

30 March 2022

Dear Stakeholder,

### **Update letter on PR23, March 2022**

This letter provides a brief update on ORR's periodic review 2023 programme (PR23). It also highlights the guidance published today to help explain to stakeholders what we, funders and Network Rail do to determine Network Rail's funding and outputs for control period (or CP7), which will run for five years from 1 April 2024.

This is a time of change for the rail industry. The UK Government is progressing implementation of its Williams-Shapps Plan for Rail and intends to create a new body – Great British Railways (GBR) – that in the future will both own the railway infrastructure and let and manage the passenger rail contracts currently awarded by the UK Government. Some changes are already underway. Concession-style arrangements – whereby operators receive a management fee for providing specified services – are already the dominant model for most passenger train operators in England and Wales. In Scotland, the transfer of the ScotRail franchise into the public sector will take place on Friday 1 April.

Among other things, the Williams-Shapps Plan for Rail recommitted the UK Government to five-year funding for rail infrastructure and said that GBR will be held accountable for delivery of the commitments made in PR23 when it succeeds Network Rail.

We recognise that governments' decisions about the level of funding the network receives over CP7 will be made in light of the prevailing fiscal context, driven in part by reduced passenger revenues following the pandemic and wider macroeconomic conditions.

ORR's periodic review process continues to play a crucial role in this context. PR23 is the mechanism by which infrastructure budgets and outputs are established for CP7, as well as the vehicle to determine the charges for use of the infrastructure. It will ensure an enduring focus on safety, performance, asset sustainability and efficiency in the railway during this period of change.

The PR23 programme will:

- determine the level of funding Network Rail / GBR should receive for its infrastructure management activities and what it should deliver over CP7;
- establish how Network Rail / GBR will be held to account for delivering the commitments determined through PR23; and

- set the framework for the contractual charges and the performance and possessions regimes that will apply in CP7. We review these regimes at each periodic review to make sure they remain fit for purpose.

We formally launched the PR23 work in June 2021. Our launch letter is available [here](#) and our corresponding responses are available [here](#).

### *Determining funding and outputs for Network Rail / GBR's infrastructure management activities*

PR23 will determine what funding the network should receive for its operations, maintenance and renewal activities and what it should deliver over CP7. It does this by, specifically:

- enabling the UK Government (for England and Wales) and the Scottish government to decide the level of funding they want to make available for infrastructure management activities. Each funder produces a High-Level Outputs Specification (HLOS) document and a Statement of Funds Available (SoFA) document. We expect the Secretary of State to issue the England & Wales HLOS/SoFA documents in October and Scottish Ministers to issue their HLOS/SOFA in November;
- providing a role for ORR to inform funders' decisions by way of advice and, once governments have issued their HLOSs and SoFAs, to determine the funding Network Rail needs to deliver its outputs, including for each region and function. We do this based on an iterative assessment of Network Rail's developing business plans; and
- facilitating a process by which Network Rail develops its CP7 business plans to help inform the above decisions. As part of this, we expect Network Rail to submit its initial CP7 business plan by late March 2022 and its more detailed Strategic Business Plans by February 2023.

As well as reflecting the wider fiscal context, Network Rail's CP7 business plans and ORR's advice will need to ensure there is necessary focus on the long-term needs of the assets, including on performance and safety for the benefit of both current and future rail users.

In this context, we have today issued guidance to help explain to stakeholders what we, funders and Network Rail do to determine CP7 funding and outputs. This is available [here](#). While we are not formally consulting on this guidance, we welcome views on the approach, including on our key areas of focus and other areas stakeholders consider important to inform our assessment of Network Rail's plans.

### *Future PR23 consultations*

We expect to publish further consultations in April as part of our reviews of Network Rail's access charges, performance and possessions regimes. These consultations will set out more detailed proposals for how these regimes will apply in CP7 and seek further views from industry.



We are also developing our approach to how we will hold to account for delivering the PR23 commitments, as well as how we might manage change in CP7. Whilst we cannot go beyond our existing statutory remit until legislation changes, given the expected transition from Network Rail to GBR, it will be important to create a framework that is fit for both the current and future rail industry. We must ensure that we and the wider rail industry can hold GBR to account for its delivery of the PR23 commitments. We expect to consult on this area over the summer.

An updated timeline for the PR23 programme is available [here](#).

Do get in touch with me and/or the team (using the PR23 inbox address, [PR23@orr.gov.uk](mailto:PR23@orr.gov.uk)) if you would like to discuss this further.

Yours sincerely

A handwritten signature in black ink that reads 'Stephanie Tobyn'. The signature is written in a cursive, flowing style.

**Stephanie Tobyn**