Data Protection and Freedom of Information (**TED & FOI**); and
- LCS Policy & Assurance.
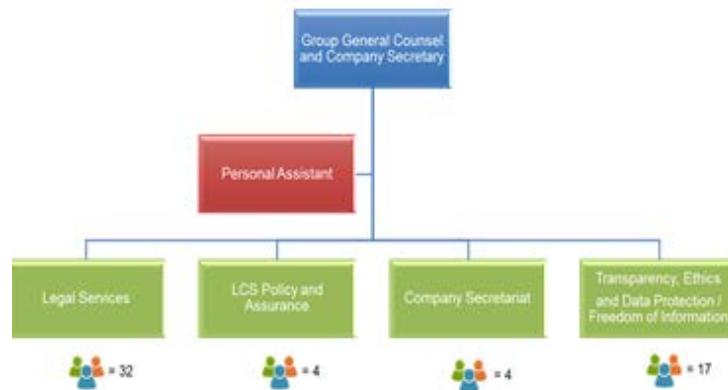
Figure: LCS high level structure chart and headcount

The Group General Counsel and Company Secretary is responsible for LCS, reporting to the Chief Financial Officer and attending Board and Board Committees as required.

Unless there are significant changes to Network Rail's overall operating model or to the level of demand for support from the team, substantial changes to the size or structure of the permanent team are not anticipated during CP6.

3.2. Operating model: present & future

(a) Legal Services

The Legal Services team will be 32 at the start of CP6.

Historically, Legal Services was organised by legal specialism. That changed in 2013 (with a further evolutionary change in 2016) to create a team that is structured to align more closely with Network Rail's customer-focussed operating model. The team's structure is supported by positive feedback from its customers, particularly through the Efficiency and Effectiveness Programme and pulse surveys since.

The team is well placed to continue to support devolution, allowing it to be more focussed on its customers and the delivery of business objectives.

The team exists to provide a compelling service to its customers in the provision of legal advice, managing legal risk and managing the legal supply chain. By doing this well, the team will move towards its vision.

Legal Services is made up of 4 teams, each serving different customers with a dedicated legal resource. This is summarised in the figure right.

Although Legal Services has distinct, customer-focussed teams, there is the flexibility across the function to allow resource, knowledge and experience to be deployed most effectively and provide a full service to the whole business.
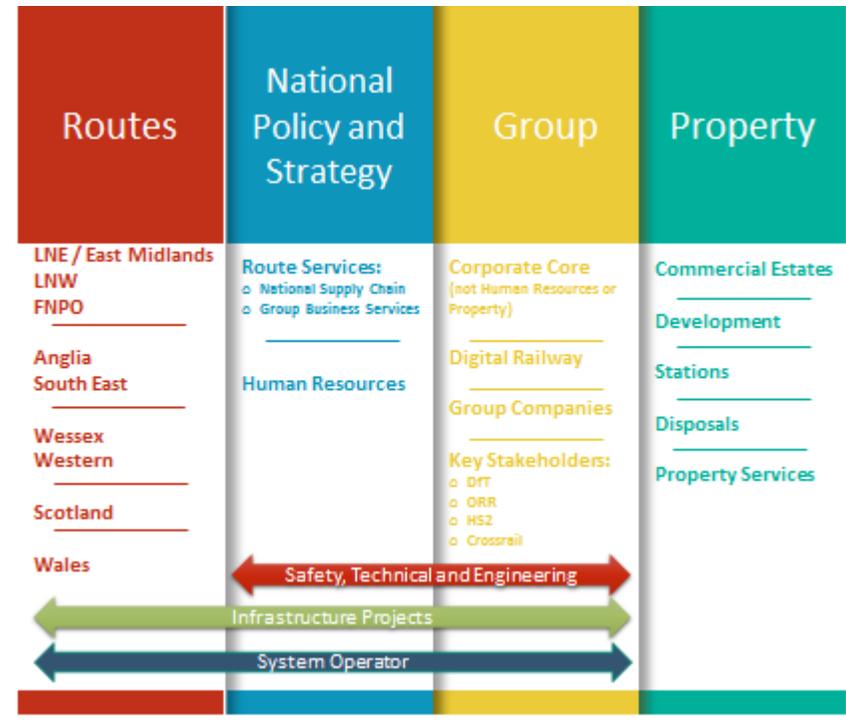
Figure: Legal Services' team structure and customers entering CP6

Routes team
The Routes team was set up to service the legal requirements of the Routes and IP regions.

To deliver the best and most sustainable and resilient service to its customers with the resource available, the team is currently split into 3 clusters servicing Scotland, North (LNE/LNW and Freight & National Passenger Operators) and South (Anglia, South East, Wessex and Western). Wales' legal support is currently provided on a trial basis by one of our external law firms, Eversheds

Sutherland, who act as the in-house legal team for Wales, replicating the legal service provided to the other routes. This will be altered slightly in year 5 of CP5 (see below), a permanent change continuing through CP6.

The Route teams provide a dedicated and cross-discipline legal service aligned to the strategic aims of their routes and IP customers. . The model enables the in-house teams to create closer working relationships with their customers and to better understand the routes and IP businesses, their aims, strategies and objectives and help to prioritise the support for each route's legal requirements. Advice is focussed on operational requirements, enabling better risk-based decision making. The structure establishes relationships with route leadership teams, resulting in earlier dialogue and better risk management. The Routes team has bases in London (London Bridge and Stratford), Milton Keynes, York and Glasgow.

To further develop the relationships with route leadership teams and improve the overall service delivery to its customers, it is proposed that the current Southern cluster is split in to East and West teams. The East team would provide legal support to South East and Anglia and the West team would advise Western and Wessex. For the proposed delivery model to be effective, resilient and sustainable, there will be an additional role created in each cluster. The proposed implementation of the change in the Route's team structure would be October 2017, with recruitment into the teams completed early in 2018. The team is also discussing an additional lawyer for Scotland to be paid for by the Route.

National Policy & Strategy team (NP&S)
The role of the NP&S team is threefold:
•   to provide strategic advice to the company at national level;
•   to lead on the provision of legal support to the central functions comprising Route Services, STE, HR and parts of Finance; and
•   to set legal policy so as to ensure consistency of approach

across the legal function and to develop guidance and processes, including the delivery of the function's approach to Legal Risk Management, intended to facilitate continuous improvement.

The team is located so that it is best placed to serve its key customers, predominantly working between Milton Keynes and London.

Group team
The Group team was formed to support certain Corporate Core functions, Digital Railway, corporate projects, group companies, major projects and areas of IP. It also supports elements of System Operator, Technical Authority and property functions.

It is a small and experienced cross-discipline team, focussed on building and maintaining the right relationships with its customers.

The team recognises that key external stakeholders such as the Department for Transport, the Office of Rail and Road, High Speed 2, Crossrail and others are critical to business success and actively engages with these stakeholders to maintain excellent working relationships.

In late summer 2017, the Group team took on responsibility for leading Network Rail's representation in Europe, including working to influence European policy and legislative agendas. The team now includes a dedicated European specialist.

The team works flexibly between Milton Keynes and London to meet business needs.

Property
As one of the biggest landowners in Great Britain, Network Rail has a specialist and cohesive team of property lawyers. This group is well positioned to effectively and efficiently provide a full range of support to Network Rail in terms of real estate transactions and disputes, together with regulatory legal support concerning property matters.

The team works on matters ranging from commercial JV investment vehicles to the appropriate exercise of compulsory purchase powers for railway projects: it provides a full service to the whole of Network Rail's property function. Each member of the team has accountability for a particular element of the legal real estate offering based on the different portfolios of Network Rail land holdings, for example franchise stations and depots, commercial estate, managed stations and retail.

Since January 2016, the Property team has had a pivotal role in the Asset Divestment Programme. This involvement has resulted in two additional lawyer positions within the team to accommodate the requirements of the business, both of which are funded by the Programme.

The Property team is located in London, with a property litigation specialist in Manchester. The team will evolve to meet customer needs. With this in mind, it is looking at developing a more geographically dispersed presence.

Panel firms
The in house Legal Services team is supported by a panel of external law firms retained under standard framework agreements.

The current arrangements will come to an end in March 2019 and the team is working on putting a new panel in place to serve the business for CP6 (see below).

(b) Company Secretariat

The Co Sec team comprises three qualified chartered secretaries and will (before the start of CP6) have recruited a trainee company secretary as part of its longer term resource and succession planning process.

The Co Sec team's vision is to be seen as professional, proactive and as one team.   This fits well with the LCS vision.

The team is aligned to manage a number of boards and committees to (i) ensure continuity of support for the customer, facilitating good working relationships with board and committee members and (ii) allow the Co Sec team members to develop their knowledge and understanding of specific business areas. Periodically board and committee management will be rotated within the team to help broaden team members' company knowledge and experience and build resilience in the team.   The figure below sets out the activities carried out by the team.

Company Secretary Team	
ie, qualified chartered company secretaries x 3 plus – yet to be recruited – a trainee company secretary	
Compliance with company law and regulation	**Board and Committee management**
Statutory filings x est 45 p.a. NRL Annual Report & Accounts Other Annual Reports x 30 p.a. Stock Exchange Announcements – est 8 p.a. Signing & Sealing - circa 1,500 p.a.	NRL Board x 9 p.a. Board Committees x 18 p.a. Ex Com & similar x 65 p.a. Property Supervisory Board x 9 p.a. Western Route Supervisory Boards x 9 p.a. Subsidiary board meetings x est. 35 p.a.
The team	
Safety, health and wellbeing, Better Every Day corporate governance risk management, cost control, continuing professional development, performance objectives, personal development plan	

Figure: Co Sec team activities

In addition to board and committee management, there are a number of other tasks undertaken by the team, relating primarily to corporate governance. Again, each of these accountabilities has an identified 'lead' although all team members are able to perform those tasks.

Apart from the anticipated introduction of a trainee company secretary, it is not anticipated that the composition or structure of the Co Sec team will change during CP6. The purpose of the trainee position is (i) to cultivate someone to assist the team with

the important, but lower value tasks that the team must do, thus freeing up more experienced members of the team to undertake higher value tasks and further their own skills and experience; and (ii) to provide some junior level cover in the team to help manage planned and unplanned absence.

(c) Transparency, Ethics and Data Protection and Freedom of Information

The permanent team on entering CP6 will comprise 17: a head of team, two in the ethics team, three in data protection and eleven in the FOI and transparency team (this includes administrative, analytics and reporting support).

The team exists to enhance the reputation of Network Rail, by making it a more open organisation, embedding the highest standards of business behaviour and complying with information legislation so that the whole business can all work openly, ethically and safely to be better. Reputation and employer brand – of which transparency, ethics, data protection and FOI are key components – is crucial to the business' success, both now and in the future.

The team is made up of subject matter experts, with each team member having specific knowledge and experience relevant to the area of the business they support. This allows us to meet business need with a lean team.

In CP5, the team's remit was expanded when Network Rail was reclassified as a public sector organisation; which meant Network Rail became subject to the Freedom of Information Act (**FOI Act**) and Environmental Information Regulations (**EIR**).

The team owns and implements of the company's transparency strategy, Network Rail's Code of Business Ethics and supporting policies, and is responsible for data protection and freedom of information compliance.

The TED & FOI team has embedded and the business has

matured, which means the team operates as a business as usual function in the majority of areas. For example:

- 97% of Network Rail staff (both operational and desk based) are trained in business ethics;
- the team consistently achieves 98-100% compliance to response deadlines for requests made under the FOI Act and the Environmental Information Regulations; and
- the team maintains over 50 value adding data sets on our transparency webpages

But there is more to do, and by the end of CP6, the team aims to be a centre of excellence for compliance with information legislation and to support the varied and devolved organisation in being an exemplar of ethical business behaviour.

To support this, the team will provide relevant, targeted and value adding subject matter expertise to the business (outlined in more detail below). This will help Network Rail better manage the corporate, reputational and financial risk in the areas of transparency, ethics, freedom of information and data protection and allow the function to move towards its vision.

Data Protection
Data protection compliance is demonstrably low across the organisation and is a Level 1 risk for Network Rail. In 2017, it was mentioned as an area of focus in the annual Group Assurance Letter Process (**GALP**). Improving this is will continue to be a priority in years 4 and 5 of CP5, continuing into early CP6.

The team will focus on increasing awareness of both what data protection is and accountabilities across the business for handling personal information safely and fairly and will deliver relevant training and tools in support. The team will also put in place an accessible and robust suite of policies and procedures to increase our compliance with the changing legislation.

It is anticipated that the team will achieve a better foundation for compliance in early CP6, and will maintain a core team of three data protection subject matter experts.

Ethics

The approach to business ethics has continuous improvement at its core. Current levels of awareness of our Code of Business Ethics, supporting policies and our whistleblowing service is high. The team will continue to embed best practice across the organisation in CP6. This will help mitigate greater risks of unethical behaviour as the organisation devolves.

The team is small and will continue to operate a hub and spoke model, retaining a core central team of two subject matter experts. This helps the team avoid duplication of resource, provides value for money and supports devolution whilst providing consistency for whole business compliance.

Transparency and FOI

In late CP5, a one-team approach to transparency and FOI was adopted, reducing headcount and creating a leaner team focussing on key value-adding objectives. In CP6, compliance with the FOI Act and EIR will be maintained, and the team will embed continuous improvement in its ways of working, including sharing lessons learned with the business to improve business practices. This will help Network Rail better comply with legislative requirements, whilst reflecting on the changing requirements of the organisation.

The operating model for the team has been reviewed at regular intervals, both since we became subject to the FOI Act and as the business has devolved. The majority of requests made to Network Rail require a national corporate response, rather than route-specific.   The size of the team compares favourably with organisations which receive a similar level of requests, such as Transport for London and the Ministry of Defence (see section 7).

Devolved FOI teams can create inconsistencies in approach and poor compliance, which risks regulatory monitoring by the Information Commissioner. Instead, to deliver value for money, remove the risk of duplication and help maintain excellent compliance for the business as a whole, the team's business

customers and the Network Rail Executive Committee have supported the retention of a lean central team of subject matter experts.

(d) LCS Policy & Assurance

Historically, the LCS Policy & Assurance team managed the Contracts & Procurement Policy and the Network Rail suite of contracts.

The team's remit has recently expanded to include risk, assurance and governance activities across LCS. Additional accountabilities include;
- ownership of the company's Delegation of Authority policy;
- delivering assurance frameworks for other policies owned by LCS;
- ensuring that LCS is compliant with all relevant company policies; and
- providing risk management and governance support to the wider LCS team and supporting ad-hoc projects.
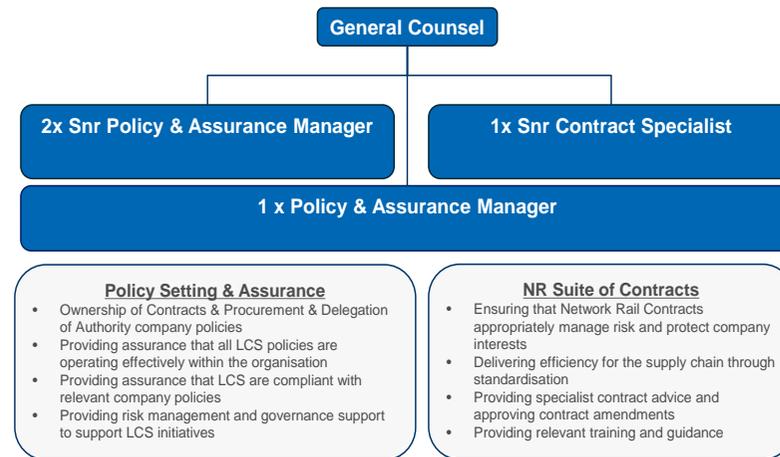

Figure: LCS Policy & Assurance structure

The team consists of 4 people and adds value in two distinct areas:
- providing technical expertise and advice in related policy areas; and
- providing assurance that LCS's policies are being complied with and that LCS's risks are being managed.

This is illustrated in the figure above.

3.3   Customers and delivery

To move towards its vision, LCS focusses closely on its customers.   This section of the plan sets out how each team in the function delivers for its customers, considering the objectives set out in section 2 above.   Each of the teams within the function is at a different stage in developing and using scorecards to reflect defined and measurable objectives and against which performance is monitored.   Set out below is further detail of the areas the teams have explored.

(a) Legal Services

Legal Services engages with most business units in Network Rail. Further detail is included in the figure in section 3.2 above.   The figure below sets out how the team focusses on delivering for its customers.

Figure: Legal Services' strategy

The team engages closely with its customers and stakeholders on the work it does for them and strives to continue to improve the service offered.   The team regularly receives feedback from customers that they want more of the team's services and the team considers carefully how it manages customer needs between the in house team and external firms.

Legal Services' objectives are driven by its customer priorities and the team seeking to deliver the compelling service that its customers receive, thereby moving LCS towards its vision.   This is looked at through five key areas, which are measured in the team and by the leadership group through reporting and scorecards.

1. Customer focus

The team is committed to focussing on its customers and delivery of customer objectives, whether that means supporting Route teams, improving safety, delivering a Digital Railway, bringing third party investment into the railway, closing level crossings, dealing with asset disposals, delivering powers for new infrastructure or letting important contracts.

Scorecards and customer priorities
As part of this commitment, Legal Services has been keen to develop balanced scorecards that allow the teams to better align measurable objectives with those of their customers.   To reflect different customer priorities and team challenges, each team within the function has a bespoke approach to this.   An example of this is in the figure below.

		ROUTES TEAM SCORECARD - JUNE					
Focus	Measure	Description	Target	Now	Trend	RAG	Comments
Customer	Alignment	Completed actions arising out of quarterly FD meetings before next meeting	33%	28%	↑		Scotland- FD meeting held and actions complete. Discussions also held IPSNE. South completed all actions. North 50%
Customer	Alignment	Percentage of time spent on customer priorities	60%	65%	↓		Scotland- 70%, North 75%, South 50%
Risk	Routes Team Risk Management	By 30 September to have developed and embedded a process by which we identify and manage the risks to the successful delivery of the Routes team strategy	100%	30%	↑		ERRs for Legal Team developed
Risk	Legal Risk Management	By 30 June to have completed the Wessex, Western and Scotland LRAs	100%	75%	↑		Scotland LRAs complete. Meetings with risk owners to be arranged. Western and Wessex completed.
Finance	Costs saved/avoided	Record of costs that have been saved or avoided each month (Invoices, Estimates, Other)	£2k £10k	£0 £25k £450k	↑		Scotland- £450k saving avoiding ERDF claw-back. £25k estimate reduction
Finance	Costs By Route	By 31 May complete the re-categorisation of historic matters to provide a full year of costs data by Route and IP Region	100%	100%	🏆		New categories will now be reflected in next 1/4ly report with backdating
People	PDPs	To complete PDPs for all team members by 31 May 2017	12	10	↑		
People	Non-Negotiables	Measuring whether the team members have managed to achieve a key personal target for overall well-being	100%	77%	↓		Scotland- 70% North – 80% South 80%
Process	1%ers	Achievement of 100 marginal gains in 100 days (to be completed by 10 July 2017)	100	110	🏆		Completed within 82 days
Process	Knowledge Management	Each cluster to upload 5 documents per month to the LCS Hub KM and Routes team page	20	15	↓		This is after the launch of KM legal.

Figure: Example scorecard

In developing scorecards, each team has worked with its customers to understand and reflect their needs and priorities. Where appropriate, each team has also developed customer engagement plans. These tools allow the teams to challenge themselves on how they are supporting their customers. They have been welcomed across the business.

In addition, scorecards also allow each team to monitor its own team progress: for example they may contain measures to monitor health and wellbeing, setting of personal objectives and personal development plans.

Relationships
The team has also been actively working on building stronger relationships with its customers, whether that is attending customer management team meetings, setting up regular relationship meetings or providing better data on the legal resource working for customers and visibility on how it is being deployed – the team is flexible in providing what its customers want.

Working ever more closely with customers is a theme that will continue through the remainder of CP5 and CP6.

Stakeholders
It is also important that the teams focus on key stakeholders outside the business, including the Department for Transport, the Office of Rail and Road and other railway infrastructure managers. The team continues to develop constructive relationships with the legal teams in those organisations, allowing more efficient project delivery for the business.

2. Providing the right advice and systematically managing legal risk

Legal Services is made up of experienced lawyers, with each team member having specific knowledge and experience relevant to the area of the business they support. This means the provision of right first time advice.

Legal Services is active and expert in helping its customers manage legal risk. The key to this is understanding its customers' businesses and the wider context in they operate, having the experience and skills to provide the right legal advice first time and being equipped with the right tools. The team is uniquely placed to do this.

Being one joined up team allows Legal Services to be flexible, sustainable and resilient and facilitates sharing good practice, business intelligence and knowledge transfer: for example the team regularly holds training and knowledge share sessions to maintain competency and knowledge and actively uses its knowledge management system. This all helps the team to effectively manage legal risk and meet demand across the organisation.

Enterprise Risk Management (ERM)
At a whole business level, the teams play directly into customer ERM processes at all levels by being responsible for managing the likelihood of risks arising (for example through the provision of advice and training and supporting key decisions) as well as working on ways to mitigate the consequences of risks once they have materialised. Regular reviews are held with risk owners across the business to make sure controls remain appropriate.

Legal Risk Management (LRM)
The team has recently initiated LRM, its own legal risk management programme, the purpose of which is to move legal risk management from mitigating legal business risks after they have materialised to predicting and preventing them from occurring in the first place. It is designed to be systematic and to fit with and complement existing risk management tools in the business. LRM has been built by the team and is based on three pillars for assessing and managing legal risk. The three pillars of this new approach are set out in the figure below.

Figure: Three pillars of LRM

The LRM programme is currently operating though a number of pilot schemes and will be rolled out and gradually adopted for

relevant legal risks during the later years of CP5. We expect to see this continuing into CP6.

3. Putting in place and managing the best legal supply chain

The current panel
Legal Services manages a panel of 7 law firms. The current panel was put in place in May 2013 and the annual spend is circa £14m. Five of the firms provide a full range of legal advice (one dedicated to Scotland) and two are retained for specialist areas of work. The table below shows how the panel breaks down and Network Rail's spend with each firm in 2016/17.

Firm	Fees 16/17	Service
Addleshaw Goddard	£3,478,578	Full
Bond Dickinson	£2,530,893	Full
Dentons	£1,632,702	Full
Eversheds Sutherland	£4,082,795	Full
Maclay Murray & Spens	£923,971	Full (Scotland)
Kennedys	£202,610	Specialist: health & safety
Winckworth Sherwood	£1,239,481	Specialist: consents and related property matters
Total panel fees	**£14,091,030**	

Table: Panel law firms by fees and service

The panel was chosen for quality and value for money following a competitive tender process. The process saw a reduction in the size of the panel and secured competitive rates when compared to previous panels and standard market rates. The process also saw the team securing a range of significant value added services,

such as the provision of free secondee lawyers, training and other services (see below).

Spend with the firms is expected to continue to be circa £14m per annum across the business during CP6.

As is common in many organisations, external legal advisors are instructed by Legal Services, with budget for that advice being held in the business. It is therefore critical that the team can manage the relationship (particularly costs) properly, demonstrate value for money and ensure the provision of a quality service.

Management
To maintain a high quality service, the team engages actively with the panel firms through a series of regular account meetings, feedback surveys and other project-specific and ad hoc sessions. This is set out in the figure below. The in house team has helped the firms to become expert in Network Rail's business and actively encourage firms to collaborate with each other to share knowledge and experience in working for Network Rail.
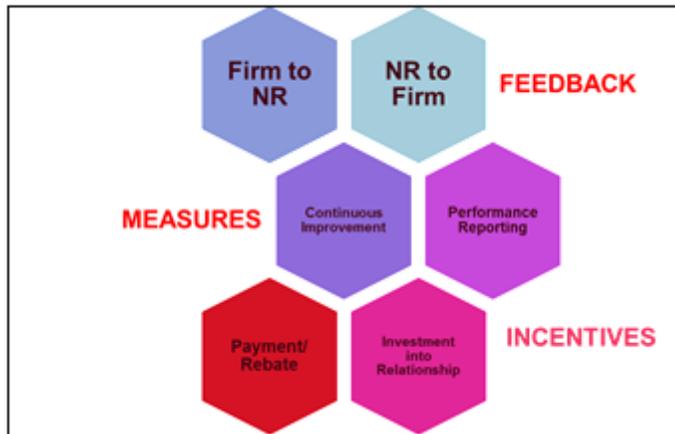
The experts in each firm are well known to the team and the in house team is able to choose the right people for each job. The team scopes and manages the service to make sure that it is delivered to time and budget and that work is appropriately resourced and charged.

The team has been active in pursing better data and metrics from the firms to provide greater granularity on the work the firms do for Network Rail. An example of one of the metrics pack dashboards is in the figure right. Metrics allow quality conversations with customers about where budgets for legal work are being spent and help identify areas where costs can be saved and work packaged or carried out more efficiently, for example on a fixed fee basis. The team also carries out mini tenders across the panel for projects where it will secure best value for money.
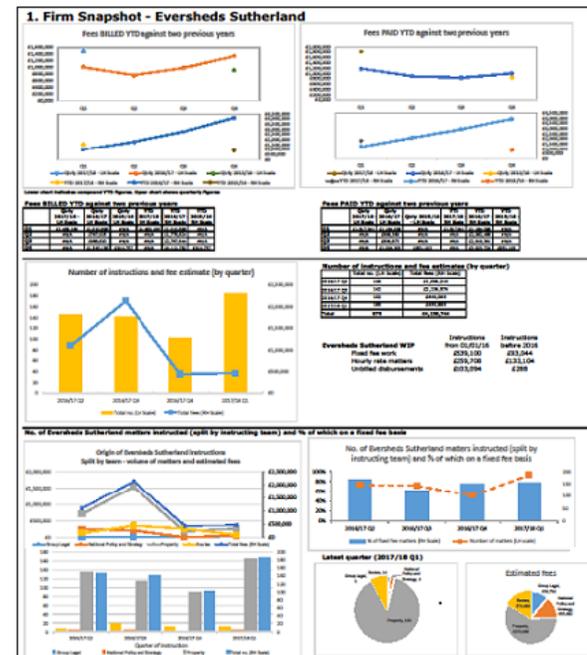

Figure: Panel firm relationship management

Figure: Example metric pack dashboard

Value added services

As part of the CP5 commercial framework arrangements, the firms also provide a number of value added services: they currently pay a rebate based on spend (which is used to fund training, better technology and other tools to improve the service offered to customers) and each full service firm provides a qualified lawyer to work on secondment with the Legal Services team for six months of every year. The firms also provide training and knowledge share to the internal legal team and across the business at no additional cost. This delivers a significant benefit to the in house team and wider business.

A new panel for CP6

The current panel arrangements last until the end of CP5 and the team is currently undertaking a review of its panel of law firms. It will be running a competitive tender process to put in place a new panel to fit with the start of CP6.

The focus is on delivering greater cost efficiency, whilst maintaining or improving the quality of service provided. The team will be exploring the potential to use alternative commercial models (in place of the traditional hourly rates) and looking at innovation and the use of technology.

The process is at an early stage: the team is currently carrying out early market engagement and consulting with internal business customers on the anticipated need for CP6. The output from these activities will then be reflected in the invitation to tender the team expects to take to market in the first half of 2018.

4. Providing appropriate governance and assurance

Whole business view

The team has visibility across the business, coupled with a good understanding of the legal and regulatory environment in which Network Rail operates – this is critical provide proper legal support to the business. In support of greater devolution (and transformation generally), part of Legal Services' role is to provide a level of governance and assurance around decisions being made across the business and to be able to represent the interests of the whole company in a customer friendly way.

The team is well represented on governance panels and key meetings (in fact, presence is actively sought) and it owns, maintains and provides a level of assurance around a range policies across the business designed to manage legal risk.

Legal policies

Legal Services owns and maintains a number of policies that impact the whole business. These are currently being reviewed, updated and developed into a comprehensive bible of legal policy and guidance. In relation to these policies and guidance, the team will provide support and training as well as a level of assurance (working with LCS Policy & Assurance) that they are being complied with. The team anticipates this will be in place during the last year of CP5 and be maintained and reported on into CP6.

5. Cost efficiency

Everything the team spends must return maximum benefit. That logic is applied to both the team itself and when managing the businesses spends with the panel law firms.

The team

Legal Services is lightly resourced for a legal team that covers the breadth of work the team does and for a business the size of Network Rail. The team does not anticipate this changing significantly during CP6. The team is structured to help team members to develop in their knowledge and understanding of the business and a new trainee solicitor role has been introduced from September 2017. The team is also creating a new business analytics role to assist with strategic projects. The results of benchmarking the team has undertaken are included in section 7 of this plan.

The panel law firms

The team has been working closely with the panel firms to secure better quality data on spend and service provided. The drive for better data will continue during years 4 and 5 of CP5 and with the new panel in CP6. The data the team has to support the retender is better than any previous review.

The team will be looking at the potential size and shape of a new panel as well as new and different commercial models to drive further efficiencies, whilst maintaining or improving the quality of the service. These benefits will be felt across the whole business.

Better every day

The team has a focus on being better every day and this plays out when delivering its objectives, whether that is seeking to make and record small incremental savings, improving the process and time needed to engage external legal resource or putting in place standard documents to meet a recurring need. The team is also committed to investing in lean training and supporting lean champions to embed lean in the team.

(b) Company Secretariat

The Co Sec team's objectives (see figure below) flow from the deliverables demanded by the team's customers, who are both within and external to Network Rail.

The Co Sec team's objectives are to:
- be customer focused;
- manage corporate governance risk; and
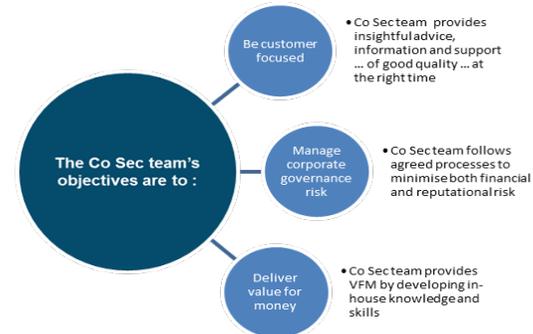- deliver value for money.

Figure: Co Sec team objectives

1. Be customer focused

Internal customers come from all parts of the business because of the work the team does in managing boards and committees and ensuring corporate governance compliance. The team's key customers are the NRL Board of Directors and the directors and members of main Board Committees and subsidiary boards. External customers include the Department for Transport and the National Audit Office.

The Co Sec team periodically seeks feedback from its customers on how it manages its boards and committees. The team strives to continually improve that service in line with customer needs.

The team understands and delivers customers' requirements by:
  i. exploring with its customers their expectations of what the team will deliver, how and by when; and
  ii. periodically undertaking satisfaction surveys to glean feedback on how the team is doing and how it can improve.

2. Manage corporate governance risk

The Co Sec team aims to deliver best practice compliance with company law and corporate governance as part of its role in managing corporate governance risk. The team does this by:

i.   providing high quality, pragmatic advice and guidance in a timely manner;

ii. maintaining and improving its company secretarial expertise, reading relevant briefings and attending seminars; and

iii. updating its processes in line with changing company law and regulation.

3. Deliver value for money

To continually improve the quality and cost effectiveness of the service the Co Sec team delivers and how it delivers it, the team:

I.   reviews its processes to ensure that they remain fit for purpose and do not generate unnecessary work; and

ii. learns from colleagues and peers, adjusting processes and adopting business precedents where appropriate.

4. Looking Ahead

By the end of CP6, the Co Sec team will:

a. have improved the service provided to its customers, by:

   i. operating within a more forward looking framework, particularly with regard to the cycle of board and committee meetings; and

   ii. implementing the agreed action plans pursuant to feedback received from Board and Committee effectiveness reviews.

b. have a robust corporate governance risk management processes in place, including plans to mitigate those risks:

   i. such as ensuring that no statutory filing penalties are incurred; and

   ii. minimising the risk of reputational damage following, for example, the failure to comply with company law and regulation;

c. continue to provide support to the business that represents good value for money, by continually developing the team's knowledge and skills to:

   i. provide resilience within the team; and

   ii. develop a corporate memory to facilitate ever more efficient and effective ways of working.

(c) Transparency, Ethics & Data Protection and Freedom of Information

As the TED & FOI team and the business develop in maturity throughout CP6, the team will focus on three key areas.

1. Understand and focus on customer needs

The team will continue to focus on its customers, understanding their needs to help them achieve their objectives.   The figure below shows the range of customers supported by the team. The team regularly asks for both formal and informal feedback from customers and will continually improve its service in line with customer needs.

The TED & FOI team engages across the business as well as with members of the public, passengers, line side neighbours, external bodies (including campaign groups), train and freight operating companies, the Department for Transport and the Information Commissioner's Office.   That might include dealing with an FOI request, handling a subject access request from an employee or in helping resolve an ethical dilemma.
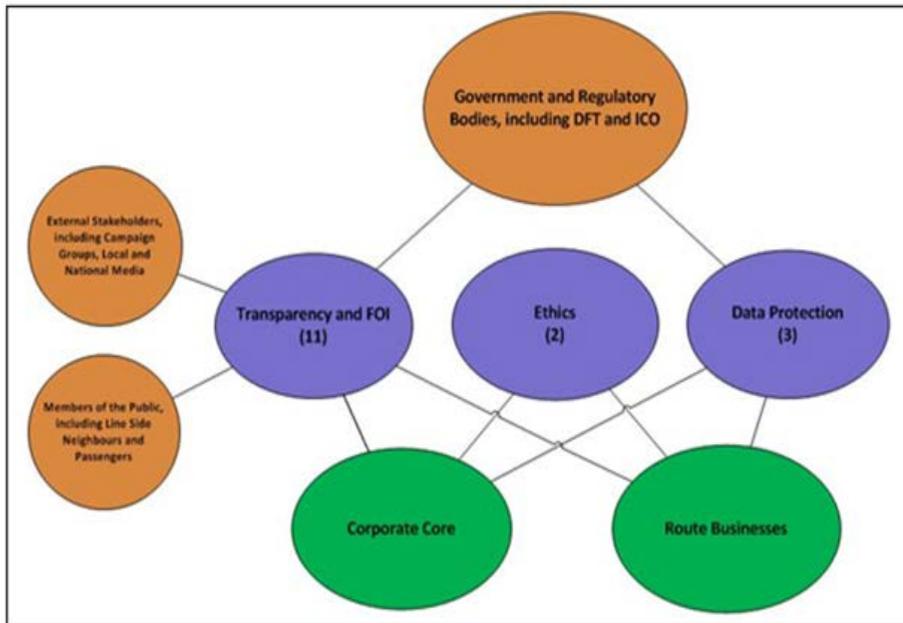
Figure: TED & FOI team resource split with customers and stakeholders

This frequent and varied engagement gives the team an opportunity to work closely with its customers and stakeholders, and to continuously improve its offering in line with feedback received and identified best practice. In areas where more detailed dedicated support is required – for example on high risk data protection projects – the team works closely with the legal team to provide support. This balances demand and resource, whilst maintaining a strategic approach to compliance.

2. Provide the right advice and support

The TED & FOI team is responsible for compliance with information legislation and the business' approach to business ethics. The team monitors performance against these areas on a periodic basis. An example is included in the figure below.

Figure: Example TED & FOI team scorecard

The team's scorecard contains measurable targets to meet objectives and is reviewed on a periodic basis. It helps to identify where greater focus is required, including where the team needs to provide more support to the business in specific areas. The team is reliant on all employees across the business making changes to their behaviour – whether that is how personal information is handled or offers of gifts or hospitality are treated.

The team supports greater devolution and transformation, by providing the business with the tools, training and advice needed to take a greater level of ownership. Proactive engagement with customers will help make sure the tools the team provides are relevant, timely and meet business need. The team will also work with the business to give assurance that the policies the TED & FOI team owns are being complied with.

3. Better every day

There are minimum corporate and legislative standards that need to be achieved in this area and the team is demonstrably well placed to meet those standards. Devolved models of operation for information legislation can lead to a lack of control, inconsistencies

in approach and poor compliance, which risks formal regulatory monitoring. Retaining a lean team of subject matter experts (see benchmarking data in section 7 of this plan) delivers value for money, removes risk of duplication, better manages corporate risk and helps maintain excellent compliance for the business as a whole.

The team works continuously to improve and be better every day, whether that's by reducing spend on travel by using Webex instead, or by working with the business to respond to information requests within the legislative timeframes. The team is focussed to deliver value for money for its customers.

Figure: Example of TED & FOI team better every day reporting

The TED & FOI team works across the wider LCS team to make sure lessons learned are captured, and to support and embed lean champions across the function. TED & FOI team has a high level of visibility across LCS in areas such as team spend and the team reports on and discusses ideas for continuous improvement in periodic team meetings (an example of this reporting is included in

the figure above). This will embed better every day as the way of working throughout CP6.

(d) LCS Policy & Assurance

1. Objectives & key deliverables

The purpose of the LCS Policy & Assurance team is to reduce Network Rail's risk exposure and deliver value for money by providing assurance and improving compliance with Legal Services' policies.

In order to achieve this, the LCS Policy & Assurance team has 4 key areas of focus set out in the figure below.

Figure: LCS Policy & Assurance's operating model
Taking each area in turn:

1. Contracts & Procurement Policy (C&P Policy)

To manage, maintain and assure that the C&P Policy is relevant, fit for purpose and complied with (which in turn helps to achieve value for money and minimise the legal and reputational risk associated with contracting and procurement activities), the team:

i.   ensures that the C&P Policy remains complaint with the latest legislation and government guidelines and that any proposed changes are appropriately assessed and implemented;

ii.   provides training and raising awareness of the C&P Policy to procurement professionals within Network Rail;

iii.   provides assurance that the C&P Policy is being complied with and that all business units are procuring in a consistent and compliant way; and

iv.   reviews the effectiveness of procurement panels.

2. Delegation of Authority Policy (DoA Policy)

To manage, maintain and assure that the DoA policy is relevant, meets the needs of the Board, and is complied with in order ensure that company decisions are only made by authorised individuals, the team:

i..   carries out annual reviews of the DoA Policy to ensure it fits with the structure of the company and its subsidiaries;

ii.   communicates changes to the DoA Policy;

iii.   provides training on the DoA Policy;

iv.   ensures that other network rail policies take into account the authorities set out by the DoA Policy; and

v.   provides assurance to the Board that the DoA Policy is operating effectively.

3. Network Rail Suite of Contracts

To develop and maintain a standard suite of contracts that are compliant with legislation and government guidance in order to appropriately manage risk, protect company interests and support efficient procurement practices, the team:

i.   ensures that Network Rail's suite of supply contracts is compliant with the latest legislation and guidelines and that the risk allocation between Network Rail and its suppliers is set at an appropriate level;

ii.   maintains a controlled standard suite of contracts and

provides the necessary training; and

iii.   provides expert advice and guidance for all contract amendments to minimise Network Rail's risk exposure.

4. Risk, Governance & Assurance

To provide risk, governance and assurance expertise to LCS in order to ensure that LCS's policies are complied with and that key risks are managed, the team:

i.   manages the LCS Business Assurance Committee process;

ii.   provides an assurance framework for all LCS's policies and supporting ad hoc projects; and

iii.   manages GALP on behalf of LCS, including setting robust questions for LCS's policies and providing assurance over LCS responses.

2. <u>Customer Focus</u>

Operating as a small team but with a wide business reach, the LCS Policy & Assurance team must engage with internal and external stakeholders to achieve its objectives. The key stakeholders for each area of the team's work are shown in operating model in the figure above.

The team is focussed on what customers want: regular feedback on policies and the Network Rail suite of contracts is obtained through working groups, governance boards and committees and then acted upon.

In addition, the policies and contracts that the team is accountable for are regularly reviewed with customers and stakeholders to ensure that they continue to be fit for purpose and meet requirements.

3. Approach to managing risk and assurance

LCS is accountable for a number of corporate policies. These are set out in the figure below.

Contracts & Procurement Policy	Delegation of Authority Policy	Code of Business Ethics	Gifts and Hospitality Policy
Anti-Bribery Policy	Conflicts of Interest and Outside Activities Policy	Speak Out Policy	Anti-Slavery and Human Trafficking Policy
	Data Protection Policy	CCTV Policy	

Figure: LCS's policies

As a policy holder (and to minimise Network Rail's risk exposure), LCS must undertake semi-independent assurance as the policy owner to assess whether policies are working as designed. This is level 2 assurance highlighted in the figure right.

As Network Rail moves to a more devolved business, the need for robust assurance against the business' suite of policies will increase. Understanding and improving levels of assurance (and therefore compliance) with policies will be a priority for the remainder of CP5 and into CP6.

Levels of Assurance for LCS Policies

Level 3 Assurance
Internal Audit / External Audits — *Less frequent but more independent*

Level 2 Assurance
Legal & Corporate Services — *Semi independent assurance owned by the policy owner.*

Level 1 Assurance
Business Functions/Routes — *More frequent but less independent*

Figure: Levels of assurance for LCS's policies

All LCS key strategic risks are managed using the Network Rail Enterprise Risk Management process. LCS currently owns five strategic risks which are discussed and reviewed quarterly at the Business Assurance Committee meeting.

4. Better every day

Consistent with the rest of the LCS function, the LCS Policy & Assurance team is keen to continuously improve the service it provides. The team is actively looking to simplify policies and procedures in order to make them easier to understand, easier to follow and less onerous on our key customers. Moving into CP6, the team will continue to work collaboratively with stakeholders to identify and implement improvements.

4. Risks, opportunities, constraints & assumptions

Summary of objectives	LCS works to properly understand and focus on its customers' needs, allowing the team to provide the right advice and support, to actively manage risk and deliver appropriate governance and assurance, whilst demonstrating cost efficiency and being better every day.			
No.	**Key constraints, risks and opportunities**	**What we plan to do**	**Owner**	**Timescale (start/ finish)**
1	**C: Affordability and funding:** the size of the team is proportionate to the funding available, so a reduction in funding would mean a smaller team meaning a reduction in the scope of the support the team is able to give.	The team is focussed on understanding customer needs and delivering on priorities. It is the right size to do that in the current Network Rail operating model and where the team makes proper use of the panel firms.	Group General Counsel & Company Secretary and functional leads	Continued effort in CP5 and CP6
2	**C: Statement of Funds Available and Draft and Final Determinations do not provide sufficient funding for LCS in CP6:** insufficient funding will mean the team will not be able to maintain its structure and the scope of the support it provides, exposing the business to risk.	Support the business planning process. Early engagement to understand impact of SoFA (and then FD) on the team and other corporate functions.	Group General Counsel & Company Secretary and functional leads	Continued effort in CP5
3	**C: Skills, capability and resources:** the team cannot find, upskill and maintain the right resources meaning a reduction in the scope, quality and speed of service.	LCS actively shares knowledge and provides training across the team. LCS also focus on making the team a great place to work and promotes its success inside and outside the organisation to attract and retain the best talent.	Group General Counsel & Company Secretary and functional leads	Continued effort in CP5 and CP6
4	**C: Dependency on other functions:** LCS depends on other functions continuing to support it in CP6 as they did for CP5. If this does not happen,	Have the best relationships with the other functions on which LCS is dependent to allow teams to support each other in delivering for the business.	Functional heads	Continued effort in CP5 and CP6

	LCS may incur additional cost in resourcing its requirements.			
5	**R: Significant incident or substantial change in law and/or governance requirements:** this would have significant impacts for the business and is likely to require additional resource from LCS above plan.	Operate so as to be best placed to be well informed as early as possible of and seek to influence any change. Work to embed awareness and compliance in the organisation and seek to identify, influence and manage the impact of changes.	Group General Counsel & Company Secretary	Continued effort in CP5 and CP6
6	**R: Central policies, regulation and legislation are not complied with:** potentially significant legal, regulatory and reputational consequences for Network Rail, which may require additional resource from LCS to address.	Adopt a risk-based prioritisation process. Develop clear and unambiguous policies and training along with an appropriate assurance regime. Greater level 2 assurance. Focus on higher risk areas.	Group General Counsel & Company Secretary and relevant functional heads	Developing policies and assurance through year 4 of CP5 and sustain through year 5 of CP5 and CP6
7	**R: Business fatigue and apathy as areas like FOI and ethics become BAU:** a failure to comply could have significant legal, regulatory and reputational consequences for Network Rail, which may require additional resource from LCS to address.	Continued sustainable training, development and engagement of the business coupled with appropriate assurance processes.	Head of Transparency, Ethics and Data Protection	Continued effort in CP5 and CP6
8	**R: Lack of support from customers and stakeholders:** customers and stakeholders stop using LCS's services and stop engaging with the team, meaning that business risks stop being managed properly or at all.	Develop effective relationships where LCS engages with and seeks feedback from customers and stakeholders, acting on feedback given to maintain and build on customer and stakeholder support.	Group General Counsel & Company Secretary and functional leads	Continued effort in CP5 and CP6
9	**R/O: Legislative changes as a result of the UK leaving the EU:** this depends on the terms of Brexit negotiated by the UK: there could be significant work (and resource demand) in	Be informed about and seek to influence government and industry approach. Monitor and assess the impact of changes of law on the business.	Group General Counsel & Company Secretary and functional leads	Assessment in year 5 of CP5, with possible implementation in early CP6

	assessing and addressing the impacts of any changes and/or there may be opportunities to simplify legal restrictions.			
10	**O: Greater devolution and/or significant corporate structural change:** LCS will support devolution and may need to evolve to reflect any significant changes to Network Rail's operating model.	To be integrated and central to key decisions impacting the structure of the organisation, allowing the team to be proactive in changing its shape and size to meet demand.	Group General Counsel & Company Secretary	Continued effort in CP5 and CP6
11	**O: Potential to reduce cost:** LCS to continue to take every opportunity to challenge spend and reduce cost allowing the team to deliver efficiencies for CP6.	Constant focus on being better every day will lead to cost reduction in the team.	Group General Counsel & Company Secretary and functional leads	Developing during years 4 and 5 of CP5 and starting to implement, continuing through CP6
12	**O: Disposal of property assets:** the realisation of a significant capital sum through completing Project Condor may trigger a need to reassess the support provided by LCS to those parts of the business that have divested.	Reassess the legal and corporate services support that will be required following the disposal of property assets.	General Counsel (Property)	Expected in CP5

4.1.   Notable assumptions

There are two notable categories of assumption that are relevant to LCS's plan: that there is no significant organisational restructuring and no significant incident or change in legal requirements.

Further details of the assumptions made in developing the plan are in Appendix B.

5. Expenditure & efficiency

5.1. Cost and volume summary

Expenditure (post headwinds and efficiencies in 17/18 prices)

Unit of measure		CP5						CP6						CP7
		14/15	15/16	16/17	17/18	18/19	CP5	19/20	20/21	21/22	22/23	23/24	CP6	24/25
Renewals	£m													
Controllable opex	£m	£5.4M	£6.0M	£4.9M	£6.3M	£6.9M	£29.5M	£6.9	£6.9	£6.9	£6.8	£6.8	£34.3	£6.8
Non-controllable industry costs	£m													
Total	£m	£5.4M	£6.0M	£4.9M	£6.3M	£6.9M	£29.5M	£6.9	£6.9	£6.9	£6.8	£6.8	£34.3	£6.8
Permanent Headcount		48	48	59	56	58	59	59	59	59	59	59	59	59
Agency		2	1	0	0	0	1	0	0	0	0	0	0	0
Total headcount		51	49	59	56	59	59	59	59	59	59	59	59	59

Basis for costs

The core trend is for steady state activity from the FY19 exit position: in line with the current headcount and committed non payroll costs, spend and headcount are assumed flat. LCS's expected CP5 closing position of £29.5m is CP5-compliant, as is the FY19 entry point to CP6. This means that the function will have achieved circa £2.4m of additional efficiencies in CP5, which will have significantly challenged its operation. These efficiencies have all been identified and are being reviewed on a periodic basis.

Summary of costs by team or activity within the function

Activity/team	CP6 total (£m)	Comments
Info gov/ BC	£0M	Both now flexed out. Update as at RF6 numbers exc base line.
Group Company Sectary	£1.7M	Board & committee management. Group corporate governance.
Legal Services	£22.5M	Legal advice to Routes and Route and Corporate Support functions. Governance, assurance, compliance. Risk management. Legal training & tools. Management of external law firms.
Legal Transparency	£4.6M	Mitigating reputational risks, providing subject matter expertise to the business on Transparency, Ethics and Data Protection. Developing and delivering tools & training.
FOI	£2.8M	Mitigating reputational risks, compliance with information legislation, stakeholder management and managing FOI and EIR requests and responses.
Policy & Assurance	£2.6M	Governance, assurance & risk management.
Total	**£34.3M**	

5.2. Route Business Scotland details (Will be provided the numbers by Group after submission)

	CP5 Year			CP6 Year					CP6 total
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	
National Cost (£m)				6.9	6.9	6.9	6.8	6.8	**34.3**
Scotland Cost (£m)				0.6	0.6	0.6	0.6	0.6	3.1
Scotland (%)				9%	9%	9%	9%	**9%**	**9%**
Basis for allocation to Route Business Scotland	Headcount supporting Scotland teams, and central teams split by headcount.								
Activity	Group Company Secretary, Legal Services, Transparency, FOI, Policy & Assurance.								

5.3.   Cost drivers, headwinds and efficiency

CP5 is expected to close at £29.5m.   Scope changes in CP5 mean an increase of £4.8m (FOI & transfers, both within agreed targets for end CP5) for CP6.   Based on FY 19 budget, the CP6 pre-efficient base is therefore £34.3m.   The CP5 base includes £2.4m of identified efficiencies. A combination of efficiencies and inefficiencies are expected to cancel each other out, resulting in a £0m increase in CP6.
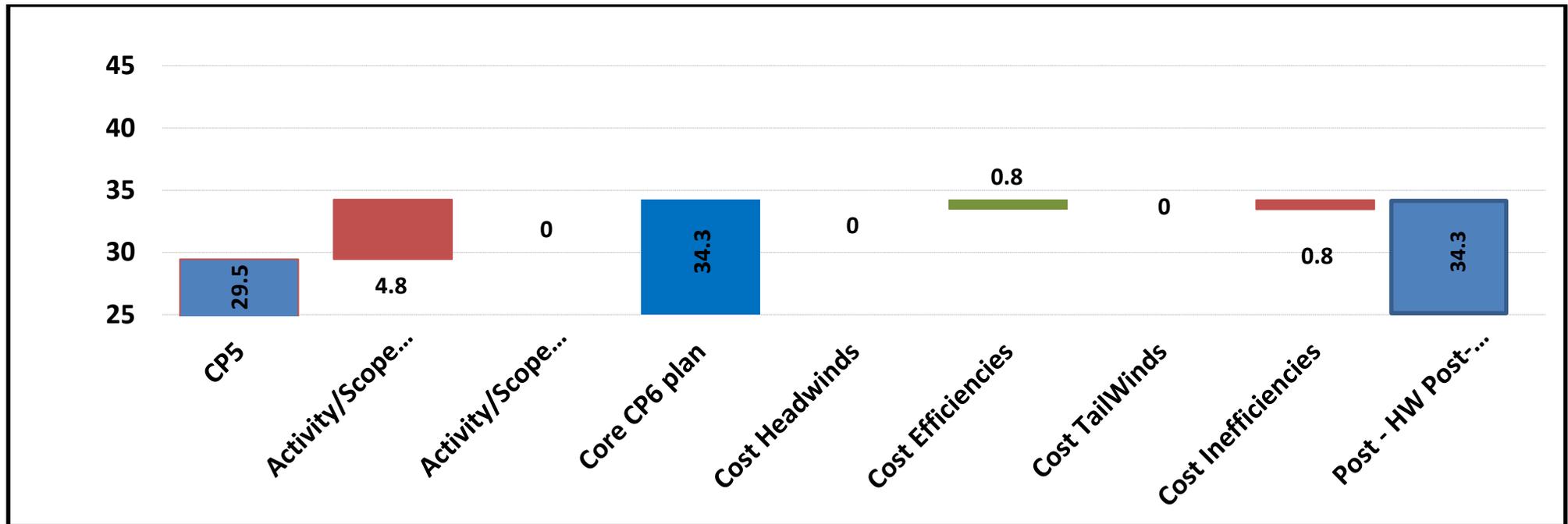
CP5 Base							CP6 Base					
FY15	FY16	FY17	FY18	FY19	CP5		FY20	FY21	FY22	FY23	FY24	CP6
5.4	6.0	4.9	6.3	6.9	29.5		6.9	6.9	6.9	6.9	6.9	34.3

Summary of LCS efficiency

Total (O,M,R)	Year			Year					CP6 total
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	
Pre-efficient plan[1] (£m)	£4.9	£7.9	£7.3	£6.9	£6.9	£6.9	£6.9	£6.9	£34.3
Activity/scope efficiencies (%) (£m)	£0	(£1.6)	(£0.4)	£0	£0	£0	£0	£0	£0
Core plan (£m)	£4.9	£7.9	£7.3	£6.9	£6.9	£6.9	£6.9	£6.9	£34.3
Head winds (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Efficiency (%)	0%	20%	5%	1.5%	1.5%	2.9%	3%	4.3%	2.4%
Tailwinds (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Inefficiency (%)	0%	0%	0%	(1.3%)	(2.8%)	(2.8%)	(2.8%)	(2.8%)	(2.2%)
Post-HW, post-Eff spend (£m)	£4.9	£6.3	£6.9	£7.0	£7.0	£6.9	£6.9	£6.8	£34.3

The efficiencies made in CP5 are expected to total £2.4m: £0.4m has been achieved, FY18 is expected to achieve £1.6m and the target for FY19 £0.4m. Efficiencies have been achieved by the team running with vacancies due to the lead time to fill those vacancies, consolidating work, focus on efficiencies, value added services from the legal supply chain and consistently challenging spend.

The efficiencies in CP6 are expected to be circa £800k. It is expected that this will be offset by an increased spend due to the re-tendering of the panel law firms for CP6 (although noting that retendering is likely to deliver benefits and efficiencies in the rest of the business) – added value services may not be available as they have been during CP5.

---

[1] Note that pre-efficient plan is equivalent to core CP6 plan + 2a (activity/scope efficiencies) in the waterfall

Headwinds and efficiency by theme

Theme	Area	Description	Net % change
	Inefficiency (8c)	Retendering the panel of law firms for CP6 may mean that the current level of fee rebate and some added value services (such as the provision of secondees at no cost) may no longer be available to LCS, even though the new arrangement is expected to deliver efficiencies in fees paid for legal advice across the business where budget is held. Estimated cost: circa £150k per year **(£750k) cost**	2.2% increase on base
Other (9)	Efficiency (9a)	LCS is CP5 compliant. CP5 will see LCS deliver circa £2.4M efficiencies (including additional CP challenges and an additional £0.6m over delivery). £0.4M of this is targeted for FY19, making the CP6 starting position challenging. Investing time in Better Every Day / Lean LND / Better pricing / value for money / added value services from suppliers/ process & controls. **£800k benefit** LCS has considered further headcount reductions, but this would impact the level and scope of the service and be contrary to requests from customers for additional resource in the team. Payroll costs are 91% of total cost. **£0m benefit** LCS has considered further cost reductions in non-staff costs. Non-staff costs are only 9% of total cost. The team has been streamlined through CP5 and has delivered significant efficiencies in line with and in addition to target. Efficiencies will continue to be targeted, but it is not possible to commit to further savings on non-staff costs at this stage. **£0m benefit.**	Efficiency 2.4% reduction on base
	Headwind (9d)	The assessment is that no risk identified holds enough certainty to warrant a headwind status. Risks have instead been assessed and included in the risk range on LCS's base within this plan, which is considered more appropriate. For example risks such as changes in legislation or significant disputes driving increased levels of permanent or temporary headcount in the function (from CP5, this was matters such as data protection changes and reclassification (leading to FOI etc)) have been addressed in this way.	

5.4. Risk and uncertainty in the CP6 plan

This section provides an explanation of the how LCS has built up its overall plan and sets out an estimate of the degree of financial uncertainty within this plan.

Pre-efficient costs in the CP6 plan are based on current rates, but include any additional scope needed to deliver the outputs in the plan. LCS has used 2016/17 rates to develop its forecasts and CP5 exit rates for support, operations and maintenance expenditure forecasts. LCS has no capital submission or CP5 capital spend.

Drivers of rate increases (headwinds/inefficiencies) or rate reductions (efficiencies/tailwinds) have been identified separately from the core CP6 plan where there is a reasonable expectation they will occur.

The combination of LCS's core plan for CP6 (with assumptions), headwinds/tailwinds and efficiencies/inefficiencies represents the most likely outcome for CP6.   The plan reflects the funding that it is understood is available in CP6.   LCS considers this plan to be realistic and deliverable in CP6.

Taking into account the assumptions made during the planning process, it seems reasonable to suggest that there is a 90% to 95% likelihood of the outputs in the plan being delivered for the forecast cost in LCS's CP6 plan.   The main drivers of uncertainty in the plan are identified in the table below. This view is taken from the experience learnings and real time events experienced within CP5.

5.5. Uncertainty ranges for CP6

Area (S, O, M, R, Income)	Potential range (low – spot – high)	Summary of key drivers of the uncertainty range	
		Driver of range	**% of range**
Support and operations	Low (-£1.9m) Spot (£34.3m) High (+£2.8m)		
Total expenditure	**Low (-£1.9m)** **Spot (£34.3m)** **High (+£2.8m)**	• The low figure reflects optimistic view of efficiencies to be achieved during both CP5 and CP6, and the extent of which additional efficiencies are possible is uncertain. • The low figure also represents a 5% difference to our core assumptions, such as additional external support, team size changes, rebates, vacancies and split of work. • High figure reflects risk in achieving level of efficiency built into both CP5 and CP6 forecasts. • High figure represents a possible 10% movement from our base for changes in medium/high risk core assumptions. (medium incident, the organisation requiring additional support and significant law/governance changes	

o

5.6   Relevant benchmarks

It has been possible to benchmark some of the functions within LCS.   The results of this are below.

(a) Legal Services

The size of the Legal Services team compares favourably to other sectors in the UK (see table below): bearing in mind the size and complexity of the business, the Legal Services team is lean.

Organisation	Business	Employees	Size of in house team	Employee to lawyer ratio	Approximate annual spend with law firms
Network Rail	**Railway infrastructure manager for GB**	**38,500**	**27**	**1,425:1**	**£14m**
National Grid UK	Owns and operates high voltage electricity network and gas network in England & Wales	25,000	45	555:1	£15 – 30m
Royal Mail	Postal service in UK	161,000	30	5,366:1	Unknown
Balfour Beatty	Multinational infrastructure construction and support group	21,000	14	1,500:1	£7m
South Staffordshire Water	Water supply company serving Staffordshire and West Midlands	2,000 (Est)	12	167:1	£2m
Severn Trent	Water management and supply and waste water treatment and disposal company	5,500	9	611:1	£5 – 8m

Figure: Network Rail Legal Services size and spend comparator (2016/17)

In addition, a benchmarking exercise carried out earlier in CP5 showed that the size of the Legal Services team and spend with external law firms

compares favourably to the legal teams in other European railway infrastructure managers.

(b) Company Secretariat

The Co Sec team is small given the complexity and profile of the governance work in the organisation and compared to those of a normal plc.   Given the unique role of the team, it has not been possible to provide more detailed and reliable benchmarking information.

(C) Transparency, Ethics and Data Protection and Freedom of Information

The TED and FOI team compares favourably in terms of headcount to other organisations.   For example:

Transparency and FOI: at 11, considering the team deals with all FOI Act and EIR requests centrally (which is the most efficient and sustainable way to handle this for Network Rail – see section 3), the team compares well to Transport for London and the Ministry of Defence who have central teams of a similar size to the Network Rail team (see table below), but operate a model where more of the work is done locally (meaning a greater overall headcount). In addition to this, the team in Network Rail also owns and manages the voluntary transparency programme.

Public authority	Central team size	Explanatory
Transport for London	9	- TfL previously operated a devolved model which led to regulatory monitoring - Now information covered by requests is collated by local teams & sent to a central team who apply exemptions & draft responses
Ministry of Defence	12	- Previously had a central team of 23, with less devolved responsibility - Now operate a decentralised model in which significant volumes of requests are handled locally

Figure: FOI team comparators

Ethics: research by the Institute for Business Ethics shows that companies with more than 10,000 employees have dedicated ethics teams of in excess of 10 people.   The Ethics team in Network Rail is two.

Data Protection: this team of three is lean too.   External benchmarking by Price Waterhouse Coopers on behalf of Network Rail's Internal Audit function tells us that this compares favourably against other organisations: typically those with over 10,000 employees would have an average of 4.4 FTEs dedicated to data protection compliance.

LCS does not anticipate significant changes to the size of the function during CP6.

5.7   Summary of business benefits of LCS

Everything LCS spends must return maximum benefit.   LCS is the right size and shape to fit with business demand and to allow the team to focus on its customers and work to meeting the key objectives outlined in this plan – LCS has responded to customer and stakeholder demands and feedback in building and organising the team.

Throughout this plan, LCS identifies the reasons why it is the right shape and size for the business and the benefits provided by the team.   These are summarised in the table below.

Business benefit	Detail
Customer focus	It is LCS's business to better understand its customers and help them achieve their priorities, operating in a safe manner.
Reduce business risk	LCS is proactive in working in helping to manage legal, business, financial and reputational risk, whether that is through providing training, support or providing expert advice.
A whole business view	LCS works across the whole business and closely with key stakeholders: it has a unique knowledge and understanding of the context and environment in which its customers operate.
Provision of skills and expertise	LCS is a team of experienced professionals. The team has specialist knowledge and resource dedicated to areas of the business, but retains the flexibility to respond to demand and meet challenges as they arise. The team is both sustainable and resilient.
Cost effective	The team is efficient and is working to be better every day.
Better governance	LCS provides strong governance: the right meetings, the right information and the right decisions.
Compliance	LCS maintains appropriate policies to support the business in a devolved world and provides assurance that the policies are being followed.
Secure value from the supply chain	The team drives value from the legal supply chain by having competitive framework arrangements and closely managing how and when it engages with external lawyers.
Flexibility	LCS works as one team and is able to be flexible to meet customer demands.

Figure: Summary of business benefits of LCS team

6.Sign-off

- This document and accompanying templates are owned by Stuart Kelly
- Submission of this document indicates confirmation that:
- all appropriate level 1 assurance activities have been undertaken (see separate advice on definition of level 1 assurance);
- the is satisfied with the quality, currency and appropriateness of the content of this document as well as the cost, volume and activity projections to which it refers;
- The signatories are satisfied that the plan has been assessed as deliverable, subject to the assumptions articulated in Appendix B.
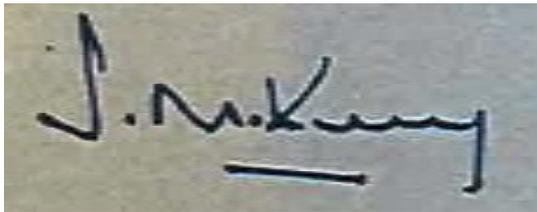
Authorised by:

Stuart Kelly
Group General Counsel
Company Secretary
01/12/17
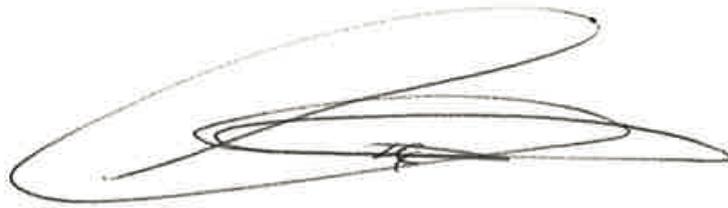
James Coowar
Financial Controller
Corporate Services & SO

01/12/17

Appendix A   N/A

Appendix B   Key assumptions

Ref no.	Topic (e.g. dependency, deliverability, climate etc.)	Assumption	Areas of spend impacted (e.g. all opex, single team, all spend etc.)	Is this a change of assumption for CP6?
1.1	**Organisational structure and demand**	No significant organisational re-structuring and an expectation that the volume of day to day work generated in CP6 will remain broadly consistent with CP5.	Opex: if the organisational structure changes significantly and/or the volume of work increases or decreases over a sustained period compared to demand in CP5 (for example the team receives a greater level of FOI Act or EIR requests, additional boards require support or there is an increase in demand for legal support), then team size may need to reviewed.	**No change vs CP5**
1.2	**Extensive further devolution**	LCS remains a central function, focussed on its customers, but not devolved to Route businesses.	Opex: devolution of the team to the business may require additional resource in the company.	**No change vs CP5**
1.3	**Significant incident**	There is no exceptional incident requiring substantial additional in house resource over a long period.	Opex: additional resource (possibly significant additional resource) may be required in the long term.	**No change vs CP5**

Ref no.	Topic (e.g. dependency, deliverability, climate etc.)	Assumption	Areas of spend impacted (e.g. all opex, single team, all spend etc.)	Is this a change of assumption for CP6?
1.4	Medium incident	There is no medium-sized incident or change requiring additional in house resource.	Opex: additional resource may be required in the medium term.	No change vs CP5
1.5	Substantial change in law or governance requirements	There is no substantial change in law or governance requirements that impact the organisation. For example CP5 saw reclassification of Network Rail and the organisation becoming subject to the FOI Act).	Opex: additional resource required.	No change vs CP5
1.6	External legal support (a) New panel (b) Spilt of work between panel firms and in house team	(a) Legal Services can put in place a new panel of law firms on the same or better commercial terms as Network Rail has now, giving access to the same or better level of added value service, including no-charge legal secondees and training. (b) Demand for legal advice means the split between work done by the in house team and that sent externally remains consistent with the size of team.	(a) Opex: commercial terms of a new panel for CP6 may mean the added value services are no longer available (which may increase spend on training and contract staff to manage spikes in workload). In CP5 the team has benefitted from 2.5 people (band 3 equivalent) per year from the panel of law firms at no cost. This could equate to circa £180k per year (£900k over CP6). (b) Decisions or preferences in the business to send less work to external panel firms will mean greater in house resource is needed.	(a) Yes. Substantial added value services available during CP5. (b). No change vs CP5
1.7	Significant project support	Large projects can be covered using current in house resource (or any additional in house resource is funded by the business). For example property disposals.	Opex: demand can be spiky, so a level of fixed term support may be needed	No change vs CP5

Ref no.	Topic (e.g. dependency, deliverability, climate etc.)	Assumption	Areas of spend impacted (e.g. all opex, single team, all spend etc.)	Is this a change of assumption for CP6?
			during CP6. If this cannot be funded by the business, LCS would have to flex budget or incur additional spend with panel firms.	
1.8	Functional Support	Other Corporate Support functions provide LCS with same levels of support in CP6 as in CP5.	Opex: additional resource.	No change vs CP5
1.9	Team size	The size of the team is correct to deliver what is needed for the business.	Opex: additional resource.	No change vs CP5
1.10	Team Training	Training budget is the correct level to deliver the training LCS needs to function and deliver to plan in CP6.	Opex: additional budget required if training need increases (due to significant change in law etc).	No change vs CP5
1.11	Accommodation	Office accommodation overhead for LCS continues to be provided and funded by the business.	Opex: if we are not able to use existing accommodation, LCS would need to source and fund this.	No change vs CP5

Appendix C   Scenario planning

Part 1: Tactical scenario planning for CP5

Provide information on the impacts on CP5 of each of the following scenarios:

- Scenario 1: 20% increase in total remaining expenditure

Details and benefits of additional expenditure in CP5

Area of spend	Yr. 4-5 outstanding spend (£m)	Potential investment increase (£m)	Comment on benefits
Info gov/ BC	£0M	£0M	Headline: Increase the resource available in the team to allow LCS to deliver more for its customers and stakeholders and to do so and realise benefits more quickly.
Group Company Sectary	£0.6M	£0.1M	
Legal Services	£7.1M	£1.4M	1. LCS could address the issue of compliance with the General Data Protection Regulation more quickly
Legal Transparency	£1.4M	£0.3M	2. Additional resources to further support Route devolution and the strengthening of Route Support.
FOI	£1.1M	£0.2M	3. Additional support for Corporate Support function and projects. 4. Potential to reduce spend with panel of law firms and other consultants: more could be done in house.
Policy & Assurance	£0.8M	£0.1M	5. Realise better every day savings more quickly. 6. Reduce likelihood of enforcement action.
Total	£11.0M	£2.1M	

- Scenario 2: 20% decrease in total remaining expenditure

Details and impacts of reduced expenditure in CP5

Area of saving	Yr 4-5 outstanding spend (£m)	Maximum potential saving (£m)	Comment on impacts/issues
Info gov/ BC	£0M	(£0M)	Headline: This would mean a reduction in the resource available to deliver LCSs' outputs and could manifest itself across the business as: 1. Not managing as well or at all certain legal and corporate risks, meaning legal obligations are not met and risking enforcement action. 2. A failure to deliver the support required furthering embedding devolution, meaning business units are not properly supported, identified risks are not managed, opportunities may not be as well supported, things take longer than they should and projects and outputs are not delivered. 3. An increase in external legal and consultancy spend in the business to maintain the same level of service. 4. A reduction in the technology, legal and other resources needed to provide an effective and efficient service, resulting in a reduction in service quality and timeliness. 5. Less proactive management of the supply chain leading to greater cost and lower quality of service. 6. Less proactive management of risk. 7. No second level of assurance for LCS owned policies – DP, Ethics, Modern Slavery, Procurement and DoA. 8. Better every day not as actively supported from within the team.
Group Company Sectary	£0.6 M	(£0.1M)	
Legal Services	£7.1M	(£1.4M)	
Legal Transparency	£1.4M	(£0.3M)	
FOI	£1.1M	(£0.2M)	
Policy & Assurance	£0.8M	(£0.1M)	
Total	£11.0M	(£2.1M)	

Part 2: CP6 scenario planning: investment options (no direct LCS capital investment)

There is extremely limited scope for capital investment within LCS.   No areas within LCS have been identified for potential capital investment and no capital spend has taken place in previous control periods.   The bulk of LCS's costs (circa 91%) are for staff working in the team.

Appendix D   N/A

Appendix E   N/A

Appendix F   Glossary of terms