

# Annual Report and Accounts 2020-21

June 2021

HC 324



Welcome to  
King's Cross

11 05 04

## Let's travel safely

-  Travel at quieter times
-  Wash your hands
-  Wear a face covering

# **Office of Rail and Road**

## **Annual Report and Accounts 2020-21**

Report presented to Parliament pursuant to section 74(1) of the Railways Act 1993

Accounts presented to the House of Commons pursuant to section 6 of the Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

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# Preface

## About this Annual Report and Accounts

This document integrates performance and financial data to help readers gain a better understanding of the work of the Office of Rail and Road (ORR). It covers the activities of ORR from 1 April 2020 to 31 March 2021 and is split into three main sections:

The **Performance Report** includes a summary of progress achieved in 2020-21 in delivering our strategic objectives and service standards (the [Performance Overview](#)), followed by a fuller review of delivery of our strategic objectives (the [Performance Analysis](#)).

The **Accountability Report** is split into three sub-sections and includes:

- A [Corporate Governance Report](#), which includes the Directors' Report, the Statement of Accounting Officer's responsibilities and a Governance Statement;
- A [Remuneration and Staff Report](#), which includes pay and benefits received by Executive and Non-Executive Board members and details of staff numbers and cost; and
- A [Parliamentary Accountability and Audit Report](#), which allows readers to understand ORR's expenditure against the money provided to it by Parliament by examining the Statement of Parliamentary Supply against Outturn, and includes a copy of the audit certificate and report made to Parliament by the head of the National Audit Office, setting out his opinion on the financial statements.

The **Financial Statements** show ORR's income and expenditure for the financial year, the financial position of ORR as of 31 March 2021, and additional information designed to enable readers to understand these results.

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# Chief Executive's Report

**ORR has continued to deliver its core role effectively throughout the year despite the difficult circumstances brought by COVID-19.**

As the year began, the rail and road industries were continuing to grapple with the challenge of maintaining operations in the face of the pandemic. We reacted quickly to give what support we could, responding to the need for new guidance on health and safety and competition issues, and worked with specific parts of the rail industry and government on the financial impacts and the enforcement of new travel rules.

We took a pragmatic approach to holding Network Rail, High Speed 1, Highways England and train operators to account, recognising that they would need flexibility to respond effectively to the pandemic. But in doing so we set clear expectations regarding the delivery of the commitments that they had made to users in return for their funding.

We also sought to protect the interests of passengers impacted as a result of COVID-19 – including working with operators to ensure their websites provided clear information regarding timetable adjustments as lockdown restrictions changed, and stepping in where rules around refunds were not being followed.

Although the pandemic caused us to make some changes to our plans, particularly where we deferred activities to help reduce the burden on the industry during the initial crisis phase, we were able to deliver our work effectively across our four strategic objectives, despite the fact that our staff were working from home.

We continued to pursue our key health and safety themes. However, sadly in August we saw the first fatal rail accident since 2007, at Carmont in Aberdeenshire. Extreme weather, which is unfortunately becoming more frequent, played a key part in this, highlighting the importance of us continuing to focus on the resilience of Network Rail's assets.

And while Network Rail made progress in response to previous ORR enforcement requiring improvements in track worker safety, the tragic deaths of two track staff and a worker in a train depot show that the industry has still more to do to protect its own people.

Our agenda to secure a better service for rail customers continued to bear fruit, including further progress to improve the experience for passengers who require assistance when travelling. In response to ORR guidance, this year the industry rolled out a new handover protocol to improve the reliability of passenger assistance and trained significant numbers of frontline staff in disability awareness.

Our continued work to drive value for money from the railway saw Network Rail meet its efficiency targets for the second year running in Control Period 6. Sustained scrutiny and pressure from ORR has been a key factor in this, securing a stronger management focus

from Network Rail. This will need to be maintained if the company is to achieve the further efficiencies it has committed to over the rest of the control period.

On highways, we completed our assessment of Highways England's performance over 2015-20 and published a report benchmarking the company's performance across its regions and against international comparators. To support Highways England's efficiency, we also carried out assessments of its capability for delivering its capital portfolio and pursued a more detailed evidence base to help in our assessment of its asset management.

This brief snapshot inevitably overlooks a lot of our activity, and much of the day to day work on which the industry relies. This includes approving over 350 new or amended access contracts and the publication of our periodic rail statistics and analysis, which this year saw us issue a revamped annual rail industry finance report along with a new interactive dashboard, making data more accessible to users.

The fact we have been able to work effectively while being away from the office for a year is a testament to the professionalism of the wider ORR staff. I would like to thank them all for their dedication, especially in difficult circumstances.



**John Larkinson**

Chief Executive and Accounting Officer

# Chair's Report

It is impossible to reflect on the last year without recognising the huge impact that COVID-19 has had. Yet, despite the tragedy of the pandemic, it is heartening how the rail and road industries have overcome the challenges they have faced to help keep the country moving during the crisis.

In the rail sector in particular, the way that different organisations have worked together constructively in the public interest has been impressive, helping to keep services running and staff and passengers safe.

ORR has been able to play a crucial part in this, across its range of functions. Among other things, it shows the value of having an independent trusted body able to operate between government, the industry and unions to facilitate resolution on difficult safety issues. And more broadly, the way that the office has responded to the issues created by the pandemic – including stepping in quickly to address potential impacts to consumers and taking on new legal powers to enforce COVID-19 travel regulations – demonstrates its capability to adapt and deal with change.

This capability will be further tested over the coming years. The rail reform White Paper, setting the future framework for the industry, will inevitably lead to changes in ORR's role. As the industry itself has to adapt to the post-pandemic world and new customer behaviours and expectations, ORR will need to evolve to ensure it can continue to provide effective oversight and assurance in the new context. I am confident that it will meet this challenge.

On Board matters, this year saw us complete the recruitment process for a permanent Chief Executive. After an open competition, the Board and I were delighted to appoint John Larkinson to the role permanently. This follows on from him carrying out the role very capably on an interim basis since October 2018. His appointment ensures the organisation will continue to have competent and experienced leadership during a key period of change and reform.

The Board is committed to improving diversity and inclusion (D&I) across the organisation, and in June 2020 it endorsed a new D&I strategy for the office. The Board will oversee the delivery of this and will look to increase its own diversity through new non-executive appointments to help ensure ORR is well placed to operate as a modern organisation.

Over the past year, the Board has adapted well to the shift to remote meetings and I am grateful to my fellow board members for helping this to work effectively. However, over the coming months we will look to resume 'in person' meetings.

Finally, I would like to thank all ORR staff for their work in continuing to deliver effectively in the public interest despite a particularly difficult year.

**Declan Collier**

Chair

# Performance Report

# Performance overview

This overview sets out our purpose and our strategic objectives.

## Who we are and what we do

The Office of Road and Rail (ORR) exists to protect the interests of rail and road users, improving the safety, value and performance of railways and roads, today and in the future.

We are the independent economic and safety regulator for Britain's railways, and the monitor of performance and efficiency for England's strategic road network.

We regulate Network Rail, including setting the targets it has to achieve, and report regularly on its performance. We regulate health and safety standards and compliance across the whole rail industry. We oversee competition and consumer rights issues – driving a better deal for rail passengers and taxpayers. We also regulate the High Speed 1 link to the Channel Tunnel.

We monitor Highways England to hold the company to account on its commitments to improve the performance and efficiency of England's strategic road network.

As an independent regulator, we operate within the framework set by UK legislation and are accountable through Parliament and the courts. We are an independent statutory body, with powers vested by Parliament in our governing board, which is responsible for setting our strategy and overseeing its delivery. Members are appointed by the Secretary of State for Transport for a fixed term of up to five years.

Our staff work from six offices across Great Britain, giving us the flexibility and coverage we need to perform our functions efficiently. Many of our people work out in the field, for example conducting on-site inspections across the rail network.

Our team of Executive Directors is responsible for delivering the business plan to meet our strategic objectives.

## Our strategic objectives

Our business plan summarises what we aim to achieve each year and provides detail around our strategic objectives. In 2020-21 our strategic objectives continued to be:



**A SAFER  
RAILWAY**

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**BETTER RAIL  
CUSTOMER  
SERVICE**

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**VALUE FOR  
MONEY FROM  
THE RAILWAY**

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**BETTER  
HIGHWAYS**

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## **Our performance against the business plan**

For 2020-21 we published a summarised business plan, to reflect the changing environment we were in as a result of COVID-19. In the business plan we set out a number of key commitments under each of our strategic objectives. These were underpinned by a number of internal milestones, defined during our annual business planning round. We also published a series of service standards in our business plan (set out on page 33). The Board reviews progress against business plan commitments and service standards on a quarterly basis. The Executive reviews progress against internal milestones monthly.

The work we have carried out in the year to meet our priorities is set out in each of the 'strategic objective' chapters on pages 16 to 32. Whilst we have delivered or made good progress on most of our priorities, some of our planned work has been curtailed this year as a result of the pandemic.

In addition to our published priorities we have delivered the following unplanned or reprioritised work in 2020-21:

- We worked hard through the year to help the industry operate safely throughout the pandemic, including publication of a suite of COVID-related guidance and maintaining regular dialogue with stakeholders so that we could respond swiftly and appropriately to changing situations.
- We developed processes and policy in relation to our new role under the Covid Health Protection Regulations. We have been processing and assessing referrals from Border Force, issuing Fixed Penalty Notices to the relevant rail operators, and performing policy work in relation to appeals from operators and follow-up activity. We have engaged with these rail operators and also with Border Force, the Department for Transport, the Civil Aviation Authority and the Marine and Coastguard Agency and other organisations.

## How we are funded

ORR's rail functions are funded almost entirely by the railway industry – broadly, passenger train and freight operating companies, plus Network Rail. We work within a defined budget, and charge the industry via a safety levy and an economic licence fee. We also cover our regulatory costs relating to the Channel Tunnel, HS1 and Northern Ireland by charging the relevant organisations. Our charges are based on a full economic cost model, therefore without profit. Our combined charges and other income meet our rail-related costs in full, bar a token resource budget of £3,000 provided by Parliament.

We receive grant funding from the Department for Transport (DfT) for our highways function, and also have a token resource budget of £1,000 provided by Parliament.

We had a Capital Departmental Expenditure Limit (CDEL) of £720,000 for 2020-21 and £6,320,000 for 2019-20.

## Summary of financial performance

The table below shows our gross costs for 2020-21 compared to budget and prior year outturn.

**Table 1: Gross costs outturn against 2020-21 budgeted gross costs and 2019-20 outturn**

Funding stream	2020-21 gross costs – outturn £000	2020-21 gross costs – budgeted £000	2019-20 gross costs outturn £000
Economic regulation	13,688	15,694	14,075
Health and safety regulation	16,154	18,407	18,164
Highways monitoring	2,483	2,526	2,443
<b>Total</b>	<b>32,325</b>	<b>36,627</b>	<b>34,682</b>

Variances against budget and 2019-20 are analysed on page 35.

## **Key risks and uncertainties**

Our risk management strategy and the key issues and risks that could affect us in delivering our strategic objectives are set out in the Governance Statement on page 56.

# Performance analysis

The Performance Analysis provides a more detailed analysis of how ORR has performed against its strategic objectives during 2020-21.



## Strategic objective 1: A safer railway

ORR is the health and safety regulator for all of Britain's rail industry. Our strategic objective is to enforce the law and ensure that the industry delivers continuous improvement in the health and safety of passengers, the workforce and public, by achieving excellence in health and safety culture, management, and risk control.

From the safety perspective, 2020-21 proved to be a very difficult year for the railways with a number of fatal incidents. A track worker was killed whilst working on a project at Roade on the West Coast Main Line in April 2020; a rail worker was killed by unsafe machinery at Eastleigh long welded rail depot in December 2020; and a track worker was struck and killed by a train at Surbiton station on 9 February 2021. As noted below, ORR has commenced investigations into the Roade and Surbiton incidents; the Eastleigh depot incident comes under the jurisdiction of the Health and Safety Executive and its inspectors are investigating.

2020-21 unfortunately saw the first death of a passenger in a train crash since Grayrigg in February 2007, and the first fatalities of rail staff (the driver and conductor) from a train movement accident since the death of the Ufton Nervet train driver killed in November 2004 in a collision at a level crossing. The deaths occurred in August 2020 when a Scotrail passenger train derailed at speed after striking washed out material on the track near Carmont, and the six other people on board also suffered injuries.

On a more positive note, the industry has and continues to respond effectively to the challenges presented by COVID-19, demonstrating how well it can protect both the workforce and passengers, and work in a highly collaborative way. ORR worked hard in the past year to help the industry operate safely throughout the pandemic, including publication of a suite of COVID-related guidance and maintaining regular dialogue with stakeholders so that we could respond swiftly and appropriately to changing situations.

During the year, we continued to pursue our key themes (which remained relevant during the pandemic):

- **Supporting people** across the sector, particularly those on the front line who are often the last line of defence in preventing a major failure;

- **Pressure on the system** from issues such as the introduction of new trains and ageing assets;
- **Managing the effective introduction of new technology** while taking human interactions into account; and
- **Managing change**, including the importance of employing best practice in change management to enable the sector to meet all future pressures, for example making sure the railway plays its full role in improving air quality and reducing carbon emissions.

We continued to drive these themes, together with the priorities set out in our strategic risk chapters, through our inspection, permissioning, and investigation and enforcement work.

## Network Rail

During the last year, we commenced investigations into a number of significant incidents, including the deaths of track workers at Roade and Surbiton and the derailment at Carmont, as mentioned above.

We have been closely monitoring Network Rail's progress in complying with our enforcement to drive improvements in track worker safety. The tragic events of the year have emphasised the importance of getting this right. We have seen some good progress, but much remains to be done to minimise the risks to rail workers.

The Carmont derailment highlighted how important it is for us to maintain pressure on Network Rail to improve the resilience of its assets to the challenges of climate change. The trend continues to be that extreme weather events are becoming more frequent and more severe.

Network Rail has drawn up ambitious plans to respond to the issues revealed by the Carmont derailment. We have engaged to influence the scope and prioritisation of its programme to enhance its safe management of the network and will continue to focus on these topics in the future.

Much of our proactive work has been targeted at these strategic priority areas. We also worked closely with Network Rail to ensure it responded appropriately to the evolving implications of COVID-19 for its work.

## Mainline operators

Within the last year, we have completed a range of inspections against our priority risk-based plan with all train (TOC) and freight (FOC) operating companies. However, this plan was adapted early in the work-year to look at duty holder arrangements for managing the risk of COVID-19 which included significant work around operators' management of a backlog in train driver medicals, required by the Train Driving Licences and Certificates Regulations 2010. This made it necessary to defer lower priority work.

The team also completed a number of assessments of safety certificate/authorisation applications, and this included applications by one new freight operator and one open-access passenger operator. Four of the assessments completed were for applications by the Operator of Last Resort (OLR) in anticipation of potential take-over from franchisees by the OLR, however, none of these actually took place. A further assessment commenced for a new freight operator and this will be completed in the new work-year.

During the year, a number of improvement notices were served on TOCs associated with depot safety, competence, Platform Train Interface and boarding aides for persons with reduced mobility, and one on a FOC regarding train driver competence.

The team continue to investigate the derailment of a freight train near Llangennech which was conveying dangerous goods. All Category A Signals passed at Danger (SPAD) were investigated (one of the improvement notices around competence stemmed from a SPAD investigation). We are also still investigating the deaths of two TOC employees from COVID-19 as there is a possibility these deaths may have been linked with poor risk management.

## **Non-mainline operators**

Across 2020-21, we continued to work with the UK tram sector in responding to the remaining recommendations in the Rail Accident Investigation Branch's (RAIB's) December 2017 report into the fatal tram overturn at Sandilands Junction, Croydon. A key part of this work has been supporting the Light Rail Safety and Standards Board as it establishes its role and begins to publish new guidance for the sector.

We also provided regulatory oversight of Transport for London's (TfL) rail operations, including London Underground and Docklands Light Railway, with increasing focus on risk assessment and the management of assets. We carried out a programme of inspections across the networks, including looking at how TfL's rail organisations were responding to the emerging challenges of addressing risks associated with COVID-19.

During the year, we continued to engage with Crossrail as it prepared for, and then entered, the next stage of its transition to an operational railway when the Central Operating Section transferred to Rail for London Infrastructure as the Elizabeth Line operating under the Railways and Other Guided Transport Systems (Safety) Regulations 2006 (ROGS).

Finally, we published sector-specific guidance for the heritage sector on recommended preparations for recommencing operations after extended shutdown due to COVID-19. We delivered an amended programme of inspections of heritage railway operations, including assessing the adequacy of COVID-19 risk controls, and continued to support the Heritage Railway Association in providing greater leadership and guidance to the sector, including leading six mutual improvement classes on 'Leadership and Governance'. We also

launched Topic Set 1 Heritage Railways; a new way to provide a focused and more meaningful approach to using the Risk Management Maturity Model (RM3) in the heritage sector.

## **Policy and strategy**

Within our policy and strategy work, we commenced a survey, following the first year of the launch of RM3-2019, to collect feedback from users on how the model is used and its effectiveness. We also started work to develop an e-learning package on RM3 to supplement the hard-copy guidance booklet 'RM3-2019'. This will be interactive and available free.

On train driving licensing, we produced specific guidance for train operators during the pandemic on the emergency measures introduced by the European Commission to extend the deadlines for periodic medicals for licensed train drivers and guidance on meeting the requirements for monitoring medical fitness during coronavirus restrictions.

We also developed new draft guidance to support level crossing risk assessment and ran a stakeholder consultation and engagement exercise on the draft guidance.

During the year, we sought stakeholder views on a number of issues. We carried out a survey of stakeholders on the impact of ROGS to provide evidence for a Post Implementation Review of this piece of health and safety legislation. We also sought views, via a consultation exercise, on our proposed revision of ORR guidance on application of the Railway Safety Regulations 1999 (RSR 99) to Mark 1 type and hinged door rolling stock when operated on railway infrastructure where line speed exceeds 40kph.

We continued to chair the Railway Industry Health and Safety Committee, which brings together representatives of employers, employees, passengers, and government bodies to discuss and contribute to health and safety matters, and worked with other health and safety regulators to share best practice.

On 1 January 2021, Britain left the Single Market and Customs Union, ending the direct jurisdiction of EU law on UK soil. We worked closely with the Government last year as it prepared for this, in particular to secure the continued safe operation of international rail services. Consideration has also been given to the impact on arrangements for the supervision and monitoring of Channel Tunnel operators and the way that the safety regulator role will be delivered by the Channel Tunnel Intergovernmental Commission (IGC) and ORR for the UK half of the Channel Tunnel.

## **Channel Tunnel**

Throughout the year, we continued to provide leadership, expert advice, and secretariat support to the IGC and supporting Channel Tunnel Safety Authority (CTSA). In particular,

the CTSA continued to monitor Eurotunnel's approach to safety-related issues in respect of its new ElecLink project and provided a level of assurance to the IGC which enabled conditional consent for this project to be reinstated.

The CTSA has also monitored Eurotunnel's work to improve control of the fire risks of over height objects through the reinstallation of four pagodas to its shuttle wagons; worked closely with Eurotunnel on its plans to modernise its passenger shuttle fleet; and worked to ensure that risks associated with the carriage of lithium batteries through the Tunnel are assessed and appropriately mitigated. In addition, ORR inspectors have taken an active role in investigating an incident that occurred at the ElecLink converter station and addressing shortcomings with emergency siding firefighting arrangements on the UK terminal.

## **Health and wellbeing**

Our focus has remained on the health of everyone working on or around the railway through our support for the Samaritans' Million Hours Challenge and the Rail Wellbeing Alliance.

## **Regulation and certification**

In 2020-21 we have:

- Issued 736 train driving licences.
- Recognised a further 9 doctors, 8 psychologists and 2 training and examination centres and added them to our registers as required under the Train Driving Licences and Certificates Regulations.
- Delivered 22 level crossing orders.
- Issued 30 safety certificates to mainline train operators and 7 safety authorisations to infrastructure managers. For non-mainline operators, issued 2 safety certificates and 2 authorisations.
- Reported to RAIB on a total of 127 recommendations, with 86 having been implemented; 17 reported as implementation ongoing and 24 as progressing.

## **Investigation and enforcement**

During the year we served 2 prohibition notices and 11 improvement notices and, where appropriate, prosecuted duty holders in the courts to ensure compliance with the law. As prevention is always better than addressing issues after an incident has occurred, the 11 improvement notices were served when we identified serious breaches of the law and required changes to be made.

The courts dealt only with priority cases in the first part of 2020-21 because of COVID-19 restrictions but towards the end of the year, we managed to successfully conclude a number of health and safety prosecutions:

- In May 2020 Renown Consultants Limited were fined £450,000 with £300,000 costs following the deaths of two of its workers whilst travelling in a company van back to Doncaster after a night shift in Stevenage in the early hours of the morning on the A1 near Claypole. The van crashed into a parked articulated lorry.
- In November 2020 Scotland's Crown Office and Procurator Fiscal Service (COPFS) prosecuted Network Rail following a failure to prevent trains running over a badly storm-damaged viaduct (Lamington) on the West Coast Main Line. Network Rail entered a guilty plea to one charge under the Health and Safety at Work etc. Act 1974 (HWSA) and was fined £10,000.
- In December 2020 COPFS prosecuted Network Rail for failing to maintain and improve the railway fencing near Musselburgh, East Lothian which in August 2016 had led to a 13-year-old boy being left with severe electrical burns from the overhead line equipment. Network Rail entered a guilty plea to one charge under HSWA and was fined £135,000.
- In December 2020, DB Cargo pleaded guilty to one charge under HSWA. The prosecution followed ORR's investigation into an incident that occurred in September 2018 where a DB Cargo employee sustained life-changing injuries after being struck by a train at its Dollands Moor freight terminal. In March 2021 DB Cargo was fined £200,000 with £33,769 in costs after pleading guilty to the offence.
- In April 2021, Network Rail was fined £696,666 plus full costs of £33,647 after a member of its electrification and plant staff was badly burned in an electrical flashover whilst undertaking faulting work in a line-side conductor rail traction sub-station at Godinton.
- In July 2014 a worker was badly injured by collapsed excavation material during cable tunnelling works at Stafford. Volker Rail pleaded guilty at the magistrates' court and the case has been sent to Crown Court for sentencing in May 2021.



## Strategic objective 2: Better rail customer service

We have a key role to improve the rail passenger experience in the consumer areas for which we have regulatory responsibility and take prompt and effective action to improve the service that passengers receive where it is required.

In fulfilling our role, we primarily focus our efforts on the four areas for which we are responsible:

- The provision of assistance to passengers who require additional support to make their journey;
- The provision of passenger information, including when there is disruption;
- The provision of an accessible, effective, and efficient complaints handling service, including providing compensation where passengers are subject to delay; and
- Ticket retailing, specifically the ease with which passengers can buy, use and, where necessary, receive a refund for their ticket.

We do not have a regulatory responsibility for punctuality from a consumer perspective. Our work in this area is limited to holding Network Rail to account.

### Impact of COVID-19

The challenges faced by train operators as a result of the COVID-19 pandemic have had an impact on their ability to meet regulatory obligations. We have had to consider and adapt our approach accordingly, and we published our letter to train operators setting this out. We also introduced a proactive approach to holding train operators to account during this period and initiated a rolling programme of contact with each of them to understand how they were meeting the needs of their passengers.

The pandemic has also seen us take on a new role in relation to the Government's response to the virus. This initially required us to monitor Eurostar's and Eurotunnel's adherence to the new requirements to give health information to customers. Following this, we have been given a new role to enforce obligations on Eurostar and Eurotunnel and can issue a fixed penalty notice for each failure to ensure that a passenger has met the necessary COVID test and locator form requirements before travel. More recently, new regulations for both companies for travellers from Red Zone countries for which we have enforcement powers have been added.

## Accessibility

During 2020-21, we published revised Accessible Travel Policy (ATP) Guidance in relation to Rail Replacement Services (RRS) and our approach to compliance with the Public Service Vehicle Accessibility Regulations (PSVAR). We embedded monitoring of train operator performance into our established compliance monitoring framework; information which we are sharing with DfT to inform the Rail Minister's decision on exemptions for non-compliant rail replacement vehicles and future policy development in this area.

We published further measures in the revised ATP which are designed to improve the reliability of passenger assistance. These new measures follow the successful trial with a number of operators of the handover protocol which ORR developed to ensure that essential information is communicated between station staff to improve the reliability of assistance provision at the destination station.

In the last year, we published the outcome of our assessments of train and station operators' compliance with the revised ATP guidance requirements to provide disability awareness/equality training to their staff by 31 July 2021. Operators provided evidence to us that they are on track to meet their training obligations, although we have had to grant a short extension to five operators for providing refresher training to their frontline staff. Overall, we are pleased that, despite the challenges of COVID-19, operators have been able to adapt their training plans to meet their ATP commitments. We expect that over 30,000 staff will have received additional training in this area by the end of 2021.

The results of our review of train and station operators' compliance with their ATP website obligations have also been published. This comprised a technical check against the Web Content Accessibility Guidelines AA standard, and a review of Accessible Travel content. The results highlighted a number of issues with websites' accessibility and content, and prompted train operators to make immediate improvements and develop an action plan to make further improvements.

## Passenger information

We developed the Customer Information Measure (CIM) which will allow performance across a range of measures for individual train operators to be benchmarked and progress to be monitored. Two operators, CrossCountry Trains and LNER, working alongside Network Rail, trialled the CIM. We have taken on board their feedback and having refined the CIM will work with the industry on how it can best be utilised.

We reviewed and responded to the cross-industry Passenger Information Improvement Plan received in response to our request that the industry work together to make tangible and enduring improvements in this area. We are continuing to meet regularly with the industry programme leads to discuss progress against the 13 work packages set out in the plan, now known as the 'Smarter Information, Smarter Journeys' programme.

In 2020-21, we also wrote to train operators to set out the key principles to which we expect them to adhere in order to ensure they are taking all the necessary steps to provide appropriate, accurate and timely information to passengers when timetables are not confirmed due to the industry's inability to meet informed traveller timescales (T-12) during the pandemic. We monitored their performance against these key principles.

## Complaints and redress

During the last year, we commenced the review of our 'Complaints Handling Guidance' for train and station operators. The guidance has been in place since 2015 and our review intends to ensure that the guidance remains fit for purpose. We held two industry workshops and commissioned research to help us understand how the guidance might change. We also wrote to the worst performing train operators identified by our passenger complaints satisfaction survey to understand the reasons for poor performance and their plans for improvement.

In July 2020, we published the outcome of our independent review of the Rail Ombudsman. This made a number of recommendations to improve the role of the ombudsman and the governance of the scheme, which we have been taking forward to ensure that they are embedded into the ombudsman scheme arrangements.

We also published our proposals to introduce a new passenger train operator licence condition to improve access to delay compensation. This includes a new code of practice designed to tackle the key barriers to delay compensation; awareness and ease of process. Our consultation builds on the recommendations made in our response to the Williams Rail Review, set up to recommend the most appropriate organisational and commercial frameworks to deliver the Government's vision for the UK.

## Consumer law

We wrote to, and subsequently met with, Eurostar regarding its refund policy during the pandemic and its compliance with the requirements in the Consumer Protection from Unfair Trading Regulations 2008. We had concerns that the information provided to consumers would result in some consumers being misled as to their right to a refund. As a result, Eurostar has made system and process improvements to strengthen its communication with passengers to more explicitly include all the refund options available to them.

### **We also:**

- Continued our day-to-day monitoring and compliance work, for example monitoring the quality and timeliness of train operator passenger information during spells of adverse weather, and information arrangements for passengers for periods of planned line closures;

- Continued to seek input from our Consumer Expert Panel on a range of issues including complaints handling, delay compensation, and Network Rail stakeholder engagement. We also conducted a successful recruitment exercise to refresh the membership of the panel; and
- Published our 'Annual Rail Consumer Report' for 2019-20. This report illustrates the breadth and depth of our work across the consumer areas for which we are responsible.



## Strategic objective 3: Value for money from the railway

We support the delivery of an efficient, high-performing rail service that provides value for money for passengers, freight customers, governments, and taxpayers. We also regulate other significant elements of the national rail infrastructure, including High Speed 1 (HS1) and the UK portion of the Channel Tunnel.

In addition, we have a number of roles that enable us to secure the best deal for rail users now and in the future.

### Holding Network Rail to account

2020-21 was the second year of the five-year control period (CP6). COVID-19 has presented huge challenges to Network Rail and the wider rail industry. Many of the challenges experienced as a result of the pandemic at the end of year one of Control Period 6 have continued throughout 2020-21.

In light of this, we have adopted a more qualitative approach to assessing Network Rail's performance and service delivery over the year. This includes looking at Network Rail's response to coronavirus across its different areas of delivery. We have also taken a forward look on future delivery and risk management. Where appropriate we have assessed Network Rail's delivery of the key outcomes set out in our Periodic Review 2018 Final Determination (which reflects government's High Level Outputs Specifications) and Network Rail's licence.

In December we wrote to Network Rail praising its response to COVID-19 but raising concerns about how Network Rail is planning rail timetables for 2021 and the longer term, and requiring improvement by Network Rail on how rail capacity is allocated and access to the network is granted. Since then we have worked with the company on plans to resolve these issues.

We also noted that, while reduced service levels and passenger numbers have been a factor in improved punctuality, it is evident that Network Rail has focused on strengthening its performance management capability, including taking steps to learn from the pandemic and deliver improvement plans. However, we set out the need for continued attention to improvements to train service performance in the North West, following through recommendations from an investigation we concluded in the previous year.

## High Speed 1

As with Network Rail, COVID-19 has presented a number of challenges to High Speed 1 Ltd. Throughout the year we have worked closely with HS1 Ltd and the operators using the route on various mechanisms to cope with a dramatic fall in passenger demand.

In May 2020 we approved a variation to the track access contract to incorporate an agreement between HS1 Ltd and Eurostar on deferring some charges for renewals for a set period. In February 2021 we approved an agreement between HS1 Ltd, Eurostar and London and South Eastern Railway (supported by the Department for Transport) for the reapportionment of some of HS1 Ltd's charges.

## Information and analysis

ORR is the primary producer of official statistics for the rail industry. The majority of our statistics have been assessed by the Office for Statistics Regulation and have been designated as 'National Statistics'. This means that they meet the highest standards of trustworthiness, quality and value.

Throughout the year we have continued to publish a range of quarterly and annual statistics on our data portal, including train performance and usage (both passenger and freight), passenger experience, finance, emissions and safety. The data portal is used by a wide range of people, for example, central and local government policy makers, passenger watchdogs and rail user groups, academia and consultancy, media, and the public.

In November 2020, we published 'Rail Industry Finance'. This revamped annual report draws together financial information from around 30 companies to show the income, expenditure, and government funding of the UK rail industry in 2019-20 together with an update on the financial impact of COVID-19 for the first six months of 2020-21. Improved analysis and an interactive dashboard were published, making the data more accessible to users.

In December 2020, estimates of station usage (our most popular publication) successfully achieved National Statistics status following an assessment by the statistics regulator. We significantly improved the publication and introduced new information and outputs.

## Channel Tunnel regulation

We work with the French transport regulator, the Autorité de Régulation des Transports (ART), to jointly exercise our statutory responsibilities for the economic regulation of the Channel Tunnel. Although our powers are independent of one another, ORR and ART have agreed to work together under a mutual cooperation agreement to ensure that we make consistent decisions across the UK and French halves of the network. Our roles and responsibilities have been unaltered by the end of the Brexit transition period. Our overall

objective is to maximise the benefits of using the tunnel for passengers and freight customers in both countries.

In December, we concluded our supervision of an agreement on Operating, Maintenance and Renewals charges for railway operators using the Tunnel. The agreement is effective until 2024.

In February, we issued our opinion on Eurotunnel's 2022 Network Statement, which will come into force in December 2021.

## **Access, licensing and capacity**

Our work ensures that railway companies are fit to operate and that access to the rail network is fair. Our role ensures that users and funders of the railway are not disadvantaged by the monopoly power of the networks we oversee.

During 2020-21, we were conscious of the uncertainty and disruption created by the coronavirus pandemic for the railway and the customers it serves. At short notice, we expedited the processing of amendments to track access contracts, reflecting the commercial and operational pressures on the industry. We also recognised the importance of Network Rail's regions in planning network access, and challenged it to: improve the clarity of evidence and information available for its access decisions; produce the Capacity Enhancement Plan for the Castlefield Corridor; and work with industry to improve the timeliness of access applications.

### **In 2020-21, we:**

- Reviewed and approved over 100 hundred new and amended track access contracts for passenger and freight operators.
- Reviewed and approved over 250 access contracts for stations, depots, freight terminals, other service facilities and connecting networks.
- Issued 29 licences or licence exemptions for operators of railway assets.
- Reviewed and consented to 12 of Network Rail's proposed land disposals.
- Completed our annual audit of Network Rail's land disposals, identifying no major issues overall but recommending increasing some consistency checks.
- Reviewed and recommended improvements for the annual network statements published by Network Rail, Northern Ireland Railways, and for the Core Valleys Lines (in Wales).

## Promoting competition

We have continued our work monitoring and taking action to promote competition and tackle anti-competitive behaviour in railway markets. We have used the range of our powers, from advising and influencing industry, where appropriate, through to using our formal enforcement tools to tackle illegal conduct.

In April 2020 we concluded a review of the remedies which had been put in place in the rolling stock leasing market in 2008-09. We wanted to see whether the market had changed after 10 years such that the remedies were still necessary and proportionate. We concluded that they were still useful and that they should remain in place. On a similar theme, in March 2021 we issued a call for evidence about measures put in place for the re-sale of freight locomotives to see if they were still necessary and relevant given developments in the sector.

In November 2020 we re-launched a formal market study into the market for major signalling projects. The study builds on previous work we have undertaken in the market, notably the representations we made against the proposed merger of two major players in the GB sector. The study set out to look at whether the supply chain is fair and competitive, and whether the way that it operates delivers the best quality and value for money to infrastructure managers like Network Rail, and ultimately rail users and taxpayers.

In March 2021, we published our latest report monitoring the impact of, and response to, open access competition in railway markets and the impact on funding and passenger outcomes. Also in March, we launched a competition enforcement case looking into possible anti-competitive behaviour in the market for certain testing services in the rail passenger transport sector.

## Europe

The United Kingdom left the EU on 31 January 2020 and the transition period ended on 31 December 2020. New EU legislation ceased to apply and new rules came into force on 1 January 2021. Safety certificates, vehicle authorisations and operator and train driving licences issued in the UK by ORR ceased to be valid in the EU from 1 January 2021, with some exceptions for cross-border services. Throughout the lead up to the end of the transition period we worked closely with the Government and industry to support clarity and continuity for the users and funders of UK rail, and the continued safe operation of international rail services.

## **In 2020-21 we have also:**

- Supported the industry to understand how leaving the EU may affect their business, especially where this involves cross-border services or supply chains, and to plan mitigations in risks as they arise, and developed guidance on the new rules introduced since 1 January 2021.
- Advised government on its development of legislation to bring European competences into UK law, ensuring a stable regulatory environment after the UK exit from the EU.
- Developed a new strategic approach to future European and international work that will guide our engagement with relevant bodies in the coming years.
- Provided significant advice and support to Government as it negotiates and implements a new legislative framework for international rail services via the Channel Tunnel.
- Entered into formal co-operation agreements with the Channel Tunnel Intergovernmental Commission and the Etablissement Public de Sécurité Ferroviaire (the French railway safety regulator) to ensure clear and consistent regulation of safety in the Channel Tunnel.
- Continued to engage actively with European regulators on economic and safety regulatory practice, collaborating via IRG-Rail (the network of independent rail regulatory bodies) and ILGGRI (the forum of European national safety authorities) on the development of best practice and harmonised regulatory processes in a number of areas, such as COVID-19 contingency provisions and evolving regulation on international timetabling and service facilities.



## Strategic objective 4: Better highways

Highways England operates the strategic road network, managing motorways and major roads in England. Our role is to monitor and hold it to account for its performance and delivery, so that its customers enjoy predictable journeys on England's roads.

We report on Highways England's delivery of around £5 billion of annual expenditure, providing transparency to funders, road users and wider stakeholders. We encourage Highways England to publish more information on its plans and performance. Importantly, improved transparency allows other stakeholders to play a more informed role in holding the company to account.

Our business plan for 2020-21 outlined two priority areas for the year: finalising the elements of Road Investment Strategy 2 (RIS2) that we are responsible for and continuing future policy work.

### Road Investment Strategy

RIS2 sets out the funding available to Highways England for the Government's five-year strategic vision for investment in, and management of, the strategic road network from April 2020 to March 2025.

We have adapted our approach to holding Highways England to account, taking into consideration the extraordinary circumstances in which the company has been operating throughout the past year.

We have undertaken assessments of the company's capability to deliver its capital portfolio, focusing on pre-construction activities which are a crucial part of enabling efficient delivery.

We have also pursued a more detailed evidence base for assessing how the company undertakes its asset management decision making. In our experience the long-term efficiency and sustainability of infrastructure assets is predicated on good practice asset management.

We published our annual assessment of Highways England's performance. This covered the whole of the first road period (2015-20). The report found that the company met its targets for maintaining roads, clearing incidents, and completing improvement schemes, as well as its efficiency target for the period. However, the assessment noted that whilst the road user satisfaction target was not met, user satisfaction had improved through the period and the company came close to achieving its target in this area.

We commenced monitoring of the company's delivery of the Smart Motorway Action Plan, a plan agreed with the Secretary of State to improve safety on the Smart Motorway sections of the Strategic Road Network. ORR has also been asked by the Secretary of State to provide analytical assurance of the safety data associated with all lane running motorways.

We also published our 2020 Benchmarking report, covering the whole of the first Road Period in which we benchmarked Highways England's performance and efficiency against comparable organisations, including in other countries and sectors. We included some benchmarking of Highways England's regional performance. This is an area that we want to expand on in future years as finding relevant international comparators has proved difficult, and it increases the transparency of the company's performance at a disaggregated level.

The report paints a generally positive picture of Highways England's regional performance over the last five years, but it is also important to understand differences and variations across the country. This can help identify further opportunities to improve performance and efficiency. We will be requiring Highways England to provide better cost and spending data at regional level in respect of operations, maintenance and renewals to provide greater transparency and help to better understand whether differences over time and between regions reflect more efficient delivery.

# Delivery of service standards

Much of ORR's 'business as usual' work involves providing services to those in the industry or others with an interest in our work.

As an organisation that is largely funded, directly or indirectly, by the public, it is essential that we publish service standards as part of our commitment to transparency.

The service standards below were published in our business plan for 2020-21. The table shows how we performed against each of these.

**Table 2: Performance against service standards**

Provision	Service standard	% achieved
Issue new or revised train driver licences	100% of applications processed within one month of receipt of all necessary documentation	100%
ROGS safety certificate and authorisations (Railway and Other Guided Transport Systems Regulations)	100% determined within 4 months of receiving completed application	100%
Report to Rail Accident Investigations Branch (RAIB) on the progress of its recommendations	100% response to RAIB recommendations within 1 year of associated RAIB reporting being published	100%
Efficient processing of technical authorisations	100% of responses within 28 days of receiving complete submission	100%
Access and licensing casework	100% decided within 2 months of receipt of all relevant information	100%
Freedom of Information requests	90% of requests for information responded to within 20 working days of receipt	90%
General enquiries and complaints, including adjustment to account for cases investigated	95% of enquiries and complaints responded to within 20 working days of receipt	97%
Prompt payment of suppliers' invoices to ORR	80% paid within 10 days of valid invoice	66% <sup>1</sup>
	100% paid within 30 days of valid invoice	94% <sup>1</sup>
Publication of quarterly statistical releases	100% published within 4 months after quarter end	100%



**Our inspectors spent 50% of their time on proactive inspection (against 50% target)**

<sup>1</sup> Impacted by the sudden change to working from home

# Financial performance

## The public sector budgeting framework

The budgeting system is designed to support the UK's public spending framework. Estimates are the mechanism by which Parliament authorises departmental spending, and are presented using the public sector budgeting framework. Through the Estimates process, Parliament is required to vote limits for different budgetary categories of spending. For ORR, these are the:

- Net Resource Departmental Expenditure Limit (RDEL) requirement;
- Net Capital Departmental Expenditure Limit (CDEL) requirement; and
- Net Cash Requirement (NCR) for the Estimate as a whole.

A breach of any of these voted limits would result in an Excess Vote. Parliament must be asked to vote an actual amount for any control limit. Therefore in ORR's case, as our income fully covers our costs, the Estimate shows a token £4,000 to be voted.

A summary of our income and expenditure capital outturn compared to the 2020-21 Estimate and 2019-20 outturn is shown in the table below.

**Table 3: Outturn against 2020-21 financial control totals and 2019-20 outturn**

		2020-21 outturn £000	2020-21 Estimate £000	2019-20 outturn £000
<b>Income</b>	Economic regulation	(13,687)	(15,693)	(14,074)
	Health and safety regulation	(16,153)	(18,405)	(18,163)
	Highways monitoring	(2,482)	(2,525)	(2,442)
	<b>Total income</b>	<b>(32,322)</b>	<b>(36,623)</b>	<b>(34,679)</b>
<b>Expenditure</b>	Staff costs	24,577	25,947	24,460
	Other costs	7,748	10,680	10,222
	<b>Total expenditure</b>	<b>32,325</b>	<b>36,627</b>	<b>34,682</b>
<b>Net operating cost/net resource outturn (RDEL)</b>		<b>3</b>	<b>4</b>	<b>3</b>
<b>Net capital outturn (CDEL)</b>		<b>593</b>	<b>720</b>	<b>5,219</b>
<b>Net cash requirement (NCR)</b>		<b>1,975</b>	<b>9,999</b>	<b>(12)</b>

This table ties directly to the Statement of Parliamentary Supply against Outturn on page 78, a key accountability statement which is audited.

## **Variances between Estimate and outturn**

### **Income**

All rail-related costs are recovered via licence fees or the safety levy which are invoiced based on estimated costs. Therefore any over-recovery is treated as deferred income and any under-recovery as accrued income, as set out in note 5 to the accounts. All highways-related costs are recovered in full from the Department for Transport.

Income from economic regulation comprises income from the licence fee, HS1 and our monitoring of Northern Ireland. Health and safety regulation income includes income from railway service providers and from the Channel Tunnel.

### **Expenditure**

In 2020-21 we spent a total of £32.3m compared to £34.7m in 2019-20. Our overall gross budget for 2020-21 was £36.6m.

By segment, our spend breaks down as follows:

- £0.4m less on economic regulation than last year, at £13.7m (£2.0m less than budget);
- £2.0m less on safety regulation than last year, at £16.2m (£2.3m less than budget); and
- The same on our highways monitoring role compared to last year, at £2.4m (the same as budget).

The COVID-19 pandemic has significantly reduced our costs in 2020-21. It is difficult to quantify the full effect of this, but we estimate that without the impact of COVID-19 and other factors outside of our control, the underlying underspend is 5%. Running costs were 29% below budget. We spent 91% less on travel and subsistence in 2020-21 due to staff being advised not to travel. This did not prevent our inspectors from fulfilling their safety duties, and work was replanned and rephased as necessary. The pandemic also impacted on our budgets for hospitality, printing and training and conferences, where a number of courses were either cancelled or provided virtually, for free. Our planned consultancy programme of work was also adversely affected, and some work on the consumers agenda and preliminary work on Periodic Review 2023 did not go ahead.

Another cause of underspend was staff costs which were 5% below budget, partly due to higher vacancies throughout the year than budgeted, and partly due to a change in the timing assumptions of bonuses.

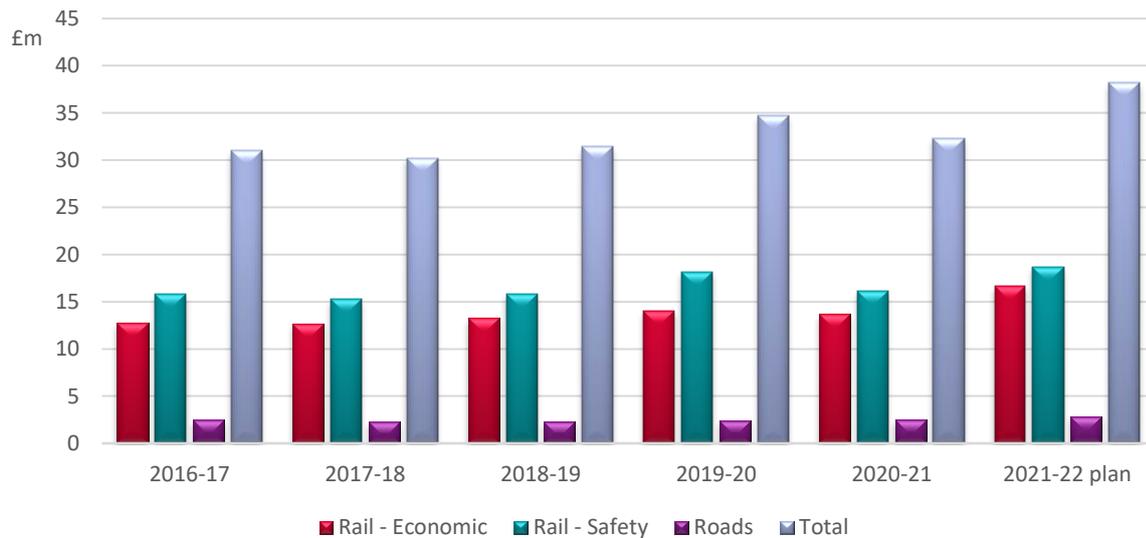
Staff costs accounted for £24.6m (76%) of total costs, compared to £24.5m (71%) in 2019-20. This reflects the reduced spend in other areas in 2020-21. Our average staff cost per

full-time equivalent (including employer’s national insurance and pension contributions) in 2020-21 was £75,390 compared to £74,121 in 2019-20.

## Long-term expenditure trends

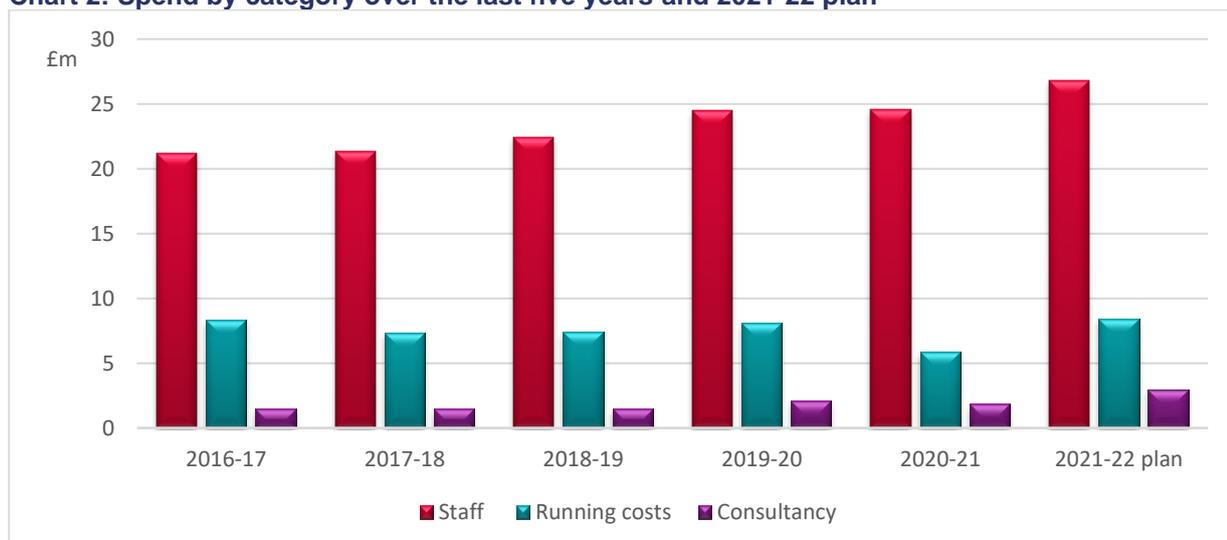
The chart below shows our spending pattern, in cash terms, over the last five years and for the 2021-22 plan, split by key work area.

**Chart 1: Spend by key work area over the last five years and 2021-22 plan**



The following chart shows how our spending breaks down by category of spend over the last five years and for the 2021-22 plan.

**Chart 2: Spend by category over the last five years and 2021-22 plan**

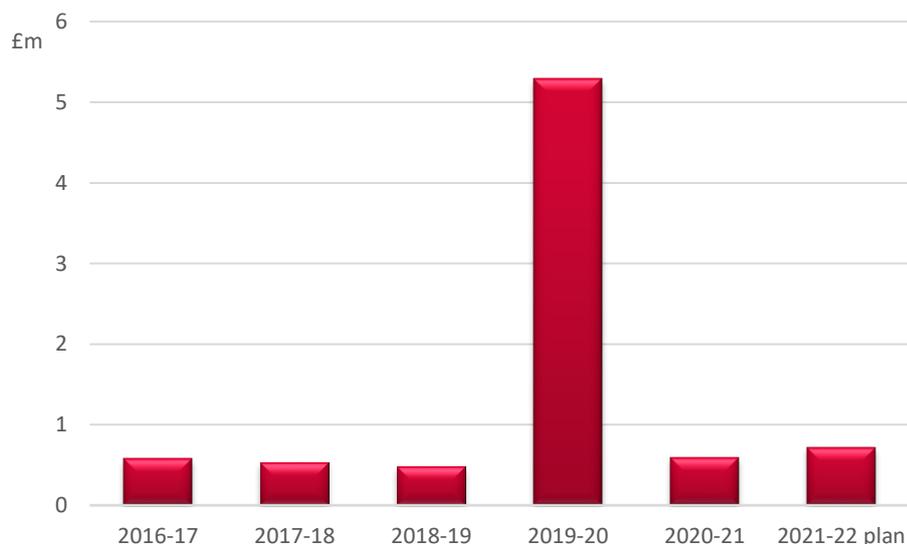


Running costs are significantly lower in 2020-21 than in 2019-20 as a result of the pandemic. We expect these to return to more normal levels in 2021-22.

## Capital expenditure

Net capital expenditure was £0.6m compared to £0.7m budget. As a result of COVID-19 a delay was experienced with some equipment expected to be delivered before 31 March 2021. Capital expenditure in 2019-20 was higher than usual at £5.2m, due to fit out costs associated with the London office move. The chart below shows CDEL outturn for the last five years and for the 2021-22 plan.

**Chart 3: CDEL outturn over the last five years and 2021-22 plan**



## Net cash requirement

Our net cash requirement (NCR) was £2.0m compared to £10.0m requested in the Estimate. We had requested a higher NCR than in previous years as a result of uncertainty over the timing of receipts. We did not need to use all of this.

## Impact of EU exit and COVID-19

ORR has not incurred any direct expenditure as a result of the UK's EU exit preparations. ORR's activity in this area is set out on page 29. A small amount of expenditure has been incurred in providing essential IT equipment, such as monitors, to staff to enable them to work from home effectively during the coronavirus pandemic. There have been no changes to ORR's headcount as a result of EU exit or COVID-19. Two members of staff have been loaned to other government departments to assist with the COVID-19 response. Both of these loans are for longer than six months. One of these remains on ORR's payroll and we have been reimbursed for the other loan in 2020-21.

# Sustainability

Sustainability continues to be a very active area within the rail industry and teams across the ORR support this work. In March 2020 we commissioned a study to help us increase our understanding in this area and provide a foundation for work going forward. Through our holding to account role we hold quarterly liaison meetings with Network Rail's Head of Environment and Sustainable Development. In the last year we have also established liaison meetings with a number of Environmental Authorities.

In 2020-21 our engineering team worked with Network Rail as they refreshed and then published their environmental sustainability strategy. In addition, we are working at both a network and regional level to identify how this strategy will be implemented over the remainder of Control Period 6 and into Control Period 7. Aligned with this strategy is the biodiversity action plan and we will monitor the implementation of this and the sustainable land use programme. It is also worth noting that Network Rail have published their plan for reducing emissions which includes setting science-based targets for scope one, two and three emissions.

A key area of focus for this year has been monitoring Network Rail, working with the wider industry to assess the issues and options for removing diesel-only trains from the rail network. The result of this work is the Traction Decarbonisation Network Strategy interim programme business case. Through research and working groups, we have maintained oversight in the area of decarbonisation, supporting on areas ranging from decarbonisation pathways to hydrogen trains. Government policy continues to develop with the net zero, biodiversity and air quality agendas being of particular relevance to rail. ORR is considering how it might develop its role to best support industry action on sustainable development and the environment and contribute to government policy objectives in these areas.

To support wider industry initiatives, we also participate in a number of cross-industry working groups including the Sustainability Rail Strategy taskforce, RSSB's Sustainable Development Steering Group and Climate Change Working Group and the Environment Agency's sponsored Infrastructure Operators Adaptation Forum.

Managing the impacts of weather on the infrastructure continues to be a key part of our holding to account activities. In response to our PR18 determination requirement, Network Rail has now updated and published its Weather Resilience and Climate Change Adaptation plans. To support us in evaluating these documents, we have commissioned a piece of work to assess the maturity of the plans. In addition to this our engineering teams have also undertaken a number of targeted assurance reviews in the areas of management of overhead line equipment, earthworks and drainage weather resilience.

We monitor Highways England's progress against its commitment to deliver better environmental outcomes on the strategic road network. For Road Period 2, covering April

2020 to March 2025, this includes holding the company to account for its performance against key performance indicators on noise, biodiversity, air quality and corporate carbon emissions. We also monitor progress against a number of environmental performance indicators, covering supply chain carbon emissions, condition of cultural heritage assets, water quality and litter.

In our annual assessment of Highways England's performance in Road Period 1 (April 2015 – March 2020) we reported that:

- Highways England met its target to mitigate noise at 1,150 noise important areas (1,174 noise important areas were mitigated).
- The company delivered the majority of commitments set out in its biodiversity action plan, which included developing a new biodiversity metric that will be used to measure progress in the second road period.

We worked with Highways England, the Department for Transport and other stakeholders to support the development of a new suite of environmental metrics and targets for Road Period 2 which include the following key performance indicators:

- Noise: mitigating 7,500 households in noise important areas.
- Biodiversity: achieving no net loss of biodiversity by the end of Road Period 2.
- Air quality: bringing sections of the network agreed with DfT into compliance with legal nitrogen dioxide limits in the shortest possible time.
- Corporate carbon: reducing Highways England's corporate carbon emissions, to levels defined by baselining and target setting activities in 2020-21.

Our next annual assessment is due to be published in July 2021, where we will report on Highways England's performance against these environmental metrics during 2020-21.

## **Procurement**

Sustainable procurement involves the management of internal demand to ensure that only appropriate goods and services are obtained from third parties, selecting suppliers that have appropriate sustainability credentials where relevant to the contract, utilising eTendering and opening up procurements to small and medium enterprises (SMEs). We issue documentation for all tenders electronically and require all proposals to be submitted electronically. We encourage SMEs' participation in tenders through highlighting the suitability of tender opportunities on ContractsFinder, and ensure that liability and insurance limits are as low as practical within the contract.

## ORR performance and policy

Our environmental performance in 2020-2021 is shown in the table below. We have presented the data as transparently as possible, and have noted below where it has not been possible to obtain some information. Defra conversion factors are used. Building-related data is provided for our offices in London and Glasgow only. Our other offices, occupied as sub-tenants of other government departments' premises, should be reported by the lead department. Most of our utilities are provided and controlled by our building landlords or lead tenants, therefore we do not set targets for the measures reported. The data on travel and paper consumption is for the whole of ORR.

**Table 4: Sustainability**

Greenhouse Gas Emissions		2018-19	2019-20	2020-21
Greenhouse gas emissions (tonnes CO <sub>2</sub> e)	Electricity (scope 2)	215	88	24
	Oil (scope 2)	59	19	-
	Official business travel:			
	Car (personal vehicle)	35	30	17
	Air	43	58	1
	Train	104	144	6
	Hire car	4	8	3
	<b>Gross emissions of official business travel</b>	<b>186</b>	<b>240</b>	<b>27</b>
	<b>Total gross emissions</b>	<b>460</b>	<b>347</b>	<b>51</b>
Related consumption (KWh)	Electricity – non-renewable	480,562	243,175	-
	Electricity – renewable	33,342	103,567	88,734
	Oil	209,180	66,742	-
Related expenditure (£)	Total expenditure on energy	82,709	73,896	75,411
	Expenditure on official business travel	651,810	784,837	100,104

Greenhouse gas emissions from electricity and travel were significantly lower in 2020-21 as a result of staff largely working from home. ORR no longer uses oil, or has any non-renewable electricity source.

Waste		2018-19	2019-20	2020-21
Waste (tonnes)	Non-hazardous recycled	11	20	1
	Non-hazardous incinerated/energy from waste	7	36	5
	<b>Total waste</b>	<b>18</b>	<b>56</b>	<b>6</b>
Related expenditure (£)	Cost of waste collection	8,125	36,415	1,795

The table above includes data for our London office and Glasgow offices only. Waste figures were high in 2019-20 as a result of the London office move. In 2020-21 we only have available figures for our new London office from August 2020. Data prior to this has not been made available. Waste figures were lower due to the offices being largely closed between April and September 2020.

Finite resource consumption		2018-19	2019-20	2020-21
Resources	Water consumption (m <sup>3</sup> )	2,063	866	n.a*
	Paper consumption (A4 reams)	1,520	995	150
Related expenditure (£)	Water supply	4,820	2,628	1,992

\*not available

2018-19 water consumption figures were full year figures for our previous London office and our Glasgow office. We vacated this London office in December 2019 and only have figures up to this date. No figures are available for our new London office for 2019-20 or 2020-21. We have actively worked to reduce paper consumption over the last few years, by removing single-sided printing as a default option and monitoring click charges. Paper and water consumption were lower in 2020-21 due to the majority of staff working from home for most of the year.



**John Larkinson**  
Accounting Officer  
14 June 2021

# Accountability Report

# Corporate Governance Report

## Directors' Report

ORR is a non-ministerial government department, which is independent of, but works closely with, the Department for Transport (DfT).

Executive and Non-Executive members of the ORR Board are listed in the Governance Statement on page 50.

Details of company directorships and other significant interests held by the Board are available on request.

### Prompt payment

We are committed to the prompt payment of our suppliers and seek to pay all valid invoices as soon as possible. During 2020-21, 94% of invoices were paid within 30 days (100% in 2019-20) and 66% paid within 10 days (94% in 2019-20). These rates were lower than in 2019-20 due to the sudden impact of working from home at the beginning of the year. ORR's paper-based processes have now been replaced by an online process, and rates have improved throughout the year.

### Personal data related incidents

Personal data related incidents are covered in the Governance Statement on page 58.

### Complaints

Our customer correspondence team handles all complaints and general enquiries received by ORR. Most of the correspondence received relates to concerns about the rail industry<sup>2</sup>. ORR is represented at the cross-government complaint handlers' forum and the Department for Transport complaint handlers' working group.

In 2020-21 we received 1,257 complaints and general enquiries, which represents a decrease of 465 cases, or 27%, on the previous year. 147 (12%) of these complaints relate to the COVID-19 pandemic and the effect of the national lockdown which severely impacted the public's ability to use the railways.

We aim to respond to 95% of all such enquiries within 20 working days of receipt, excluding safety cases which can often take longer than 20 days to investigate due to the complexity of often multi-part enquiries. In 2020-21, 97% were cleared within the deadline. Frequent concerns being raised include: COVID-19 related concerns; problems with

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<sup>2</sup> complaints about the strategic road network are handled by Highways England.

obtaining delay/repay due to COVID-19; and crowding. We also had an increase in rail employee health, safety and welfare concerns associated with COVID-19.

Details of whistleblowing complaints will be published on our website separately.

## **Freedom of Information**

In 2020-21 we received 136 requests of which 122 (90%) were responded to within 20 working days or within the permitted extension deadline. Further details are published by the Cabinet Office: <https://www.gov.uk/government/collections/government-foi-statistics>.

## **Formal complaints received about ORR**

If someone is unhappy with the service they have received from ORR, they can raise a formal complaint in writing with the head of the customer correspondence team. Their complaint will be acknowledged and passed to the relevant director to respond. If the complainant remains unhappy they can escalate their concern to the Parliamentary and Health Services Ombudsman (PHSO). ORR received two formal complaints which were investigated, with neither being escalated directly to the PHSO.

## **Better regulation**

We published our annual Business Impact Target report in December 2020 as required under section 24A of the Small Business, Enterprise and Employment Act (as amended). Throughout the year, we engaged with the Department for Transport, the Department for Business, Energy and Industrial Strategy (BEIS) and our peers, participated in the Better Regulation Executive's work on the fourth industrial revolution, and responded to BEIS consultations where relevant, for example on international regulatory cooperation.

Two of the key projects we focused on were (i) updating our approach so that we continue to comply with our Public Sector Equality Duty (PSED); and (ii) reviewing our analytical tools (covered in the Governance Statement on page 58). We reviewed and published our equality objectives and information in compliance with our PSED as required by section 149 of the Equality Act 2010. We also reviewed our decision-making toolkit to reflect our equalities duties and support our policy makers. We developed intranet pages outlining our approach and tools for drafting equality impact assessments or equality statements when developing policy.

We have continued to work collaboratively wherever appropriate with other economic regulators, principally through the UK Regulators Network (UKRN). Throughout the different phases of the COVID-19 outbreak we have continued to participate in all governance meetings of UKRN. We exchanged information with other regulators, which gave us an insight into the impact of the crisis in other sectors and helped us to understand better the big picture for the recovery phase of the pandemic. We shared best practice on the way we work, which gave us benchmarks against comparable

organisations. We also joined newly created groups on climate and diversity and inclusion, which will be major themes in 2021-22.

## **Fraud prevention**

ORR has a fraud prevention policy that ensures all employees understand how to prevent fraud and what to do if they suspect that fraud may be taking place. The policy sets out employees' responsibilities under the Fraud Act 2006, the Bribery Act 2010 and the Public Interest Disclosure Act 1998, as well as under Managing Public Money. No incidents of fraud or bribery have been raised since the policy was implemented. The policy is reinforced through ORR's conduct and discipline policies.

## **Auditors**

The Comptroller and Auditor General carries out the audit of ORR's financial statements. The notional cost of auditing the financial statements was £41,000 (2019-20: £41,000). No remuneration, actual or notional, was paid to the National Audit Office for non-audit work (2019-20: none).



**John Larkinson**  
Accounting Officer  
14 June 2021

# Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act 2000, ORR is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources required, held, or disposed of during the year and the use of resources by ORR during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of ORR and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the 'Government Financial Reporting Manual' and, in particular, to:

- Observe all relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the 'Government Financial Reporting Manual', have been followed, and disclose and explain any material departures in the accounts
- Prepare the financial statements on a going concern basis; and
- Confirm that the annual report and accounts as a whole is fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Treasury has appointed the Chief Executive as ORR's Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding ORR's assets, are set out in 'Managing Public Money' published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that ORR's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

# Accountability to Parliaments

ORR is accountable through the House of Commons' Transport Select Committee and the courts for its role as an independent health and safety and economic regulator of the railways and monitor of the strategic road network. Its Parliamentary accountability manifests itself practically in several ways, including the appointment of its Chair being subject to scrutiny by the Transport Select Committee and ORR senior officials regularly contributing to Parliamentary and Assembly committee inquiries. This year ORR has contributed to the Parliamentary process at Westminster by submitting evidence to the Transport Select Committee's Inquiry into Major Transport Projects: Infrastructure and Delivery.

We offer expert and impartial information and advice to governments and Parliamentarians, including members of the Welsh and Scottish Parliaments, to inform their scrutiny of rail and road issues. We also provide independent assessment of delivery across key transport strands. ORR actively engages with Parliamentarians on issues which are of interest to them and their constituents, through briefings, correspondence and proactive engagement. In 2020-21, largely due to the COVID-19 crisis, we focused our activity on one-to-one engagements, meeting with a number of MPs, MSPs and Peers from across the political spectrum.

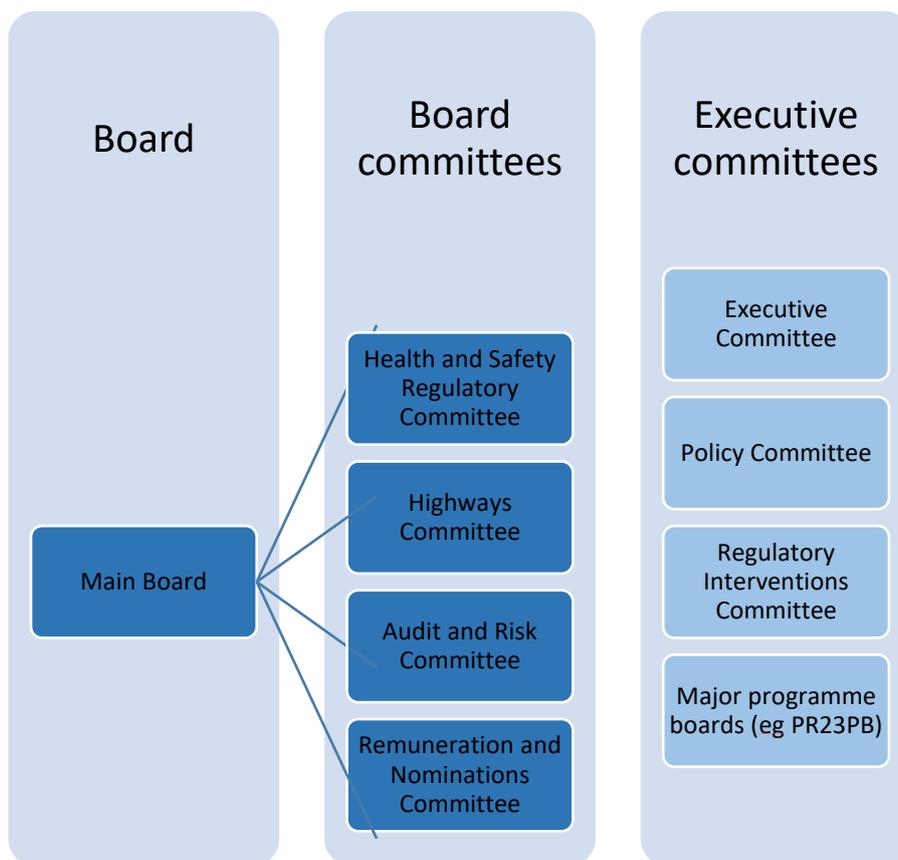
# Governance Statement

This statement explains the governance arrangements of ORR, including the management of risk and resources. ORR is the independent safety and economic regulator for Britain’s railways, established on 5 July 2004 under the Railways and Transport Safety Act 2003. Since 1 April 2015, ORR has also been the independent monitor for Highways England.

## Governance structure

Our governance structure is shown below:

Figure 1: Governance structure



## The Board

ORR is a non-ministerial government department led by a statutory Board consisting of Non-Executive Directors (including the Chair) and Executive Directors (including the Chief Executive). The Secretary of State for Transport makes appointments to the Board for a fixed term of up to five years, which is renewable, but can only remove individual members for grounds specified under paragraph 2 of Schedule 1 of the Railways and Transport Safety Act 2003. The Board provides support and challenge on the effective running and long-term strategy of ORR as well as on the department’s performance and risk management, and progress against delivery of our objectives and priorities. Members’

duties and responsibilities are set out in a code of conduct included in the Board's rules of procedure<sup>3</sup>. The Board's objectives are aligned to key business and risk management activities. The Board held 11 meetings in 2020-21. All the Board and committees' proceedings in the year were conducted by videoconference.

As part of a wide-ranging agenda during the year, the Board:

- Considered regular reports on health and safety risks across the rail industry;
- Monitored the impact of the COVID-19 pandemic on the rail industry and the management of the strategic roads network;
- Oversaw ORR's contribution to the rail industry response to the pandemic, ensuring that the regulatory framework did not prevent pragmatic and necessary change being introduced, for example work to enable train driver licensing to resume safely, understanding the risk of transmission on services, and mitigating the impact on passengers of frequent changes to timetables;
- Monitored the performance of Network Rail, with particular attention to their work to improve track worker safety, keeping up pressure to deliver financial efficiency, and their response to the drop in passenger numbers as a result of the pandemic;
- Scrutinised Highways England's performance with particular attention to their preparations for potential disruption following Brexit and changes to border controls to manage COVID-19;
- Engaged with government as it developed proposals for long-term rail reform;
- Continued to press train operators to deliver better customer service through improved complaints handling, training for frontline staff, and compensation, where appropriate;
- Worked with French and European regulators to develop a fresh approach to international obligations following Brexit;
- Accepted new powers to enforce health protection regulations for cross-border rail services;
- Discussed and reviewed applications for access to the network;

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<sup>3</sup> At <http://orr.gov.uk/about-orr/who-we-are/the-board>

- Oversaw ORR's measures to maintain its own effectiveness and to protect staff wellbeing during the shift to enforced working from home; and
- Enhanced its reputation among stakeholders through a planned and directed programme of communications.

Membership and appointment terms of ORR's Board as at 31 March 2021 was as follows:

## Non-Executive Directors

**Declan Collier**, Chair, since 1 January 2019, appointed until 31 December 2023

**Justin McCracken**, Deputy Chair, reappointed to 31 July 2024

**Stephen Glaister**, reappointed to 31 March 2022

**Bob Holland**, reappointed to 31 December 2024

**Michael Luger**, reappointed to 31 July 2021

**Anne Heal**, to 30 September 2021

**Graham Mather**, to 30 September 2021

**Madeleine Hallward**, to 12 April 2025

## Executive Directors

**John Larkinson**, Interim Chief Executive from 8 October 2018, permanently appointed as Chief Executive from 1 March 2021, Board appointment to 27 March 2022

**Ian Prosser**, Director, Railway Safety, Board appointment to 25 September 2023

**Graham Richards**, Director, Railway Planning and Performance, Board appointment to 30 November 2021

## Changes to Board membership

Madeleine Hallward was appointed to the Board on 13 April 2020.

## Audit and Risk Committee

The Audit and Risk Committee supports the Board in its responsibilities for issues of risk control and governance and associated assurance. Its role is to review whether assurances presented are sufficient and comprehensive enough to meet the Board and the Accounting Officer's needs, and to assess the reliability and integrity of those assurances, as well as to provide an opinion on how well the Board and Accounting Officer are supported in decision-making and in discharging their accountability obligations (particularly in respect of financial reporting and risk management).

The Audit and Risk Committee comprises three Non-Executive Directors (one of whom chairs the Committee) and an independent member. Membership of the Committee is reviewed every three years.

The Committee met five times during the year. Areas considered included:

- Internal and external audit plans and progress against those plans, including progress made in implementing audit recommendations;
- Key strategic risks for ORR and how they are managed, incorporating deep dives into specific areas. In 2020-21 these included holding Network Rail to account and reputational risk;
- Work carried out on business critical models and a review of the models' fitness for purpose;
- Updates on the introduction of a new finance and HR system and the Pay and Reward Strategy;
- A regular horizon scanning report to consider emerging or potential risks;
- An increasing focus on cyber security and business continuity, particularly in the context of the pandemic and a shift to enforced homeworking; and
- The annual report and accounts and the Governance Statement.

## Remuneration and Nominations Committee

The Remuneration and Nominations Committee has a specific role in reviewing the performance and remuneration of ORR's senior civil servants including the Chief Executive. It maintains oversight of our people strategy, including our reward strategy for employees below the Senior Civil Service. It also advises the Chair on Non-Executive recruitment and induction.

The Committee, which comprises three Non-Executive Directors, met five times during the year. Areas considered included:

- The performance of ORR's senior civil servants during 2019-20;
- ORR's pay policy and non-consolidated performance-related pay awards for its senior civil servants, ensuring that this is consistent with the annual guidance produced by Cabinet Office for the Senior Civil Service as a whole and meets Secretary of State approval;
- The succession and talent management arrangements for senior civil servants covering critical roles at ORR;
- Development of the three-year diversity and inclusion strategy and the start of its implementation;
- The review of ORR's pay and reward strategy;
- The annual people survey results; and

- The gender pay gap report.

## Health and Safety Regulation Committee

The Health and Safety Regulation Committee's role is to develop, maintain, review and update ORR's health and safety regulatory strategy and the overall adequacy of arrangements to meet ORR's statutory duties. It consists of a mix of Non-Executive and Executive members.

The Committee met four times during the year. Areas considered included:

- ORR's strategic approach to health and safety regulation;
- Network Rail's work to improve track worker safety;
- Relevant 'lessons learned' reviews from inside and outside the rail industry;
- Industry's leadership on occupational health issues;
- Emerging safety trends and challenges;
- Safety performance and management of non-mainline sectors, including heritage operators, London Underground and UK Trams; and
- Dutyholders' health and safety performance.

## Highways Committee

The purpose of the Highways Committee is to oversee the work of the highways monitor team, advise the ORR Board and act as a forum for policy development with senior staff. It consists of a mix of Non-Executive and Executive members. The Committee met four times in the year and considered:

- Reports from our monitoring framework for Highways England;
- Highways England's capital planning and asset management;
- Highways England's operational performance, including safety and efficiency;
- Implementation of the second Road Investment Strategy; and
- Highways England's management of significant local disruption to the network and support for those affected, particularly in relation to Brexit and Covid border changes.

## Board committee attendance

Board committee attendance in 2020-21 was as follows:

**Table 6: Board committee attendances**

Member	Board	Audit and Risk Committee	Remuneration and Nominations Committee	Health and Safety Regulation Committee	Highways Committee
Declan Collier	11/11	-	-	4/4	-
Stephen Glaister	11/11	-	-	-	4/4
Madeleine Hallward*	11/11	3/3	-	-	4/4
Anne Heal	11/11	-	5/5	-	4/4
Bob Holland	11/11	5/5	-	4/4	-
John Larkinson	11/11	-	-	4/4	4/4
Michael Luger	11/11	4/5	5/5	-	-
Justin McCracken	11/11	-	5/5	4/4	-
Graham Mather	10/11	-	-	-	4/4
Ian Prosser	11/11	-	-	4/4	-
Graham Richards	11/11	-	-	4/4	4/4
Rodney Norman**	-	5/5	-	-	-

\*appointed to the audit and Risk Committee in June 2020

\*\*independent member of the Audit and Risk Committee

## Board effectiveness

The Board and its standing committees are governed by the Board's rules of procedure. There is a formal appraisal system for all Board members, including Executive members, undertaken by the Chair. Committee chairs report to the Board after each meeting and minutes are circulated to Board members. The Board is required to review its own performance, including that of the committees, at least every two years. During 2019-20 a review of Board effectiveness was undertaken by an external consultant and reported in February 2020. The review gave strong assurance on the Board's effectiveness and governance and provided positive stakeholder feedback on the Board's work. The review made a small number of suggestions to further enhance the existing governance procedure. A plan to implement the recommendations for improvements was delivered under the oversight of the Audit and Risk Committee and agreed as completed in January 2021.

## Conflicts of interest

The Board's rules of procedure include strict guidelines on conflicts of interest. A register of Board members' interests is available on ORR's website, and members declare interests on agenda items at the start of every Board and Committee meeting. On the rare occasion where there is a risk of a conflict of interest, the Board must decide whether or not the relevant member must withdraw from the meeting during discussion of the relevant item and this is recorded in the minutes. No issues arose during the year.

## Compliance with the Code of Practice on Corporate Governance<sup>4</sup>

ORR is a non-ministerial government department with its functions vested in a statutory Board appointed by the Secretary of State. On that basis, there are some departures from the model envisaged in the 'Enhanced Departmental Board Protocol' for ministerial departments, as follows:

- The Board reserves to itself any changes in its governance and scrutiny thereof, so there is no committee with responsibility for governance;
- The Senior Management Team and the Board do not include a Finance Director as ORR is not a spending department; and
- The Board has a role in deciding individual reward for senior civil servants. This approach adds a useful element of independence and objectivity given the small size of the department.

These exceptions aside, the Board considers that ORR is compliant with the principles established in the Code. The Board and senior team operates according to the recognised precepts of good corporate governance in business, namely: leadership, effectiveness, accountability, and sustainability.

## The Executive

As Chief Executive, I head ORR and am also the Accounting Officer. Executive governance arrangements are based around three committees. Each committee involves a sub-set of Executive Directors as appropriate.

- The Executive Committee meets weekly and oversees operational issues such as progress against the business plan and allocation of resources for business planning.

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<sup>4</sup> <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

- The Policy Committee meets two to three times a month and advises on the development and implementation of policy. The Committee is concerned with policy substance and alignment with strategy.
- The Regulatory Interventions Committee meets two to three times a month and oversees a range of enforcement issues across economic, safety and monitoring functions.

In addition, certain major workstreams have their own programme board, for example, the PR23 programme. Programme boards are made up of a task-appropriate mix of Executive Board members, directors and staff.

## **Business plan**

ORR produces and publishes an annual business plan, setting out resource requirements and key outputs planned for the coming financial year. Monthly internal reports on delivery of planned outputs form an important part of the assurance process, allowing the Executive to monitor the delivery of ORR's objectives. This is drawn from a business management system, which requires the input of milestones against activities contributing to ORR's strategic objectives. The Board receives quarterly reports on: progress against business plan commitments; service standards, which we use to monitor the performance of some of our public-facing 'business as usual' work; and unplanned or reprioritised work.

I delegate budgets to directors as appropriate and review their expenditure against these delegated budgets, and their progress against business milestones, on a monthly basis. Each director has a number of officers to whom s/he may sub-delegate financial and purchasing authority. Records of these authorities are maintained within the finance team and are refreshed as required.

## **Whistleblowing**

ORR's whistleblowing policy is designed to provide an avenue for staff to raise concerns about perceived wrongdoings, illegal conduct or fundamental misconduct that may endanger others. Our 'whistleblowing and raising a concern' policy is available to all staff on our intranet. There were no internal whistleblowing complaints during 2020-21.

ORR is a prescribed person under the Public Interest Disclosure Act 1998. Prescribed persons are people and bodies you can blow the whistle to rather than your employer. People are able to contact ORR regarding concerns over the provision and supply of railway services and any other activities in relation to our functions. Details of whistleblowing complaints by railway employees will be published on our website separately.

## Risk management

The Board considers the key risks facing ORR as part of a yearly discussion on strategy. Management of these risks is delegated to the Executive Committee. The Audit and Risk Committee is responsible for assuring the Accounting Officer and the Board on the adequacy of risk management processes. On a quarterly basis the Board receives an update on risk from the Audit and Risk Committee, and the Executive’s risk summary paper.

Risk registers are maintained corporately and for each directorate. Risk champions in each directorate are responsible for collating risks at directorate level, which facilitates proactive management of risks by those with the relevant knowledge. Risk champions come together as a group quarterly to discuss top and cross-cutting risks and their mitigating actions. A longlist is then presented to the deputy directors group for strategic review and moderation of risk scoring. The top risks identified are then discussed and challenged by the Executive Committee before being presented to the Audit and Risk Committee on a quarterly basis. In addition, the Committee regularly conducts deep-dive reviews of strategic risks.

## Risk profile

During the year the principal risks to ORR were as follows:

**Table 5: Key risks and mitigating actions**

Principal risks	Mitigating actions
<b>COVID-19 pandemic</b>	
<p>Throughout 2020-21 the risk of failure to prepare for and respond to significant disruptive factors caused by the COVID-19 pandemic has been present. This could have resulted in an impact on our ability to support our people and carry out our regulatory role effectively.</p>	<p>Throughout 2020-21 we have continually assessed the risk and impact of the COVID-19 pandemic on our workforce and our operations. A ‘Gold Team’ crisis management approach was in place throughout the year to lead ORR’s internal response to the pandemic. ORR’s IT team have ensured that services have remained accessible from outside the office environment. Staff have been kept informed through fortnightly staff briefings held by videoconference, and through information published on our intranet. A high priority has been given to staff wellbeing, and we have taken two pulse surveys which have enabled staff to feedback how the prolonged period of working from home has affected them. Business processes have been adapted where necessary to reflect the changing situation.</p> <p>We have taken a pragmatic approach to our business plan and paused activities where necessary, for example we halted our market study into competition in the supply chain for signalling technology, and recommenced it once capacity returned to the industry. We also paused other work which required information-gathering from industry stakeholders.</p>
<b>Network Rail monitoring</b>	

Principal risks	Mitigating actions
<p>We have identified and are managing several risks relating to our monitoring of Network Rail. Network Rail is continuing to embed structural changes which have devolved decision-making to five regions, and is making further changes to consolidate its centrally managed activities. Network Rail's activities have been impacted by the pandemic, meaning that we need to monitor and assess its performance in different ways. The pandemic has also led to changes in the accountability arrangements for many train operators and their relationship with Network Rail. We are monitoring these changes to make sure that Network Rail is not distracted from delivery and continues to manage safety and performance risks effectively.</p>	<p>We are making sure that we have the right capability and processes to regulate Network Rail's regions, system operator and other central functions effectively. We are actively engaging the company to make sure that we are collecting the right information to assess its performance, including making sure that we can take account of the impact of the pandemic. In addition, we are working with industry stakeholders to ensure that, under recent changes to industry structure and any future reform, we continue to hold Network Rail to account for its delivery to customers and taxpayers.</p>
<p><b>Future structure of the rail sector</b></p>	
<p>The Government is conducting a review of the structure of the rail sector ('the Williams-Shapps Review'), the scope of which includes issues of rail sector governance and oversight, including the role of ORR. There are risks that the review does not fully take into account the full range of regulatory implications of any policy proposals and hence the wider impacts on the industry. The publication of the review was delayed as a result of needing to take into account the impact of the pandemic on the rail industry. The Government has said they remain committed to the publication of a White Paper.</p>	<p>We have continued to be engaged with the review process since its inception following our inquiry into the May 2018 timetable collapse, and have contributed advice to the review across a number of different areas. We have commenced work to prepare for PR23, the process by which Network Rail's funding for the next Control Period (CP7) will be set. This will ensure that Network Rail has stable funding for its operational maintenance and renewal position in place for 1 April 2024 in any scenario, and we will adapt our approach depending on the outcome of the Williams-Shapps Review.</p>
<p><b>Passenger and service levels</b></p>	
<p>Passenger numbers fell to the lowest level of usage since the mid-nineteenth century in Q1 2020-21. This has had a corresponding impact on operator revenue and as a result, the Government has stepped in to replace franchise contracts with Emergency Measures Agreements and to 31 March 2021 has committed over £11 billion of funding to keep services running. We do not know if passenger numbers will return to pre-pandemic levels or how quickly passengers will return to the railway once restrictions are lifted. This means that funding available for the railway is likely to be constrained, with potentially less funding available for Network Rail in CP7 compared to CP6.</p>	<p>We are monitoring Network Rail's delivery of their CP6 efficiency and asset management plans. We are working with funders and Network Rail to develop an assessment of funding requirements for CP7, the potential efficiencies that Network Rail could deliver over that period, and the implications of lower funding levels on the long-term asset condition of the network.</p>
<p><b>Risks of legal challenge</b></p>	
<p>Our functions encompass a broad spectrum of activity such as access and licensing, consumers, safety and much more. There is a risk that our policies and decisions in any of these areas may be subject to legal challenge.</p>	<p>We ensure that our processes for decision-making are robust and that our decisions are evidence based. In addition, we ensure that staff are provided with the necessary training and support to ensure they can carry out their role effectively. When we are developing or updating our guidance and policies, we do so in a transparent and open way, engaging and consulting with relevant stakeholders as appropriate.</p>

## Quality and analytical assurance

We have quality and analytical assurance frameworks, robust processes and tools in place for effective risk management of analysis and decisions. This helps to inform and support our analysts, policy and decision makers. During the year we reviewed our analytical tools to identify a list of business critical models that we use to inform our decisions and advice. We also assessed the fitness for purpose of each model's quality assurance and governance processes using a five pillar methodology and scoring system. This is in alignment with the recommendations from the Macpherson review of government analytical models, the Aqua Book and best practice across government. We shared best practice with our peers, and presented our approach to analytical assurance through the UK Regulators Network and DfT's Analytical Assurance Community of Practice.

## Information assurance

ORR maintains an information management strategy which sets out how we manage our information as a combined safety and economic regulator. ORR is registered as a data controller with the Information Commissioner and adheres to the provisions of the Data Protection Act 2018. We have a data protection officer as mandated by the legislation who advises the office with regards to compliance. Our privacy policy is published on our website.

We maintain a risk register on information risk and oversee our compliance with our government information assurance requirements through a security forum chaired by our senior information risk owner. This forum meets quarterly (or by exception) to monitor breaches in general security and information security, recommend follow-up actions as appropriate, and to provide a central management point for matters relating to information assurance.

ORR follows the requirements of the Cabinet Office's minimum security standards where they apply to us, and submits a report on security and information assurance annually to Cabinet Office. Each year we carry out an assessment to evaluate whether the security regime is appropriate to the impact levels of the information we hold throughout the organisation. As a result of this work we have assurance that we have the appropriate security controls in place (both physical and electronic) to hold information at 'official' level. We continue to manage a risk-appropriate security culture at ORR through directorate information asset owners who manage the information on a day-to-day basis. An annual assurance review is carried out with them directly.

## Personal data related incidents

We have had no notifiable breaches for 2020-21.

## **Internal audit**

Our internal auditors are Mazars. Throughout the year Mazars have delivered a programme of audit reviews which was developed jointly with the Executive and endorsed by the Audit and Risk Committee. The plan was designed to address the key risks facing the organisation and to provide assurance that our key business processes are fit for purpose. The most that the internal audit service can provide to ORR is reasonable assurance that there are no major weaknesses in those systems audited. Based on the reviews undertaken and specific testing and evaluation performed during the year to 31 March 2021, Mazars have provided moderate assurance in respect of the adequacy and effectiveness of the framework of governance, risk management and control. Recommendations made by Mazars during the year have either been implemented already, or will be implemented in 2021-22.

## **Value for money from major contracts**

It is ORR's policy to utilise competitive tendering when seeking goods and services from third party suppliers, when practical to do so. On the occasions where a single source approach is taken, robust justification must be provided, which is signed off by a senior member of staff.

For high value contracts, ORR has three main routes to access the market, depending on the requirement of the tender: Crown Commercial Service frameworks; wider public sector frameworks; and open tenders. Our main tendering strategy is, and will continue to be, to utilise framework agreements using mini-competitions or through direct award where it can be demonstrated that the supplier provides value for money. A benefit of using such frameworks is that they often allow for the inclusion of benchmarking provisions, which can be used to ensure the contract retains its value for money.

For tendering consultancy we either utilise a framework or we undertake an open competition, publicising the requirements through ContractsFinder, This opens up the requirements to small and medium enterprises who often specialise in our particular consultancy requirements. We focus on price/whole life costs as one of the main criteria.

## **Accounting Officer's statement**

As Accounting Officer, I am personally responsible and accountable to Parliament for the organisation and quality of management in the department, including its use of public money and stewardship of its assets. The system of internal control in place to support me in this capacity accords with all relevant HM Treasury guidance.

My review of the effectiveness of the system of internal control for 2020-21 was informed by assurance statements from directors across the organisation, and from the Audit and

Risk Committee. This is further supported by independent assurances from internal and external audit.

As Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that ORR's auditors are aware of that information. I am not aware of any relevant audit information which has not been disclosed to the auditors.

I have considered the evidence that supports this Governance Statement and am assured that ORR has a strong system of internal control in place to support the achievement of its strategic objectives. During the year our internal auditors have made a number of recommendations to management to enhance governance, risk management and control. Where actions have not yet been completed, action plans are in place for all of the recommendations made.

The annual report and accounts are fair, balanced and understandable. I am personally responsible for them, and for the judgments required to determine this.



**John Larkinson**  
Accounting Officer

14 June 2021

# Remuneration and Staff Report

## Remuneration Report

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee maintains strategic oversight of the approach to remuneration, performance, reward, as well as other terms and conditions of all staff. It also has a specific role in reviewing the remuneration packages of ORR's senior civil servants (SCS) including the Chief Executive. It comprises three Non-Executive members of the Board. For 2020-21 these were Michael Luger (Committee Chair), Justin McCracken and Anne Heal.

The Committee's role is set out in the Board's rules of procedures<sup>5</sup>. Our Civil Service pay strategy accords with parameters set by the Cabinet Office for the SCS following recommendations by the Senior Salaries Review Body.

### Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

### Remuneration policy

Remuneration of senior civil servants is set out in their contracts and is subject to annual review, taking into account guidance from Cabinet Office and the recommendations of the Senior Salaries Review Body. The notice period for all senior members of ORR does not exceed six months.

Each senior civil servant participated in performance management arrangements under which top performers have the opportunity to be awarded a performance-related payment,

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<sup>5</sup> [http://orr.gov.uk/\\_\\_data/assets/pdf\\_file/0013/2902/board\\_rules\\_of\\_procedures.pdf](http://orr.gov.uk/__data/assets/pdf_file/0013/2902/board_rules_of_procedures.pdf)

following the annual Cabinet Office pay guidance and the 'Performance Management Arrangements for the Senior Civil Service' (Cabinet Office, May 2018 edition).

These performance payments are non-consolidated and non-pensionable.

The remuneration of the Chair and Non-Executive Directors is set by the Secretary of State for Transport. Remuneration of Non-Executive Board members is by payment of salaries and they have no entitlement to performance-related pay. One Non-Executive Board member had exercised an entitlement to pension benefits, but opted out of the scheme with effect from August 2019.

The arrangements for early termination of contracts of senior civil servants are made in accordance with the employment contract of the relevant individual subject to the provisions of the Civil Service Compensation Scheme. No early termination payments were made to senior civil servants in 2020-21 (2019-20: none).

## **Salary and pension entitlements**

The following sections provide details of the remuneration and pension interests of the Executive Directors of ORR, and have been subject to external audit.

## Single total figure of remuneration

Table 7: 2020-21 directors' remuneration, with 2019-20 comparators in brackets

	Salary £000	Bonus payments £000	Benefits in kind (to nearest £100)	Pension benefits £000	Total £000
<b>John Larkinson*</b> Chief Executive (from 1 March 2021, interim Chief Executive to 28 February 2021)	155-160 (150-155)	5-10 (0-5)	400 (1,000)	26 (110)	190-195 (270-275)
<b>Dan Brown</b> Director, Economics, Markets and Strategy	130-135 (130-135)	5-10 (-)	- (600)	56 (54)	195-200 (185-190)
<b>Russell Grossman</b> Director, Communications	135-140 (130-135)	- (-)	- (-)	52 (45)	185-190 (175-180)
<b>Freya Guinness**</b> Director, Corporate Operations and Organisational Development	125-130 (115-120)	5-10 (5-10)	- (-)	49 (46)	180-185 (170-175)
<b>Juliet Lazarus***</b> General Counsel and Director of Competition	65-70 (65-70)	- (-)	- (-)	26 (29)	90-95 (95-100)
<b>Ian Prosser</b> Director, Railway Safety	145-150 (145-150)	5 (-)	- (-)	52 (51)	200-205 (195-200)
<b>Graham Richards</b> Director, Planning and Performance	125-130 (125-130)	- (-)	- (-)	51 (47)	175-180 (170-175)

\* John Larkinson opted to switch from a Civil Service pension to a partnership pension in 2019-20.

\*\*The full-year basic equivalent salary for Freya Guinness (who worked part-time hours until 1 January 2021 when she became full-time) is in the range £135,000 - £140,000 (2019-20: £130,000 - £135,000). Freya left ORR on 18 April 2021.

\*\*\*The full-year basic equivalent salary for Juliet Lazarus (who works part-time hours) is in the range £135,000 - £140,000 (2019-20: £130,000 - £135,000).

**Salary** includes: gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, paid annual leave, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by ORR and thus recorded in these accounts.

**Bonus payments** are based on performance levels attained and are made as part of the performance appraisal process. Bonuses reported in 2020-21 relate to performance in 2019-20 and comparative bonuses reported for 2019-20 relate to performance in 2018-19.

**Benefits in kind** comprise subsidised gym membership and travel allowances for those London-based staff who incur a higher travel cost as a result of the office move.

**Pension benefits** are shown on page 65. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to the transfer of a pension right. No senior manager exercised the option to take extra salary to invest in a pension scheme of their own choice rather than participate in a Civil Service pension. John Larkinson opted to switch from a Civil Service pension to a partnership pension during 2019-20. In 2020-21 employer contributions totalling £25,800 were made to the partnership pension provider for him (2019-20: £3,800).

## Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in ORR in the financial year 2020-21 was £165,000 - £170,000 (2019-20: £155,000 - £160,000). This was 3.0 times (2019-20: 2.9) the median remuneration of the workforce, which was £55,929 (2019-20: £54,584).

In 2020-21, no employees (2019-20: none) received remuneration in excess of the highest-paid director. Remuneration ranged from £22,746 to £168,281 (2019-20: £19,649 to £159,953).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## Pension entitlement for directors

Table 8: Pension entitlement for directors

	Accrued pension at pension age as at 31/3/21 £000	Real increase in pension at pension age £000	CETV at 31/3/21 £000	CETV at 31/3/20 £000	Total £000
<b>John Larkinson*</b> Chief Executive (from 1 March 2021, interim Chief Executive to 28 February 2021)	-	-	-	1,180	-
<b>Dan Brown</b> Director, Economics, Markets and Strategy	35-40	2.5-5	485	437	24
<b>Russell Grossman</b> Director, Communications	60-65	2.5-5	1,249	1,151	54
<b>Freya Guinness</b> Director, Corporate Operations and Organisational Development	40-45	2.5-5	618	560	29
<b>Juliet Lazarus</b> General Counsel and Director of Competition	30-35	0-2.5	534	497	16
<b>Ian Prosser</b> Director, Railway Safety	40-45	2.5-5	690	616	40
<b>Graham Richards</b> Director, Planning and Performance	35-40	2.5-5	544	492	27

\* John Larkinson opted to switch from a Civil Service pension to a partnership pension in 2019-20.

## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing

benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of Legal & General Mastertrust. The employer makes a basic

contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website <https://www.civilservicepensionscheme.org.uk>

Some employees are covered by the provisions of the Railway Pension Scheme (RPS), which is contributory and funded. The scheme is a defined benefit scheme with obligations met by the RPS trustees. Details of the RPS scheme statements and other financial information can be found in the annual report and accounts of Railway Pensions Trustee Company Limited (<https://www.railwaypensions.co.uk>).

The former rail regulators' and a former Chair's pensions are by analogy with the Principal Civil Service Pension Scheme. During 2020-21 there were no active members (2019-20: no active members). The accruing cost of providing for the members' future benefits, which is based on actuarial advice, is charged to the Statement of Comprehensive Net Expenditure. A provision for the expected future liabilities for the former rail regulators' and former Chair's pension scheme is disclosed as a liability on the Statement of Financial Position.

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Payments to past Directors and compensation for loss of office

No compensation payments were made to past Directors on early retirement or for loss of office (2019-20: none).

## Fees of Non-Executive Board members and independent members of the Audit and Risk Committee

Table 9: Fees for NEDs and independent members of the Audit and Risk Committee

	Fee range £000		Benefits in kind* (to nearest £100)		Pension benefits £000		Total £000	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Declan Collier, Chair	80-85	80-85	-	-	-	-	80-85	80-85
Stephen Glaister	20-25	20-25	-	-	-	-	20-25	20-25
Bob Holland	20-25	20-25	100	2,200	-	-	20-25	20-25
Tracey Barlow (to 30/4/19)	-	0-5	-	1,700	-	-	-	0-5
Justin McCracken	20-25	20-25	1,300	1,900	-	2	20-25	25-30
Michael Luger	20-25	20-25	-	1,300	-	-	20-25	20-25
Anne Heal	20-25	20-25	-	-	-	-	20-25	20-25
Graham Mather	20-25	20-25	-	-	-	-	20-25	20-25
Madeleine Hallward	20-25	-	-	-	-	-	20-25	-
Rodney Norman**	0-5	0-5	-	-	-	-	0-5	0-5

\*Benefits in kind are solely in relation to home to office travel

\*\*independent member of the Audit and Risk Committee

Non-Executive Directors and independent members of the Audit and Risk Committee and Highways Committee are entitled to receive reimbursement of expenses incurred in relation to their duties. ORR meets the cost of the tax due on these taxable benefits. The only benefits in kind for Non-Executive Directors and independent Committee members are travel arrangements. One Non-Executive Board member had exercised an entitlement to pension benefits, but opted out of the scheme with effect from August 2019.

# Staff Report

## Staff numbers and related costs

Staff costs comprise:

	Permanently employed staff	Others	2020-21 Total	2019-20 Total
	£000	£000	£000	£000
Wages and salaries	16,975	994	17,969	18,028
Social security costs	2,002	24	2,026	2,041
Other pension costs	4,585	-	4,585	4,398
<b>Total costs</b>	<b>23,562</b>	<b>1,018</b>	<b>24,580</b>	<b>24,467</b>
Less: recoveries from outward secondments	(3)	-	(3)	(7)
<b>Total net costs</b>	<b>23,559</b>	<b>1,018</b>	<b>24,577</b>	<b>24,460</b>

All ORR staff and related costs are charged to administration budgets.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which ORR is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation<sup>6</sup>.

For 2020-21, employers' contributions of £4,449,129 were payable to Civil Service pension schemes (2019-20: £4,301,990) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The schemes' actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £66,143 were paid to an appointed stakeholder pension provider (2019-20: £56,958). Employer contributions are age-related and range from 8.0% to 14.75% of pensionable earnings.

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<sup>6</sup> <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

Employers also match employee contributions up to 3% of pensionable earnings. In 2020-21 no employer contributions of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees (2019-20: £nil).

Contributions of £848 were due to the partnership pension provider at 31 March 2021 (31 March 2020: £nil).

No members of staff retired early on ill-health grounds (2019-20: one). There were no additional accrued pension liabilities (2019-20: £nil).

The Railway Pension Scheme (RPS) is a funded multi-employer defined benefit scheme administered by Railway Pensions Trustee Company Limited. This is a defined benefit scheme which prepares its own scheme statements. Details of the RPS pension statements can be found in the annual report and accounts of the RPS ([www.railwaypensions.co.uk](http://www.railwaypensions.co.uk)). Employer contributions of £17,925 were paid to the trustees of the RPS in 2020-21 at a rate of 1.5 times the individual members' contributions, on the basis of actuarial valuations (2019-20: £16,291, 1.5 times). ORR matches some of the BRASS2 contributions (an AVC scheme) made by the members. In 2020-21, matching contributions of £2,608 were made (2019-20: £2,608).

With regard to the accrued pension costs for a former Chair and past rail regulators, no notional contributions (as advised by the Government Actuary) have been charged to the Statement of Comprehensive Net Expenditure (2019-20: £nil). The liability at 31 March 2021 is estimated at £919,000 (31 March 2020: £890,000).

## Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	Permanent staff	Others	2020-21 Total	2019-20 Total
Economic regulation	133	7	140	135
Safety regulation	161	8	169	176
Roads monitoring	16	-	16	19
<b>Total</b>	<b>310</b>	<b>15</b>	<b>325</b>	<b>330</b>

Included in 'Others' are:

	<b>Number</b>
Non-Executive directors	8
Agency staff	7
Specialist contractors	-
Consultants	-
<b>Total</b>	<b>15</b>
<b>Cost £000</b>	<b>1,018</b>

Costs include agency fees. This section has been subject to audit.

## Staff composition

At 31 March 2021, our total headcount comprised the following staff:

	<b>Male</b>	<b>Female</b>	<b>Total</b>
	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>
SCS 3	1.0	-	1.0
SCS 2	4.0	1.5	5.5
SCS1	5.9	3.9	9.8
Employees	176.9	125.2	302.1
<b>Total</b>	<b>187.8</b>	<b>130.6</b>	<b>318.4</b>

This information has been subject to audit.

## Exit packages

No exit packages were paid in 2020-21 or 2019-20. This information has been subject to audit.

## Sickness absence data

The average annual working days lost per employee through sickness in 2020-21 was 2.5 (2019-20: 3.3).

## Staff turnover

During 2020-21 staff turnover was 8.6% which is significantly below turnover in 2019-20 of 15.3%. This is likely to have been due to uncertainty caused by COVID-19 which prevented staff from seeking another role.

## Civil Service People Survey

ORR participates in the Civil Service People Survey. The 2020 survey, in which we had a very high staff response rate of 82%, showed an increased engagement level (up from 63% to 66%). We achieved a ten year high in six out of ten categories. The biggest improvement was in leadership and managing change, which was up 8%. Overall the survey scores demonstrated that despite the pandemic, there had been improvement across a range of topics.

## Staff policies applied during the year

All employees at ORR are required to comply with the terms of the Civil Service code, including the core values of integrity, honesty, objectivity and impartiality. The Code also sets out what an employee must do if they believe they are being required to act in a way that conflicts with the Code, or if they become aware of actions of others which they believe are in conflict with the core values. To date, no such concerns have been raised within ORR.

## Diversity and inclusion

At ORR, we are committed to the principles of equality and diversity, both as an employer and as a safety and economic regulator. In accordance with the Equality Act 2010, ORR has published specific equality objectives and regularly publishes diversity data in our capacity as an employer. We:

- eliminate unlawful discrimination, harassment and victimisation;
- promote equality of opportunity between people who share a 'protected characteristic' (such as age, disability or race) and those who do not; and
- foster good relations between people who share a protected characteristic.

Our diverse backgrounds, experience and talents are critical in securing our success as a regulator. We make every effort to ensure that our people practices reflect the true value of every individual, and that we continually foster a diverse, open and inclusive workplace.

We are committed to the principles of equality, diversity and inclusion, and aim to ensure that nobody receives less favourable treatment particularly on the basis of age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, gender or sexual

orientation. We have 'Level 2: Disability Confident Employer' status which encourages applications from people with disabilities, offers them a guaranteed interview if they meet the minimum requirements for the role, and adjustments through the recruitment process.

There is support for colleagues with disabilities when in employment, making workplace adjustments to their working environment and providing additional training and support, utilising 'Access to Work' resources. To build on our work to date we have recruited a diversity and inclusion manager to lead on the delivery of our strategy. We have continued to recruit and train fair treatment ambassadors. We have introduced a diversity and inclusion strategy board, operate a staff diversity network, and have carried out an equal pay audit. We have joined the Employee Network for Equality and Inclusion to support our diversity and inclusion action plan.

We engage with our Staff Representatives Group (which includes representatives from trade unions as well as non-union employee representatives) on a regular basis to share information on the organisation and on all aspects concerning employment. The bi-monthly meetings are open for staff to attend as observers.

## **Health and wellbeing**

We have continued to work successfully throughout the coronavirus pandemic, and all of our employees were able to transition to remote working. We have remained active in our health and wellbeing initiatives during this time, and rolled out Mind e-learning for all our employees, with a specific module for line managers.

Other actions have included regularly promoting our mental health first aiders, running drop-in sessions for 'Brew Monday' and 'Time to Talk' day, talks by our Wellbeing Champion, and we encourage employees to share how they look after their own wellbeing. We continue to participate in the Samaritans' 'Million Hours Challenge'.

We offer employees occupational health support via Health Management Limited and an Employer Assistance Programme, with free face-to-face counselling sessions and a dedicated management support line. 46% of our employees had a free flu vaccination.

## **Health and safety**

We fully recognise and accept our legal responsibility in relation to the health, safety and welfare of our employees and for all people using our premises. We comply with the Health & Safety at Work Act 1974 and all other relevant legislation as appropriate.

We are committed to the positive promotion of accident prevention and the elimination of incidents involving personal injury, illness or damage. We actively monitor and manage our employee absence, ensuring that employees receive the support and advice they need from occupational health and/or our employee assistance service, to remain in work or return to work. The Executive Committee reviews our absence data on a quarterly basis

for trends and changes, and discusses how we can improve wellbeing. We have trained internal Display Screen Equipment assessors in each of our offices, who undertake workstation assessments, with employees receiving an annual reminder to complete an assessment.

## **Career management**

We have continued to develop current and future leaders through our Leadership Development Programme, and have run a further cohort of our Management Development Programme for new and experienced managers to strengthen management capability across the organisation. We also have 15 apprentices working across several different areas of the business, including some existing roles which we have been able to convert to apprenticeships to provide our staff with new challenges and qualifications.

## **Off-payroll engagements**

Annex A contains details of off-payroll engagements during 2020-21.

## **Facility time publication requirements**

Annex B contains disclosures required under Statutory Instrument 328: The Trade Union (Facility Time Publication Requirements) Regulations 2017.



**John Larkinson**  
Accounting Officer  
14 June 2021

# Parliamentary accountability and audit report

## Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires ORR to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 34, in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in Chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

## Summary tables – mirrors part 1 of the Estimates

Summary table, 2020-21, all figures presented in £000's

Type of spend	SOPS Note	Outturn			Estimate			Voted outturn compared with Estimate: saving/ (excess)	Prior year Outturn Total 2019-20
		Voted	Non-Voted	Total	Voted	Non-Voted	Total		
<b>Departmental Expenditure Limit</b>									
Resource	1.1	3	-	3	4	-	4	1	3
Capital	1.2	593	-	593	720	-	720	127	5,219
<b>Total</b>		<b>596</b>	<b>-</b>	<b>596</b>	<b>724</b>	<b>-</b>	<b>724</b>	<b>128</b>	<b>5,222</b>
<b>Annually Managed Expenditure Limit</b>									
Resource	1.1	-	-	-	-	-	-	-	-
Capital	1.2	-	-	-	-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Resource</b>		<b>3</b>	<b>-</b>	<b>3</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>1</b>	<b>3</b>
<b>Total Capital</b>		<b>593</b>	<b>-</b>	<b>593</b>	<b>720</b>	<b>-</b>	<b>720</b>	<b>127</b>	<b>5,219</b>
<b>Total Budget Expenditure</b>		<b>596</b>	<b>-</b>	<b>596</b>	<b>724</b>	<b>-</b>	<b>724</b>	<b>128</b>	<b>5,222</b>
<b>Net Cash Requirement</b>	3	<b>1,975</b>			<b>9,999</b>			<b>8,024</b>	<b>(12)</b>
<b>Administration costs</b>		<b>3</b>			<b>4</b>			<b>1</b>	<b>3</b>

Figures in the areas outlined in thick line cover the control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament. Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

# Notes to the Statement of Outturn against Parliamentary Supply, 2020-21 (£000's)

## SOPS1: Outturn detail, by Estimate line

### SOPS1.1: Analysis of resource outturn by Estimate line

Type of spend (Resource)	Resource outturn			Estimate	Outturn compared with Estimate: saving/ (excess)	Prior year Outturn Total 2019-20
	Administration			Outturn net total		
	Gross expenditure	Income	Net expenditure			
<b>Spending in Departmental Expenditure Limit</b>						
Voted:						
A Economic regulation, admin, associated capital and other expenditure	13,688	(13,687)	1	1	-	1
B Safety regulation, admin and other expenditure	16,154	(16,153)	1	2	1	1
C Other regulation, admin and other expenditure	2,483	(2,482)	1	1	-	1
<b>Total spending in DEL</b>	<b>32,325</b>	<b>(32,322)</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>3</b>

### SOPS1.2: Analysis of net capital outturn by Estimate line

Type of spend (Capital)	Outturn			Estimate	Outturn compared with Estimate: saving/ (excess)	Prior year Outturn Total 2019-20
	Gross	Income	Net total	Total		
<b>Spending in Departmental Expenditure Limit</b>						
Voted:						
A Economic regulation, admin, associated capital and other expenditure	277	(5)	272	720	448	2,278
B Safety regulation, admin and other expenditure	327	(6)	321	-	(321)	2,941
C Other regulation, admin and other expenditure	-	-	-	-	-	-
<b>Total spending in DEL</b>	<b>604</b>	<b>(11)</b>	<b>593</b>	<b>720</b>	<b>127</b>	<b>5,219</b>

Net capital outturn is £0.1m lower than budget as a result of equipment expected to be delivered before 31<sup>st</sup> March 2021 being delayed due to COVID-19.

## SOPS2: Reconciliation of outturn to net operating expenditure

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements. As the total resource outturn in the SOPS is the same as net operating expenditure in the SoCNE, no reconciliation is required.

## SOPS3: Reconciliation of net resource outturn to net cash requirement

Item	SOPS Note	Outturn total	Estimate	Outturn compared with Estimate: saving/ (excess)
<b>Resource Outturn</b>	1.1	<b>3</b>	<b>4</b>	<b>1</b>
<b>Capital Outturn</b>	1.2	<b>593</b>	<b>720</b>	<b>127</b>
<b>Accruals to cash adjustments:</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(848)	(1,147)	(299)
New provisions and adjustments to previous provisions		11	(40)	(51)
Other non-cash items		192	(42)	(234)
<i>Adjustments to reflect movements in working balances:</i>				
Decrease in receivables		1,119	-	(1,119)
Decrease in payables		862	10,504	9,642
Use of provisions		43	-	(43)
<b>Total adjustments</b>		<b>1,379</b>	<b>9,275</b>	<b>7,896</b>
<b>Net Cash Requirement</b>		<b>1,975</b>	<b>9,999</b>	<b>8,024</b>

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement. We had requested a higher NCR than in previous years in the Estimate as a result of uncertainty over the timing of receipts. We did not need to use all of this.

## SOPS4: Income payable to the Consolidated Fund

### SOPS4.1: Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

Item	Outturn total		Prior year, 2019-20	
	Accruals	Cash basis	Accruals	Cash basis
Excess cash surrenderable to the Consolidated Fund	-	-	12	12
<b>Total amounts payable to the Consolidated Fund</b>	-	-	<b>12</b>	<b>12</b>

### SOPS4.2: Consolidated Fund income

Consolidated Fund income shown in note 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund were:

	Outturn total	Prior year outturn total, 2019-20
Balance of Intergovernmental Commission levy due to be paid	71	48
Balance of DfT roads funding due to be paid	46	135
<b>Amount payable to the Consolidated Fund</b>	<b>117</b>	<b>183</b>

ORR receives funding from Eurotunnel to meet the UK's share of the expenses of the Intergovernmental Commission and Safety Authority pertaining to the Channel Tunnel. This fee is calculated annually in line with a settlement agreement. ORR is allowed to cover its costs only, therefore any excess funding is paid over to the Consolidated Fund.

ORR receives a grant from DfT for funding of our highways monitoring function. Any excess funding is paid over to the Consolidated Fund.

## Parliamentary accountability disclosures

ORR has nothing to report in respect of:

- Losses or special payments in excess of £300,000, either individually or in aggregate;
- Gifts; and
- Remote contingent liabilities.

Fees and charges are as set out in note 2 to the accounts.

A handwritten signature in black ink, appearing to read 'John Larkinson', with a long horizontal stroke extending to the right.

**John Larkinson**  
Accounting Officer

14 June 2021

# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

I certify that I have audited the financial statements of the Office of Rail and Road for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2021 and of the Department's net operating cost for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- The Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- The income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities

in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office of Rail and Road in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Office of Rail and Road's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office of Rail and Road's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Office of Rail and Road is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## **Other Information**

The other information comprises information included in the Annual Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have

performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Opinion on other matters**

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Office of Rail and Road and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and

- assessing the Office of Rail and Road's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Office of Rail and Road will not continue to be provided in the future.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the audited entity's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office of Rail and Road's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office of Rail and Road's controls relating to the Railways Act 1993 and the Railways and Transport Safety Act 2003;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and
- obtaining an understanding of Office of Rail and Road's framework of authority as well as other legal and regulatory frameworks that the Office of Rail and Road

operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Office of Rail and Road. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, Employment Law, tax and pensions legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I have no observations to make on these financial statements.

Gareth Davies  
Comptroller and Auditor General

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

16 June 2021

# Financial Statements

# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2020-21 £000	2019-20 £000
<b>Total income</b>	5 & 6	<b>(32,322)</b>	<b>(34,679)</b>
Staff costs	3	24,577	24,460
Other administration costs	4	7,748	10,222
<b>Total operating expenditure</b>		<b>32,325</b>	<b>34,682</b>
<b>Net operating expenditure</b>		<b>3</b>	<b>3</b>
<b>Other comprehensive net expenditure</b>			
Actuarial loss on pension scheme liabilities	14	49	64
<b>Total comprehensive net expenditure for the year</b>		<b>52</b>	<b>67</b>

# Statement of Financial Position

As at 31 March 2021

This statement presents the financial position of the department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2020-21 £000	2019-20 £000
<b>Non-current assets</b>			
Property, plant and equipment	7	5,148	5,504
Intangible assets	8	263	162
<b>Total non-current assets</b>		<b>5,411</b>	<b>5,666</b>
<b>Current assets</b>			
Trade and other receivables	9	4,352	3,210
Cash and cash equivalents	10	3,508	1,561
<b>Total current assets</b>		<b>7,860</b>	<b>4,771</b>
<b>Total assets</b>		<b>13,271</b>	<b>10,437</b>
<b>Current liabilities</b>			
Trade and other payables	12	(13,436)	(12,469)
Provisions	13	(86)	(64)
<b>Total current liabilities</b>		<b>(13,522)</b>	<b>(12,533)</b>
<b>Non-current assets less net current liabilities</b>		<b>(251)</b>	<b>(2,096)</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	(769)	(877)
Provisions	13	(670)	(710)
Pension liabilities	14	(919)	(890)
<b>Total non-current liabilities</b>		<b>(2,358)</b>	<b>(2,477)</b>
<b>Total assets less total liabilities</b>		<b>(2,609)</b>	<b>(4,573)</b>
<b>Taxpayers' equity</b>			
General fund		(2,609)	(4,573)
<b>Total taxpayers' equity</b>		<b>(2,609)</b>	<b>(4,573)</b>



**John Larkinson**  
Accounting Officer  
14 June 2021

# Statement of Cash Flows

For the year ended 31 March 2021

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

	Note	2020-21 £000	2019-20 £000
<b>Cash flows from operating activities</b>			
Net operating cost	2	(3)	(3)
Adjustments for non-cash transactions and provisions	4	905	454
Increase in trade and other receivables	9	(1,142)	(481)
Less: movement in receivables relating to items not passing through Statement of Comprehensive Net Expenditure		23	48
Increase in trade and other payables	12	859	4,209
Less: movement in payables relating to items not passing through Statement of Comprehensive Net Expenditure		(1,721)	482
Use of provisions	13	(7)	(60)
Use of provisions – by analogy pension	14	(36)	(35)
<b>Net cash outflow from operating activities</b>		<b>(1,122)</b>	<b>4,614</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment additions	7	(637)	(5,233)
Intangible non-current asset additions	8	(216)	-
Adjustment – non cash	8	-	631
<b>Net cash outflow from investing activities</b>		<b>(853)</b>	<b>(4,602)</b>
<b>Cash flow from financing activities</b>			
From the Consolidated Fund (Supply) – current year		4,000	-
From the Consolidated Fund (Supply) – prior year		-	-
Advances from the Contingencies Fund		25,000	25,000
Repayments to the Contingencies Fund		(25,000)	(25,000)
<b>Net cash flows from financing activities</b>		<b>4,000</b>	<b>-</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>2,025</b>	<b>12</b>
Payments of amounts due to the Consolidated Fund		(195)	(784)
Amounts due to the Consolidated Fund – and not paid over		117	183
<b>Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>1,947</b>	<b>(589)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	10	<b>1,561</b>	<b>2,150</b>
<b>Cash and cash equivalents at the end of the period</b>	10	<b>3,508</b>	<b>1,561</b>

# Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

This statement shows the movement in the year on the different reserves held by ORR analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. The general fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General fund £000	Revaluation reserve £000	Total reserves £000
<b>Balance at 1 April 2019</b>		<b>(4,554)</b>	<b>19</b>	<b>(4,535)</b>
Excess cash surrenderable to the Consolidated Fund	12	(12)	-	(12)
Net operating expenditure for the year	2	(3)	-	(3)
Actuarial loss relating to pension provision	14	(64)	-	(64)
Auditors remuneration	4	41	-	41
Additional depreciation charged for revaluation of assets	7	19	(19)	-
<b>Balance at 31 March 2020</b>		<b>(4,573)</b>	<b>-</b>	<b>(4,573)</b>
Net Parliamentary funding		4,000	-	4,000
Amounts issued from the Consolidated Fund but not spent at year end	11	(2,025)	-	(2,025)
Net operating expenditure for the year	2	(3)	-	(3)
Actuarial loss relating to pension provision	14	(49)	-	(49)
Auditors' remuneration	4	41	-	41
<b>Balance at 31 March 2021</b>		<b>(2,609)</b>	<b>-</b>	<b>(2,609)</b>

# Notes to the departmental resource accounts

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context by the 2020-21 'Government Financial Reporting Manual' (FReM) issued by HM Treasury. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ORR for the purpose of giving a true and fair view has been selected. The particular policies adopted by the ORR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

ORR does not exercise in-year budgetary control over any other public or private body. ORR is a single entity department whose entire operations are within the accounting boundary reflected in these accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment.

### 1.2 Basis of preparation

The presentational and functional currency of ORR is pounds sterling. The financial statements are presented in thousands of pounds sterling (£000).

### 1.3 Property, plant and equipment and depreciation

Property, plant and equipment are initially recognised at cost. The minimum level for capitalisation is £5,000. The grouping of assets below the threshold has been restricted to IT and fit-out costs.

Depreciated historical cost is used as a proxy for current value as this realistically reflects consumption of the asset. Annual revaluations would not create a material difference to the carrying value of the assets.

Depreciation is provided at rates calculated to write off property, plant and equipment by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

- Fitting out costs (limited to period of remaining lease) - up to 15 years
- Furniture and office equipment – 5 to 10 years
- Information technology – 3 to 5 years

Depreciation is provided in the month after purchase or on bringing the asset into use.

#### **1.4 Intangible assets and amortisation**

Purchased computer software licences and software development costs are capitalised as intangible assets where expenditure of £5,000 or more is incurred and where they are in use for over 12 months. Software licences are amortised over the shorter of the term of the licence and the useful economic life. Software development costs are amortised over 5 years or the life of the asset, whichever is shorter. The useful economic life for software is normally 2 to 5 years. Website costs are amortised over 5 years. Amortised historic cost is used as a proxy for current value as annual revaluations would not create a material difference to the carrying value of the assets.

#### **1.5 Cash**

Cash and cash equivalents comprise cash in hand and current balances with banks. These are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value, and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

#### **1.6 Revenue from contracts with customers and other operating income**

The FReM's definition of a contract under *IFRS 15 Revenue from Contracts with Customers* includes legislation and regulations which enable an entity to obtain revenue that is not classified as a tax by the Office of National Statistics. This definition captures the majority of ORR's income streams.

Revenue from contracts with customers relates directly to ORR's operating activities. It comprises: licence fees; concession fees (HS1); safety levies; safety-related income and grant funding for highways monitoring. ORR does not have one specific performance obligation for each contract. Instead the performance obligation represents ORR carrying out its duties throughout the year. Revenue is therefore accounted for systematically over the period that the related costs are expensed.

Other operating income comprises rental income, government grant funding in respect of the apprenticeship levy and costs awarded to ORR arising from successful prosecutions, and is also accounted for systematically over the period that the related costs are expensed.

Since all rail-related costs are recovered via licence fees or the safety levy, which are invoiced based on estimated costs, any over-recovery is treated as deferred income within current liabilities, and any under-recovery is treated as accrued income within current assets. Revenue is stated net of VAT. Roads-related costs are funded by grant provided by the Department for Transport. Any unspent grant is paid over to the Consolidated Fund.

## **1.7 Pensions**

ORR recognises the expected pension costs on a systematic basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of defined contribution schemes, ORR recognises the contributions payable for the year.

In addition, two present employees (2018-19: two) are covered by the provisions of the Railways Pension Scheme (RPS) which is contributory and funded. The scheme is treated as a defined contribution arrangement because there is insufficient information to identify ORR's share of the scheme liabilities and costs. The contributions paid in respect of these pensions is shown under staff costs in the Statement of Comprehensive Net Expenditure (SoCNE).

Past rail regulators have separate pension arrangements that are broadly analogous with the PCSPS. The arrangements provide for an unfunded defined benefit scheme. However, unlike the PCSPS, a pension liability is included in the accounts provision to meet ORR's liability for future payment.

## **1.8 Operating leases**

Rentals due under operating leases are charged to the SoCNE over the lease term on a straight-line basis.

## **1.9 Provisions**

ORR provides for legal or constructive obligations where it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the combined rate set by HM Treasury.

The discount rate applied to provisions for past rail regulators' pension commitments is the Treasury's post-employment benefits rate.

## **1.10 Value added tax (VAT)**

Most of ORR's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on some purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

## **1.11 Reserves**

The general fund records elements of the accounts which are not charged to the industry, and therefore do not pass through the SoCNE. These include the effect of changes in accounting policy, actuarial gains and losses relating to our pension provision, auditors' remuneration, cash to be returned to the Consolidated Fund and our token annual £3,000 operating cost for the year voted by Parliament.

## **1.12 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with *IAS 37 Provisions, contingent liabilities and contingent assets*, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of 'Managing Public Money'.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament is separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament. These are noted in the Accountability Report on page 80.

## **1.13 Going concern**

In common with other government departments, the future financing of ORR's liabilities is to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2021-22 in the Central Government Main Supply Estimates and there is no reason to believe that future approvals will not be granted. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these accounts.

## **1.14 New and amended standards and interpretations**

ORR has not applied any new or amended standards and interpretations during the year.

## **1.15 New and revised IFRSs in issue but not yet effective**

*IFRS 16 Leases* supersedes *IAS 17 Leases* and is effective for the public sector for periods beginning on 1 April 2022. IFRS 16 provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or if the underlying asset meets the IFRS 16 criteria to be classified as 'low value'.

HM Treasury has mandated that IFRS 16 will be implemented using the cumulative catch-up method. As a result, comparatives will not be restated on adoption, and the adjustment

to net assets will be made with effect from 1 April 2022. 'Right of use' assets will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application. We expect that the adoption of IFRS 16 will result in an increase in reported assets and liabilities. It is expected to have a material impact on the financial statements.

## 2. Statement of operating cost by operating segment

	2020-21			2019-20		
	Costs £000	Income £000	Total £000	Costs £000	Income £000	Total £000
Economic regulation	13,688	(13,687)	1	14,075	(14,074)	1
Health and safety regulation	16,154	(16,153)	1	18,164	(18,163)	1
Highways monitor	2,483	(2,482)	1	2,443	(2,442)	1
<b>Total</b>	<b>32,325</b>	<b>(32,322)</b>	<b>3</b>	<b>34,682</b>	<b>(34,679)</b>	<b>3</b>

### Short description of segments

**Economic regulation:** as the economic regulator of the mainline railway, ORR sets the outputs which Network Rail must achieve.

**Health and safety regulation:** ORR regulates the health and safety of the entire mainline network in Britain as well as London Underground, light railways, trams and the heritage sector.

No individual train operating company contributes more than 10% of ORR income. However, Network Rail paid £4.7 million in safety levy in 2020-21 (£4.7 million in 2019-20).

**Highways monitor:** ORR is responsible for monitoring and enforcing the performance and efficiency of Highways England.

The analysis of services for which a fee is charged is provided for Fees and Charges purposes, as required by the FReM, not for IFRS 8 purposes.

## 3. Staff costs

Staff costs comprise:

	Permanently employed staff £000	Others £000	2020-21	2019-20
			Total £000	Total £000
Wages and salaries	16,975	994	17,969	18,028
Social security costs	2,002	24	2,026	2,041
Other pension costs	4,585	-	4,585	4,398
<b>Total costs</b>	<b>23,562</b>	<b>1,018</b>	<b>24,580</b>	<b>24,467</b>
Less: recoveries from outward secondments	(3)	-	(3)	(7)
<b>Total net costs</b>	<b>23,559</b>	<b>1,018</b>	<b>24,577</b>	<b>24,460</b>

Further information is provided in the Staff Report, on page 70.

## 4. Other administration costs

	Note	2020-21 £000	2019-20 £000
<b>Rentals under operating leases</b>			
Hire of office equipment		20	21
Other operating leases		603	1,278
		<b>623</b>	<b>1,299</b>
<b>Non-cash items</b>			
Depreciation	7	760	680
Amortisation	8	88	101
Loss on disposal		11	74
Interest charges in respect of by analogy pension scheme	14	16	24
Auditors' remuneration and expenses		41	41
		<b>916</b>	<b>920</b>
<b>Provisions</b>			
Release of dilapidations provision		-	(475)
Provision/(release of provision) for other costs		(11)	19
Release of stamp duty provision		-	(10)
		<b>(11)</b>	<b>(466)</b>
<b>Other</b>			
Travel and subsistence		99	1,094
Hospitality		-	51
Consultancy		1,873	2,108
IT and telecoms		1,177	960
Landlord service charges and rates		887	1,642
Printing and stationery		128	128
Recruitment and training		559	663
Staff-related		179	170
Building-related		571	584
External services – internal audit, payroll, banking and finance		107	217
External services – other		620	842
Other costs		20	10
		<b>6,220</b>	<b>8,469</b>
<b>Total other administration costs</b>		<b>7,748</b>	<b>10,222</b>

## 5. Revenue from contracts with customers

	Note	2020-21 £000	2019-20 £000
Licence fees		15,334	15,646
Less: income deferred to next year	12	(1,703)	(1,745)
Safety levy and related safety income		18,514	18,555
Less: income deferred to next year	12	(2,426)	(640)
Income from roads monitoring		2,482	2,435
<b>Total income from contracts with customers</b>		<b>32,201</b>	<b>34,251</b>

All revenue from contracts with customers relates to ORR's operating activities carried out throughout the year.

## 6. Other operating income

	2020-21 £000	2019-20 £000
<b>Other operating income</b>	<b>121</b>	<b>428</b>

Other operating income consists mainly of costs awarded to ORR arising from successful safety prosecutions, costs recovered from other organisations resulting from ORR safety inspectors being engaged to work on their behalf, rental income and government grants for apprenticeship funding.

## 7. Property, plant and equipment

	Fitting out costs £000	Furniture, office equipment & telecoms £000	Information technology £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2020	5,205	519	690	-	6,414
Additions	22	78	314	-	414
Disposals	-	(19)	(187)	-	(206)
<b>At 31 March 2021</b>	<b>5,227</b>	<b>578</b>	<b>817</b>	<b>-</b>	<b>6,622</b>
<b>Depreciation</b>					
At 1 April 2020	398	177	335	-	910
Charged in year	551	48	161	-	760
Disposals	-	(19)	(177)	-	(196)
<b>At 31 March 2021</b>	<b>949</b>	<b>206</b>	<b>319</b>	<b>-</b>	<b>1,474</b>
<b>Carrying amount at 31 March 2021</b>	<b>4,278</b>	<b>372</b>	<b>498</b>	<b>-</b>	<b>5,148</b>
<b>Carrying amount at 31 March 2020</b>	<b>4,807</b>	<b>342</b>	<b>355</b>	<b>-</b>	<b>5,504</b>
	Fitting out costs £000	Furniture, office equipment & telecoms £000	Information technology £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2019	4,034	812	946	357	6,149
Additions	4,609	343	315	-	5,267
Disposals	(3,795)	(679)	(528)	-	(5,002)
Transfers	357	-	-	(357)	-
Reclassifications	-	43	(43)	-	-
At 31 March 2020	5,205	519	690	-	6,414
<b>Depreciation</b>					
At 1 April 2019	3,759	785	620	-	5,164
Charged in year	415	28	218	-	661
Disposals	(3,795)	(679)	(460)	-	(4,934)
Revaluations	19	-	-	-	19
Reclassifications	-	43	(43)	-	-
At 31 March 2020	398	177	335	-	910
<b>Carrying amount at 31 March 2020</b>	<b>4,807</b>	<b>342</b>	<b>355</b>	<b>-</b>	<b>5,504</b>
<b>Carrying amount at 31 March 2019</b>	<b>275</b>	<b>27</b>	<b>326</b>	<b>357</b>	<b>985</b>

All tangible assets are owned by ORR. In 2019-20 reclassifications were made for assets which had been incorrectly classified in previous years.

## 8. Intangible assets

	System developments £000	Software licences £000	Website £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2020	465	137	231	26	859
Additions	-	45	145	-	190
Disposals	(202)	(66)	(231)	-	(499)
Transfers			26	(26)	-
<b>At 31 March 2021</b>	<b>263</b>	<b>116</b>	<b>171</b>	<b>-</b>	<b>550</b>
<b>Amortisation</b>					
At 1 April 2020	361	119	217	-	697
Charged in year	31	20	37	-	88
Disposals	(202)	(65)	(231)	-	(498)
<b>At 31 March 2021</b>	<b>190</b>	<b>74</b>	<b>23</b>	<b>-</b>	<b>287</b>
<b>Carrying amount at 31 March 2021</b>	<b>73</b>	<b>42</b>	<b>148</b>	<b>-</b>	<b>263</b>
<b>Carrying amount at 31 March 2020</b>	<b>104</b>	<b>18</b>	<b>14</b>	<b>26</b>	<b>162</b>
<b>Assets under construction</b>					
	System developments £000	Software licences £000	Website £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2019	1,709	448	231	58	2,446
Additions	-	-	-	26	26
Disposals	(1,270)	(343)	-	-	(1,613)
Transfers	58	-	-	(58)	-
Reclassifications	(32)	32	-	-	-
At 31 March 2020	465	137	231	26	859
<b>Depreciation</b>					
At 1 April 2019	1,568	437	198	-	2,203
Charged in year	63	19	19	-	101
Disposals	(1,270)	(337)	-	-	(1,607)
At 31 March 2020	361	119	217	-	697
<b>Carrying amount at 31 March 2020</b>	<b>104</b>	<b>18</b>	<b>14</b>	<b>26</b>	<b>162</b>
<b>Carrying amount at 31 March 2019</b>	<b>141</b>	<b>11</b>	<b>33</b>	<b>58</b>	<b>243</b>

In 2019-20 reclassifications were made for assets which had been incorrectly classified in previous years.

## 9. Trade receivables and other current assets

	31 March 2021 £000	31 March 2020 £000
<b>Amounts falling due within one year</b>		
Trade receivables	2,954	2,357
Staff receivables	8	60
Prepayments and accrued income	871	656
HM Revenue and Customs (VAT)	519	137
<b>Total trade receivables and other current assets at 31 March</b>	<b>4,352</b>	<b>3,210</b>

Included in staff receivables is a travel season ticket loan for one employee totalling £1,661 (2019-20: £50,230 for 31 employees) and £6,460 relating to other advances made to 18 employees (2019-20: £9,336 to 23 employees).

## 10. Cash and cash equivalents

	31 March 2021 £000	31 March 2020 £000
Balance at 1 April	1,561	2,150
Net change in cash balances	1,947	(589)
<b>Balance at 31 March</b>	<b>3,508</b>	<b>1,561</b>
The following balances at 31 March were held at:		
Government Banking Service	3,489	1,555
Commercial banks and cash in hand	19	6
<b>Balance at 31 March</b>	<b>3,508</b>	<b>1,561</b>

## 11. Reconciliation of liabilities arising from financing activities

	1 April 2020 £000	Financing cash flows £000	31 March 2021 £000
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,366	2,025	3,391
	<b>1,366</b>	<b>2,025</b>	<b>3,391</b>

## 12. Trade payables and other current liabilities

	31 March 2021	31 March 2020
	£000	£000
<b>Amounts falling due within one year</b>		
Trade payables	231	1,136
Other payables	1,063	2,741
Other taxation and social security	5	4
Accruals	4,500	4,642
Deferred income	4,129	2,385
Balance of Intergovernmental Commission levy payable to the Consolidated Fund	71	48
Balance of DfT roads funding payable to the Consolidated Fund	46	135
Excess cash surrenderable to the Consolidated Fund	-	12
Amounts issued from the Consolidated Fund for supply but not spent at year end	3,391	1,366
<b>Total trade payables and other current liabilities at 31 March</b>	<b>13,436</b>	<b>12,469</b>
Other payables	769	877
<b>Amounts falling due after more than one year</b>	<b>769</b>	<b>877</b>

## 13. Provisions for liabilities and charges

The provision for accommodation has been established in order to satisfy the obligation to return our offices to their original condition, calculated on a cost per square foot basis and discounted from the end of the lease date. 'Other' provisions are for a potential VAT liability.

	Accommodation	Other	Total	2019-20
	£000	£000	£000	Total £000
Balances at 1 April 2020	710	64	774	668
Provided for in the year	-	-	-	650
Provisions no longer required	(7)	(12)	(19)	(485)
Provisions utilised in the year	-	(7)	(7)	(60)
Borrowing costs (unwinding of discounts)	8	-	8	1
<b>Balance at 31 March 2021</b>	<b>711</b>	<b>45</b>	<b>756</b>	<b>774</b>

## Analysis of expected timing of discounted flows

	Accommodation £000	Other £000	Total £000	2019-20 Total £000
Not later than one year	41	45	86	64
Later than one year and not later than five years	35	-	35	79
Later than five years	635	-	635	631
<b>Balance at 31 March 2021</b>	<b>711</b>	<b>45</b>	<b>756</b>	<b>774</b>

## 14. Pension liabilities

### Analysis of movement in scheme liability

	As at 31 March 2021 £000	As at 31 March 2020 £000
Net pension liability at 1 April	890	837
Current service cost (net of employee contributions)	-	-
Employee contributions	-	-
Interest cost	16	24
Actuarial loss	49	64
Benefits paid	(36)	(35)
Past service cost	-	-
<b>Net pension liability at 31 March</b>	<b>919</b>	<b>890</b>

Former rail regulators and a former ORR Chair benefit from a defined benefit pension scheme by-analogy with the PCSPS. An actuarial assessment was carried out on the scheme by the Government Actuary's Department (GAD) as at 31 March 2021. The current Chair has no pension arrangements with ORR.

The pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the employer. There is no fund, and therefore no surplus or deficit.

ORR has recognised all actuarial gains and losses immediately through the general fund.

## Present value of scheme liabilities

	As at 31 March 2021 £000	As at 31 March 2020 £000
Liability in respect of:		
Active members	-	-
Deferred pensioners	-	-
Current pensioners	919	890
<b>Total present value of scheme liabilities</b>	<b>919</b>	<b>890</b>

	Value at 31/3/21 £000	Value at 31/3/20 £000	Value at 31/3/19 £000	Value at 31/3/18 £000	Value at 31/3/17 £000
Liability in respect of:					
Deferred pensioners	-	-	-	-	593
Current pensioners	919	890	837	859	52
<b>Total present value of scheme liabilities</b>	<b>919</b>	<b>890</b>	<b>837</b>	<b>859</b>	<b>645</b>

## Actuarial assumptions

Under IAS 19 employers are required to disclose any other material actuarial assumptions used for the assessment. The main actuarial assumptions used by the actuary are shown below:

	As at 31 March 2021	As at 31 March 2020
Gross discount rate	1.25%	1.80%
Rate of increase of pensions in payment	2.22%	2.35%
CPI inflation	2.22%	2.35%

## Life expectancy at retirement

The life expectancies shown below illustrate the longevity assumption used for the assessment. There were no future pensioners in the scheme at 31 March 2021 or 2020.

Current pensioners Exact age	As at 31 March 2021		As at 31 March 2020	
	Men (years)	Women (years)	Men (years)	Women (years)
60	26.9	28.6	26.8	28.4
65	22.0	23.7	21.9	23.5

## Cumulative amount of actuarial gains and losses

The cumulative actuarial loss for the year to 31 March 2021 amounts to £483,000 (31 March 2020: £434,000).

## Sensitivity of the defined benefit obligation (DBO) to changes in the significant actuarial obligations

Change in assumption*	Impact on DBO		
	%	£000	
Rate of discounting scheme liabilities	+0.5% a year	-7%	(64)
Rate of increase in CPI	+0.5% a year	8%	71
Life expectancy: each member assumed one year younger than their actual age		3%	23

\*Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO.

## 15. Financial and capital commitments

### 15.1 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	31 March 2021	31 March 2020
	£000	£000
Property, plant and equipment	-	-
Information technology	82	86

Capital commitments in 2019-20 and 2020-21 were for laptops ordered but not received at 31 March.

### 15.2 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

	31 March 2021 £000	31 March 2020 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	353	144
Later than one year and not later than five years	4,091	3,623
Later than five years	3,002	3,985
	<b>7,446</b>	<b>7,752</b>
<b>Other</b>		
Not later than one year	11	11
Later than one year and not later than five years	26	37
	<b>37</b>	<b>48</b>

### 15.3 Other financial commitments

Apart from the lease commitments mentioned above, ORR has not entered into any non-cancellable contracts for any new expenditure as at 31 March 2021 (31 March 2020: £nil).

## 16. Financial instruments

As the cash requirements of the department are mainly met through the licence fee, safety levy and grant, with advances from the Contingencies Fund to cover timing differences between income and expenditure, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. We are therefore exposed to little credit, liquidity or market risk. ORR is also not exposed to any significant interest rate or foreign currency risks.

### Fair values

The carrying amounts for current assets (Note 9) and current liabilities (Note 12) approximate to their fair value due to their short-term nature.

## 17. Contingent assets

ORR has a contingent asset in relation to an amount due, where recoverability is uncertain due to the impact of the COVID-19 pandemic. Full details have not been disclosed so as not to prejudice seriously ORR's position.

There were no contingent assets as at 31 March 2020.

## **18. Contingent liabilities**

ORR has a contingent liability in relation to the same amount mentioned in note 17. The liability is contingent upon the related contingent asset being received.

There were no contingent liabilities as at 31 March 2020.

## **19. Related party transactions**

In addition to balances due to the Consolidated Fund (see note 12) regarding excess cash and Intergovernmental Commissionaire levy and grant funding from the Department for Transport, there have been a small number of transactions with other government departments and other central government bodies.

No Board member, key manager or other related parties has undertaken any material transactions with ORR during the year, other than remuneration.

## **20. Events after the reporting period**

The Accounting Officer authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate. The financial statements do not reflect events after this date.

## Annex A: Off-payroll engagements

**Table 1: For all off-payroll engagements as of 31 March 2021, for more than £245 per day and that last for longer than six months**

Number of existing engagements as of 31 March 2021	5
<b>Of which:</b>	
Number that have existed for less than one year at time of reporting	2
Number that have existed for between one and two years at time of reporting	2
Number that have existed for between two and three years at time of reporting	1
Number that have existed for between three and four years at time of reporting	-
Number that have existed for four or more years at time of reporting	-

**Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months**

Number of new engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months	3
<b>Of which:</b>	
Number assessed as caught by IR35	1
Number assessed as not caught by IR35	2
Number engaged directly (via PSC contracted to department) and are on departmental payroll	-
Number of engagements reassessed for consistency/assurance purposes during the year	-
Number of engagements that saw a change to IR35 status following the consistency review	-

**Table 3: For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021**

Number of off-payroll engagements of board members, and/or, senior officials with significant responsibility, during the financial year	-
Total number of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant responsibility”, during the financial year. This figure includes both on payroll and off-payroll engagements	7

## Annex B: Trade Union facility time publication requirements

**Table 1: Relevant union officials**

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
2	1.6

**Table 2: Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	-
1-50%	2
51%-99%	-
100%	-

**Table 3: Percentage of pay bill spent on facility time**

Total cost of facility time (£000)	5
Total pay bill (£000)	23,559
Percentage of total pay bill spent on facility time	0.02%

**Table 4: Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time	7%
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