

PR23 draft determination:

Settlement document for the Eastern region

15 June 2023



About this document

This is one of six settlement documents of our draft determination for the 2023 periodic review (PR23).

PR23 will determine what the infrastructure manager for the national rail network, Network Rail, is expected to deliver with respect to its operation, support, maintenance and renewal (OSMR) of the network during control period 7 (CP7), which will run from 1 April 2024 to 31 March 2029, and how the available funding should be best used to support this.

This strongly influences:

- the service that passengers and freight customers receive and, together with taxpayers, ultimately pay for; and
- the charges that Network Rail's passenger, freight and charter train operator customers pay to access its track and stations during CP7.

Our draft determination sets out:

- our review of Network Rail's strategic business plan (SBP); and
- decisions on its proposed outcome delivery and its planned expenditure to secure the condition and reliability of the network;
- changes to access charges and the incentives framework; and
- relevant policies on managing change and the financial framework.

In addition to **this document**, we have also published as part of our draft determination:

Document type	Details
Executive summaries of our determination	Our key proposals from our draft determination for: <ul style="list-style-type: none">• England & Wales• Scotland

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Overviews of our determinations	What Network Rail will need to deliver and how funding will be allocated in: <ul style="list-style-type: none">• England & Wales• Scotland
Consolidated decisions	A summary of our draft decisions across Great Britain
Introduction	An overview of PR23 and background to our draft determination
Settlement documents	Detailed draft decisions for each of: <ul style="list-style-type: none">• Scotland• <u>Eastern region</u>• North West & Central region• Southern region• Wales & Western region• System Operator
Supporting documents	Technical assessments of: <ul style="list-style-type: none">• Health and safety• Outcomes• Sustainable and efficient costs• National Functions• Other income
Policy positions	How we intend to regulate Network Rail during CP7 in relation to: <ul style="list-style-type: none">• Financial framework• Access charges• Schedules 4 & 8 incentives regimes• Managing change

Responding to the consultation on our draft determination

We are consulting on our draft determination and welcome comments from stakeholders on any of our documents which form the draft determination on or before 31 August 2023.

Responses should be submitted in electronic form to our inbox: PR23@ORR.gov.uk. We request stakeholders provide their response using [this proforma](#).

We intend to publish all responses on our website alongside our final determination in October 2023. Annex A to our proforma document sets out how we will treat any information provided to us, including that which is marked confidential.

Next steps

After taking account of stakeholder responses, we expect to issue our final determination on Network Rail's delivery and funding for CP7 by 31 October 2023.

We expect to issue our review notices by December 2023 and, subject to Network Rail's acceptance, issue notices of agreement and review implementation notices. These will give effect to the decisions made during PR23 in time for CP7 to commence from 1 April 2024 and for Network Rail to develop its plans for delivery.

Executive summary

Our determination includes separate settlements for each region and the System Operator in Network Rail. Settlements set out our expectations about the funding that will be allocated to each region and the system operator and the outputs that will be delivered by them.

This regional settlement document provides a summary of the key proposals in Network Rail's Eastern region's strategic business plan for control period 7 (CP7) and our review of this, as part of our periodic review 2023 (PR23). For our more detailed assessment of Network Rail's CP7 plans, please see our PR23 draft determination: supporting document on [Health and Safety](#); [Outcomes](#); [Sustainable and Efficient costs](#); [National Functions](#); and [Other income](#).

Network Rail is funded by the UK and Scottish governments for its activities in England & Wales and Scotland respectively. Each respective government also sets out a High-Level Output Specification (HLOS) detailing what it expects the available funding to deliver.

Expenditure on operations, support, maintenance and renewals (OSMR) for England & Wales in the [UK Government's SoFA](#) (Statement of Funds Available) is proposed to be £40 billion for CP7, which compares to approximately £38 billion in control period 6 (CP6). Planned expenditure on OSMR for Eastern is £12.64 billion (2023-24 prices), an increase of £582 million when compared to CP6.

Reflecting wider fiscal conditions, Network Rail's funding for CP7 is constrained relative to the needs of the asset renewal cycle. This requires Network Rail to make choices about how expenditure should be prioritised to deliver value for the railway now and in the future. Decisions for Eastern region are detailed in this document.

The England & Wales plan includes two scenarios for expenditure. The first assumes that a £0.5 billion centrally managed fund is used to manage risks that emerge during CP7. The second is a 'risk-adjusted' plan which is supported by identifying £1.5 billion of expenditure (largely renewals) across the England & Wales regions and National Functions that can be descoped if risk materialises. Our assessment and draft determination considers Network Rail's risk-adjusted plan only. This is because our monitoring during CP6 suggests that more than £0.5 billion will be needed to manage unanticipated risks.

Key points from the region's plan include:

- a 14.6% reduction in asset renewals spend compared to CP6;

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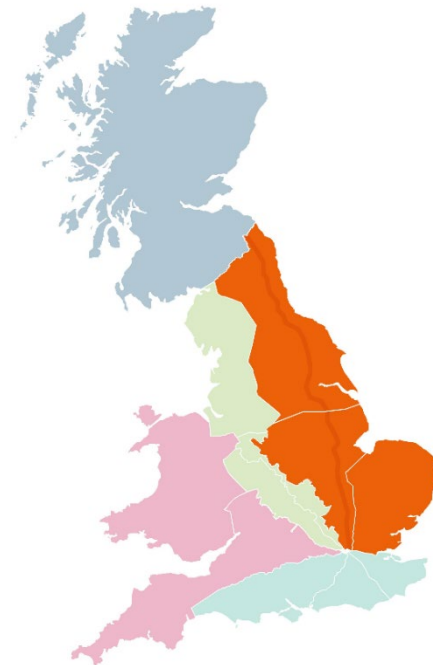
- a forecast decline in asset sustainability and reliability;
- an expectation that there will be no overall decline in safety for customers and staff;
- a forecast CP7 exit range of 68.4 to 70.8% for On Time passenger performance; and
- delivery of £992 million of efficiencies (including the region's share of efficiencies in the network wide cost allocation).

We have assessed the region's strategic business plan and identified that it does not have enough expenditure to renew earthworks in CP7. It should increase expenditure on earthworks renewals by around £30 million. We have also identified that the region can be more ambitious in its delivery of train performance, and we have set ambitious but realistic trajectories for On Time, passenger cancellations and freight cancellations for it to meet.

1. Summary of Network Rail's key proposals for the Eastern region

Overview

- 1.1 Network Rail's Eastern region manages the East Coast Main Line, Midland Main Line and the Great Eastern Main Line. This chapter focuses on Network Rail's delivery in the region's four routes: East Coast, North & East, East Midlands and Anglia.
- 1.2 Most passenger rail services are operated by London North Eastern Railway, Northern Trains, Cross Country, Govia Thameslink Railway, East Midlands Railway, c2c, Greater Anglia and Arriva Rail London.
- 1.3 Eastern is the largest region in the network with 6,042 route miles (31.2% of the national route miles). Its area stretches from the Scottish borders, the northeast, Yorkshire, Lincolnshire, the East Midlands, East Anglia and significant parts of Greater London.
- 1.4 Eastern region connects 13 freight ports and currently moves over one million tonnes of freight per week on the rail network. It has ten airports in the region and manages Leeds, London King's Cross and London Liverpool Street stations. The region supports the commuter market to London and regional cities including Leeds, Derby and York with over 6,000 passenger services per day.
- 1.5 The region is increasingly experiencing severe weather events from strong winds, heavy rainfall and prolonged periods of hot and dry weather.
- 1.6 The Eastern region's strategic business plan (SBP) for CP7 is based on route-led plans that have been co-ordinated and assured at the regional level. We have based our review on the details within the SBP and supplementary information provided by Network Rail in February and March 2023.
- 1.7 In its SBP, the Eastern region set out its six strategic priorities for CP7 which included:



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- delivering consistent and highest possible passenger and freight performance levels. The region stated it will also deliver good passenger and station experience and improve engagement with local communities;
- maintain safety and continue to improve employee welfare and workforce safety;
- delivering efficiently, in particular through joint industry initiatives;
- supporting the delivery of environmental sustainability targets – the region commits to reducing carbon emissions by a further 21% in CP7 and safeguarding biodiversity;
- mitigating key safety risks and increasing asset resilience through risk-based, value for money asset interventions; and
- delivering improvement programmes that transform connectivity and unlock social and economic opportunities.

1.8 The main features of the Eastern region's SBP are set out below.

Safety

1.9 Eastern commits to maintain good levels of passenger and public safety and deliver safer operations and workplaces, through targeted asset interventions, including increased weather resilience in high-risk flood sites.

1.10 The region is forecasting a reduction in Fatalities and Weighted Injuries (FWI), a measure of accident severity, from a CP6 exit of 0.051 to 0.036 by the end of CP7. It commits to maintain current levels of Train Accident Risk Reduction (TARR) at 95% – this measure aims to reduce the train accident-related risk levels.

1.11 In its plan, the region commits to reducing level crossing risk through targeted activities that focus on high-risk sites, deteriorating crossings and locations where there is non-compliance to standards.

1.12 The region is also committed to implementing technology that either reduces trackside working or improves safety arrangements for trackworkers.

Performance

1.13 In its SBP, Eastern forecasts a range of 68.4 to 70.8% for On Time passenger performance at CP7 exit.

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- 1.14 The region forecasts passenger cancellations in the range 2.7 to 3.8% and freight cancellations in the range of 1.5 to 2.8% at CP7 exit. Both passenger cancellations and freight cancellations CP7 forecasts maintain current CP6 performance.
- 1.15 In its plan, the region commits to working with Freight Operators through its already established Freight Operator Delay Group, to identify interventions to improve performance.
- 1.16 The Eastern SBP identifies timetable recasts, asset resilience, various enhancements and external incidents as key factors impacting performance. It assumes the current East Coast Event Steering Group (ESG) timetable will go ahead in May 2024.

Freight Growth

- 1.17 The Eastern region describes itself as ‘the backbone’ of the UK freight rail network, carrying around 70% of national volume and is responsible for half of the industry’s key freight corridors.
- 1.18 The region has forecast freight growth of 7.5% by the end of the control period. It anticipates that this is made possible through expected growth in intermodal markets, driven by socio-economic changes in consumer spending and a move towards imported products.
- 1.19 To support delivery of this growth, Eastern has: allocated expenditure to maintain heavy axle weight network capability, particularly in Anglia; taken account of enhancement schemes that are funded through the UK Government’s Rail Network Enhancements Pipeline; and proposed to develop action plans to implement its freight strategy. The region states that it is committed to working with the freight community to maximise opportunities for freight paths.

Asset Sustainability

- 1.20 The region is planning to spend £4.3 billion on renewals in CP7 (excluding any National Function spend). This is 14.6% less compared to CP6 expenditure on renewals.
- 1.21 In CP7, the region is planning to do fewer full renewals than it did in CP6. The plan contains more refurbishment and targeted life extension by managing asset condition through risk-based and value for money asset interventions.
- 1.22 As a result, the overall life remaining in the assets will decrease in CP7. In its plan, the region is forecasting that assets will become less reliable in CP6, with an

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increase in service affecting failures (from CP6 exit of 7,805 to 7,920). Longer term asset sustainability is also forecast to decline by 2.9 percentage points by the end of CP7.

- 1.23 The region plans to incorporate weather resilient design where assets are being replaced or refurbished. Weather resilience schemes will focus on drainage, flood management and scour on structures.
- 1.24 There are no high output ballast cleaning and track renewals within the Eastern plan.
- 1.25 The region has yet to complete its procurement of framework contractors for CP7. It issued an Invitation to Tender (ITT) in April 2023.
- 1.26 The region is planning to spend £37 million to maintain network capability for heavier trains (also known as heavy axle weight trains). This is targeting high-risk structures, particularly in Anglia, that are outside the structures plan.
- 1.27 Environmental sustainability is supported by the region's plans to decrease emissions through a combination of energy reduction initiatives including generating renewable energy locally and moving to Zero Emission Vehicles. The region states that its objective is no net biodiversity loss by 2024 and to prepare for net gain by 2025.
- 1.28 Enhancement projects have a bearing on CP7 OSMR expenditure. Enhancements delivered within the control period will need to be allocated future maintenance and support costs. Only enhancement projects that have secured funding from the UK Government are assumed in the region's plan. We discuss this further in the PR23 draft determination: [supporting document on sustainable and efficient costs](#).

Accessibility

- 1.29 The region has included schemes to improve station facilities, passenger information, wayfinding and platform refurbishment to mitigate trips and falls. It plans to increase the number of lift and escalator renewals undertaken in CP7.

Efficiency

- 1.30 In its risk adjusted plan the region plans to deliver £992 million of efficiency in CP7 (including the region's share of efficiencies in the network wide cost allocation). This represents 15% capex and 10% opex efficiencies on a CP6 exit to CP7 exit basis. The region has forecast values against efficiency themes and will use joint industry initiatives to drive whole-sector benefits. The region's supply chain

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framework for CP7 will be used to deliver efficiencies but procurement has still to be completed.

- 1.31 Eastern region has identified headwinds of £92 million (opex) and £53 million (capex) at a high-level and will provide more detailed analysis in future planning rounds.

Financial Risk

- 1.32 The region's plan for managing financial risk is to hold back around 5% of its planned spend (largely renewals) that could be deprioritised. If this is used to fund future risks then the region is forecasting that key performance metrics will decline as spending less on renewals would result in more service affecting failures due to an older asset age profile. The region has also said that reduced spend would result in lower passenger and station satisfaction scores, reduced asset sustainability and reduced environmental benefits.

Stakeholder engagement

- 1.33 The Eastern stakeholder interaction log identifies all of the regional and route engagement with a diverse range of stakeholders including Train Operating Companies (TOCs), Councils, Freight Operating Companies (FOCs) and the Rail Industry Association (RIA). This has included discussions on the plans as well as workshops and targeted discussions with lead TOCs. Routes within the region have continued to engage locally with their operators and other key stakeholders to understand their priorities, update on planning iterations and discuss trade-offs and mitigations where requirements can/cannot be met in the plan. The routes are also undertaking assurance/challenge panels with their key stakeholders.
- 1.34 In late January 2023, Eastern held a stakeholder event in York where it presented its CP7 plans. Industry representatives included TOCs, FOCs, Transport Focus, RIA and the Rail Freight Group.
- 1.35 The SBP details stakeholder priorities and how they are addressed in the plan so this is easily traceable.

Delivery of funder requirements

- 1.36 In December 2022, the Secretary of State for Transport published his [High Level Output Specification](#) (HLOS) for England and Wales. This set out what the UK Government wants the railway to achieve during CP7. Eastern's plan includes an explanation of how it has sought to meet the requirements of the HLOS. Specific examples provided include:

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- Overall long-term asset sustainability – the region’s SBP explains the impact of doing more life extension work in response to constrained funding in CP7, setting out that inevitably this will impact the long-term sustainability of its infrastructure. The region anticipates that sustainability of its signalling assets and level crossings will recover by CP9 because of ongoing investment in European Train Control System (ETCS). However, sustainability of track and structures assets will run at a continued deficit and will not recover without increased funding in future control periods. Given the region can recover sustainability of its signalling assets, in its plan it has redistributed funding from signalling to support buildings, drainage, and electrical and plant. In its risk-adjusted plan, the region is forecasting a reduction in levels of asset sustainability, of 2.9 percentage points at the end of CP7.
- Market-led prioritisation – the region’s plan sets out a whole-system approach to asset safety risks, performance and market needs, using tools such as its integrated asset management planning tool and its renewals risk evaluation process. The integrated asset management planning tool consolidates workbanks from across routes and disciplines. The region sets out that this approach better considers commercial, market-led outcomes when compared to previous approaches. It also highlights other industry cost saving opportunities such as co-location and joint timetable and access planning options.
- Stakeholder engagement – the region points to an effective stakeholder engagement process with delivery partners.
- Safety and security – the region’s plan includes improvements in security resilience at critical sites and enhanced Closed Circuit Television and Artificial Intelligence at key stations, embedding British Transport Police teams across the region and work with external partners including mental health nurses to reduce trespass, mental health related incidents and suicide risk.
- Efficiency and financial sustainability – the region commits to deliver £739 million in efficiencies in CP7.
- Performance, reliability and use of the network – the region points to using a whole-system performance approach that is focussed on delivery of the best possible results.
- Inclusion and accessibility – the region commits to minor improvements to accessibility through improved station facilities and to collaboration with

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industry partners on Access for All funded schemes. It also commits to embedding accessibility regulations and best practice in CP7.

- Freight growth – the region plans to support growth by maintaining the heavy axle weight network capability (including investing in high-risk structures, particularly in Anglia) and working with the freight community to maximise freight paths.
- Resilience and reducing environmental impacts – the region plans to incorporate weather resilience into the design of replaced or refurbished assets. Its resilience schemes will focus on drainage, managing flooding and scour on structures. It plans electrification of its road fleet, energy management at stations, integration of its biodiversity plans in the routes and supplier collaboration to use more sustainable materials.
- ETCS – it plans renewals expenditure that supports the implementation of new digital signalling in the form of ETCS.
- Research, Development and Innovation (RD&I) – the region plans to improve how it delivers its work and increasing its intelligence to allow it to make better decisions. It commits to continuing to leverage benefits from programmes across the organisation (for example Intelligent Infrastructure).
- Rail supply chain and pipeline visibility – in its plan the region sets out that it is engaged with the supply chain to develop a procurement strategy and develop value-based outcomes.
- Risk management – contingent expenditure has been identified to mitigate risks that materialise during CP7. The region has included details of a risk-adjusted plan (i.e. up to 5% of its funding to be used for risk rather than the activity identified in its plan).

2. Our findings and draft decisions on Eastern's strategic business plan

- 2.1 We have assessed Network Rail's plan against [guidance](#) which we issued to it in July 2022.
- 2.2 We provide a detailed assessment of elements of Eastern region's strategic plan in our supplementary documents, specifically the PR23 Draft Determination: [Health and Safety](#), [Outcomes](#) and [Sustainable and Efficient costs](#) supporting documents.
- 2.3 The main issues from our assessment for the Eastern region are discussed below. Our assessment has focused on the delivery of four key objectives:
- (a) **Safety:** the rail network must be maintained in a safe condition for all of its users, workers and the public;
 - (b) **Performance:** the railway must be customer focused, making effective use of its capacity to deliver passenger and freight services that are punctual and reliable;
 - (c) **Asset sustainability:** assets must be planned and managed to deliver their greatest value over the course of their operational lives; and
 - (d) **Efficiency:** Network Rail must be subject to stretching but realistic efficiency targets.

Safety

- 2.4 A summary of our regional safety review is provided here. For our more detailed assessment of Eastern's CP7 plans, please see our PR23 draft determination: supporting document on Health and Safety.
- 2.5 Our review has found that:
- (a) The reduction in renewals and increase in reliance on refurbishment, maintenance and operational measures to manage risk is of concern e.g. unresolved issues have been identified with Eastern's track strategy.
 - (b) Network Rail's market-led approach involves prioritising expenditure on high revenue generating routes, with the potential for fewer renewals and less

refurbishment work on lower category/lower value lines. Network Rail's market-led approach will lead to increased reliance on maintenance work and operational controls to manage and mitigate risk. Any application of the market-led approach must continue to ensure that risks are reduced so far as is reasonably practicable (SFAIRP) on all lines irrespective of value.

- (c) The SBP demonstrates good consideration of the management of vegetation, but it is unclear if the region will deliver the vegetation compliance recovery programme commitments. The expenditure allocated for ash dieback work is 25% lower than indicated by the Technical Authority (a Network Rail National Function providing technical leadership to the regions).

2.6 There are some areas where we need further information from Network Rail – and we will work with it over the summer on these points. These include:

- (a) We expect the region to pay particular attention to the renewals and maintenance needs of earthworks. We are concerned with a reduction in volumes of earthworks specific drainage.
- (b) With a reduced level of renewals in CP7, there will be an overall increase in demand on the region's maintenance function. We expect it to demonstrate that maintenance plans will be sufficient to support the increased demand on its maintenance function – the success of which is heavily reliant on implementing the 'Modernising Maintenance' programme with effective implementation and preparedness for CP7. The region will need to demonstrate it can deliver the required efficiencies and sustain capability to maintain the assets.
- (c) There is significant reliance on use of Risk Based Maintenance (RBM) and technological solutions for inspecting and monitoring track and other assets with limited detail on implementation in the SBP. We want to see more detail on managing risk from reduced renewals.
- (d) We have concerns regarding the overall reduction in fencing volumes and we will be seeking assurance that risks associated with animal incursion will be managed.
- (e) There is insufficient detail on how the region will accommodate potential changes to roster patterns and other fatigue controls other than the use of recruitment and the rostering tool to manage fatigue.

- (f) There is insufficient detail on planned improvements to risk controls or allocation of funding to deliver the SBP commitments on work related ill-health. This includes, for example plans for managing asbestos in buildings, delivery of improved engineering controls for welding fume and diesel engine exhaust emissions in poorly ventilated tunnels, depots and stations.

Performance

- 2.7 The region has produced its train performance forecasts using a mix of analysis of historical data and trends, bottom-up analysis and modelling of its planned activities and top-down judgments to capture uncertainty and ambition. Each route provided inputs to the bottom-up analysis and modelling based on their local plans. The region highlights that due to the constrained funding, asset resilience presents a slight risk to performance towards the end of CP7. This is due to undertaking life extension of some assets rather than renewals.
- 2.8 The region has used ranges rather than point estimates to forecast performance outcomes for passenger On Time, passenger cancellations and freight cancellations metrics.
- 2.9 For On Time, we consider that the central point of the region's forecast range does not provide sufficient performance stretch. Our assessment of the evidence is that a more ambitious On Time trajectory is appropriate but realistic, near the top of Eastern's range, but with no deterioration from the start to the end of CP7.
- 2.10 We have assessed that the region's passenger cancellation forecast range provides insufficient stretch compared to historical levels. We have reviewed passenger cancellations since 2014-15, excluding 2020-21 (COVID-19) and 2022-23 (industrial action), and have set a trajectory based on what has been achieved by the best performing region using an historical average.
- 2.11 We have assessed the region's freight cancellations forecast range. We consider that the low end of the region's SBP forecast provides an appropriate balance of ambition and deliverability. Our trajectory removes a methodology change Network Rail was planning in CP7 to include some significantly retimed freight services which are not counted in the existing measure. We have made this adjustment to Network Rail's planned changes following engagement with freight operators who did not support retimed services being counted as cancellations.
- 2.12 Our draft decisions are as follows:

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- **Draft decision:** We have set a point (not range) trajectory for passenger On Time broadly at the top of Eastern's SBP forecast range for each year of CP7, ending CP7 at 70.8%.
- **Draft decision:** We have set a point (not range) trajectory for passenger cancellations below (more ambitious than) Eastern's SBP forecast range, at 2.3% for each year of CP7.
- **Draft decision:** We have set a point (not range) trajectory for freight cancellations at 1.3% for each year of CP7.

Freight growth

2.13 We have reviewed the evidence and methodologies relied on by Network Rail to determine its freight growth forecasts and we are satisfied that they provide a robust basis for us to set a freight growth trajectory.

- **Draft decision:** We have set freight growth trajectory at 7.5% by the end of CP7.

Asset Sustainability

2.14 Network Rail's submission included regional self-assessments of renewals deliverability, as well as central assurance of the regional plans by its Technical Authority.

2.15 The Technical Authority's assurance found significant deficiencies in the planned level of earthworks renewals in CP7. We have reviewed Eastern's plan in light of our holding to account activity, assurance reviews and other CP6 activities. We independently identified concerns in similar areas to those highlighted as having shortcomings by the Technical Authority.

2.16 One of our key draft conclusions for Eastern is that it needs to increase expenditure on earthworks to address concerns related to future asset sustainability. We consider the increase required to be around £30 million and expect Network Rail to carry out further assessment prior to our final determination to confirm the expenditure required to resource the sustainability of these core assets to a satisfactory level.

- **Draft decision:** ORR expects an increase in expenditure in CP7 of around £30 million for earthworks.

2.17 The Eastern region's vegetation management strategy lacks detail in three areas – when compliance with Network Rail's standards will be achieved, the distribution of

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works and the prioritisation approach. We require it to improve and update its delivery plans with clear identification of work volumes to be delivered under its proposed expenditure. This must be supported by a measurable and deliverable compliance target.

- 2.18 Eastern has proposed CP7 expenditure of £58 million for management of Ash Dieback (a fungal disease affecting ash trees), which is based on the CP6 level of expenditure. We consider that this may not be enough to ensure compliance with Network Rail's standards – it is also below the level that Network Rail's own assurance review considers necessary (the Technical Authority recommended that the region would need £80 million). We expect the region to keep this under review and to ensure compliance with standards.
- 2.19 We also have some concerns about the limited renewals expenditure and volumes planned for operation property, specifically lineside buildings, in CP7 compared to CP6. The region expects to manage interventions through reactive maintenance. We require the region to ensure decision making is informed by asset data collected from its examinations and to achieve a balance between renewals and reactive maintenance activities that is proportionate to the level of risk.
- 2.20 Network Rail was unable to submit its maintenance plans in time for our review for this draft determination. We therefore do not have sufficient information to form a full and robust opinion on maintenance, a view shared by Network Rail's Technical Authority. We will review the details of the region's maintenance plans following the draft determination. These maintenance plans must align with plans for core asset renewals and include how staff competencies will be addressed.
- 2.21 We have reviewed Network Rail's forecasts for asset sustainability.
- **Draft decision:** We have set the same Composite Sustainability Index (CSI) target as the target proposed by the region (-2.9 percentage points change in CP7).
- 2.22 The HLOS requires Network Rail to improve environmental outcomes by moving towards a low-emissions railway and to conserve and enhance biodiversity. We have set success measure trajectories for carbon emissions scope 1 and 2 and biodiversity units using Eastern's forecasts.
- **Draft decision:** We have set success measure trajectories for carbon emissions scope 1 & 2 (-20 percentage points by the end of CP7) and biodiversity (4.8 percentage points by the end of CP7).

Accessibility

2.23 Considering the type of accessibility-related schemes in the plan and the size of the portfolio of the lifts and escalators asset group in the Eastern region, the overall improvement to accessibility could be minor. Furthermore, Eastern's plan prioritises its accessibility-related schemes at either large or Network Rail-managed stations such as London Kings Cross, Leeds, York and Newcastle stations. This is reflected in its forecast that satisfaction with managed stations (as measured by wavelength – the rail industry's customer service monitoring and measuring tool) will improve while the (overall) passenger satisfaction (wavelength) is expected to decline in CP7. The region needs to revisit this in its delivery plan.

Efficiency

2.24 Like most other regions, Eastern has set itself an efficiency target of 10% in operating expenditure (operations, support and maintenance) and 15% in capital expenditure (renewals) in CP7. In its plan, Eastern commits to deliver £992 million of efficiencies, including the region's share of efficiencies in the network wide cost allocation.

2.25 We have set the efficiency requirements at the same level as Network Rail proposed in its SBP for the risk-adjusted plan for each England & Wales region.

2.26 We expect Network Rail to include regional efficiency forecasts in its CP7 delivery plan, which are aligned with our baseline trajectories. We will monitor Network Rail's regions' delivery of efficiencies against these baselines in its CP7 delivery plan.

Financial risk

2.27 Network Rail produced two variants of its Strategic Business Plan: 'the full plan' and the 'risk-adjusted plan'. Network Rail's risk-adjusted plan reduces renewals expenditure in the regions by identifying renewals that can be deprioritised to increase the CP7 cash risk fund.

2.28 The England and Wales full plan has a cash risk fund of £0.50 billion which is held centrally. We have considered this funding in the context of the current economic environment and experience from CP6. As we set out in our PR23 draft determination: supporting document on sustainable and efficient cost, we do not consider a cash risk provision of £0.50 billion is sufficient to manage the risks to Network Rail's plan over the full five-year period (e.g. to manage unexpected events and inflation) in CP7. So, we have based our determination on the risk-

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adjusted plan and treated the deprioritised renewals as cash risk funding in the regions. This gives a cash risk fund of £1.50 billion in total, with £471 million in Eastern. We will review for our final determination whether the levels of risk funding in each region are appropriate.

Stakeholder engagement

- 2.29 Eastern provided evidence of how stakeholders were consulted and influenced its plan.
- 2.30 The region started stakeholder engagement early and demonstrated a well-governed and effective process, including structured stakeholder mapping and a proportionate approach to engaging with different types of stakeholders.
- 2.31 The region also presented how stakeholder priorities were translated into the plan via a face-to-face event in January 2023 at the conclusion of SBP planning engagement. The region shared its plan with its stakeholders, setting out a summary and its outcomes.
- 2.32 However, we consider that there was potential to have included a broader range of stakeholder groups at earlier stages in the process.
- 2.33 To complement our assessment, as part of our 2023 annual stakeholder engagement survey (an online survey of Network Rail's stakeholders), we asked stakeholders what they thought of Network Rail's engagement with them on its planning for CP7. For Eastern region, 65 stakeholders participated in the survey. Their responses revealed that 40% thought Eastern had engaged either well or very well, but 21% thought that its engagement was poor or very poor. 38% did not have a view.
- 2.34 It is important that Eastern continues to engage with its stakeholders in refining its plans – which extends to the annual updates that Network Rail will make to its delivery plan throughout CP7. In doing so, we expect Network Rail's engagement to meet the four overarching principles of good stakeholder engagement – which are inclusive, transparent, well-governed and effective.

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Table 2.1 Draft ORR success measure baseline trajectories for Eastern region

	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
On Time	70.6%	70.6%	70.7%	70.7%	70.8%
Cancellations	2.3%	2.3%	2.3%	2.3%	2.3%
Freight cancellations	1.3%	1.3%	1.3%	1.3%	1.3%
Composite Sustainability Index (CSI)	Measured only at CP7 exit. CP7 Difference in CSI from CP6 exit to CP7 exit.				-2.9pp
Financial Performance Measure (FPM)	0	0	0	0	0
Efficiency (£ million, 2023-24 prices)	108	167	216	229	271
Carbon emissions scope 1 and 2	-3.8pp	-7.6pp	-12.4pp	-16.2pp	-20.0pp
Biodiversity units	1.0pp	1.9pp	2.9pp	3.8pp	4.8pp
Freight growth	1.5%	3.0%	4.5%	6.0%	7.5%

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Table 2.2 Summary of success measure forecasts proposed by the region

	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
On Time	68.5% to 69.8%	68.5% to 70.0%	69.1% to 70.7%	68.5% to 70.5%	68.4% to 70.8%
Cancellations	2.7% to 3.8%	2.7% to 3.8%	2.7% to 3.8%	2.7% to 3.8%	2.7% to 3.8%
Freight cancellations	1.5% to 2.8%	1.5% to 2.8%	1.5% to 2.8%	1.5% to 2.8%	1.5% to 2.8%
Composite Sustainability Index (CSI)	Measured only at CP7 exit. CP7 Difference in CSI from CP6 exit to CP7 exit.				-2.9pp
Financial Performance Measure (FPM)	0	0	0	0	0
Efficiency (£ million, 2023-24 prices)	108	167	216	229	271
Carbon emissions scope 1 and 2	-3.8pp	-7.6pp	-12.4pp	-16.2pp	-20.0pp
Biodiversity units	1.0pp	1.9pp	2.9pp	3.8pp	4.8pp
Freight growth	1.5%	3.0%	4.5%	6.0%	7.5%

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Table 2.3 Eastern region financial summary as proposed by region prior to ORR adjustments

£m (2023-24 prices)	CP6		CP7						% vs CP6
	2023-24	CP6 total	2024-25	2025-26	2026-27	2027-28	2028-29	CP7 total	
Operations	215	1,105	219	217	215	213	211	1,075	-3%
Support	298	1,481	304	294	294	292	296	1,480	0%
Maintenance	619	3,176	721	716	717	712	706	3,573	13%
Renewals	896	5,755	1,232	1,132	1,022	993	883	5,261	-9%
Industry costs, rates, & traction electricity	301	1,361	435	417	392	353	348	1,944	43%
Risk provisions	-	-	151	169	184	34	67	605	n/a
Gross Revenue requirement	2,328	12,877	3,063	2,945	2,823	2,597	2,510	13,938	8%
Other income	(151)	(848)	(163)	(165)	(165)	(168)	(168)	(829)	-2%
Net revenue requirement	2,177	12,028	2,899	2,780	2,658	2,430	2,342	13,109	9%
Fixed Track Access Charge income	(221)	(1,002)	(225)	(225)	(225)	(225)	(225)	(1,123)	12%
Variable Charges	(191)	(849)	(183)	(183)	(183)	(183)	(183)	(916)	8%
Electricity for Traction (EC4T) income	(188)	(817)	(315)	(297)	(257)	(218)	(212)	(1,299)	59%
Schedule 4 and 8	127	643	145	150	147	140	144	725	13%
Schedule 4 access charge supplement	(74)	(443)	(140)	(145)	(142)	(135)	(139)	(701)	58%
Network grant	(1,630)	(9,559)	(2,181)	(2,081)	(1,998)	(1,809)	(1,726)	(9,795)	2%
Total SoFA related income	(2,177)	(12,028)	(2,899)	(2,780)	(2,658)	(2,430)	(2,342)	(13,109)	9%
Gross revenue requirement less EC4T	2,140	12,060	2,747	2,649	2,567	2,379	2,298	12,640	5%



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