



Our approach to assessing Network Rail's efficiency and wider financial performance in CP6 – conclusions

12 June 2018

Context

The [2018 periodic review](#) is the process through which we determine what Network Rail¹ should deliver in respect of its role in operating, maintaining and renewing its network in control period 6 (CP6)² and how the funding available should be best used to support this. This feeds through into the:

- service that passengers and freight customers receive and, together with taxpayers, ultimately pay for; and
- charges that Network Rail's passenger, freight and charter train operator customers will pay for access to its track and stations during CP6.

This document forms part of our [draft determination](#), which sets out our overall decisions on PR18 for consultation. We have also published an [overview document](#), setting out:

- our proposed decisions in all the main areas of PR18 and next steps;
- a summary of how we will regulate Network Rail's delivery in CP6; and
- next steps in PR18.

In addition, there are high-level summaries of our main decisions for each of [England & Wales](#) and [Scotland](#). The full set of documents that form the draft determination is set out in the diagram below. After taking account of consultation responses, we will publish our final determination in October 2018.

A map of our earlier consultations and conclusions that have led up to our draft determination is available [here](#).

Responding to the consultation on our draft determination

We welcome comments on this document and/or the other documents that form part of our draft determination by **Friday 31 August 2018**. Full details on how to respond are set out in Appendix B of our [overview document](#). This includes how we will treat any information provided to us, including that which is marked as confidential. Subject to this, we expect to publish responses alongside our final determination in October 2018.

We have provided a [pro-forma](#), should you wish to use this when responding. If you choose not to use the pro-forma, we would be grateful if you would make clear in your response that you are commenting on this supplementary document. This will assist our process for reviewing comments.

¹ All references to Network Rail in this document are to Network Rail Infrastructure Limited.

² CP6 will run from 1 April 2019 to 31 March 2024.

Our draft determination documents (includes weblinks)*

PR18 draft determination overview document		
England & Wales summary	Scotland summary (and supporting annex)	
Draft settlement documents	Supplementary documents	
FNPO route	SBP assessment	
System Operator		
Route review summaries		
England & Wales		Anglia route
		LNE & EM route
	LNW route	
	South East route	
	Wales route	
	Wessex route	
	Western route	
Other documents	Policy	
Glossary		
Consultancy & reporter studies		
	Scorecards and requirements	
	Health & safety	
	Review of Network Rail's proposed costs	
	Other single till income	
	Stakeholder engagement	
	Financial framework	
	Review of network licence	
	Overview of charges & incentives decisions	
	Infrastructure cost charges consultation	
	Variable usage charge consultation	
	Conclusions to earlier consultations	
	Conclusions to working paper 8 on managing change	
	Conclusions on our approach to assessing efficiency & wider financial performance	

*Please note that some documents, including consultancy and reporter studies and impact assessments, will be published following 12 June 2018.

Summary

- Good quality financial information is important for effective regulation as it helps ensure that the interests of customers and funders are properly protected. Network Rail's regulatory financial statements are the primary sources of information about the company's financial performance.
 - This supporting document to the PR18 draft determination sets out our intended approach for assessing Network Rail's efficiency and financial performance in CP6.
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Summary of our proposals for CP6

1.1 Different measures can be used to report on a company's financial performance and there is no single right or wrong measure. Different measures are not exclusive and can be complementary to provide a more rounded assessment. Our assessments in CP6 will focus on two measures:

- Efficiency:** This compares the relationship between expenditure on core business activities (operations, maintenance, renewals and supporting central functions) and outputs on a like-for-like basis over time.
- Financial performance measure (FPM):** This compares income and expenditure to the financial assumptions underpinning routes' CP6 funding. The baseline financial assumptions underpinning FPM include efficiency improvements that Network Rail's routes are expected to achieve in CP6. If a route has spent less and / or received more income than the baseline (for what it has delivered), it will report financial outperformance, and vice versa.

1.2 We consulted on our approach for assessing Network Rail's efficiency and wider financial performance in January 2018. Responses to our consultation are summarised in this supporting document³. We proposed that the priorities for our assessments in CP6 should be to:

- drive the best outcomes for the users of the rail network through supporting better value for money;
- enhance comparisons of the performance of Network Rail's operating routes and to assist in future benchmarking;
- move to a more rounded assessment which draws out key messages about the drivers of performance, makes a clearer link between expenditure and delivery, and examines how efficiencies are being achieved;

³ The consultation and responses are available at <http://orr.gov.uk/rail/economic-regulation/regulation-of-network-rail/price-controls/periodic-review-2018/pr18-consultations/our-approach-for-assessing-network-rails-efficiency-and-wider-financial-performance-in-control-period-6>.

- (d) make more informed forward-looking assessments of the efficiencies that Network Rail will likely deliver across the control period;
- (e) support Network Rail's internal performance measurement and staff incentives; and
- (f) provide clear and informative messages about Network Rail's efficiency improvements, recognising that different audiences want different levels of technical detail.

1.3 To deliver our priorities we proposed:

- (a) to move to a better understanding of the efficiency of Network Rail's routes by putting greater emphasis on reviewing and reporting on how routes have delivered efficiency improvements;
- (b) more assessment of cost drivers, unit costs and productivity measures over time and across routes. We set out suggested measures in the consultation, but importantly, want to work with Network Rail and stakeholders to identify the most useful measures for its business;
- (c) to make greater use of information from our safety role, for example, drawing on insights from safety reports where relevant; and
- (d) that we will provide a forward-looking view of the efficiencies that Network Rail will likely achieve across CP6 as part of our annual reporting. This will include assessing the quality and progress of routes' efficiency plans and monitoring leading indicators of delivery.

Responses to our consultation

1.4 We received responses from the following organisations:

- Department for Transport (DfT);
- Transport Scotland;
- Abellio UK;
- Arriva plc;
- The Associated Society of Locomotive Engineers and Firemen (ASLEF);
- Network Rail;
- Rail Delivery Group (RDG);
- Railway Industry Association (RIA); and
- Transport for London (TfL).

Question 1: Do you agree with our priorities?

- 1.5 All respondents were broadly supportive of our priorities and proposed a more rounded approach for CP6. A number of respondents provided comments about specific aspects of our consultation. These are set out below.
- 1.6 Network Rail stated that having a robust, clearly defined and insightful measure of whether the money it spends each year has been invested appropriately is paramount to assessing its financial stewardship of the railway network. Network Rail's view is that at the heart of this is a trade-off between accuracy and simplicity. Whilst there is appetite for an intuitive, easily understood measure this does not always adequately reflect the financial performance of the organisation, especially given the complexity and number of capital projects it delivers.
- 1.7 Consequently, Network Rail strongly supported the use of a financial performance measure as the main measure of financial performance. There is a risk that multiple measures can tell conflicting stories, confusing stakeholders or allowing cherry picking of certain measures to support preconceived notions rather than an objective description of the facts. Using a range of measures adds complexity for the stakeholder to understand the mechanics and driving factors behind each of the various performance indicators. Network Rail expressed concerns that our consultation overplayed the merits of some measures in explaining performance, particularly unit costs.
- 1.8 Network Rail considered that an analysis of forward looking forecasts rather than a simple backwards view is probably more useful for stakeholders to understand financial pressures and provide context for current results. It noted that evaluating the accuracy of future expenditure and efficiency plans is inherently difficult, for example, due to exogenous factors rather than the quality of the plan itself. It agreed that the use of leading indicators will be helpful to inform a forward-looking assessment and will work with ORR to develop suitable measures.
- 1.9 DfT strongly agreed that it would be beneficial to have more forward-looking assessments to facilitate identification of risks and issues and enable early proactive action by us to assess concerns. It also stated that it is important for Network Rail to have effective programme governance and reporting in place so that its Board can track progress.
- 1.10 Arriva considered that the current (CP5) focus on FPM is too complex, backward looking and insufficiently informative. TfL stated that it is important that any measures used are transparent and not subject to manipulation.

Comments on responses

1.11 We consider that these responses support our priorities and intended approach. We note Network Rail's comment about avoiding using multiple measures. However, we have used an approach of focussing on a single measure in the past and found that it has not worked well because using a single measure cannot communicate the breadth of the matters involved.

Question 2: We propose to improve our assessment and reporting of Network Rail's efficiency improvements, drawing on unit costs, cost drivers, productivity measures, leading indicators and safety reports. What are your views about this change of approach?

1.12 Respondents considered that our proposed change of approach to provide more supporting analysis is reasonable and likely to enable Network Rail to engage in a more meaningful manner on the topic of its efficiency.

1.13 Most respondents agreed that the point-to-point efficiency measure, set in context within a broader narrative, is a suitable measure of efficiency. TfL preferred the average measure as it takes account of changes within interim periods. Network Rail considered that a more representative name might be something like "Cost Movement Index" because many factors can influence how costs move over time.

1.14 Respondents generally agreed that no single measure can provide a rounded assessment of performance. This is better achieved through a basket of measures and an accompanying narrative to set the assessment and performance in context. Our reporting should focus on key messages about performance drivers and how efficiencies are being achieved. However, Network Rail stated that there is a risk that reporting on a number of different measures could result in selectively focusing on those measures that support a particular pre-conceived view. Having a single agreed key measure would enable greater objectivity.

1.15 Network Rail considered that an understanding of what influences costs is crucial to understanding its business. To reflect this, Network Rail is currently embedding an analytical approach to show the drivers of routes' cost changes over time in CP6. Network Rail's additional comments to this question are covered below.

Comments on responses

1.16 Supported by the majority of respondents, we intend to use the point-to-point efficiency measure of Network Rail's efficiency changes over time. We recognise TfL's point that under some circumstances, the point-to-point efficiency measure could provide a misleading picture (for example, if the profile of expenditure and outputs is uneven during the period). We intend to draw on additional quantitative and qualitative information in our analysis and make clear in our reporting if we think that the point-to-point measure is misleading.

1.17 Network Rail suggested that a 'cost movement index' is a more accurate description as delivery of efficiency strategies is only one of many factors which influence how costs move over time. We think that it is more helpful to use the more easily understood term efficiency. Network Rail's proposed fishbone analysis should provide analysis of significant cost drivers other than efficiency changes.

Question 3: Our proposed approach will require Network Rail to provide better information to us. We consider that this is information that the company should already have. However, we want to ensure that any additional reporting is proportionate. Do you have any comments on this?

1.18 Most respondents considered that this approach is reasonable. Network Rail should be required to provide the information that we need to monitor in a meaningful fashion. This includes segmenting the factors that can influence efficiency.

1.19 Some respondents cautioned that for any new information that we require, we should set out clearly how this information will be used and the improvement/benefit it will deliver. We should agree up front with Network Rail what is the most sensible information and ensure that the company has adequate resources to provide it.

1.20 Network Rail considered that the focus should be on the information that Network Rail's local and central management uses rather than creating additional data and reports. It would be interested in obtaining a more detailed understanding of how we monitor Highways England's financial performance and how this could apply to Network Rail.

Comments on responses

1.21 We would prefer to work with Network Rail's internal management information where it is available to support our assessments. We will work with Network Rail to understand the measures that the business uses. We will continue to discuss with Network Rail how we monitor Highways England's financial performance.

Question 4: Do you agree that having a better understanding of unit cost changes and cost drivers should be an important part of our analysis? Should Network Rail improve the robustness of its unit cost reporting if necessary to support this?

1.22 Most respondents agreed that achieving a better understanding of unit cost changes and cost drivers should form a key part of our analysis. Consequently, Network Rail should be required to improve the robustness of its unit cost reporting to support this process where necessary.

1.23 DfT and Transport Scotland stated that a better understanding of unit cost changes and cost drivers is critically important and Network Rail should increase the robustness of its unit cost reporting if necessary to support this.

- 1.24 TfL stated that a robust, properly segmented analysis of unit costs should provide clear insights into cost trends regardless of the volumes of work delivered.
- 1.25 The RIA noted that there are both advantages and limitations of using unit costs to inform analysis of efficiencies. For example, unit costs going up may not necessarily mean that efficiency is going down. The RIA considers that unit cost analysis should only be used within a basket of measures and that we will need to have confidence in Network Rail's data.
- 1.26 The RIA considered that it is critically important that in any future analysis of unit costs, like is compared with like and the benefits to the network of a particular piece of work are properly assessed. For example, in order to optimise levels of track access it has become commonplace for renewals projects to have an element of enhancement added to them. It is also important to recognise where other benefits may be being delivered.
- 1.27 Network Rail stated that unit costs can provide some background for cost movements between years. However, it considers that it can be over simplistic and potentially quite misleading because unit costs will vary due to a number of factors unrelated to the quality of the planning and delivery cycle, such as the location of the worksite, the number of volumes completed or the weather conditions. Network Rail stated that it delivers hundreds of different volumes, which would require a composite measure to be developed. It also stated that changes in volume mix could have a significant impact on the measure, thus undermining its intuitiveness.
- 1.28 Network Rail stated that its reporting of costs and volumes is robust. It is seeking to make improvements, for example by increasing the automation of volume reporting and using fewer systems to achieve greater accuracy.

Comments on responses

- 1.29 As supported by respondents, we intend to make greater use of unit costs in our assessments. We understand Network Rail's concerns that unit cost analysis can be hard to use in practice and the potential importance of factors other than changes to efficiency. The key issue is to understand the drivers of cost changes and not just unit cost movements as this may be too simplistic. Network Rail has agreed that it will improve its analysis of the reasons for changes to costs over time. We intend to apply caution in the way that we use unit cost data to inform our assessments of efficiency and financial performance between routes and years.

Question 5: Changes in expenditure due to a deferral or acceleration of work can have a material effect on our assessments. This is technically challenging and requires judgement. We are interested in respondents' views on this.

- 1.30 Network Rail stated that it understands the point about judgement because the railway network is a complex heterogeneous asset. Work banks in the railway require

an element of flexibility to optimise delivery, reduce passenger disruption and generate efficiencies. It also said that this necessitates re-profiling activity between years, and between control periods. An understanding of asset management is fundamental to assessing financial performance, making sure that the right work is done to maximise the benefits of investment in the railway.

Comments on responses

1.31 We recognise Network Rail's point. However, this does not undermine the need for good business planning which should result in stable workbanks, particularly within a year, and the need to deliver work consistent with those plans.

Question 6: Section 4 sets out some productivity measures and leading indicators that we could assess. How effective do you think these measures could be to aid our assessments? What other measures should we use?

1.32 Respondents considered that the productivity measures listed appear sensible.

1.33 DfT expects Network Rail to track productivity measures closely in CP6 given that many of its planned efficiency measures relate to improving the use of engineering possessions.

1.34 The RIA suggested that we should consider using capacity utilisation, which measures the extent to which a business is using its production potential. They also suggested that we may find it useful to include measures such as the proportion of planned possessions that are not used, and the proportion that are subject to late changes. This may reveal a pattern or underlying trend on the use/non-use of possessions that identify causal reasons that hamper efficiencies and how these can be managed/addressed through the possessions regime. The RIA also recommended an enhanced performance measure around supplier engagement.

1.35 Network Rail supported the objective of working collaboratively with us. It noted that as part of the move to route-based regulation there will potentially be different leading indicators that are relevant for different routes, reflecting the different risks and characteristics of each of the routes.

Comments on responses

1.36 We intend to work collaboratively with Network Rail and other stakeholders to develop the productivity measures and leading indicators that we will assess.

Question 7: Do we have the right level and frequency of reporting through our biannual Network Rail Monitor and annual efficiency and finance assessment publications? And

Question 8: How can we improve the presentation of our assessments to improve their effectiveness for stakeholder engagement and challenge?

- 1.37 Respondents generally stated that the level and frequency of reporting proposed is sensible, and should incorporate the range of disaggregated measures referred to in the consultation documentation. There was a general view that the presentation of our assessments needs to communicate and explain metrics that are meaningful to stakeholders, for example, for the supply chain.
- 1.38 Network Rail considered that there is a significant overlap between its regulatory financial statements, our Monitor and annual efficiency and finance assessments and that these different documents can potentially confuse stakeholders as the commentary within them may be contrasting. In addition, there is some repetition of data between the documents. It considers that there is an opportunity to streamline our annual efficiency and finance assessments as we move into CP6.
- 1.39 The RIA stated it would expect the level of reporting to include corporate functions (such as Infrastructure Projects and System Operator) separately to reporting on each of the devolved routes. The RDG commented that our consultation focuses on the efficiency assessment of Network Rail's geographical routes. However, RDG believes it is also important that there is a separate assessment of the System Operator (SO). The costs involved with the SO are relatively small and there is widespread support across the industry for increased funding for a well-resourced SO function. Hence, it considers that the assessment should place greater emphasis on the outputs, such as providing a quality service, rather than an assessment that drives the lowest cost.
- 1.40 TfL stated that the definitions of the measures used should be clear and transparent and they should relate to tangible items, e.g. asset types, to ensure that the data provided is meaningful. Once established, definitions should remain consistent unless there is a compelling reason for change. TfL prefers the measure of average efficiency over time rather than between two points as the average measure ensures that all performance is taken into account and is therefore less vulnerable to manipulation.

Comments on responses

- 1.41 We agree with Network Rail's comments about the opportunity to streamline our assessments. Our intended approach for CP6 is to move to a more rounded assessment that draws out key messages about the drivers of performance and examines how efficiencies are being achieved. We intend for this approach to reduce repetition of information that is available in Network Rail's own publications.

- 1.42 We intend for our assessments to include Network Rail's SO and Freight National Performance Operator (FNPO) as well as its regional routes. We consider that other parts of our Monitor publications are generally the best place to present our assessments of the operational performance of these areas of the business.
- 1.43 We will make definitions of the measures clear and transparent in our publications and regulatory accounting guidelines.

Other comments by respondents

Inflation index

- 1.44 Network Rail stated that evidence shows that its input costs increase in excess of RPI each year. It is concerned that using CPI to index the costs in its CP6 plan will have a negative presentational impact on the forecast efficiencies in its CP6 business plan. Network Rail thinks that it should continue to report against RPI as well as CPI for the first few years of CP6 to better explain outturn costs on a comparable basis with previous control periods. It noted that other regulators have recognised the need for forms of transitional arrangements in moving to CPI.
- 1.45 The RDG made a related point that it would not want the change from using RPI to CPI to provide an additional efficiency burden on Network Rail, if for example, Network Rail's costs were more in line with RPI and income increased by a possibly lower index using CPI.

Comments on responses about inflation index

- 1.46 We understand that Network Rail's external cost pressures do not necessarily align with changes to CPI or RPI. We will address Network Rail's point by requiring Network Rail to clearly analyse movements in input prices relative to inflation. To be consistent with our PR18 determination, and avoid confusion and complexity, we consider that CPI should be used to index cost movements in CP6. We think that the best way for Network Rail to report material external cost pressures is through its proposed analysis of cost drivers.

Other

- 1.47 Arriva noted that the circumstances of different routes vary widely including with regard to geography, the types and age of infrastructure in place, the types of train services operated and the scale of projects to be delivered. Given this variety, we should not necessarily expect to see equal results on all metrics for all routes. Comparing results delivered against the original plan may be more informative.
- 1.48 The RIA strongly supports the introduction of mechanisms to update efficiency assumptions. It agrees with the generally held view that the PR13 efficiency target for CP5 was overly rigorous and that this has had an impact on the sustainability of the rail network and the rail supply chain. It also has the potential to reduce quality and

therefore the need for more frequent work than otherwise might be the case to maintain asset condition.

- 1.49 The RIA expressed concern if Network Rail does not have sufficient flexibility to adjust budgets within an overall funding limit.
- 1.50 The RIA considers that in the longer term, we need to find some way of changing the Periodic Review process so that early in the process a minimum guaranteed baseline of renewals expenditure is established for each year in the control period. This will give the supply chain some confidence to invest and the baseline can be adjusted upwards following the final determination.
- 1.51 Transport Scotland strongly recommended that the financial performance measure should be treated as a regulatory output in CP6. Other respondents had no firm views on whether Network Rail's financial performance should become a regulatory output. The RIA noted that the company should be subject to financial discipline, as would any commercial entity, thus making its financial performance a regulatory output would not seem unreasonable. In addition, only those categories of expenditure that are deemed controllable should be included in reporting of efficiency and financial performance.
- 1.52 We received no comments on thinking about financial performance in a wider context.

Comments on other responses

- 1.53 We note these other responses. We address Transport Scotland's first point in the section below on the regulatory status of efficiency improvements.

Our intended approach

- 1.54 Taking account of the consultation responses, we intend to make a number of incremental changes to our current approach to deliver our CP6 priorities. These changes are explained below.

Efficiency

- 1.55 A clear quantified explanation of Network Rail's efficiency changes will be one of the key parts of our financial monitoring in CP6. This includes differences to the efficiency assumptions in our PR18 determination for both the company as a whole and for its routes⁴.

⁴ This means separately for each geographical route, SO, FNPO and other central services (which includes IP, STE and Route Services).

1.56 For operations, maintenance and support activities, Network Rail will report the percentage efficiency changes compared to its expenditure in 2018-19. Changes to expenditure should be indexed to CPI⁵. The same approach would apply for renewals, except that changes to the amount and type of work undertaken should be taken into account⁶.

1.57 We recognise that under some circumstances, the point-to-point efficiency measure could provide a misleading picture. For example, expenditure and outputs can vary (including during a control period) for reasons other than efficiency improvements. Network Rail should quantify and explain the factors that have affected its efficiency including those factors that it considers to be outside of its control.⁷

Wider financial performance

1.58 The financial performance measure will be the main measure for comparing routes' financial performance on route scorecards in CP6.

1.59 Providing that Network Rail can provide a clear reconciliation between the internal budgets of its routes and our PR18 financial assumptions, the company's internal budget should form the baseline for calculating and reporting financial performance and this will be shown on the route and SO scorecards. This should help to reduce some of the complexity of the CP5 measure but still allow reporting against the PR18 determination⁸.

1.60 To limit confusion between Network Rail's reporting of net efficiency improvements and its wider financial performance, it will be important for the net efficiency improvements assumed in routes' CP6 business plans to be clearly set out. In the event that there are subsequent changes to routes' business plans, the effect of these changes to planned levels of efficiency should be clearly stated.

Further enhancements to our monitoring and reporting

1.61 We intend to make a clearer link between routes' expenditure and delivery, improve our understanding of how efficiencies are being planned and delivered, and have greater confidence about whether it is on track to deliver these efficiencies. We propose to do this through more rounded assessments that take account of more diverse quantitative and qualitative information.

⁵ This is because our draft decision is to change the method of indexation of charges to use CPI.

⁶ For example, costs avoided by not doing planned renewals would not be an efficiency. Network Rail also intends to undertake more refurbishment and less full renewal of some of its assets in CP6 with consequent changes to the mix of renewals and maintenance costs.

⁷ Network Rail uses the terms 'headwinds' and 'tailwinds' to describe external uncontrollable cost changes in its business planning for CP6.

⁸ We will look to simplify other aspects of the CP5 measure where practicable.

Analysis of cost drivers including unit costs

- 1.62 Understanding what influences Network Rail's costs is crucial to understanding its business. To support our assessments, routes will need to provide a clear and robust assessment of the factors that have affected changes to their costs.
- 1.63 We intend to make greater use of unit costs in our assessments. However, we intend to apply caution in the way that we use this data to inform our assessments as we recognise that unit cost analysis can be hard to use in practice given the potential importance of factors other than changes to efficiency between routes and years. We intend to explore this matter further with Network Rail and other stakeholders.

Productivity measures

- 1.64 We intend to make greater use of productivity measures in our assessments. We recognise that this information should also be important for Network Rail's own management and that much of it should already be available. We therefore intend to work with Network Rail and other stakeholders to agree the most suitable measures.

Forward looking assessment

- 1.65 We intend to provide a forward look about whether Network Rail is on track to deliver expected future efficiency improvements in our CP6 assessments. We envisage this being a rigorous process of challenging routes about the progress of their initiatives to deliver improvements. To support our assessments, routes will need to have well documented plans for how they intend to deliver efficiency improvements and clear tracking of progress in delivering these plans.
- 1.66 We consider that there are leading indicators of performance that we can draw on to provide an independent view about the efficiency improvements that Network Rail is likely to achieve by the end of CP6. We intend to work with Network Rail to agree the most suitable measures.
- 1.67 We will look to make greater use of information from our safety role including making greater use of relevant information from safety reports.

The regulatory status of efficiency improvements

- 1.68 We consider that our PR18 determination, monitoring and reporting are our most effective tools to support Network Rail to become more efficient. Improving efficiency will be an integral part of what routes are expected to deliver and we are enhancing our approach for monitoring their performance. Routes will be required to report their financial performance measure on their performance scorecards. We will take action to enforce Condition 1.1 of Network Rail's licence in accordance with our economic enforcement policy if appropriate.

1.69 We may review our PR18 efficiency assumptions after the first year of CP6 to consider the effects of any differences in actual CP5 exit rates to those assumed in our PR18 determination, and also its actual efficiency in 2019-20, the first year of CP6. We will only do this if there is a material issue, for example, if efficiency changes in 2018-19 are materially different to what we expected.

How we will report

1.70 We intend for our CP6 publications to provide a more rounded and informative assessment. This will draw out key messages about the drivers of performance and examine how efficiencies are being achieved. We will seek to reduce repetition of information that is available in Network Rail's own publications.

1.71 We will draw out efficiencies, headwinds and tailwinds in our detailed route-level analysis. Our current view is that to improve understandability, our high-level presentation will present efficiency changes net of headwinds and tailwinds.

Next steps

1.72 We will work with Network Rail and other stakeholders over the next few months to agree what specific information we should use to inform aspects of our assessments, in particular for productivity measures and leading indicators of performance.

1.73 We will publish our finalised approach in regulatory accounting guidelines before the start of the control period.



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