



Route Services Strategic Plan

19 January 2018

Foreword

The Route Services Directorate exists to supply route businesses with services they decide are best provided from a national team. In producing this strategic business plan it was important that we maintained our focus on this overarching purpose and align our teams to achieve it.

In meeting our purpose, Route Services is transforming. Our customers demand more from us and we are developing our organisation to deliver the outstanding performance, cost competitiveness and commercial approach that they expect. This journey began in 2016 and whilst significant progress has been made, we recognise our customers and stakeholders demand we do more, and we do it faster. We will meet these expectations and continue to respond.

Route Services now comprises c.3,000 people, has £1bn of direct spend and manages a further £2bn of indirect spend on behalf of the business. As we improve there is a direct benefit to Network Rail which we are committed to realising. Control Period 6 presents an opportunity to realise the benefits of the transformation work following our formation. By the end of CP6 we will

have delivered savings of £308m across our catalogue of services.

Our priorities continue to be:

Changing the customer perception

Creating a culture of commerciality, delivery performance and innovation

Taking our people on a journey

Our plan is underpinned by our better every day approach. In addition to this we have eight transformational themes which will deliver greater efficiencies and higher levels of service performance. We have a robust plan to transform our business to meet the changing needs of our customers into Control Period 6 and to deliver the value for money services that our customers demand.

We will become our customers' and suppliers' trusted partner of choice: one team continuously improving our delivery performance, quality and cost-competitiveness for a better railway.



Susan Cooklin,
Managing Director Route Services

Contents

1.	The purpose, role and vision of Route Services.....	5
1.1	Purpose.....	5
1.2	Role	6
1.3	Vision.....	8
2.	Objectives and stakeholder priorities	9
2.1	Stakeholders and priorities	9
2.2	Specific objectives.....	12
3.	What Route Services is	13
3.1	Structure and services.....	14
3.2	Operating model – present and future	16
4.	Risks, opportunities, constraints and assumptions.....	22
4.1	Notable assumptions	26
5.	Expenditure and efficiency.....	27
5.1	Cost and volume summary	27
5.2	Route Business Scotland details	30
5.3	Cost drivers, head winds and efficiency	31
5.4	Risk and uncertainty in the Control Period 6 plan.....	45
5.5	Uncertainty ranges for Control Period 6	45

Appendix A Not applicable to Route Services	48
Appendix B Key assumptions.....	48
Appendix C Not applicable to Route Services	49
Appendix D Scenario planning	49
Appendix E Not applicable to Route Services	52
Appendix F Not applicable to Route Services	52
Appendix G Glossary of terms.....	53
Appendix H Stakeholders and engagement.....	58
Appendix I Service Catalogue example – Shared Services Payroll	62
Appendix J Headcount glidepath.....	63
Appendix K Route Services: key message framework.....	64
Appendix L Route Services 2017/18 Scorecard	65

1. The purpose, role and vision of Route Services

1.1 Purpose

Our purpose is to supply routes with services they decide are best provided from a national team enabling Network Rail to deliver a better railway for a better Britain. The route businesses chose to bring these particular activities together into a single, service delivery directorate. This approach allows national coordination where the Routes deem appropriate, and for Network Rail to benefit from economies of scale and greater efficiency from specialised delivery. The world of our customer is changing rapidly. As a result, we face the challenge of fluctuating and evolving demand for our services. Our customers have increasing expectations of us, and we must demonstrate safety, performance and value in our delivery and behaviours every day.

In this devolved, more competitive and commercial world, we have three priorities: changing the customer perception; creating a culture of commerciality, innovation and delivery performance; and taking our people on a journey. These priorities underpin everything we do.

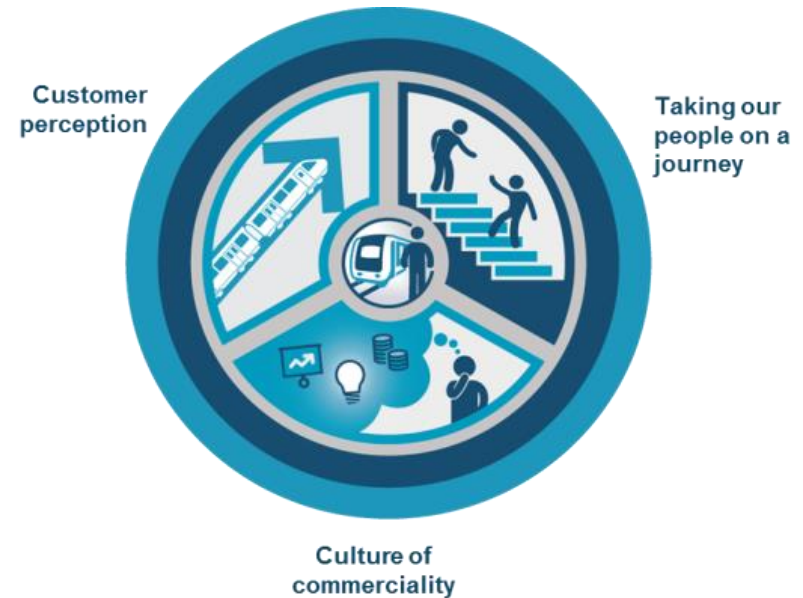


Figure 1.1: Route Services Priorities

1.2 Role

There were two guiding principles in the creation of Route Services. Firstly, the services we provide must be competitive compared to the outside market. If they are not competitive the routes have the right to procure elsewhere and we need to work with our route customers to make this practical and effective. Secondly, the routes collectively decide what should be in Route Services. This ensures that the cost of services is minimised for the network as a whole. If the formulation and market competitiveness of Route Services is right, its services should be the most efficient way in which the network can operate for the benefit of customers and taxpayers.

In the formation of Route Services, becoming 'one team' is about more than bringing different business functions under one banner. It's about a shared commitment to excellence and customer service and a common way of thinking and acting. We will not work in silos, and take collective responsibility for the services we offer.

We are uniquely placed to provide Network Rail with the best service by working as one focused, extended team. Through our subject matter expertise and our supply chain we are able to offer our customers the best whole life solutions to their business needs. We engage our supply chain and use our strong delivery partnerships with suppliers to get the best value and quality possible.

Route Services consists of four primary functions:

Supply Chain Operations delivers the logistics, materials, components and rail and road fleet that enable the maintenance and renewal of the railway.

Contracts and Procurement (C&P) strategically sources and manages contracts of scale in order to optimise value for money across the network.

Information Technology (IT) shapes, builds and runs the technology services needed to support the railway, now and into the future.

And **Business Services**, an integral part of Route Services, manages the support systems needed to keep Network Rail working effectively, including Human Resources services, Training, our National Records Group and financial systems and processes.

This is all supported by Finance & Business Support, Route Services Transformation and Human Resources.

Delivered through a team of over 3,000 employees, the Route Services portfolio currently consists of 57 defined services. These are provided to the route businesses either directly or via other service providers such as Infrastructure Projects, Asset Information Services or the System Operator. Route Services controls and influences a considerable amount of money on behalf of Network Rail. We have a critical role in ensuring value for money.

1.2 Role continued

We directly manage £1bn of these services for the Route Businesses and other customers, and procure a further £2bn of spend on behalf of the business. Around 85% of our direct spend is delivered through the supply chain and subject to competitive tender. Since the creation of Route Services, route customers now have clarity on how to engage with us, and service levels are defined and reported on across all our services.

We are establishing the same level of accountability that a supplier would have to its customers in a commercial environment. For some of these services the remit is wider, encompassing the whole of Network Rail or the Rail Industry. This provides Route Services with an integral role in the running of the railway and a diverse group of stakeholders.

As our customers' operating model changes through greater devolution, route based determinations and other transformational change; our operating model will continue to develop in partnership with our customers to best meet their needs.

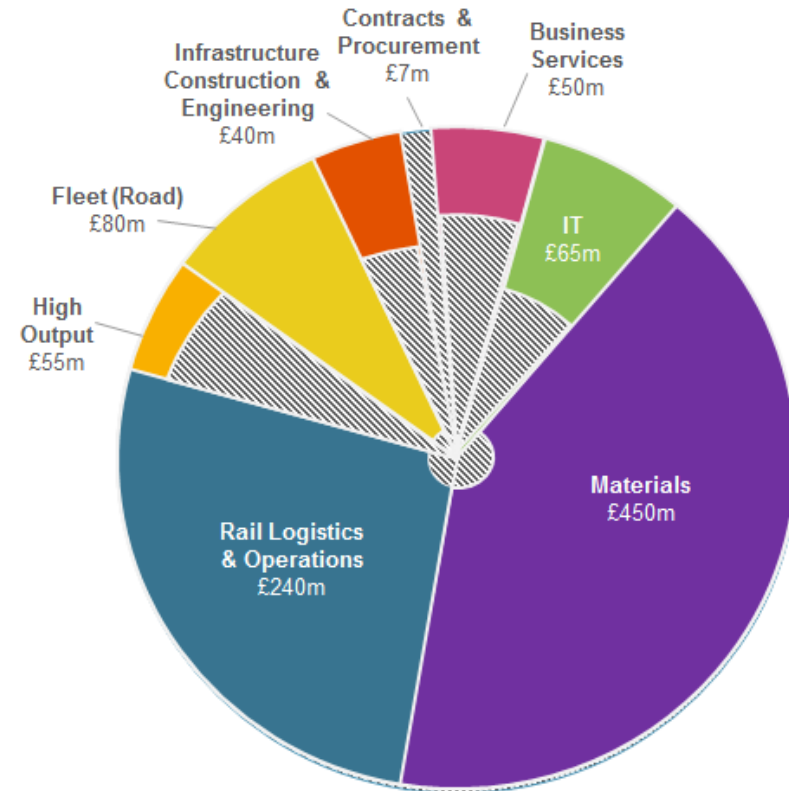


Figure 1.2: Route Services current annual direct spend
 Notes: Coloured sections are outsourced;
 Grey hatched sections are undertaken in-house.

1.3 Vision

The vision for Route Services is simple. We want to be our customers’ and suppliers’ trusted partner of choice: one team continuously improving our delivery performance, quality and cost-competitiveness for a better railway. This means that we all play a vital role in the future of Britain’s railway, whatever our job involves and wherever we do it. What we do for our customers is defined in our service catalogues, which provide clear line of sight for all our people and suppliers to the requirements of their customers. An example can be found in Appendix I.

1.3.1 Route Services Safety Vision

Aligned to the Network Rail Safety Vision – Everyone Home Safe Every Day – safety is integral to everything that Route Services does, and we are uncompromising in our commitment to the health, safety and wellbeing of our people, our customers, and our supply chain.

In CP5 Route Services achieved one of the lowest lost time injury frequency rates (LTIFR) in Network Rail. However, we do not take this for granted and we recognise that this is just one dimension of safety performance. Furthermore, since the formation of Route Services we have seen a very varied focus on safety performance from our people, with some pockets of excellence, but other teams who are not truly thinking and acting safely. We are now focused on the greater challenge of embedding a consistent safety culture across a diverse Route Services workforce, aligned with delivering our safety vision commitment.

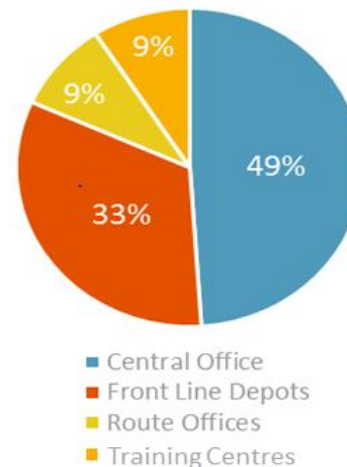


Figure 1.3: The location and roles of Route Services employees

Route Services has a large, geographically dispersed workforce, all of whom face many different safety hazards every day. 51% of our people are based in Route offices and depots, with 49% in central offices. As an example, 52 Route Services employees are embedded within Scotland Route. Front line employees make up 25% of our overall workforce. With such a high proportion of our teams located with our customers, our alignment with them in improving safety performance across the network is vital. Route Services also faces some unique safety challenges for example in the operation of an apprentice training centre. Through active participation within the Network Rail safety community we can share best practice in making our people safer. We will commence the rollout of our new safety plan during the final year of CP5 and aim for an LTIFR target of 0.150 by the end of CP6.

2. Objectives and stakeholder priorities

2.1 Stakeholders and priorities

2.1.1 Customer requirements

Route Services has a wide and diverse group of customers and other stakeholders within Network Rail and in the wider industry. Ultimately however, everything that we do must serve the interests of the route businesses as our ultimate beneficiaries, in line with our priority of changing the customer perception.

At an operational level, we engage with our route customers on a near continuous basis, both formally and informally. For each of the route businesses, we have a “route lead” drawn from our senior management team along with Regional Delivery Directors and Customer Delivery Managers. These roles lead our customer focused approach, in which all members of Route Services participate.

At least three times per year, we issue a customer advocacy survey to 100 senior members of our stakeholder groups, plus follow up discussions, to understand whether they would recommend us, and how we can improve. This close relationship with our customers enables us to understand their priorities, which may differ across our portfolio.

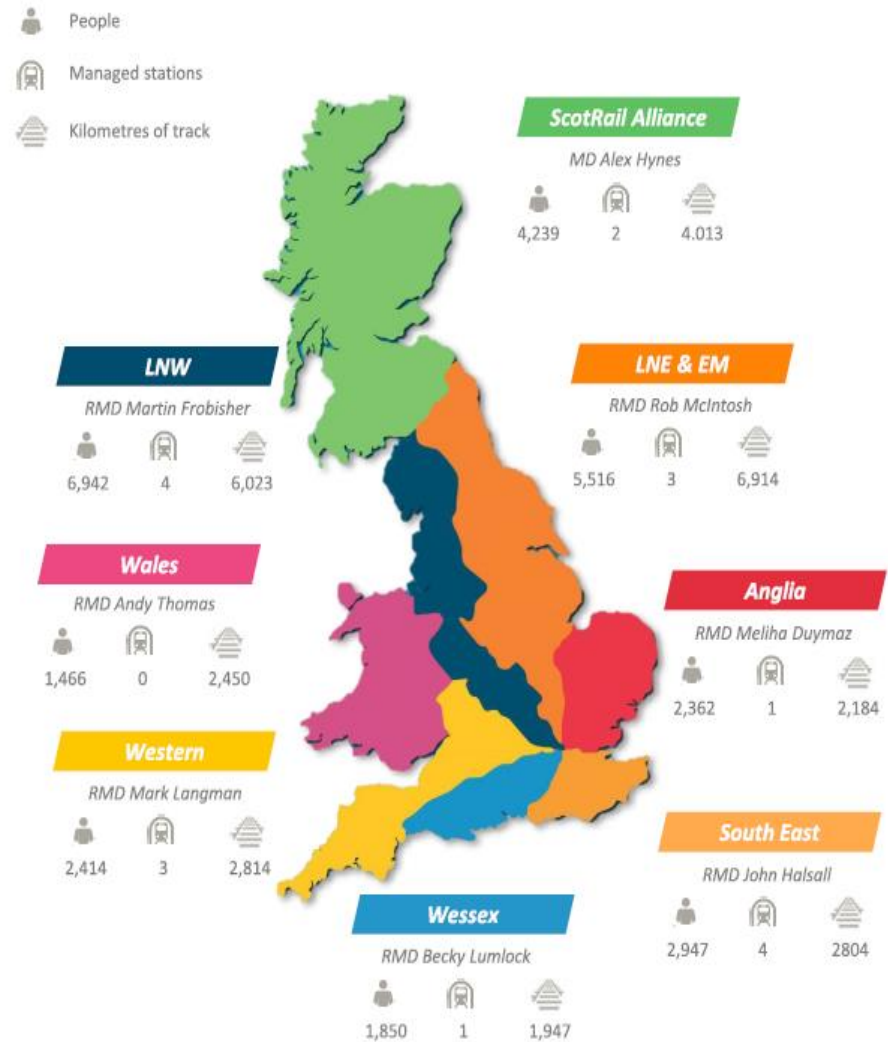


Figure 2.1.1: Route Services Route customers

2.1.2 Customer priorities

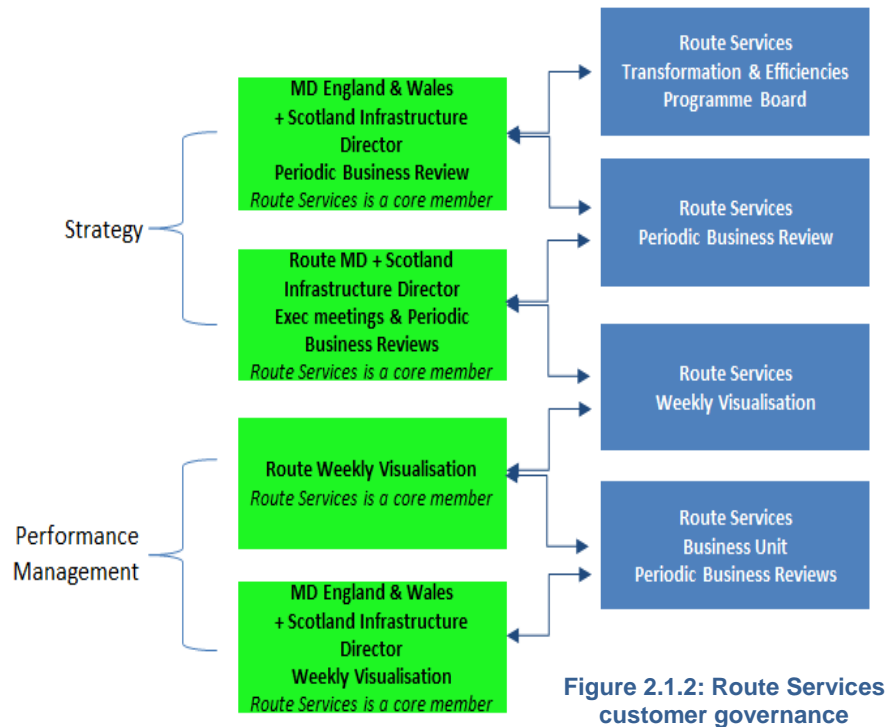


Figure 2.1.2: Route Services customer governance

The route businesses hold Route Services to account via appropriate strategic and operational means. Firstly, Route Services’ performance is reviewed at Route-level and also MD England & Wales and Scotland Infrastructure Director weekly visualisation session. Secondly, Route Services senior route leads actively participate in Route MD periodic executive and business review meetings.

Thirdly, the Route Services MD and key direct reports are a core part of the periodic business review meeting held by the MD England & Wales and Scotland Infrastructure Director.

In addition to these ongoing interactions, we have engaged with customers at all levels within Network Rail to develop our Strategic Business Plan. We have also helped to shape our customers’ strategic plans and in turn aligned our plan to be an enabler for them. Our plan reflects the complex stakeholder environment we operate within, and includes information specific to Scotland, as required by The Scottish Ministers’ High Level Output Specification for Control Period 6.

Further details on performance management, plus a list of business planning stakeholder engagements is included in Appendix H.

Our engagement tells us that our customers demand that we;

- Deliver reliable services to support their objectives
- Provide services which are demonstrably cost competitive
- Become part of their extended teams, communicating regularly in an open and transparent way
- Understand their businesses in order to provide greater value from our service delivery
- Offer flexibility and choice
- Compete for their business (as appropriate)
- Enable Network Rail to be an intelligent client in the supply market

However, for Route Services to deliver best value from our supply chain we ask that our route businesses provide us with:

- clarity and predictability of demand
- firm expenditure commitments with contracts and frameworks
- regular communication and engagement

2.1.2 Customer priorities continued

Service performance

We have worked with our customers to build our catalogue of services and we are proud of this. It sets out clearly what we offer, representing everything our customers want and are paying for. The service catalogue defines SLAs and KPIs for all our services, and these have been agreed with our customers. The measures and targets allow the customers to drive accountability and where there are gaps in the required levels of performance, this will drive both tactical and strategic improvements.

We review our service catalogue with our customers on an ongoing basis, to ensure that we are providing the services they need and are accountable for delivery value-for-money. See an example service catalogue in Appendix I. The list of services covered by catalogue will not stand still. There will be opportunities for expansion, and we are constantly examining the potential for more services to be devolved to the route businesses. A number of services have already been devolved from Route Services, and throughout the remainder of CP5 and CP6 Route Services will review its activities with customers and stakeholders to ensure they align with customer need, and are delivered through the most cost efficient and effective means.

To illustrate the extent to which critical services are managed at local level, 10 on track machines, 8 snow clearing vehicles and 434 wagons are specifically dedicated to Scotland Route.

Market testing and benchmarking

Our customers have told us that we need to demonstrate that we offer value-for-money and are competitive. In response to this challenge, in 2016/17 we benchmarked 80% of our business focusing on both efficiency and effectiveness. This exercise told us that some of our services are already operating at world class levels of efficiency, whilst others are in need of improvement.

Even in areas of benchmarked high performance, we acknowledge that our customers might not always recognise this and so we need to provide better evidence and improve the customer experience. Efficiency tends to be strongest for our core traditional service offers such as procurement, IT operations, payroll, engineering train planning, etc. This is a firm foundation for us to build on.

External reviews

Network Rail has also been the subject of two independent reports during the last couple of years. The Shaw Report and the Hansford Review made a number of recommendations which have shaped the vision for Route Services, reflected in this document. In particular, both reports anticipated a more competitive environment, in which Route Services might have multiple customers with a choice as to whether to use our services.

During CP5 we have evaluated the scope of services provided by central functions within Network Rail, to clarify the economies of scale and other national benefits provided. In response, Route Services has devolved services which the route businesses have chosen to manage themselves, and we will keep this mix under review with them.

2.2 Specific objectives

The Route Services scorecard is and will be focused on our five principles:

1. We think and act “safety”
2. Our customers are our priority
3. We spend money efficiently
4. We focus on delivery
5. We improve what we do

In collaboration with our customers and our people, we continue to evolve our annual scorecard measures to reflect the ways in which we deliver for, and add value to them.

For 2018/19, the route businesses will co-design the Route Services scorecard measures and targets, so that we are even more closely aligned to our customers. Our current scorecard is shown in Appendix L.

We have identified opportunities to further reduce the cost of our services by a total of at least £308m by the end of CP6. Our objectives will be to realise these savings whilst also addressing the other priorities of our stakeholders, examples of which are shown in the table below. In turn, this will facilitate the creation of a culture of commerciality, delivery performance and innovation.

Service Portfolio	Objectives for CP6
Safety	Lost time injury frequency rate reduced to below 0.200 by March 2024.
People – engagement	Participation rate will increase from 56% in 2017 to at least 65% in 2023.
People – training	At least 50% Route Services employees will be Lean trained by Dec 2019. Our people will receive an average of 4 days’ training each per year by 2023.
People - diversity	At least 35% of Route Services employees will be female by March 2024.
Supply Chain Operations	Optimise make vs buy model across all services and assets to achieve a logical balance of service delivery and efficiency. Review which services we should provide in-house, and which can be sourced as a ‘solution’ buy.
Infrastructure Construction & Engineering	Deliver a new wheeled plant strategy, underpinned by a professional maintenance capability, to meet present and future customer needs. This will utilise ISO55001 accreditation and whole life cost ‘make vs buy’ evaluation.
Fleet & Track Treatment	
Delivered Materials	
Contracts & Procurement	Embed and execute strategic category management, “fit for purpose” systems and processes, aligned value metrics and a culture borne of excellence in customer service.
IT Services	Provide self-service orientated and collaborative technologies, through system standardisation, consolidation and rationalisation. Increase the volume of IT renewal in comparison to CP5 levels, to improve the technical currency of our IT assets.
Business Services	Create a training organisation serving the whole rail industry through the use of cutting edge technologies. Provide market competitive shared services and asset records management through process improvement and automation.

Figure 2.2: Route Services’ customer commitments

3. What Route Services is

“Route Services exists to supply the route businesses with the services they decide are best provided by a national team. Our CP6 Business Plan and underpinning transformation will deliver efficient and highly performing services which are market competitive and meet the needs of our customers” **Susan Cooklin, Managing Director, Route Services**

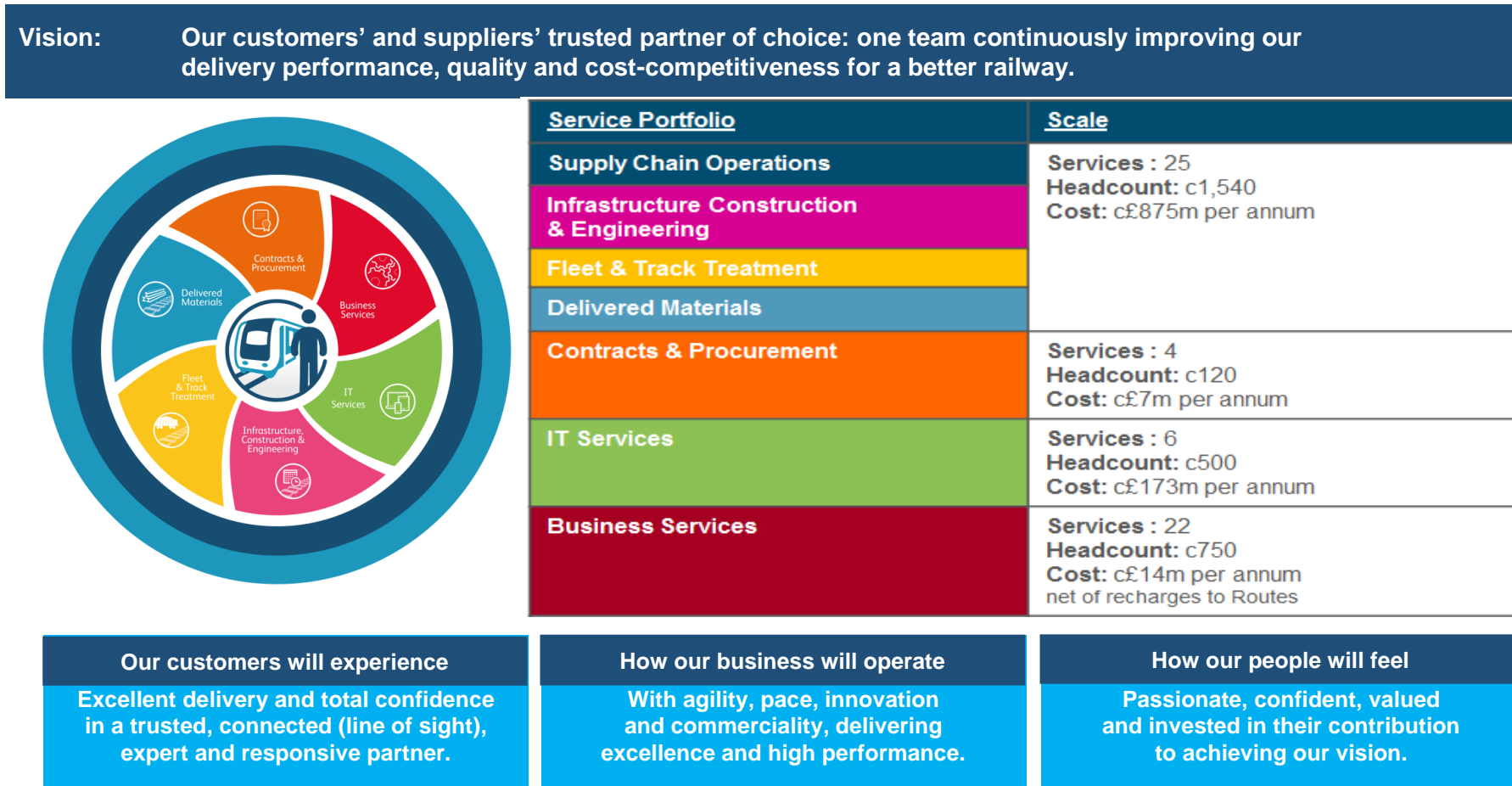


Figure 3.0: Route Services Outcomes

3.1 Structure and services



Mark Tarry, Business Services Director

Managing the support systems needed to keep Network Rail working effectively.

Business Services

Accounts Payable
Apprentices
Billing and Income Collection
Business Intelligence Team
Competency Assurance
Content Management
COOM (Call-off Order Management)
Energy Bureau
Engineering Graduates
Expenses
HRSS Employee Records
HRSS Medicals
HRSS Payroll
HRSS Recruitment
Leadership and Professional Development
Organisational Data Maintenance
PPE Helpdesk
Records Management
Schedule 4 Compensation
Taxation and Accounting
Technical Skills & Competencies Training
TOC Billing and Income Collection



Jeremy Vincent, Chief Information Officer

Delivering IT services for the railway today and designing and delivering investments in strategic, innovative and fit-for-purpose IT for a better railway in the future.

Information Technology Services

Building Infrastructure IT (BIIT) Projects
IT Delivery Projects
IT Helpdesk
IT Strategy and Planning Services
Local IT Delivery Management
Technology Infrastructure Services



Rob Morton, SCO Director

The management, supply, operation and maintenance of our rail and road fleet; procurement and delivery of railway materials.

Supply Chain Operations Services

Aerial Survey
Breakdown Recovery
Delivery of Materials by Rail
Delivery of Materials by Road
High Output
Infrastructure Monitoring
iStore
Lifts and Escalators
Mechanical Electrical Lock Fitting
Mobile Flash Butt Welding
National Signalling Works
On Track Plant
Operational Property Helpdesk
Overhead Line Condition Renewal Works
Product Management
Project Engineering
Project Management Services
Rail Profile Treatment Grinding and Milling
Recycling
Road Fleet
Seasonal Autumn
Seasonal Summer Weedspray
Seasonal Winter
Stoneblowing
Tamping



John Dickson, C&P Director

Managing our wide range of contracts through innovative strategies and solutions.

Contracts & Procurement Services

Category Management
Contract and Supplier Management
Governance and Assurance
Procurement

3.1 Structure and services continued



Louise Kavanagh
Finance Director

Enabling Route Services to operate in an effective, efficient and compliant manner. Undertaking all financial management, accounting, capital investment assurance, risk management and reporting activities, and supporting managers to deliver high quality services to our customers.



Steve Armstrong
Transformation Director

Co-ordinating all of our transformation and efficiency work as a single portfolio, providing assurance of delivery and a consistent approach to engagement with our people, our customers and our suppliers. Driving internal and external communications, in support of both our change activities and business as usual service delivery.



Rachel Fayers
Head of Human Resources

Supporting great people management, creating a great place to work and enabling high performance.

3.2 Operating model – present and future

3.2.1 Transforming Route Services for Control Period 6

Our CP6 plan revolves around this approach to developing our business strategy, from responding to customer and commercial drivers, through identifying opportunities, to creating a plan to deliver business benefits to our customers.

Route Services will continue to evolve throughout CP6, and our transformation plan articulates how we will achieve this.

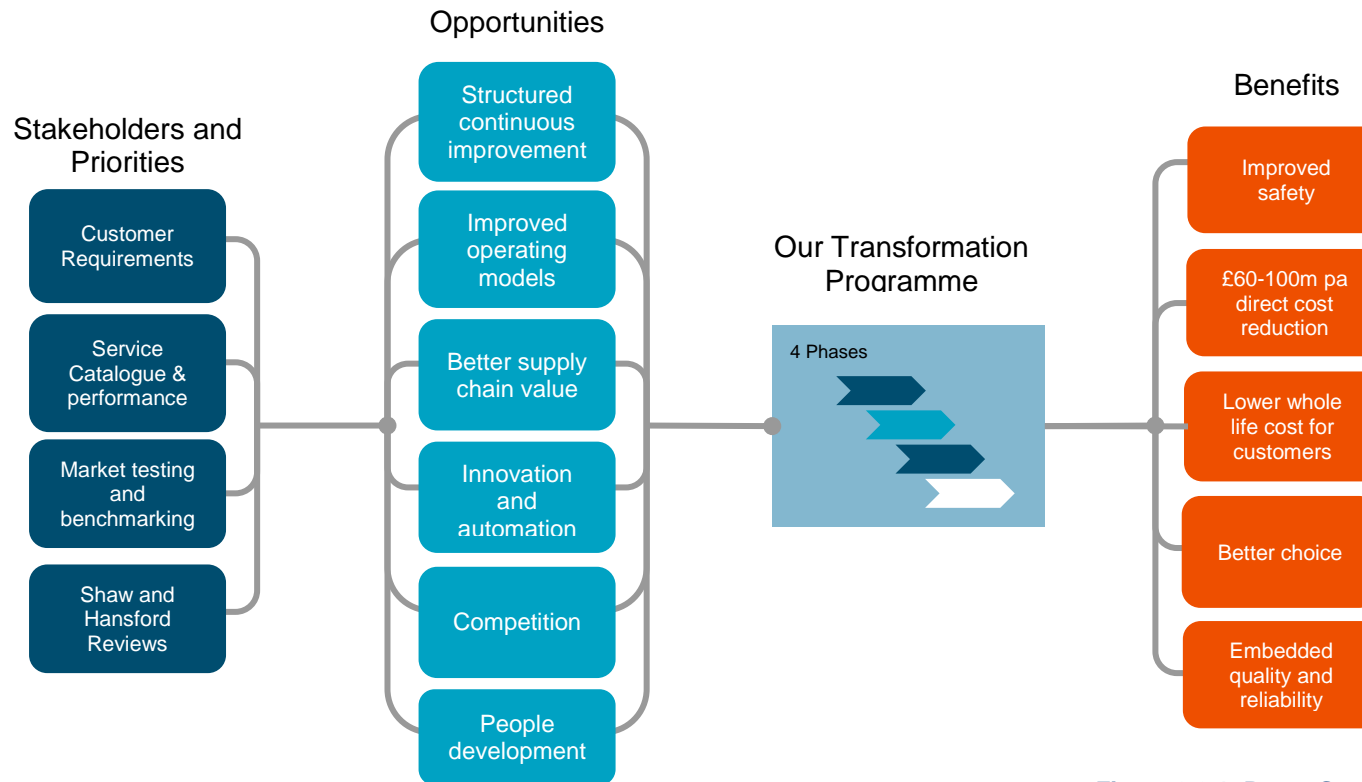


Figure 3.2.1: Route Services Transformation Journey

3.2 Operating model – present and future continued

3.2.2 Transformation in response to external benchmarking

Our customers tell us that we need to show we are ready, willing and able to adapt to the challenges of their changing world. Standing still and doing the same things in the same way while our customer

moves on is not an option. Likewise we must keep pace with the markets, technologies and services that they need to access if we are to stay competitive and remain their partner of choice. Our external benchmarking gave us insight into the priority areas to target to achieve top quartile efficiency and effectiveness, and our transformation programme is the roadmap.

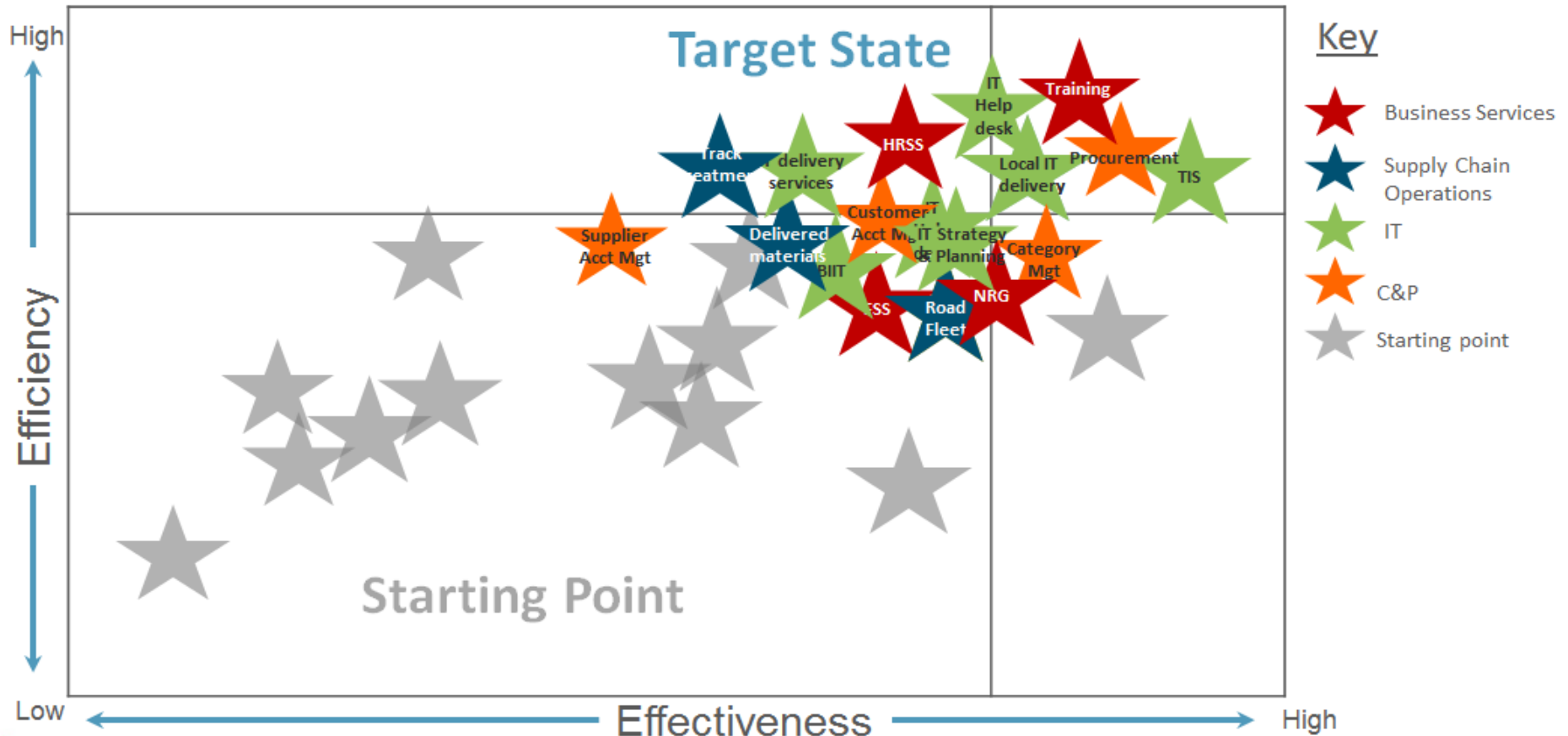


Figure 3.2.2: Benchmarking target state

3.2 Operating model – present and future continued

3.2.3 Route Services Transformation Programme

To deliver on this vision we created the Route Services transformation programme which has the mandate to improve the way Route Services operates and increase our efficiency. The programme consists of four phases leading up and into CP6 as we transform the way we operate in line with our customers' changing businesses:

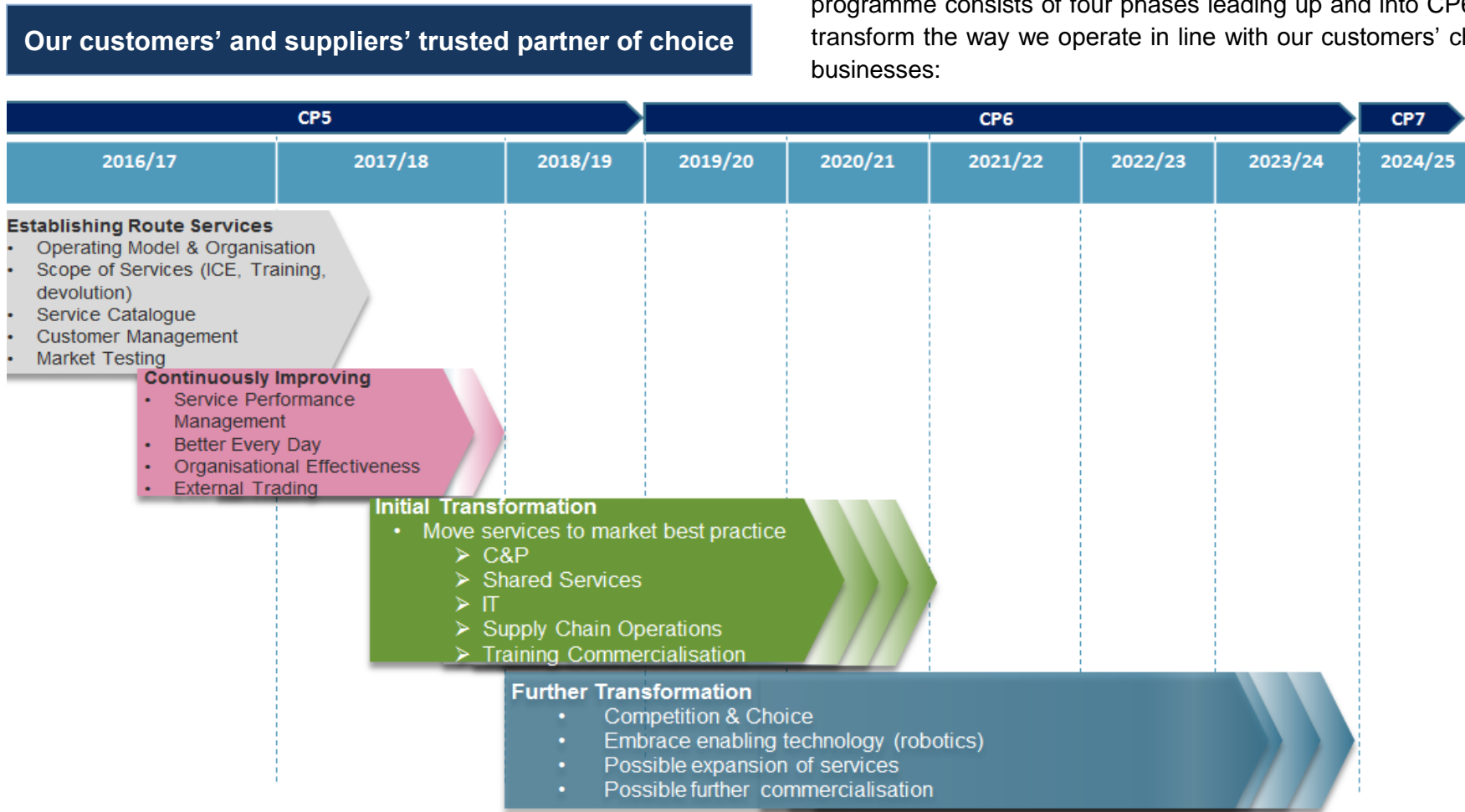


Figure 3.2.3: Route Services Transformation Programme Phases

3.2 Operating model – present and future continued

3.2.4 Route Services transformation workstreams

Within these four phases we have a number of transformational themes which the programme is delivering.

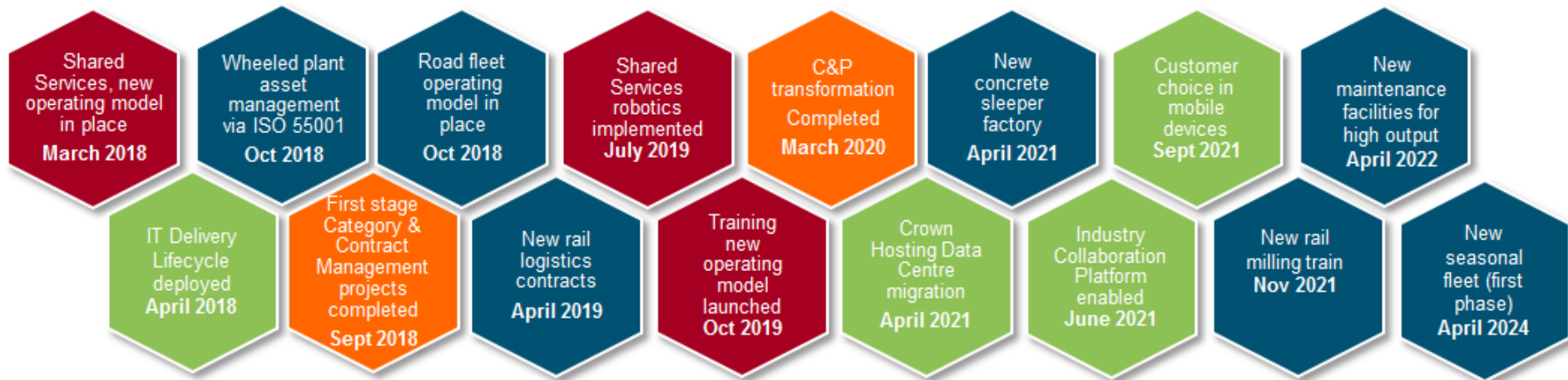
<p>1. Route Services Operating Framework</p> <p>An overall framework to provide consistency, reliability and transparency in how we deliver the services that our customers need from us, and how they hold us to account for performance improvement.</p>	<p>2. Transformation of Supply Chain Operations</p> <p>Improving control, availability, distribution and inventory management of materials; manufacturer innovation; new planning and contracting model for rail logistics; implementing ISO55001 for critical wheeled plant; market testing activities with a different mix of make and buy; devolving or scaling back any services for which there is not an ongoing national requirement.</p>	<p>3. Information Technology Transformation</p> <p>Delivering efficiency targets and increasing the overall capability and flexibility of the department to move into top quartile performance; customer technologies, service transformation, service continuity management, business aligned IT strategy, IT delivery transformation and Lean training.</p>	<p>4. Contracts & Procurement Transformation</p> <p>Establishing strategic category management as the core of activity whilst collaborating strongly with routes to manage execution of contracts placed for these aggregated spend categories. Supplying knowledge based, forensic insight to cost management thus providing maximum value for money to our internal customers.</p>
<p>5. Training Commercialisation</p> <p>Exploring options for a more commercial and technologically innovative business operating model for Network Rail training, in line with our customers' desired business outcomes.</p>	<p>6. Shared Services Transformation</p> <p>Operating at world class levels of efficiency and effectiveness across the board; a new operating model with better functional alignment to service delivery, make versus buy assessments, and opportunities for process automation.</p>	<p>7. Organisational Effectiveness</p> <p>Targeted improvements to our structure to reflect good principles of organisation design, achieve efficiencies, and provide clear and effective accountabilities.</p>	<p>8. External Trading</p> <p>A new business development and governance model for the trading of services to non-Network Rail customers. Focusing on services with the potential to earn a commercial return, in a way which is consistent with our legal and regulatory obligations.</p>

3.2 Operating model – present and future continued

3.2.5 CP6 transformation commitments: a £308m saving in CP6

“Route Services will become market competitive to face the full power of competition in 2019.”
Network Rail’s Transformation Plan, Update September 2017

The journey towards competitiveness will involve many transformational changes across the service portfolio, and is already underway. The plan has been informed by market testing and customer feedback, with key steps before and during CP6 including:



As these improvements land, and as our customers request them, we will provide more competition and choice across the portfolio. Our commitments to people development and diversity will also support a sustainable, inclusive and innovative culture. The planned changes will unlock outcomes such as the following:

Our Safety Vision	Our cost to serve	Our commerciality	Our headcount
Reduced Lost Time Injury Frequency Rate to between 0.100 and 0.200, through improvements to workplaces, welfare, wellbeing, reporting, and leadership.	Over the course of CP6, we will save the Route Businesses at least £308m.	Network Rail Training becomes a fully commercial entity trading externally, as a pathfinder for broader competition and trading.	Route Services headcount will decrease year-on-year to become at least 5% less by the end of CP6 for the equivalent services.

3.2 Operating model – present and future continued

3.2.6 Further potential opportunities

The portfolio of activity in the Route Services transformation programme has been developed with reference to our market testing and benchmarking, as well as customer feedback, past service performance, and our business context. The work has been prioritised to reflect both scale of benefit potential and ease of implementation, and we have also considered how the changes are most sensibly sequenced. Therefore the plan reflects opportunities which can be progressed now by Route Services i.e. without large dependencies on other changes driven by others (such as customers, or the supply market). We have also considered risks to industrial relations and ongoing service continuity in our prioritisation. The scope for additional benefits from such opportunities is highly uncertain at this stage, and may not be significant. However, the potential availability of additional opportunities provides confidence that the benefits targets in the Strategic Business Plan can be achieved. Potential opportunities which have not been baked into the plan in detail, but which should be kept under review for potential development if and when the time is right, include:

- Further asset productivity and process efficiency in logistics and materials management.
Risks and/or dependencies: Workbank stability and smoothing. Technology development (e.g. demand planning systems).
- Broader service outsourcing/commercialisation.
Risks and/or dependencies: Supply market development to provide competitive alternatives to in-house options. Stability of customer requirements.
- Further process automation.
Risks and/or dependencies: Technology development, and proof of value. Standardisation of processes with customers and suppliers.
- Service expansion/consolidation (e.g. to realise synergies with services currently provided by other service functions).
Risks and/or dependencies: Management distraction if Route Services portfolio grows too big too quickly.

There are also some recommendations from our market testing which are being addressed as part of ongoing, non-transformational activity, such as improvements to cyber security and IT disaster recovery.

4. Risks, opportunities, constraints and assumptions

Finance		Deliver all CP6 commitments within the constraints of our agreed cash envelope whilst being able to demonstrate value for money.		
No.	Key constraints (C), risks (R), assumptions (A), opportunities (O)	What we plan to do	Owner	Timescale (end date)
1	O: IT innovation	IT strategy is based on the early adoption of IT innovation services and disruptive technologies which offer the potential to transform IT operations and proactivity address the needs of Network Rail and GB Rail.	IT – Chief Information Officer	March 2024
2	A: IT scope	Explicitly excludes business change costs related to the implementation of new technology (other than IT training costs or business change which is introduced solely as a result of a Route Services IT led change initiative).	IT – Chief Information Officer	March 2024
3	A: Funding categories	The strategic plan assumes there will be a transition to a service based delivery model during CP6 with the investment balance between capex and Opex needing to be flexible. The submission assumes the funding plan is able to be flexed between Opex and capex as necessary. The cash target however is fixed.	Route Services - Finance Director	March 2024
4	O: Make versus buy	Prior to any wheeled plant investment a comprehensive review of market capability and investment payback will be undertaken to ascertain the best funding vehicle (i.e. purchase or lease) and investment level.	Route Services Supply Chain Operations	March 2020
5	A: Business volumes	Business outputs will be materially in line with our strategic business plan submission, both in total volume delivery and annual phasing.	Route Services MD	March 2024
6	R: Digital Railway funding	Development of the Route Services capital costs associated with Digital Railway (predominantly cab fitment) is at a very early stage with high uncertainty. There is a risk that funding will not be sufficient to cover those costs as they are incurred.	Route Services MD	March 2024

Performance		Support the wider business and railway system to achieve improved overall performance. Understandably customer expectation is increasingly demanding and therefore we must collaborate to implement changes necessary to meet this in a cost effective, structured and transparent manner.		
No.	Key constraints (C), risks (R), assumptions (A), opportunities (O)	What we plan to do	Owner	Timescale (start/finish)
1	O: Delay Per Incident (DPI)	Continuous improvement approach to reducing delays per incident by reduction of fleet service delivery failure and improved ability to affect service recovery following failure.	Supply Chain Operations – Managing Director	March 2024
2	R: Asset condition deterioration with challenging age profile of many assets and associated obsolescence.	Improved information capture and condition monitoring with regular assurance programme. Leading to more effective decisions about maintenance, enhancement, life extension and replacement. Flexibility in intervention through re-prioritisation of funding.	Technical Services Director	March 2024
3	O: Design for reliability	Embed a consistent culture and process of designing to optimise asset reliability. Improved quality of management information for the provision of service with agreed targets (KPI's) aligned with customer needs.	Technical Services Director	March 2024
4	O: Reliability centred maintenance	Optimising maintenance so that it is centred on reliability through a systematic approach to inspection, data, analysis and decision making.	Technical Services Director	March 2024
5	O: Planning	Increased planning integration with customers to deliver robust and timely plans. Develop a relationship where parties work as a single team with one focus.	Route Services – Managing Director	March 2024
6	O: Innovation	Identify and develop innovation that can deliver value for money performance improvement through exploration of alternative approaches.	Technical Services Director	March 2024

Performance cont.		Support the wider business and railway system to achieve improved overall performance. Understandably customer expectation is increasingly demanding and therefore we must collaborate to implement the changes on the fleets necessary to meet this in a cost effective, structured and transparent manner.		
No.	Key constraints (C), risks (R), assumptions (A), opportunities (O)	What we plan to do	Owner	Timescale (start/ finish)
7	O: Devolution	Further devolution where appropriate will enhance our ability to react and promote local accountability. In turn this will drive delivery performance.	Route Services – Managing Director	March 2024
8	A: National framework of delivery	The current model of delivering services the routes collectively decide they want, at the best value for Network Rail will continue to apply. A shift to making decisions on a route by route basis across all Route Services products and services will erode the national value for money picture.	Route Services – Managing Director	March 2024
9	R: Sleeper supply Construction of a new sleeper factory is due to commence in 17/18, with production expected in 20/21. We will lose production at Washwood Heath (the facility this is intended to replace) in 18/19 to a PCO. Contract award has not yet happened.	Contract was awarded in autumn 2017. Contingency has been factored in to the construction schedule. However planning permission remains a risk - milestone due Sept 2018. A sleeper stockpiling strategy is underway to cover the period where we lose Washwood Heath, which also carries contingency to cover small delays in project delivery.	Route Services - Supply Chain Operations - Materials & Logistics Director	March 2024

Safety		Improvement across Route Services of the safety of the workforce, passengers and public to increase safety maturity and deliver our vision of everyone home safe every day. Advance our environmental performance and leave a sustainable legacy.		
No.	Key constraints (C), risks (R), assumptions (A), opportunities (O)	What we plan to do	Owner	Timescale (start/finish)
1	R: Workforce safety	Hierarchy of control measures for design, maintenance, inspection and operation for risks such working at height, protection of staff from moving equipment and electrical risks. Embedding an inclusive and mature safety culture (safety hour, home safe plan, and safety leadership).	Route Services – Managing Director	March 2024
2	R: Workforce occupational health and wellbeing	Reducing occupationally induced ill-health through initiatives for HAVs, WBVs, manual handling, noise, fatigue, respiratory hazards and poor ergonomics. Effective application of managing occupational road risk policy and support the role out of Vehicle Tracking Systems. The provision of adequate and appropriate welfare facilities for staff. The embedding of an inclusive working environment, that caters for the mental health and general wellbeing of individuals.	Route Services – Managing Director	March 2024
3	R: Workforce, passenger and public	Predict and prevent accelerated and/or unexpected asset degradation or failure through information capture and condition monitoring leading to effective asset plans. Regular assurance programme to confirm asset condition. Flexibility in intervention through re-prioritisation of funding. Safety and reliability by design.	Route Services – Managing Director	March 2024
4	C: Barriers to improvement	Challenge barriers of legacy equipment, regulations, cost effective technological limitations, culture and funding through a behaviour of structured continuous improvement and innovation that can deliver incremental changes that can create transformation.	Route Services – Managing Director	March 2024
5	R: Environment and sustainable development	Initiatives to reduce carbon and sustainably manage the fleets (engine emissions, release of harmful substances to the environment, disposal of life expired assets). Wider integration of our corporate social responsibility obligations in to our contracting strategies.	Route Services – Managing Director	March 2024
6	O: Workforce, passenger and public	Enhanced safety across all products and services through innovative solutions to safety risks.	Route Services – Managing Director	March 2024

4.1 Notable assumptions

No.	Topic	Assumption	Areas of spend impacted
1	Operating model	The operating model for Route Services in CP6 is substantively unchanged from the current model with the exception of the training organisation. Subject to approving the business case, our plan assumes a significant increase in revenue generated from customers external to Network Rail	All Opex and Capex
2	Volumes	Based upon the known business volumes for CP6 at that point in time. Risk of changing volumes is included within the uncertainty analysis.	All Opex
3	Transformation Programmes	Assumes that transformation programmes are independent from the Route Services submission (e.g. Cyber Security). Where external projects impact upon Network Rail (e.g. HS2) all costs are met by the project.	Digital Railway/ Safety, Technical & Engineering/ External projects
4	Volumes	Volume of renewal activity necessary to maintain assets is broadly comparable to CP5.	All Capex
5	Route Businesses	Where responsibility to maintain and renew Route Services sites currently sits within the Route Businesses, it is assumed that any CP6 costs/headwinds/efficiencies have been captured there.	Facilities Opex and Capex
6	Delivery of Capex	Where costs rely on the delivery of capex works it is assumed they will be delivered to time. The cost of business change aligned to a capital project will be funded by the project client.	All Opex and Capex
7	National framework of delivery	The current model of delivering services the routes collectively decide they want, at the best value for Network Rail will continue to apply. A shift to making decisions on a route by route basis across all Route Services products and services will erode the national value for money picture.	All Opex and Capex
8	Digital Railway funding	Development of the Route Services capital costs associated with Digital Railway (predominantly cab fitment) is at a very early stage with high uncertainty. The plan assumes funding will be sufficient to cover those costs as they are incurred.	All Capex
9	On Track Machine Strategy	Assumes that strategies for OTMs that are selected by routes are in line with those recommended by Supply Chain Operations in order to realise efficiency plans.	Supply Chain Operations Opex

5. Expenditure and 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	246	227	162	175	240	1,051	255	257	233	209	195	1,150	255
Controllable Opex £m	119	102	85	85	94	485	120	115	112	107	106	558	106
Total £m	360	325	248	283	267	1,536	375	371	345	316	301	1,708	362
Permanent Headcount	2,807	2,887	2,985	3,009	2,992		2,846	2,779	2,759	2,759	2,743		2,740
Agency	320	216	140	22	20		20	20	20	20	20		18
Total headcount	3,127	3,103	3,125	3,031	3,012		2,866	2,799	2,779	2,779	2,763		2,758

Renewals volumes include both IT renewals, wheeled plant and Digital Railway investment. Controllable Opex increases in CP6 due to a switch in how IT support contracts and licence agreements are funded (Opex in CP6).

We have made significant steps towards becoming more efficient during CP5. We have removed circa 20% (£80m) out of the Route Services operating overhead cost base and taken circa 5% (£150m) out of the cost base of our customers. We have also reduced our capital spend by c.10% (£110m) by reprioritising our project portfolio and looking for innovative delivery solutions. We are always looking to do more.

5.1 Cost and volume summary continued.

Activity / team	CP5 total (£m)	CP6 total (£m)	Comments
Supply Chain Operations – Opex	(42)	0	CP5 includes a number of one off activities (predominantly asset sales) that will not carry a sustained benefit into CP6.
IT – Opex	328	427	Impact of continued investment in the IT estate results in an increase in run cost, c.6% of total investment, plus the re-alignment of IT support contracts and licence agreements to be funded out of Opex (Capex in CP5).
Business Services – Opex	143	61	Reduction from CP5 is a result of the devolution of training budgets plus the change in how the engineering apprenticeship scheme is funded (routes).
C&P – Opex	30	33	C&P has grown over CP5 to accommodate the growth in procured spend. CP6 is planned to remain at the CP5 exit rate.
Other – Opex	26	37	Increase in CP6 is a result of a full control period of the Route Services and support functions plus the Route Services proportion of the Apprentice Levy.
IT Renewals – Capex	565	438	Decrease in CP6 due to re-alignment of how IT support contracts and licence agreements are funded. Similar level of IT investment, focused towards renewal activity to improve the technical currency of the IT estate.
Business Services - Capex	0	10	The increased capital requirement in CP6 recognises transfer of renewals requirements for national training centres into Route Services
Wheeled Plant - Capex	486	583	Wheeled plant investment cycles do not align to control periods, certain fleets having been in operation for 20+ years. CP6 will see a spike in asset renewals for stone blowers infrastructure maintenance, seasonal and rail delivery, plus the introduction of our first owned milling fleet.
Digital Railway - Capex	0	119	Investment in wheeled plant for compatibility with digital signalling, training facilities and simulators and associated IT enhancements
Total	1,536	1,708	

5.1 Cost and volume summary continued.

Route Services commits expenditure in three ways on behalf of our customers:

- 1) Directly on behalf of our customers for services we manage centrally, i.e. IT services, Shared Services, IT capital investment and wheeled plant capital investment. In CP6 this amounts to £1,708m (£558m Opex and £1,149m capex).
- 2) Directly on behalf of our customers for services that we procure on their behalf and then charge them accordingly. In CP6 this amounts to £3,791m (£3,791m is charged to Opex and capex depending on whether we are providing the service to maintenance and operations or renewals and enhancements, the split is determined by the customers' orders).
- 3) Indirectly through contractual commitment entered into by C&P, usually taking the form of framework agreements. Our customers use these framework agreements to get value for money rates for commonly used products and services i.e. buildings & civils services, Civils Examination Framework Agreement (CEFA) services and contingent labour services. Our customers pay for these services directly as they use them. In CP6 this amounts to c. £12bn.

[Expenditure outlined in points 2 and 3 is not included within the tables above; c. £12bn is split between Opex and Capex depending on customer usage of the contracts].

5.2 Route Business Scotland details

	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)	248	283	267	375	371	345	316	301	1,708
Scotland Cost (£m)	25	28	26	37	38	33	30	28	166
Scotland (%)	10.0%	10.0%	9.9%	9.9%	10.3%	9.4%	9.4%	9.4%	9.7%
Basis for allocation to Route Business Scotland	Supply Chain Operations Opex costs are charged directly to Scotland for the services provided. Supply Chain Operations Capex costs are apportioned based upon investment in assets located and used within Scotland where appropriate or based on train miles. Remaining costs are allocated based on headcount or train miles as appropriate.								
Activity	Please refer to section 3.1 above for the full list of services provided								

The majority of rail fleets are managed within the Supply Chain Operations department in Route Services as part of the central support to Scotland Route. This enables the Route to benefit from economies of scale as result of aggregating demand, optimisation of resources on a national basis, and specialisation. Some of the fleets contain resources that are specifically allocated to Scotland to align with local requirements, e.g. plain line stoneblowing, tamping, certain wagons, and winter fleet given that the effects of snow and ice are often most acutely felt in Scotland Route. Other fleets are coordinated nationally and shared across Routes, such as multipurpose stoneblowing, rail grinding, milling, high output, infrastructure monitoring, incident response, other wagons and seasonal resources. Recognising the Scottish High Level Output statement (HLOS) desire that significant rail investment funds should

be deployed by Network Rail in a manner that supports sustainable economic growth in Scotland, with Route investment Route Services has re-developed the Millerhill ex-logistics depot to the east of Edinburgh. This facility will have aggregate handling capability which allows the use of locally sourced ballast and to locally process spent ballast which would normally be sent to either Kingmoor (Carlisle) or Tyne Yard (Newcastle) for processing, reducing handling costs and the environmental impact of track renewals activities, as well as developing the local economy. Route Services is working with our High Output programme colleagues and Scotland to further develop the capability of the site into a High Output Operations Base (HOOB) to support our CP6 High Output operations, reducing the requirement for the train to transit to and from Tyne Yard at the end of each shift.

5.3 Cost drivers, head winds and efficiency

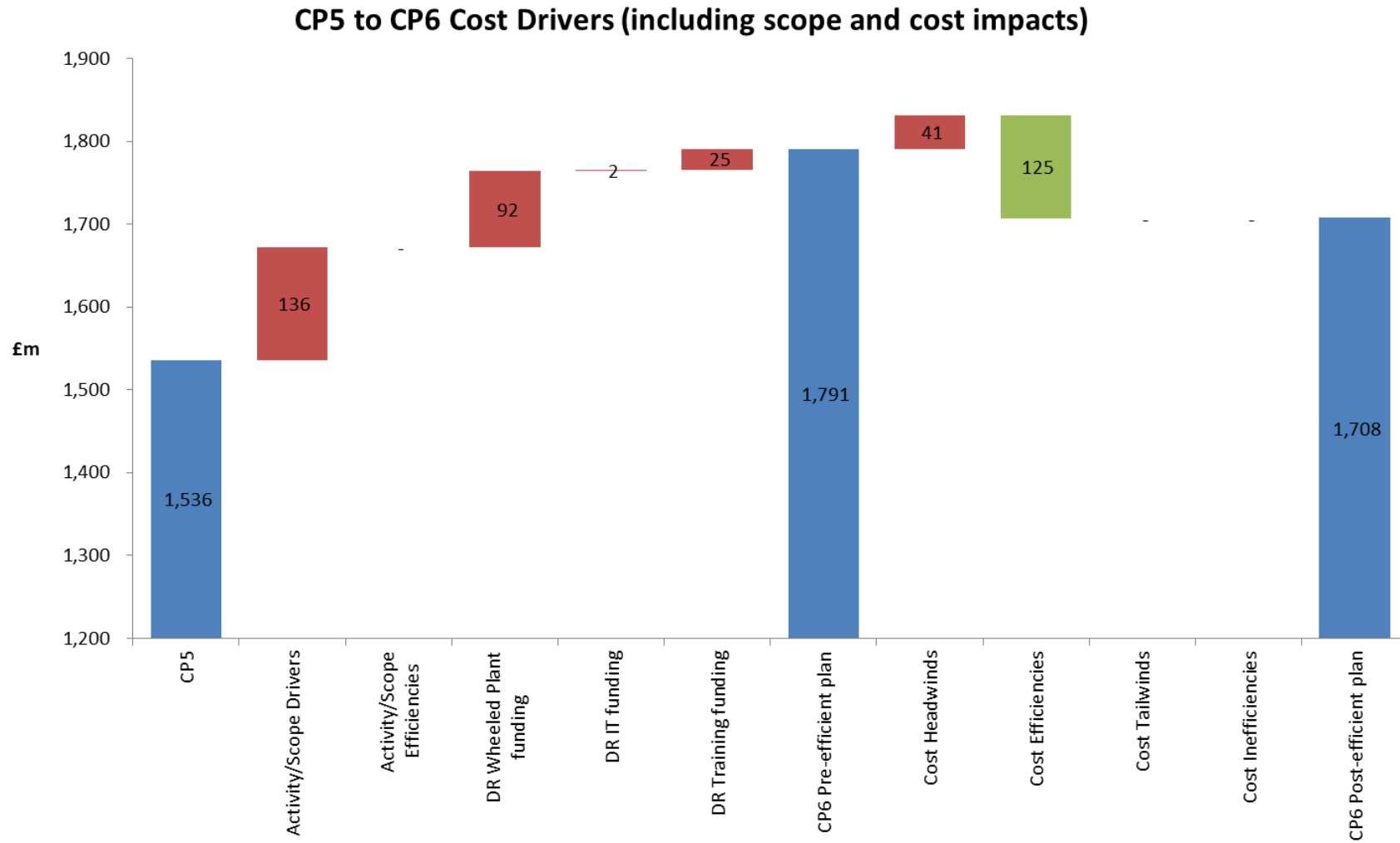


Figure 5.3 Summary of cost changes between CP5 and CP6

5.3 Cost drivers, head winds and efficiency continued

Totex (O,M,R)	Year					CP6 total
	19/20	20/21	21/22	22/23	23/24	
Pre-efficient plan^[1] (£m)	383	389	365	335	319	1,791
Activity/scope efficiencies (%)	-	-	-	-	-	-
Core plan (£m)	383	389	365	335	319	1,791
Head winds (%)	4.2%	2.5%	1.5%	1.7%	1.3%	2.3%
Efficiency (%)	(6.5%)	(6.9%)	(6.9%)	(7.4%)	(7.1%)	(7.0%)
Tailwinds (%)	-	-	-	-	-	-
Inefficiency (%)	-	-	-	-	-	-
Post-HW, post-Eff spend (£m)	375	371	345	316	301	1708

Headwinds and efficiency by theme

Theme	Area	Description	Net % change
Technology (5)	Efficiency (5a)	Planned introduction of process automation within Business Support Services and the redesign of our back end IT hosted infrastructure (NOAH)	(0.3%)
	Tailwind (5b)		
	Inefficiency (5c)		
	Headwind (5d)	Costs of implementing revised IT infrastructure and increased obsolescence across IT and fleet infrastructure	
Delivery (6)	Efficiency (6a)	Delivery of IT transformation programme will drive efficiency in project delivery. Further efficiency through improved supplier management, improved asset management and improved project planning (right first time delivery)	(2.6%)
	Tailwind (6b)		
	Inefficiency (6c)		
	Headwind (6d)		
Design (7)	Efficiency (7a)	Improved specifications and less novel and unique designs across fleet project delivery.	(0.4%)
	Tailwind (7b)		
	Inefficiency (7c)		
	Headwind (7d)	Adaption to designs to accommodate network constraints.	
Commercial (8)	Efficiency (8a)	Training organisational review, more innovative contracting strategies, delivery of greater post contract value and greater emphasis on whole life costing and make v buy.	(2.0%)
	Tailwind (8b)		
	Inefficiency (8c)		
	Headwind (8d)	Increased contract rates, limited competition and incremental cost of mobilisation post CP5 ramp down.	
Other (9)	Efficiency (9a)	Structured continuous improvement / LEAN	0.5%
	Tailwind (9b)		
	Inefficiency (9c)		
	Headwind (9d)	Franchised stations changing to managed stations, COPI versus RPI, legislative compliance and cost of mobilisation post CP5 ramp down.	

Relevant benchmarks

Across Route Services we undertook external market benchmarking of over 80% of our business in 2016/17 and found that some of our services are already operating at world class levels of efficiency. Performance and efficiency tend to be strongest for our core traditional service offers e.g. procurement, IT operations, payroll, possession train planning, etc., this is a firm foundation for us to build on. However, to consistently perform at 'world class' levels, we will need to provide more 'value-add' to our customers at a strategic level, enabling improvements to their businesses e.g. through innovative commercial solutions, rapid deployment of new technologies, better end-to-end planning and capacity management, and higher quality training. These areas are at the core of our CP6 business plan from a strategic direction and from an efficiency perspective.

Route Services efficiencies

Routes Services delivers efficiencies in four ways to our customers:

- 1) Directly through reducing the cost or increasing the effectiveness of the services we manage centrally on behalf of our customers. In CP6 this amounts to a total efficiency of £125m and a net 4.7% reduction in expenditure. The key initiatives that will deliver this saving are training commercialisation, shared services transformation (including process automation) and IT transformation.
- 2) Directly through reducing the cost or increasing the effectiveness of the services we provide to and charge to our customers. In CP6 this amounts to a total efficiency of £183m and a net 4.2% reduction in our customers' expenditure, this efficiency is included in their plans. The key initiative that will deliver this saving is the Supply Chain Operations transformation.
- 3) Indirectly through improved and innovative contracting terms. In CP6 these efficiencies will be calculated by our customers and included in their plans. The key initiative that will deliver this saving is the contracts and procurement transformation.
- 4) Indirectly through capital investments we make to support our customers' business cases. In CP6 these efficiencies will be calculated by our customers and included in their plans. Examples of investments that we plan to make in CP6 are rail milling and minor IT enhancements.

Route Services

	CP5 Total (£m)	Scope/volume changes	CP6 pre-efficient (£m)	Headwinds (£m)	Efficiency (£m)	CP6 post efficient (£m)	Efficiency (Net %)
Opex	485	130	615	3	(60)	558	(9.3%)
Capex	1,051	125	1,176	38	(65)	1,150	(2.3%)
Total	1,536	255	1,791	41	(125)	1,708	(4.7%)
Business Total*	4,156	(201)	3,955	19	(183)	3,791	(4.2%)

*Total denotes efficiencies made against the Route Services target; Business Total denotes efficiencies made in the Route Businesses

Scope/Volume changes (+£255m)

The scope/volume changes from CP5 into CP6 are driven by the changing requirements of Route Businesses and their focus on improving performance and delivering a safe, reliable and sustainable railway. To reflect this within Route Services, we are recognising the need for additional run costs associated with continued IT capital investment, a focus on cloud enablement costs, and an increased C&P establishment aligned with a growth in customer requirements.

The changes also demonstrate the impact of insourcing and devolution of activities in CP5. For example, High Output, Infrastructure Construction and Engineering (ICE) and Training have all been incoming, and Route C&P was devolved. The increased capital investment in our fleet is driven by the inherent non-cyclical nature of our asset replacement strategy in order to maintain and where possible, enhance service levels.

Headwinds (+£41m)

The headwinds included in the plan recognise the changing environment of our service provision with increased competition presented from HS2 and other large infrastructure projects as well a need to be flexible for our customers and mobilise in line with greater planned volume delivery.

CP6 - Route Services [Total Cash £1,708m]

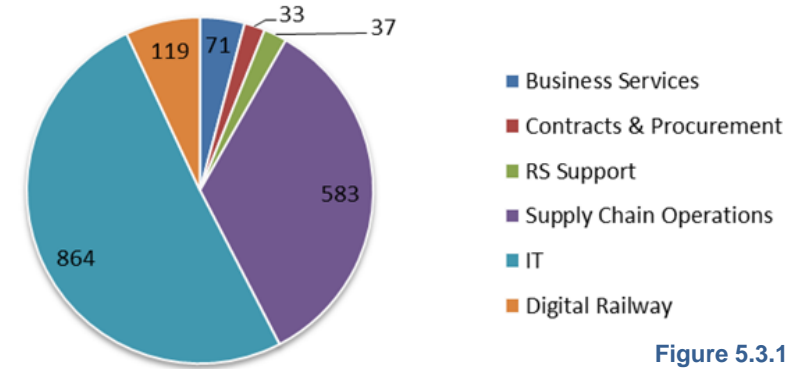


Figure 5.3.1

Route Services transformational themes

Supply Chain Operations transformation - £221m	IT transformation - £45m
Training commercialisation - £35m	Shared Services transformation - £4m
Organisational effectiveness - £3m	Route Services operating framework – enabling
External trading - enabling	Contracts & Procurement transformation – indirect

Total gross efficiencies in CP6: **£308m**. Phasing is shown in figure 5.3.2.

CP6 transformation benefits

The core CP6 plan for Route Services is based on provision of quality services aligned to our customers' priorities. CP6 offers the opportunity for Route Services to realise the benefits of the transformation work since our formation.

This programme in conjunction with an increased focus on commerciality will enable us to deliver real value and efficiency both directly through the services we charge for and indirectly through our development into a more lean service provider.

Transformation Programme Benefits Baseline

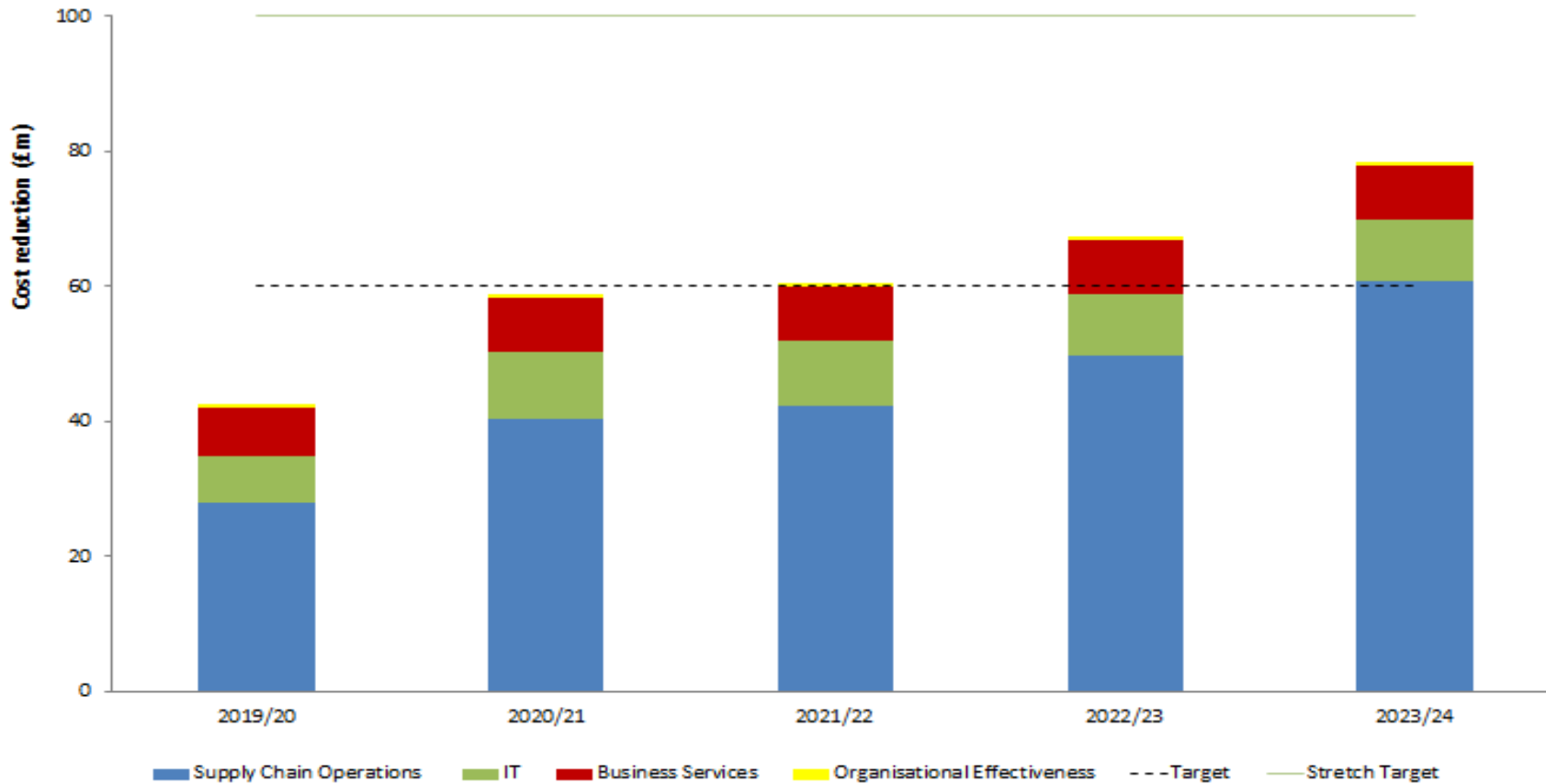


Figure 5.3.2

Information Technology

	CP5 Total (£m)	Scope/volume changes	CP6 pre-efficient (£m)	Headwinds (£m)	Efficiency (£m)	CP6 post efficient (£m)	Efficiency (%)
Opex	328	114	442	3	(19)	427	(4.2%)
Capex	565	(101)	464	-	(27)	438	(5.7%)
Total	893	13	906	3	(45)	864	(5.0%)

Summary

The CP6 IT plan is centred around a move to self-service orientated and collaborative technologies through development of ever closer customer relationships. This model assumes a flexible funding settlement and a steady state of staffing and IT asset volume to enable this transition. The IT transformation plan focuses on three core areas of the IT service offering. Firstly, Technology Transformation, which includes datacentre hosting - how and where we host our IT infrastructure. Secondly, IT Project Delivery Transformation – to provide a faster and more agile and customer focused delivery process. And thirdly, Service Transformation – establishing an organisation equipped to support a digitally connected organisation. The outcome of this plan improves the effectiveness of our organisation to implement new capability for users with a clear focus on value for money, which will bring financial efficiencies as well as improvements in the performance of our core IT services.

CP6 - IT Opex [£427m]

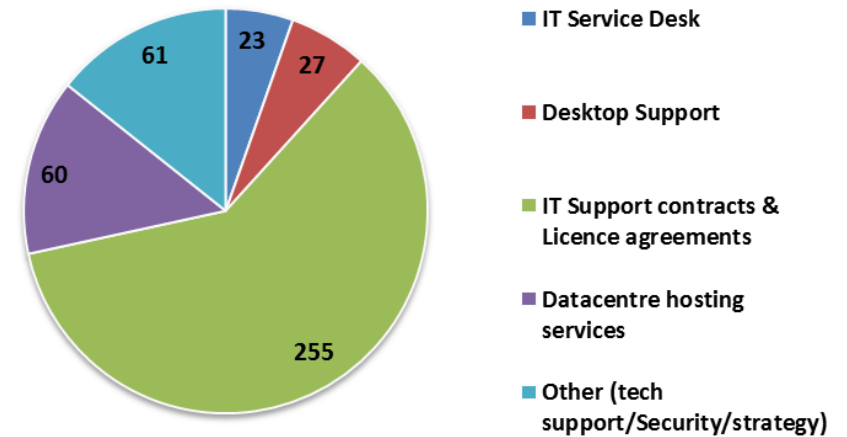


Figure 5.3.3

Scope/Volume changes (+£13m)

The core CP6 plan for IT is based on a steady IT service offering consistent to CP5. The plan assumes a flexible funding settlement that will enable the transition to a service based delivery model. The plan assumed that staffing and IT asset volume are substantively unchanged in CP6 and non IT transformation programmes (Network Rail wide) will include all funds associated for IT changes (Cyber/PDSW).

Headwinds (+£3m)

The headwinds included in the plan relate to the dual running/migration costs associated with the IT transformation programmes. However the project will provide significant net benefits.

Information Technology continued

Efficiencies (£45m)

The IT transformation plan for CP6 equates to efficiencies of £45m across both Opex and capex. The Opex efficiencies relate to the transformation in how and where we host our IT Infrastructure (Project Noah (£8m); change in the delivery of our IT projects through a new procurement framework and structured change management (£26.5m); development of world class customer technologies and

decommissioning of existing hardware (Project Avalon £9m) and service transformation (£1.5m). The transformation programme is already mobilised for each of the above initiatives so that where possible the forecast benefits (both financial and non-financial) are realised early in CP6.

Information Technology – capex

Category	CP5 total (£m)	CP6 Total (£m)	Variance (£m)	Comments
Business Application Renewal	42	80	38	The planned volume of IT application renewal activity in CP6 is higher than CP5 in order to improve the technical currency of IT asset base. Key Elements: Renewal of mission critical systems e.g. Ellipse and TPS; Consolidation and rationalisation of legacy applications e.g. rationalisation of Remote Condition Monitoring applications; TOPS Replacement; Track Renewal System Replacement.
IT hardware, enterprise platforms, security and infrastructure renewal	124	155	31	The planned volume of IT Infrastructure and Hardware Renewal activity in CP6 is higher than CP5 levels in order to improve the Technical currency of IT asset base. Key Elements: Continued provision of a centralised infrastructure delivery capability in CP6; Refresh of existing Private Cloud facility; Upgrades to IT Middleware components, including the External Service Bus (ESB) and External Service Gateway (ESG) components and the provision of enhanced integration services; Refresh of corporate Internet and Intranet; Renewal of Enterprise Platform capabilities (ECM, ERP, CRM, BI). Additionally, CP6 investment in IT Licenses will be treated as Opex spend (not Capex as CP5).
IT licences	136	0	(136)	This reflects the change in accounting treatment of our licence costs from Capex in CP5 to Opex in CP6
IT investment / enhancement	263	203	(60)	Level of investment allocated to IT investment / enhancement is reduced from anticipated CP5 outturn but is offset by planned increase in renewal activity which will offer significant benefits to Functions / Routes. Key Elements: Enhancing Network Rail's risk and assurance toolsets; implementing a new Ordering and Inventory capability; Provision of technology to enable a move to Predictive Maintenance regime; Development of IT technology components to support deployment of an enhanced Delay Attribution Service; Development of a real-time Operational Data Repository which supports improved analysis of our core operational and train performance data sets; Provision of strategic Business Intelligence and Analytics capabilities; Enhancing our existing Health & Safety databases, including deploying an Integrated Management System capability; Enabling rapid deployment of IT Innovation capabilities; Refreshing our internal IT Service Management tools; Supporting enhanced Fleet Management capabilities with new technology.
TOTAL	565	438	(127)	Capex requirements in CP6 have reduced to reflect a planned transition to a service (i.e. Opex) based delivery model. Additionally, CP6 investment in IT Licenses will be treated as Opex spend (not Capex as CP5).

Out of scope

The submission does not include provision for Network Rail Telecommunications, mobile and tablet device costs, business change costs related to the implementation of new technology, delivery of operational technology capabilities, or any build, deployment, integration and operational support costs for planned CP6 transformation programmes intending to deliver IT change.

Business Services

	CP5 Total (£m)	Scope/volume changes	CP6 pre-efficient (£m)	Headwinds (£m)	Efficiency (£m)	CP6 post efficient (£m)	Efficiency (%)
Opex	143	(43)	100	-	(39)	61	(39.0%)
Capex	-	10	10	-	0	10	-
Total	143	(33)	110		(39)	71	(35.5%)

Summary

Our CP6 plans focus on an enhanced service provision with a lower cost base to provide improved value to our customers. The Business Services transformation plan focuses on two core areas of its service offering; Shared Services and Network Rail Training, both of which will bring significant financial efficiencies/income generation as well as improvements in the performance of its core shared services. The commercialisation of our training will be used as a test case for trading our services competitively.

Scope/volume changes (-£32.5m)

The scope/volume changes from CP5 into CP6 is a net reduction of £40m, this relates to the devolution of training budgets within CP5 impacting the whole CP6 control period plus the change in how the apprenticeship programme is funded (devolved rather than held centrally). The efficiency programme in CP5 has also seen the gross costs of shared service reduce by 18%; this efficiency flows through into CP6.

CP6 - Business Services Opex [£61m]

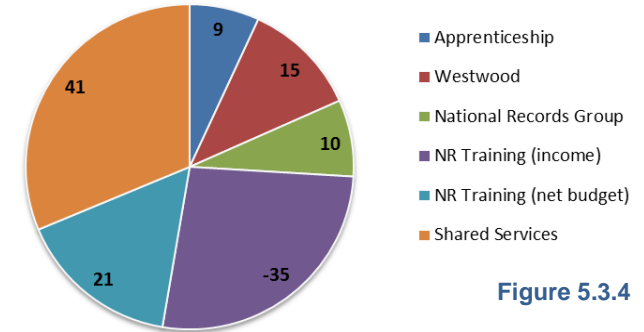


Figure 5.3.4

Efficiencies (£39m)

The Business Services transformation plan for CP6 is very ambitious. It equates to efficiencies of £39m, against a cost base of £100m. The efficiencies in the shared service space will come from embracing new technology and the introduction of process automation (£3m). The focus on continuous improvement is also driving efficiencies in CP5 which contributes to the efficiencies in CP6 (£1m).

The majority of the CP6 efficiencies are underpinned by the Network Rail Training commercialisation programme. This is looking to change how Network Rail delivers training to the railway industry, through introducing external parties and leveraging wider industry partners; this will bring significant financial efficiencies/income opportunities to Network Rail (£35m). The commercialisation of our training will be used as a test case for trading our services competitively as well as enabling investment in modern training technology to provide things such as simulations and emulations.

Supply Chain Operations

	CP5 Total (£m)	Scope / Volume Changes	CP6 pre-efficient (£m)	Headwinds (£m)	Efficiency (£m)	CP6 Post Efficient (£m)	Efficiency (Net %)
Gross Opex	4,156	(201)	3,955	19	(183)	3,791	(4.2%)
Capex	486	97	583	38	(38)	583	0.0%
Total Spend	4,642	(104)	4,538	57	(221)	4,374	(3.6%)
Net Opex	(42)	42	0	0	0	0	0.0%
Total Cash	444	139	583	38	(38)	583	0.0%

Summary

The Core CP6 plan focuses on optimising the current services we provide, with the introduction of some new services in line with customer requirements, most notably rail milling. We will be working closely with route businesses and Infrastructure Projects to achieve a broadly consistent volume plan across the control period in order to maximise use of both internal resources and efficiencies from the external supply chain. Supply Chain Operations has a net Opex budget of zero, with the budget for all products and services being held within the individual route businesses.

Scope/volume changes (+£139m)

There has been significant scope change over CP5, driven by the insourcing and devolution of activities, as well as volume variances caused by uneven volumes distribution across financial years and increased spend through under-utilised resource and non-optimum pricing points across our product range. Despite this, we are on track to deliver 6% efficiency in the CP5 exit relative to the entry position,

CP6 - Supply Chain Operations [Gross Opex £3,791m]

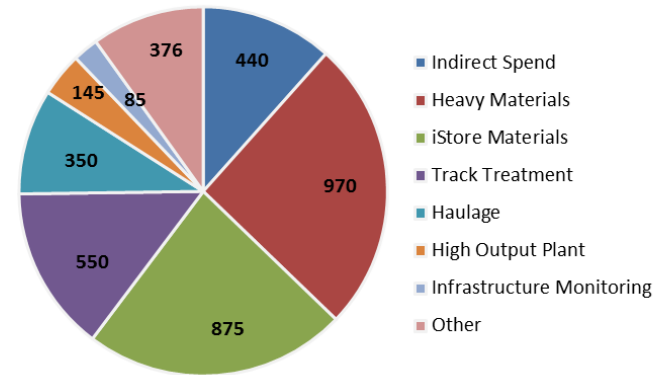


Figure 5.3.5

which will flow in to CP6. The wheeled plant fund grows by £97m for CP6 due to the non-cyclical nature of its category with a number of core assets requiring renewal and the introduction of new assets to the wheeled plant category.

Efficiencies

We have committed to delivering a net efficiency of £163m over CP6 (4.2% of gross Opex spend) which is a direct saving for our customers and embedded in the Route Business plans. Delivery of this efficiency is underpinned by the Supply Chain Operations transformation themes and supported by the benchmarking outcomes. It includes the exploitation of synergies across the supply chain for a number of our key services and the optimisation of our High Output maintenance and operations model. This is off-set in part by our need to recognise the headwinds associated with increased competition from HS2 and other large infrastructure projects.

Supply Chain Operations – capex

Category	CP5 total (£m)	CP6 total (£m)	Variance (£m)	Comments
High Output	119	84	(35)	Overhaul of the required BCS, TRS and OTM fleets which also partly addresses fleet reliability concerns. Enhancement of HOOB's / maintenance facilities.
Incident Response	1	7	6	Rationalisation and renewal of recovery cranes and support vehicles.
Infrastructure Monitoring	20	62	42	Renewal of the life expired slow speed fleet as foreseeable technology will remain speed constrained thus precluding potential TOC/FOC fitment. Overhaul of remainder to maintain capability.
Intervention	184	138	(46)	
Rail Profile Treatment				New milling capability to support turnkey service to treat increasing heavy and severe (RCF) on the network which unless treated would require a significant programme of re-railing. Overhaul of grinding fleet
Stoneblowing				Renewal of life expired plain line machines. Modern equivalent replacement will additionally provide S&C capability. Increased Route demand as treatment enables life extension rather than renewal of the track.
MMT				Overhaul of the Mobile Maintenance Train (MMT) fleet
OLE Support Trains				Capability of High Output Plant System (HOPS) and Overhead Conditions Renewals (OCR) trains maintained by overhaul whilst overall strategic direction for OLE becomes clearer. Some OCR enhancement to increase activity capability.
Locomotives	2	7	5	Overhaul of class 97 locomotives which provide pilot services on the ERTMS fitted Cambrian lines and renewal of ageing locomotives used to support IM with repowered versions.
Rail and S&C	35	56	21	Renewal and rationalisation of the rail delivery fleet with some overhaul to maintain capability during transition. Overhaul of tilting wagons.
Materials delivery	46	54	8	Overhaul of various wagon types and renewal of various materials depot plant (used for loading, unloading and processing activities)
On Track Plant (OTP)	27	60	33	Completion of deferred CP5 works. Overhaul and renewal of various OTP asset types to maintain capability. Additional new vehicles requested by certain Routes.
Seasonal	15	59	44	Commence renewal of life expiring seasonal Multi-Purpose Vehicles (MPV). Overhaul of various Seasonal assets (e.g. Rail Head Treatment Trains).
Fleet Support	20	57	38	Pan fleet facility overhauls/renewal, innovation and policy compliance.
Road Fleet	17	0	(17)	Change of operating model for road fleet (ownership to lease) during CP5
Total	486	583	97	

Contracts and Procurement

	CP5 Total (£m)	Scope / Volume Changes	CP6 pre-efficient (£m)	Head-winds (£m)	Efficiency (£m)	CP6 Post Efficient (£m)	Efficiency (Net %)
Opex	30	5	35	0	(2)	33	(4.3%)

Summary

The core CP6 plan is predicated on delivering an enhanced service. Delivery of our transformation programme will see greater embedment of category councils and a better implementation of post contract management all intended to drive value for the Route Businesses.

Scope/volume changes (+£5m)

Over CP5 the scope of Route Services C&P has grown in line with customer requirements. This is expected to continue until the end of CP5 and be sustained into CP6. The financial impact on CP5 to CP6 is a £5m increase in cost to serve.

The profile of procured spend in CP6 is expected to be consistent with 16/17 out turn, at c. £3bn per annum.

Efficiencies (£2m)

Through the development of our Lean and Better Every Day Programmes, C&P will deliver its services more efficiently over the control period equating to a £1.5m efficiency.

**CP6 - Contracts & Procurement
[Total Procured spend £15bn]**

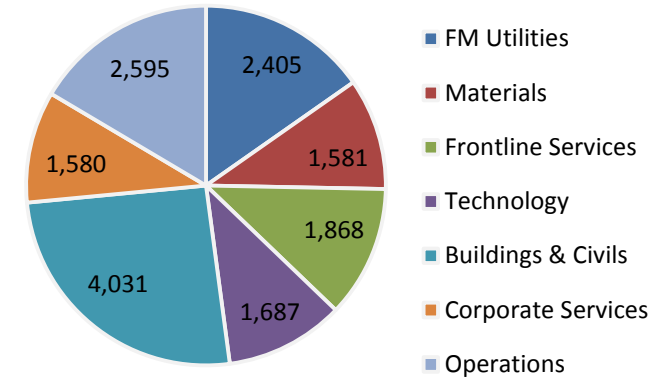


Figure 5.3.6



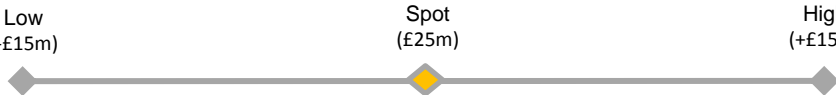
Over CP6 the balance of resource and associated cost may be re-apportioned to enable a core strategic C&P organisation geared to more effectively support the devolved route C&P activities with regards third party spend and operational supplier performance management.

Digital Railway funding

Included within the Route Services' capex submission is £119m in relation to Digital Railway to cover European Train Control System (ETCS) fitments on wheeled plant, IT system requirements and capital costs of fitting our training centres for whole life support costs to the routes.

Due to the stage of development of the digital railway projects, there is a high level of uncertainty in relation to these costs.

Summary of Digital Railway funding:

Fund	CP6 total (£m)	Comments
Wheeled Plant	92	<p>ETCS fitments on wheel plant fleet. Costs are pre-GRIP estimate of scope and cost, and therefore there is significant uncertainty. This will be managed through a change control process as the project progresses through its development.</p> <p style="text-align: center;"> Low (-£13m) Spot (£92m) High (+£28m) </p>  <p>Cost estimate and uncertainty are provided by Digital Railway.</p>
IT	2	<p>Impact of Digital Railway in CP6 is not assumed to have a significant impact on the operating costs of IT as the bulk of these IT changes are seen as extensions to the signalling systems and therefore owned and managed by the routes. There will still be IT requirements for information to flow from these route signalling systems via Network Rail Telecoms (NRT) through to the corporate Route Services IT systems. As such there is a small amount of CP6 investment requested specifically for Digital Railway.</p> <p style="text-align: center;"> Low (-£1m) Spot (£2m) High (+£10m) </p> 
Network Rail Training	25	<p>Capital costs of fitting out the training centres for whole life support to the Routes, i.e. Simulators for Initial Signaller Training</p> <p style="text-align: center;"> Low (-£15m) Spot (£25m) High (+£15m) </p> 
Total	119	

5.4 Risk and uncertainty in the Control Period 6 plan

This section provides an explanation of the how we have developed our overall plan and sets out our estimate of the degree of financial uncertainty within this plan.

Pre-efficient costs in our plan are based on 'current rates' but include any additional scope needed to deliver the outputs in the plan. We have used 2016/17 unit rates to develop our capital expenditure forecasts and CP5 exit rates for support, operations and maintenance expenditure forecasts. Drivers of rate increases (headwinds/inefficiencies), or rate reductions (efficiencies/tailwinds), where there is a reasonable expectation they will occur, have been identified separately from the core CP6 plan.

The combination of our core CP6 plan, headwinds/tailwinds and efficiencies/inefficiencies is our 'submission' and represents the 'most likely outcome' for CP6. The content of our plans reflect the funding that we understand to be available in CP6. We consider this plan to be realistic and, therefore, deliverable in CP6.

Whilst it is difficult to precisely estimate the likelihood of delivering our plan in CP6, it seems reasonable to suggest that; overall, there is a 45% to 55% likelihood of the outputs in the plan being delivered for the forecast cost in our CP6 plan. This means that there approximately half of the time, we will be able to deliver our plan for the forecast cost. However, this uncertainty varies between expenditure categories. For example, we consider that there is significantly more uncertainty in our renewals plan than in the

support, operations and maintenance plans in CP6. The main drivers of uncertainty in our plan are identified in the table below.

Our focus on delivery of benefits take two forms; the first is an increasingly granular understanding of the benefits levers, timing, risks and mitigations, so that we can incrementally ratchet up our confidence levels in our existing commitments. Secondly, we continue to gather insights and identify opportunities for further efficiencies in other areas. These may have been initially discounted or de-prioritised either because they deliver a worse benefit to risk ratio than our 8 transformational themes and so we've allocated resources elsewhere, or because the benefits they deliver are indirect and therefore require more time, research and stakeholder engagement to develop. An example of the latter would be further phases of Contracts & Procurement transformation in a more devolved operating model. We intend to build credibility through robust delivery of our current commitments whilst in parallel, collaborating with Routes to identify and build plans for additional efficiencies enabled by Route Services.

5.5 Uncertainty ranges for Control Period 6

The information in the table below, presents our estimate of the overall range of uncertainty across our expenditure and income for CP6. We have also identified the main drivers of the uncertainty ranges. The information in this table is based on the detailed inputs provided in our Opex, renewals and income submissions. Headwinds/tailwinds and efficiencies/ inefficiencies are included in the spot estimates.

Area (S, O, M, R, Income)	Potential range (low – spot – high)	Summary of key drivers of the uncertainty range	
		Driver of range	% of range
Renewals		<p><u>Uncertainty in demand</u> - This is the single largest contributor. Driven by:</p> <ul style="list-style-type: none"> a) Variability of customer demand (peaks and troughs) requirements over time. Base assumes an even distribution throughout the control period. b) In certain lower level areas stakeholders have not yet reached a level of granularity in their plans to confirm requirements. c) The application of scenario planning across the business may result in changing demand. 	(4%) to 12%
		<p><u>Brexit</u> Large parts of Wheeled Plant procurement take place in Europe/America. The impact of exchange rate volatility could impact prices/affect competition in domestic markets.</p>	(1%) to 5%
		<p><u>Technology</u> With technology models and capabilities pace of change and a transition to Service based delivery model over time (e.g. Software-as-a-Service, Platform-as-a-Service) which will influence the investment balance between capex and opex investment in CP6.</p>	(6%) to 12%
		<p><u>Spot Estimate</u> Estimates are based on similar activities undertaken in CP5. Due to the non-cyclic nature of much of the Route Services investment this makes forecasting inherently uncertain.</p>	(4%) to 7%
Support and operations		<p><u>Technology</u> With technology models and capabilities pace of change and a transition to service based delivery model over time (e.g. Software-as-a-Service, Platform-as-a-Service) this will influence both the cost of supporting and maintaining IT operations plus the investment balance between capex and Opex investment in CP6.</p>	(5%) to 5%
		<p><u>Spot Estimate</u> Estimates are based on similar activities undertaken in CP5. Given the transformation plans in place across Route Services for CP6 this increases the range of uncertainty, driven by the complexity of the plans and the certainty in them being delivered.</p>	(4%) to 5%
Total Expenditure		All consideration for uncertainties apply to the net Route Services spends. Where the gross budget (Supply Chain Operations and C&P) exists within the routes the uncertainty has been captured locally.	

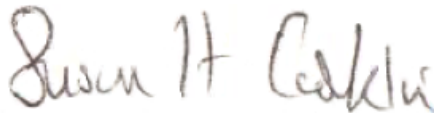
6. Sign-off

This document and accompanying templates are owned by the managing director Route Services.

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 managing director Route Services 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, and
- the signatories are satisfied that the plan has been assessed as deliverable, subject to the assumptions articulated in Appendix B.

Authorised by:



Susan Cooklin, managing director Route Services
19 January 2018



Louise Kavanagh, finance director Route Services
19 January 2018

Appendix A Not applicable to Route Services

Appendix B Key assumptions

Ref no.	Topic	Assumption	Areas of spend impacted (e.g. all Opex, single team, all spend etc.)
1	Basis of preparation	The CP5 exit rate will be used as the basis for CP6 forecasts. The business will operate with a Totex envelope with the freedom to flex capex and Opex should it be needed (e.g. lease versus buy).	All Opex and Capex
2	Operating model	The operating model for Route Services in CP6 is substantively unchanged from the current model with the exception of the training organisation. Subject to approving the business case, our plan assumes a significant increase in revenue generated from customers external to Network Rail	All Opex and Capex
3	Volumes	Based upon the known business volumes for CP6 at that point in time. Risk of changing volumes is included within the uncertainty analysis.	All Opex and Wheeled Plant Capex
4	Transformation Programmes	Assumes that the Digital Railway Programme and other transformation programmes are independent from the Route Services submission (e.g. Cyber Security). Where external projects impact upon Network Rail (e.g. HS2) all costs are met by the project.	Digital Railway/ Safety, Technical & Engineering/ External projects
5	Volumes	Volume of IT Renewal activity necessary to maintain technical currency of assets is broadly comparable to CP5.	IT capex
6	Route Businesses	Where responsibility to maintain and renew Route Services sites currently sits within the Route Businesses, it is assumed that any CP6 costs/headwinds/efficiencies have been captured there.	Facilities Opex and Capex
7	Delivery of Capex	Where costs rely on the delivery of capex works it is assumed they will be delivered to time.	All Opex and Capex
8	Supply Market	Through competitive tender we will be able to deliver the forecast volumes at current prices (adjusted for inflation). This is discussed further in the uncertainty analysis).	Opex

Appendix C Not applicable to Route Services

Appendix D Scenario planning

Part 1: Tactical scenario planning for CP5

Information on the impacts on CP5 of each of the following scenarios:

Scenario 1: 20% increase in total remaining expenditure

Scenario 2: 20% decrease in total remaining expenditure

The final year of CP5 has already seen a significant volume drop for Supply Chain Operations services, and this has now been incorporated into the Route Services plan and 2018/19 draft rates.

Part 2: CP6 scenario planning: investment options

Route Services investment is aligned to customer requirements. Incremental spend will be required subject to changes in Route Business plans, however it is expected funding will be captured within those respective plans.

[Business case 1]	CP6 total: (£m)	£45m	CP6 Capex: (£m)	£45m	CP6 Opex: (£m)	£0m	Total BCR	Appraisal period	30 years
Description	Qualitative benefits						Quantitative benefits		
Improved fleet maintenance facilities to further professionalise our fleet delivery service	Reduction in LTIFR; Improved fleet reliability. This would further our “maximising fleet reliability” workstream being delivered in CP6. Additional benefits would be reduction in LTIFR and fleet availability and reliability.						£10m over CP6		

[Business case 2]	CP6 total: (£m)	£33m	CP6 Capex: (£m)	£30m	CP6 Opex: (£m)	£3m	Total BCR	Appraisal period	30 years
Description	Qualitative benefits						Quantitative benefits		
Digital Rail Academy (in the North)	Build a digital rail academy that combines the existing rail training requirements for the NW region with a new centre specialising in the digitisation of legacy rail network incorporating state of the art AR and simulation systems. Centre of excellence to upskill or create the engineers, operators, supervisor and key leaders in the transformation of the railway. Will enable us to move out of Warrington TC which we lease so reduction in OPEX costs. Warrington is restricted by space so this will enable more local training for LNW Route.								
Mobile Training Trucks	Build of 3 new training trucks to allow the delivery of localised training to areas of Network Rail without access to local training centre. More local and agile training, reducing the training costs of the Routes as well as increasing productivity.								
Upgrade existing Network Rail Training Centres	Upgrade remaining Network Rail Centre to use AR, and individual and team simulations suites. Higher quality training, reduced training time and people better equipped to problem solve in their roles.								
Additional Accommodation at Westwood	Additional accommodation at Westwood to enable the optimisation of the technical facilities as part of the creation of a National Leadership Centre. Enable Network Rail to train higher numbers of apprentices whilst also being able to deliver Leadership and Management training.								

Appendix E **Not applicable to Route Services**

Appendix F **Not applicable to Route Services**

Appendix G Glossary of terms

Term	Description
5C's	As defined in the Network Rail Transformation Plan <ul style="list-style-type: none"> • Customer focus – getting closer to our customers. • Cost competitiveness – driving innovation and efficiency through competition. • Commerciality – creating commercial value in a public sector organisation. • Culture – our purpose, role, and vision. • Capacity – providing more journeys, and reducing delays.
Asset Information	Specifying, collecting, evaluating, collating, analysing, and communicating information about Network Rail's infrastructure assets to enable accurate, informed decisions, to be made that balance cost, risk and performance.
Avalon	IT's customer technologies transformation programme.
Benchmarking	Understanding our position in the commercial world.
Better Every Day	Network Rail business change programme to develop and embed a culture of continuous improvement.
BI	Business Intelligence – applications providing insight to data about Network Rail's business operations, more than just showing data on a report, these solutions identify trends and links between data.
CAPEX	Capital expenditure.
Capital Investment Funds	Investing to further business objectives.
Category Families	The grouping of the products and services we buy and sell.
CEFA	Business Intelligence – applications providing insight to data about Network Rail's business operations, more than just showing data on a report, these solutions identify trends and links between data.
Cloud Enablement	Enablement Costs.
Collaborative Technologies	Software and services which allow our people to connect directly to others both inside and outside our organisation in a secure and supported way.
Contestability	The ease with which new firms can enter and leave a market.
CP5	Control Period 5 - 1 April 2014 to 31 March 2019.
CP6	Control Period 6 - 1 April 2019 to 31 March 2024.
CRM	Customer Relationship Management – software to manage the details of correspondence / actions with Network Rail's customers (internal and external).
Customer Technologies	Programme transforming the day to day IT Route Services IT's customers use to access their business applications and core productivity tools (e.g. email, PowerPoint).
Cyber Security	Technologies, processes and practices which protect networks, computers, programs and data from attack, damage or unauthorized access.
Datacentre	Facility for the location of servers and associated equipment and services to run the IT systems.

Appendix G Glossary of terms continued

Term	Description
Determinations	The Office for Rail and Road's draft determination sets out the proposed outputs, funding, and regulatory framework for the new control period.
Digital Railway	An industry wide programme which is responsible for accelerating the digital modernisation of the UK's railway.
Disruptive Technologies	New technology which transforms life, business, and the global economy.
ECM	Enterprise Content Management (document management / collaboration).
Ellipse	An application Network Rail (provided by ABB Ventyx) uses to manage the information associated with its rail assets.
Enhanced Integration Services	Integration service is how systems can exchange messages or actions with each other – in the modern world this is drive by an API (application program interface) – where data or functions are exposed to consumers in a defined way, without the details of how the system executes the command.
Enterprise Scale Technologies	Providing scalable technology solutions to meet the needs of the entire organisation, circa 38,000 employees.
ERP	Enterprise Resource Planning (Network Rail primarily use Oracle's E-Business Suite) for HR data management, time sheets, payroll data, procurement processing and invoicing etc.
ERTMS	European Rail Traffic Management System.
ETCS	European train control system.
ESB	Enterprise service bus - a common facility for systems to exchange messages – each system has connection to the “bus” and messages have a source and destination which the bus is responsible for delivering, some translation of message content or fields can be done on the bus to help systems talk to each other in their native formats.
ESG	External service gateway - a collection of services which are the connection point between Network Rail's IT systems and the outside world (either connected over the Internet or private links) – all traffic sourced / destined form outside (e.g. emails / web sites / system messages / open data subscription points) flow through this environment.
Hansford Review	Professor Peter Hansford's independent review of contestability and third party investment in the UK rail market.
HAV	Hand arm vibration.
HOPS	High output plant system.
Information System Standardisation	By reducing the number and complexity of system's Network Rail operates, it allows a standard, repeatable and service to be provided – one that is easier to support and deliver, meaning people can focus on their day jobs and not complex IT issues.
ICE	Infrastructure, Construction and Engineering. Department within Supply Chain Operations.
IP	Network Rail's Infrastructure Projects business.
Integrated Management System	The integration all of businesses systems and processes into a single unified framework.
IP Track	A unit within Infrastructure Projects which delivers renewals and enhancement of Network Rail's track infrastructure.

Appendix G Glossary of terms continued

Term	Description
ISO55001	An international standard for the management of asset systems.
IT Innovation Services	Develops and delivers innovative IT technologies for Network Rail.
IT Middleware Components	In a typical application or service, these are the components which sit between the user interface and the processing infrastructure (e.g. a database / connection service).
KPI	Key performance Indicator.
Lean	The endless pursuit in the removal of waste and inefficiencies to create value for our customers.
Legacy Applications	Applications considered old and in need of modernisation – typically preventing a move to more modern hosting / support arrangements or which may reside on proprietary hardware.
Make Versus Buy	The decision between manufacturing a product in-house, or purchasing it from an external supplier.
Materials & Logistics Director	Responsible for leading and directing the supply and delivery of infrastructure products and services, the road fleet, and the recycling and disposal of redundant assets.
Middleware	IT middleware components.
Milling Fleet	A fleet of maintenance trains which correct track defects by removing a thin layer of the railhead.
MMT	Mobile maintenance train.
MPV	Multi-purpose vehicle.
Network Rail Consulting	The consulting arm of Network Rail. This aims to enhance Network Rail's reputation by winning international consultancy assignments, and showing that we have world leading expertise in delivering innovative, value for money projects.
Noah	IT's direct contact transformation programme.
NRT	Network Rail Telecoms directorate within Digital Railway.
OTP	On track plant.
Open Collaboration	Software and services which support “working out loud” (e.g. Yammer) – allowing for collaboration between people. Also, another internal name for the Open API project work which allows Network Rail's systems to be connected in an open way to partners and other systems – allowing connections to be automated and data flowing throughout a process.
Operating Model	An operational design which delivers the business strategy.
OPEX	Operational expenditure.

Appendix G Glossary of terms continued

Term	Description
OCR	Overhead line Condition Renewals team within the Supply Chain Operations directorate.
PDSW	Planning and Delivering Safe Work – a Network Rail safety programme
Predictive Maintenance Regime	Maintaining equipment before failure.
Private Cloud Facility	The ability to host cloud services (which would traditionally be hosted in a shared environment) for a single customer on dedicated hardware (optionally in the customer's own site).
Rail Fleet	Specialised engineering trains and wagons.
RHTT	Rail head treatment train.
Process automation	The application of technology that enables computer software to partially or fully automate activities which are manual, repetitive and rule based.
Route Based Determinations	Please see determinations.
RMD	Route managing director.
Route	Network Rail's infrastructure is organised into eight geographical routes.
Route Businesses	Network Rail's routes are now fully functioning integrated businesses, making 99% of all decisions.
Route Services Transformation	Route Services contribution to Network Rails Transformation Programme.
RPI	Retail price index.
STE	Safety, Technical, and Engineering directorate within Network Rail.
Service Catalogue	The Route Services' Service Catalogue details critical customer requirements from the agreed services they provide to the Route Businesses. This forms the baseline service commitment, against which improvement can be driven.
Service Continuity Management	The plan to keep IT services running in event of interruption events (whether planned or unplanned).
Service Owners	Responsible for the delivery of a specific service.
Shaw Review	Nicola Shaw's review into the future shape and financing of Network Rail.
Supply Chain Operations	A Route Services function which manages the supply, operation and maintenance, of our rail fleet, along with the procurement and delivery of a wide variety of railway materials and components.
Tailwind	Conditions in which growth moves higher.
Technical Currency	A measure of how "up to date" our technology, both hardware and software assets are – measured of a % of assets currently under mainstream or extended support from the vendor.

Appendix G Glossary of terms continued

Term	Description
TOPS	Total Operations Processing System: a prime source of train movement information for other systems. TOPS provides a comprehensive system for monitoring a train's complete movement cycle from workshop and maintenance.
TOTEX	Total Expenditure (Capex plus Opex).
TPS	An application Network Rail (provided by HaCon) use to plan the operational time table for all movements on the rail network.
TISS	Transport infrastructure skills strategy.
Vehicle Tracking Systems	Hardware and software which identifies a vehicles location, and provides an array of reporting information.
WBV	Whole-body vibration.
Wheeled Plant	Rail borne plant including on track machines, road rail vehicles and rail cranes.

Appendix H Stakeholders and engagement

This table demonstrates the mechanisms by which the route businesses hold Route Services to account. The following page outlines a high level view of the formal stakeholder engagement Route Services has undertaken, along with the stakeholders involved.

	Anglia	LNE/EM	LNW	South East	Wales	Wessex	Western	Scotland
National Periodic Business Review	✓	✓	✓	✓	✓	✓	✓	✓
National COO meeting	✓	✓	✓	✓	✓	✓	✓	✓
RMD Exec / Periodic Business Reviews	✓*	✓*	✓	✓*	✓*	✓*	✓*	✓*
Route COO Periodic Business Reviews	✓	✓	✓*	✓	✓	✓	✓	✓
Route Track Governance meetings		✓*	✓		✓		✓	✓*
National weekly visualisation	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
Route weekly visualisation	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
Daily national performance calls	✓	✓	✓	✓	✓	✓	✓	✓

COO – Route Chief Operating Officer

RMD – Route Management Director

*Service catalogue service level agreements used to hold Route Services to account

Appendix H Stakeholders and engagement continued

Engagements

Date	Description
13/01/2017	LNW Route CP6 Working Group
31/01/2017	Western Route CP6 Working Group
31/03/2017	LNW Route CP6 Working Group
06/04/2017	Wales Route CP6 review with all deliverers and external suppliers
16/05/2017	Western Route CP6 Working Group
24/05/2017	Wales Route CP6 plan assurance w/ Phil Rawlingson
01/06/2017	Wales Route CP6 working group
23/06/2017	LNW Route CP6 Working Group
26/06/2017	RF2 Submission review. Jeremy Westlake, Clive Berrington
29/06/2017	Wales Route CP6 working group
04/07/2017	ExCom Plus Strategy
25/07/2017	Route Delivery Director/Customer Delivery Manager Coordination Meeting
26/07/2017	Business Planning Integration Group
27/07/2017	Western Route CP6 Working Group
28/07/2017	LNW Route CP6 Working Group
01/08/2017	ExCom Plus Strategy
30/08/2017	ExCom Plus Strategy
08/09/2017	ORR familiarisation with Route Services planning and transformation approach
25/09/2017	Route Managing Director Review
13/10/2017	Alignment review between Route plans and Route Services short-form strategies
18/10/2017	Business Planning Integration Group
19/10/2017	ORR familiarisation with Route Services planning and transformation approach
01/11/2017	CP6 Business Planning Session
02-14/11/2017	Formal written feedback and discussion with Routes on their Supply Chain Operations RF6 feedback
15/11/2017	Business Planning Integration Group
22/11/2017	ORR familiarisation with Route Services planning and transformation approach
13/01-24/11 2017	Business plan conversations held with individual Routes as well as at formal meetings such as Route Businesses' national PBR

Stakeholders


Name	Post	Route / Function
Simon Thick	Route Asset System & Integration Manager	Anglia
Eliane Algaard	Director, Route Safety & Asset Management	Anglia
Lisa Varney	Route Financial Controller	Anglia
Michael Dean	Infrastructure Maintenance Performance Manager	LNE
Gavin Peace	Director, Route Safety & Asset Management	LNE
Philippa Britton	Programme Manager [CP6]	LNE
John Crossland	Special Projects Manager	LNE
Paul Richardson	Route Financial Controller	LNE
James Dean	Director, Route Safety & Asset Management	LNW
Martin Jurkowski	Principal Programme Sponsor	LNW
Nicola Dean	Route Financial Director	LNW
Alex Pattison	Systems Support Manager	LNW
Lee Jones	Senior Asset Engineer (R&E) [Signalling]	LNW
Steven Welsh	Route Financial Controller [LNW Operations]	LNW
William Cameron	Route Support Manager	Scotland
Ben Edwards	Senior Responsible Engineer [Track][S&C Alliance South]	Scotland
Adrian Murray	Route Asset System & Integration Manager	Scotland
Paul Wyatt	Route Financial Controller	Scotland
Alan Ross	Director, Route Safety & Asset Management	South East
Jia He	Project Manager	South East
Wendy Morgan	Special Projects Manager	South East
Simon Howard	Route Financial Controller	South East
Naomi Roycroft	Route Financial Controller	South East
Thomas Stanley	Route Asset System & Integration Manager	Wales
Jo Fox	Systems Data Analyst	Wales
Jeffery Davies	Director, Route Safety & Asset Management	Wales
Karen Murphy	Route Financial Controller	Wales
Lyne Villette	Programme Manager	Wessex
Andrew Lockheart	Systems Support Manager	Wessex
Stuart Kistruck	Director, Route Safety & Asset Management	Wessex
Brian Scott	Route Financial Controller	Wessex

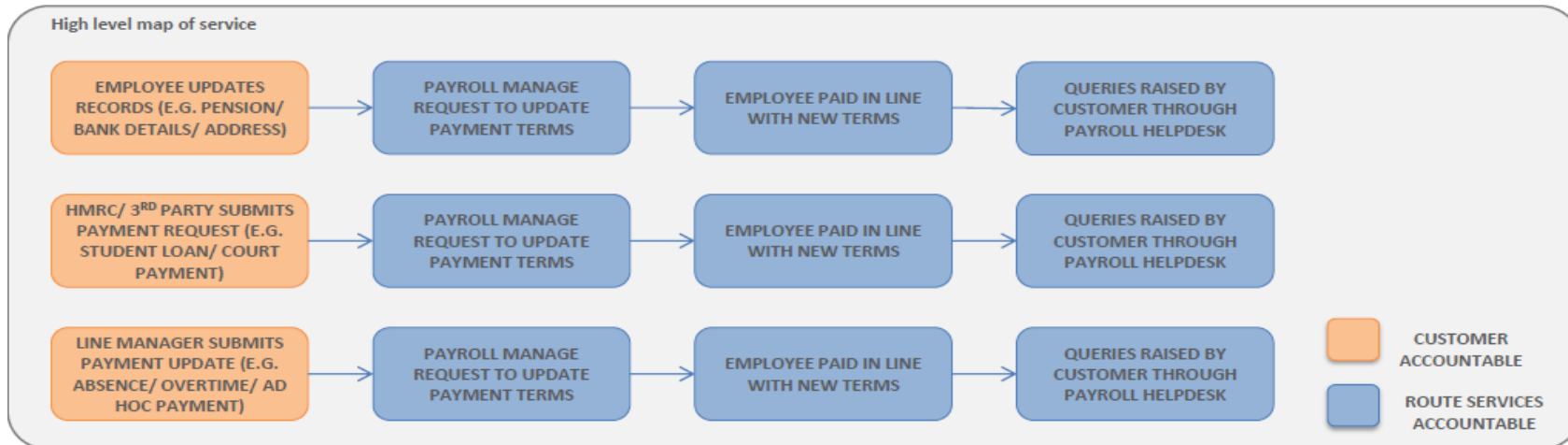
Name	Post	Route / Function
Robert Thomson	Infrastructure Maintenance Delivery Manager	Wessex
David Tunley	Route Asset System & Integration Manager	Western
Christopher Stanley	Local RS Delivery Manager	Western
Michael Gallop	Director, Route Safety & Asset Management	Western
Jonathan Wilkinson	Route Financial Controller [Business Planning & Analysis]	Western
Hayley Thomson	Route Financial Controller	Western
Amanda Hemmings	Financial Controller [HQ Route Businesses]	Route Businesses
Steve Denys	Financial Controller	IP Track
Rufus Impey	Economic lead	Group Digital Railway
Juliet Brilliant	Funding lead	Group Digital Railway
James Coowar	Financial Controller	Corporate Services
James Tricker	Financial Analyst	Office of Rail & Road
Steve Dennis	Senior Engineer, Asset Management	Office of Rail & Road

Appendix I Service Catalogue example – Shared Services Payroll

HRSS Payroll

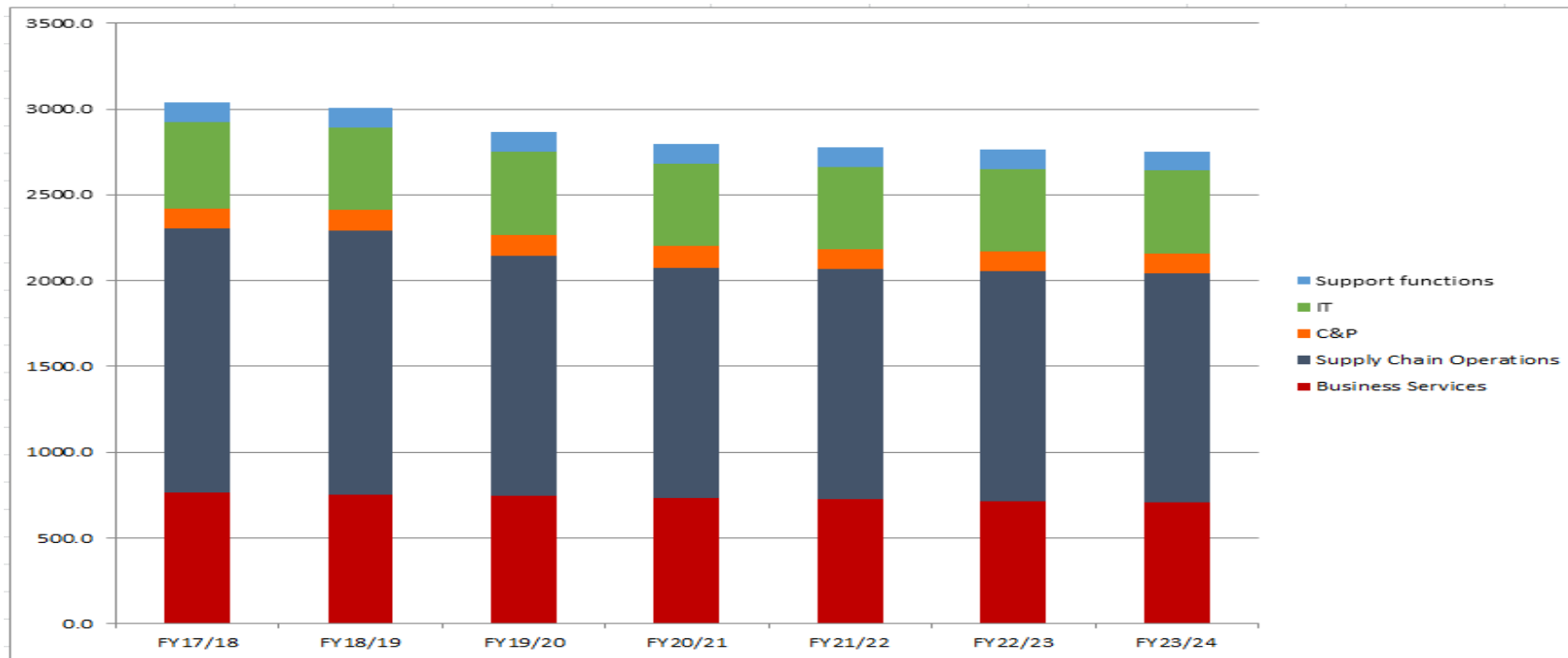


 <p>Service Level Agreement</p> <p>We will pay employees on time and in accordance with conditions of service and statutory requirements.</p>	<table border="1"> <tr> <th>Cost</th> <th>People</th> <th>Market Tested</th> <th>Review Date</th> </tr> <tr> <td>£3,434k</td> <td>77</td> <td>Yes</td> <td>Jan 2018</td> </tr> </table>	Cost	People	Market Tested	Review Date	£3,434k	77	Yes	Jan 2018	<p>Performance metrics</p> <ul style="list-style-type: none"> • 99.8% of employees paid without error. • 98% of permanent data changes made within agreed service level timescales. • Overpayments target to be confirmed
Cost	People	Market Tested	Review Date							
£3,434k	77	Yes	Jan 2018							
<p>Detailed service description</p> <ul style="list-style-type: none"> • Provide an end to end payroll service for over 37,000 employees (over 26,000 Route employees) on a four weekly basis, via two separate payroll platforms. • Ensure employees are paid in line with contractual and statutory requirements. This includes all pay related transactions during the employee life cycle including administration of new starters, contractual changes, time & labour, employee benefits, leaver administration. 		<p>Cost model</p> <p>Direct costs – £3,406k Staff Costs - £1,917k Other Cost - £1,489k includes Payroll bureau , printing and postage.</p> <p>Indirect costs – 28k Leadership, Head of Department, Finance Support which includes payroll bureau , printing and postage.</p>								
<p>Key customer priorities</p> <ul style="list-style-type: none"> • Ensuring that employees are paid accurately and on time. • Processing employee lifecycle changes (e.g. death in service, parental leave, redundancy etc.) sensitively, efficiently and effectively. • Processing employee pay changes in accordance with agreed service levels and Key Performance Indicator's and statutory and legislative requirements. 		<p>Customers</p> <ul style="list-style-type: none"> • All routes and all current and former employees of Network Rail 								

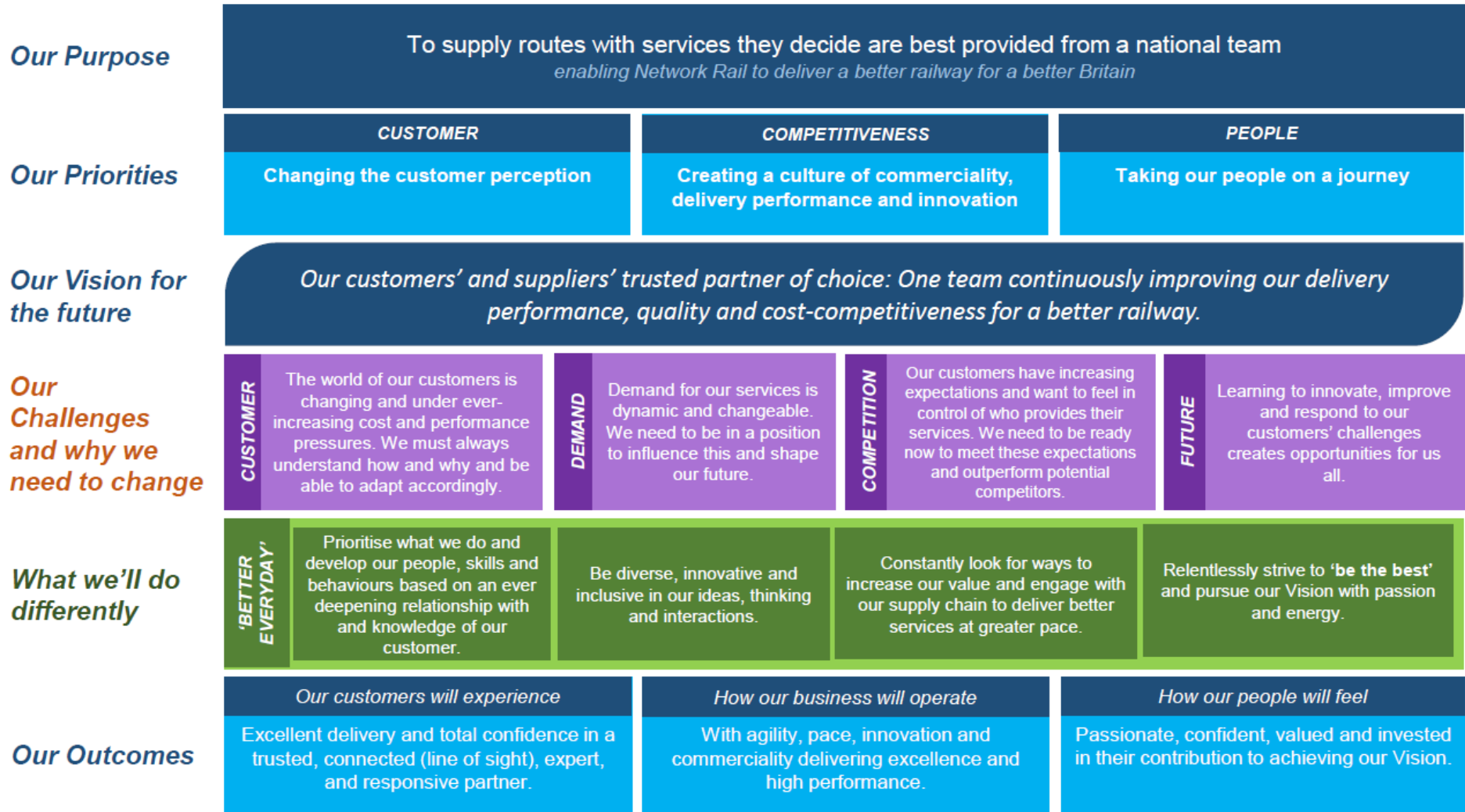


Appendix J Headcount glidepath

	CP5		CP6				
	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
Business Services	761	751	744	734	724	714	704
Supply Chain Operations	1541	1541	1400	1341	1341	1341	1341
C&P	120	120	125	127	119	116	116
IT	500	481	481	481	481	481	481
Support functions	117	117	117	117	115	112	110
Route Services TOTAL	3039	3010	2866	2799	2779	2763	2751





Appendix K Route Services: key message framework






Appendix L Route Services 2017/18 Scorecard

ROUTE SERVICES SCORECARD (SUMMARY) - 1718 P08



 We think and act "safety"		Weighting	1718 P08	YTD	Worse than Target	Target	Better than Target
LTIFR	No. of lost time injuries compared to total number of working hours across Route Services	5.0%	0.311	0.311	0.278	0.270	0.261
Close Calls Raised	No. of close calls raised against Route Services	5.0%	308	2,793	1,737	1,829	1,920 2,793
Close Calls Closed within 90 Days	Percentage of close calls raised against Route Services that are closed within 90 days	5.0%	97.6%	95.8%	80.0%	85.0%	90.0%
Safety Hour	Percentage of Route Services employees that attended a safety hour	5.0%	85.6%	89.7%	70.0%	75.0%	80.0%
 Our customers are our priority		Weighting	1718 P08	YTD	Worse than Target	Target	Better than Target
HRSS Recruitment	75% of Written Offers sent out within 55 days	3.0%	79.8%	80.6%	70.0%	75.0%	80.0%
Payroll	99.8% of Employees paid without error	3.0%	99.2%	99.4%	99.7%	99.8%	99.9%
Training - Technical Competencies	No. of Candidates attending Training exceeds 4,000 on average	3.0%	4,770	4,227	3,800	4,000	4,100 4,200
Delivery of Materials by Rail	RS will deliver an average of 97.5% Worksite Success	3.0%	98.5%	98.7%	95.5%	97.5%	99.5%
High Output	RS will deliver 93% of the target yardage	3.0%	97.9%	97.3%	91.0%	93.0%	95.0%
Seasonal Services	Autumn - 95.5% of planned mileage will be treated Winter - 95.5% of winter treatment shifts will be delivered	3.0%	93.7%	94.3%	93.5%	94.0%	95.5% 97.5%
IT Delivery Projects	Tier 1 projects - 80% milestones adherence	3.0%	100.0%	60.9%	70.0%	80.0%	90.0%
IT Critical Service Operations	99.77% Critical IT Service Availability	3.0%	99.86%	99.85%	99.50%	99.77%	99.90%
Customer Advocacy	Improvement on our Net Promoter Score following survey feedback from our Customers	3.0%	-	40.8%	0.0%	40.8%	50.0% 100.0%

 We spend money wisely		Weighting	1718 P08	YTD	Worse than Target	Target	Better than Target	
Financial Performance Measure	Measure of financial efficiency. Planned outputs delivered with allocated budget	5.0%	£0.3m	£7.5m	(£5.0m)	£0.0m	£5.0m	£9.2m
Cash Compliance	Measure of how well we are keeping within our overall budget (Opex/Capex)	5.0%	£0.0m	£38.1m	(£20.0m)	£0.0m	£34.0m	£50.0m
 We focus on delivery		Weighting	1718 P08	YTD	Worse than Target	Target	Better than Target	
Transformation Milestones (L1)	Percentage of milestones delivered on time	4.0%	100.0%	100.0%	85.0%	90.0%	95.0%	
Delivery of Key Milestones (L0/L1)	Percentage of milestones delivered on time	5.0%	25.0%	50.0%	75.0%	85.0%	90.0%	95.0%
Delay Minutes caused by Delay & Overrun Incidents	No. of delay minutes attributed to Route Services for Delay & Overrun Incidents	4.0%	5,896	40,806	95,775	87,068	78,361	
Delay & Overrun Incidents	No. of delay incidents attributed to Route Services for Delay & Overrun Incidents	4.0%	35	248	642	584	526	
 We improve what we do		Weighting	1718 P08	YTD	Worse than Target	Target	Better than Target	
Assurance Actions (GALP)	Percentage of assurance actions completed on time	5.0%		100.0%	85.0%	90.0%	95.0%	
Audit Actions (Internal)	Percentage of audit actions completed on time	5.0%	-	85.7%	85.0%	90.0%	95.0%	
Safety Actions (RAIB & SHE)	Percentage of safety actions completed on time	5.0%	100.0%	80.0%	85.0%	90.0%	95.0%	
Continuous Improvement	No. of employees who are LEAN trained - 1 Day Course	2.5%	56	708	1,338	1,672	2,006	
Continuous Improvement	No. of employees who are LEAN trained - 3 Day Course	2.5%	13	122	58	72	86	122
OVERALL SCORE FOR ROUTE SERVICES				50.6%				