

Annual Report and Accounts 2022-23

July 2023

HC 1457



Office of Rail and Road

Annual Report and Accounts 2022-23

For the period 1 April 2022 to 31 March 2023

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 His 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 2022 to 31 March 2023 and is split into three main sections:

The **Performance Report** includes a summary of progress achieved in 2022-23 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 Outturn against Parliamentary Supply 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 2023, and additional information designed to enable readers to understand these results.

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Chair's Report

2022-23 saw another difficult year for the rail and road industries. As with the rest of the economy, high inflation has driven up the cost base, putting constraints on budgets. The rail sector in particular was affected by industrial action; disrupting work plans and impacting on rail users. And while revenues and passenger numbers on the railway have been improving since the peak of the pandemic, they remain below pre-pandemic levels, with the potential for cost-of-living concerns to act as a brake on growth.

Against this context, ORR has continued to use its expertise and experience to deliver effective oversight and assurance. Among other things, we have remained focused on the efficiency and performance of the networks we regulate, we carried out monitoring during industrial action to ensure the railway remained safe and took action to ensure that passengers had accurate information.

Of particular significance was our advice to governments to inform their choices on Network Rail's funding and outputs for 2024-29 (Control Period 7), which will feed into our 2023 periodic review (PR23) determination in October 2023. This was an example of what ORR does best – being a trusted, independent and honest broker able to bring together various specialist disciplines to provide an evidence-based expert view on difficult trade-offs.

The financial and fiscal environment means these trade-offs are not going to get easier any time soon. Indeed, building on work we did this year, we have some significant decisions to take over the next year – including on PR23 and our advice to the Secretary of State on the third road investment strategy. These will help shape the medium term for the rail and road industries and it is important that we get them right.

And while we have some big decisions to take, it is essential we also remain responsive and agile to fresh challenges. In this context, the Board is clear on the importance of ensuring the office has the skills, capability and capacity it needs to be able to meet future strategic challenges – including the changes that are expected to arise from rail reform over the coming years.

In support of this, we commissioned an external review of the Board's effectiveness in 2022, the first since we refreshed the composition of the Board in the preceding year. I am pleased to report that the conclusions of this were positive. In particular, the review considered that the current ORR Board is strong, dynamic and challenging, with the recent refresh of members adding diversity of thought.

Staying on Board matters, I would like to pay tribute to Tess Sanford who retired as ORR's Board Secretary in May 2023. Tess served for over ten years in the role, providing valued advice and dedicated service to the Board over that time. Both I and the rest of the Board wish her the very best for her retirement.

Finally, I would like to thank the staff of ORR for their work and dedication over the last year.

Declan Collier
Chair

Chief Executive's Report

ORR delivered on its key business plan commitments for 2022-23, while also responding to a number of new challenges that emerged during the year.

While this annual report and accounts more fully outlines what has been achieved in fulfilling our key mission to protect the interests of rail and road users, I would like to draw out some examples across the range of our functions.

Industrial action on the railway had a major impact on passengers and freight users over the year. To ensure the network remained safe during this time, ORR's health and safety inspectors reviewed Network Rail's plans for operating during strike action and were out regularly on the network to ensure that safety risks were being managed effectively. At the same time, our consumer team monitored that passengers were receiving accurate information during the disruption and could obtain refunds where needed.

Elsewhere, we took action where train operators were failing to meet the basic expectations of passengers, requiring improvement plans to be put in place. In particular, our involvement with Avanti West Coast regarding its timetabling processes and provision of passenger information led to it returning these to industry standards.

We continued to hold Network Rail to account for its delivery. For the fourth year running, under our oversight, it met the annual efficiency target we set it in the 2018 periodic review. We also highlighted concerns in our public reporting about a deterioration in train performance and set out what Network Rail needed to do improve its contribution in this area. We will continue our monitoring of this while recognising that we ourselves have an important part to play in supporting the industry on train performance.

In December, we published our first ever annual assessment of safety performance for National Highways. This brought together different areas of our highways work, including our scrutiny of the operation and effectiveness of the end-to-end safety system on England's smart motorways – an area with a high public profile. Among other things, this reported that National Highways had met its target for traffic officers to get to live lane stoppage incidents within ten minutes, where emergency stopping places are more than a mile apart. The meeting of this target was in no small part due to ORR's close monitoring and intervention over the year.

At a corporate level, we progressed our information technology strategy, migrating our information to a new document management system. We also relocated our Glasgow office; this was an interim move ahead of a longer term move in 2023-24, as we had outgrown our previous premises.

As with the rest of the Civil Service, we are subject to pay restraint. At a time of high inflation this creates challenges not just for the organisation in retaining experienced employees but for all our staff at a personal level. I would like to thank all our staff for their contribution and focus in what has been another successful year in delivering against our business plan.



John Larkinson
Chief Executive and Accounting Officer

Performance Report

Performance overview

This overview sets out our purpose and our strategic objectives.

Who we are and what we do

The Office of Rail and Road (ORR) is an independent, non-ministerial UK government department, established by, and accountable directly to, Parliament. We protect the interests of current and future rail and road users, overseeing the safety, value and performance of the railways and monitoring the performance and efficiency of 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 hold National Highways 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.

ORR comprises a governing board appointed by the Secretary of State for Transport and over 360 professionals, spanning engineering, railway safety, economics, competition, statistical analysis and management, operating from six offices across the country.

We are part of the Civil Service and its code underpins our values, which are:



Our strategic objectives

Our business plan summarises what we aim to achieve each year to meet our strategic objectives:



Our performance against the business plan

In our 2022-23 business plan we set out a number of priorities under each of our strategic objectives. These were underpinned by key deliverables, defined during our annual business planning round. We also published a series of service standards in our business plan (set out on page 36). The Board reviews progress against business plan commitments and service standards on a quarterly basis. The Executive reviews progress against deliverables 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 35. Performance against each of our deliverables is documented in Annex A. We achieved all of them except for one in 2022-23.

How we are funded

Our 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, except for 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 have a token resource budget of £1,000 provided by Parliament.

Our Capital Departmental Expenditure Limit (CDEL) was £720,000 in 2021-22 and 2022-23.

Summary of financial performance

The table below shows our gross costs for 2022-23 compared to budget and prior year outturn. Variances against budget and 2021-22 are analysed on page 46.

Funding stream	2022-23 gross costs outturn (£000)	2022-23 gross costs budgeted (£000)	2021-22 gross costs outturn (£000)
Economic regulation	19,193	19,868	15,866
Health and safety regulation	17,739	18,450	17,377
Highways monitoring	3,019	3,442	2,652
Total	39,951	41,760	35,895

Table 1: Gross costs outturn against 2022-23 budgeted gross costs and 2021-22 outturn

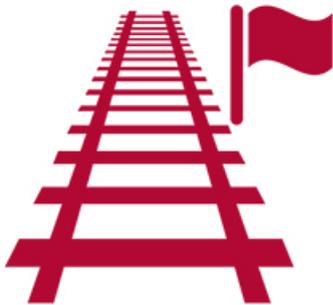
We were given a broader scope of work in 2022-23, in relation to taking over sponsorship of the rail ombudsman and supporting the development of rail reform, therefore our budget increased accordingly.

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 63. The key risks facing us in the year were: failure to deliver key milestones within the PR23 programme; Network Rail's train service performance; the future structure of the rail industry; network funding to support passenger and service levels being difficult to secure; Network Rail being unable to achieve funders' requirements with the level of funding made available for CP7; and industrial action in the rail sector.

Performance analysis

The Performance analysis provides a more detailed analysis of how we have performed against our strategic objectives during 2022-23.



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.

Our business plan for 2022-23 set out a number of priority areas and deliverables throughout the year. These included ensuring effective change management during planning for the major transformation of the mainline railway; overseeing industry's management of extreme weather risk; promoting safety by design; prevention of trespass and suicide; reducing risk at the platform-train interface (PTI); competence of control room staff; preparing for the opening of the Elizabeth Line; monitoring safety in the tram sector; and supporting delivery of standards in the heritage railway sector.

We also planned for the expected implementation of new Channel Tunnel bi-national regulations and undertook policy projects such as reviewing the Train Driving Licences and Certificates Regulations 2010. On workforce health, safety and wellbeing, our focus was on Network Rail's track worker safety compliance and supporting industry wellbeing initiatives. We set out plans to improve our own internal processes, including design of a new Train Driving Licence Portal, and to continue our core proactive and reactive work of inspections, investigations, enforcements and statutory activity.

Progress against these, along with other areas of work and priorities that emerged during the year, are set out below.

Network Rail and mainline operators

In a year beset by industrial action, our key focus was to work with unions and operators to ensure that safety was a priority during strike action.

A core piece of work has also been around the planned transformation of the mainline railway in Britain, working with all parties including the Government, Network Rail, the Railway Safety and Standards Board (RSSB) and the Train Operating Companies (TOCs) to ensure effective change management. We seconded several members of staff to the Great British Railways (GBR) Transition Team during the year to lay the foundations for the transition to GBR. This included someone focusing on embedding safety by design into

the new organisation. Arrangements were also established to provide us with assurance of the design of the sector model through the provision of (non-statutory) advice to the Department for Transport (DfT).

We also ramped up our involvement in Network Rail's modernisation plans, to provide third party oversight and scrutiny. We monitored progress on workforce modernisation to ensure safe delivery is not compromised. We also worked to identify any gaps in its framework implementation plan for modernising maintenance when it was presented to us. Targeted inspection works are planned in the coming year to test the implementation of the plan and we will continue to engage with Network Rail to ensure it is managing the impact on corporate knowledge retention.

Oversight of the occupational health, safety and wellbeing of the railway industry's workforce has remained a high priority for us. All improvement notices issued to Network Rail in 2019 in relation to track worker safety were complied with by the July 2022 deadline and we are pleased to report that Network Rail, through its Safety Taskforce and other work programmes, fully implemented all recommended preventive and protective measures and achieved excellent progress. Reliance on unassisted human lookout warnings has now been significantly reduced to approximately 1-1.5% of all hours worked across the country. The focus now will be on ensuring Network Rail maintains the protective measures in place, with plans to conduct a follow-up check in July 2023.

Climate change adaptation and weather resilience rose further up the agenda during the year, and we continued to address the management of extreme weather and flood risk with industry, to identify high hazard areas and put mitigations in place. We monitored Network Rail's activities to address risks, attending their Weather Risk Task Force to ensure we were regularly informed. In particular, we want to ensure the company adequately resources the necessary activities it has identified and continues to work to map and manage all of its drainage assets in every region.

Following publication of the Rail Accident Investigation Branch (RAIB) report into the 2020 Carmont derailment, when a passenger train collided with debris washed onto the track, we followed up the recommendations placed upon Network Rail and RSSB and reported back to RAIB on progress in March 2023, reporting two out of the eighteen recommendations as closed.

As part of our key theme of managing for the future, we continued to promote health and safety by design, including encouraging use of the Better Rail Value Toolkit during new line development and engaging particularly with schemes in the DfT Restoring Your Railways programme. We continued to engage with HS2, strengthening our relationship with the project team and the DfT team responsible for delivery, and engaged with other major projects, like the TransPennine upgrade.

With trespass and suicide remaining significant issues, we continued to focus on security, carrying out a new programme of proactive depot inspections. We worked to influence

industry, encouraging Network Rail and the TOCs to continue their positive work on preventive measures and seeking improvements through enforcement notices where necessary.

We maintained oversight of TOCs' activities to reduce the risk to passengers at the platform-train interface (PTI), which has been a focus for ORR since the occurrence of a number of fatalities. We have participated in various risk working groups within the industry and monitored progress of plans to replace existing paving with tactile paving.

In anticipation of the close of the national priority asbestos programme on 31 March 2023, we worked to support an effective transition to business-as-usual management by Network Rail's regions and a comprehensive framework is now in place. We tracked progress by regions in completing the agreed sample surveys and challenged the Technical Authority to demonstrate how Network Rail's asbestos management system delivers legal compliance. Urgent asbestos awareness briefings were delivered to employees in higher risk roles and work is on track to deliver the required improvements to Network Rail's mandatory training and compliance training by July 2023. We planned for mitigation of risks that might arise from the close of the programme, including new KPIs for monitoring performance and a post-implementation review of the asbestos management standard in 2023. In response to our sustained focus on compliance, an occupational hygiene specialist joined Network Rail's corporate health and safety team in April 2023.

We met regularly with Network Rail's Technical Authority to discuss the refinement of their Fatigue Management Policy. There have been significant efforts to implement compliant rosters, but some concerns remain around the levels of control being adopted within the standard. We will support industry efforts to conclude important research on fatigue factors, which will form the basis of a refresh of our own guidance on this important topic.

Non-mainline operators

This year saw the safe opening of the Elizabeth Line and we worked closely with Transport for London (TfL) to support successful delivery of the original part-opening in May and the full end-to-end opening in November. We also contributed significant work to the auto-reverse arrangements, and this will continue into next year.

A substantial area of unplanned, but necessary, work this year has been assessing TfL's major four-lines modernisation (4LM) signalling upgrade project, which will continue into next year. In December we served an Improvement Notice on London Underground Limited due to their failure to ensure a safe system of work for track patrol workers on the Metropolitan Line between Rickmansworth and Amersham following a serious incident investigation.

Safety in the tram sector remained a priority. We monitored and supported implementation of the recommendations from our review of the Light Rail Safety and Standards Board (LRSSB). The LRSSB provided a formal report to ORR's Health and Safety Regulation

Committee in December, showing positive progress against all the recommendations, and the Committee was satisfied with the level of improvement. We will continue to monitor this next year.

We conducted inspections of five of the seven tram operators as part of a programme to review safety management arrangements on Signals Passed at Stop (SPAS), and the remaining two will be completed in 2023-24. We also completed an inspection project on the maintenance of tram switches and crossings and took targeted enforcement action to address a loss of risk control across the sector. This included serving Improvement Notices on Blackpool Transport Services in relation to inadequate Control of Substances Hazardous to Health (COSHH) arrangements and on Transport for Greater Manchester for failing to implement effective arrangements for tram overspeed and driver vigilance risks within acceptable timescales and Prohibition Notices to the Tramway Museum Society regarding the dangerous condition of overhead line equipment.

We have focused significant resources on improving health and safety in the heritage sector this year, continuing to encourage leadership, succession and better operator capability, and collaborating with the Heritage Railway Association on the delivery of common good practice standards. We delivered five workshop events, focusing on the benefits of using our Risk Maturity Model (RM3) to encourage greater uptake by duty holders. We also continued to facilitate constructive discussions between the HRA and key stakeholders to drive the creation of a dedicated sector safety standards body, for a consistent approach.

Channel Tunnel

The timescales for implementation of new Channel Tunnel bi-national regulatory arrangements remain subject to UK parliamentary processes and National Safety Authority (NSA) responsibilities for the UK half of the Channel Tunnel have not yet been transferred to ORR. However, we worked to strengthen relationships with our colleagues at the French railway national safety authority, Établissement Public de Sécurité Ferroviaire (EPSF), and consolidated governance arrangements around NSA responsibilities and ways of working.

In August, we served Improvement Notices on Channel Tunnel Group Limited and France Manche SA in relation to their change management capability. This was due to their lack of effective arrangements to ensure a review of risk assessments is undertaken when there is reason to suspect that they are no longer valid or where there has been a significant change in the matters to which they relate; and to ensure the effective control, monitoring and review of any changes to protective and preventive measures necessary to ensure safe operation.

Policy and strategy

Policy work continued throughout the year, and we carried out two post-implementation reviews (PIRs) of government legislation on behalf of DfT. Our conclusions following evidence gathered for the PIR of the Train Driving Licences and Certificates Regulations 2010 were that there should be a detailed review of the regulations, involving all the relevant stakeholders, with a view to developing proposals to amend the legislation, in particular removing or amending some of the prescriptive requirements. The PIR of the legislation that clarifies the respective responsibilities of ORR and HSE for the enforcement of health and safety law concluded, based on evidence provided, that the legislation continued to meet its objectives and work effectively. DfT published both reports in May.

In September we agreed and signed a revised tripartite Memorandum of Understanding (MOU) relating to railway safety in Northern Ireland. This facilitates effective working between three bodies – ORR, the Department for Infrastructure (Northern Ireland) and HSE NI – and streamlines several different agreements into one, simpler and more principle-based approach.

Significant time and resources were directed this year to analysing the Retained EU Law (Revocation and Reform) Bill. We worked hard to understand the scope of the Bill and any potential impacts on rail health and safety legislation to help determine next steps, liaising closely with ORR colleagues, DfT and HSE. We expect a programme of stakeholder engagement to commence in Q2 of 2023-24.

Risks at level crossings remained a priority in 2022-23, with levels of footpath level crossing use remaining higher than pre-pandemic levels, suggesting a long-term trend. In April 2022 we published new guidance on the level crossing order process along with clearer and less prescriptive order templates and updated letter templates to reflect our move to a digital-first approach for the submission of orders.

We continued to inspect and enforce compliance with the law on health risks, issuing notices associated with the control of substances hazardous to health and provision of welfare facilities, amongst others. We were pleased to support the industry Rail Wellbeing Alliance (RWA) in the work they do to champion and improve a range of industry health topics, in particular occupational hygiene, health service provision and fatigue. We sponsored the hugely successful event Rail Wellbeing Live in November and remain vocal supporters of initiatives on workforce mental health and wellbeing including the Rail Mental Health Charter, and the Samaritans Million Hours Challenge and Small Talk Saves Lives initiatives.

We are ourselves actively participating in better health data collection and reporting (through the RWA health data dashboard project), to demonstrate leadership in this area.

Regulation and certification

ORR grants a range of health and safety permissions and approvals, and in some cases we have statutory deadlines to meet for processing requests and issuing our decisions. Our permissioning and approvals work is important because it helps provide an effective framework for railway safety and, in the case of train drivers, establishes a common regime for licensing. Volumes vary each year, depending on demand, and in 2022-23 all deadlines were met. We:

- Issued 1,263 new train driving licences, a decrease of 171 compared to 1,434 in 2021-22.
- Processed 72 train driving licence renewals. Last year was the first year of renewals coming around and we now expect these to ramp up each year.
- Recognised a further 6 doctors and 6 psychologists and added them to our registers as required under the Train Driving Licences and Certificates Regulations.
- Delivered 11 Level Crossing Orders, 4 Variation Orders, 4 Directions, 1 Authorisation for Traffic Signs. This was lower than 2021-22, reflecting delays in level crossing works and that ORR does not yet have responsibility for authorising private crossing signs.
- Issued 35 mainline safety certificates and safety authorisations and 8 non-mainline safety certificates and safety authorisations.
- Processed one application to exempt a non-mainline duty holder from the requirement to hold a safety certificate and safety authorisation whilst operations were being carried out above 25mph.
- Received a high number of applications for further exemptions from Regulations 4 and 5 of RSR1999, ahead of their expiry on 31 March 2023. We issued 6 exemptions from Regulation 4 and 4 exemptions from Regulation 5 to enable, respectively, Mark I rolling stock and rolling stock fitted with hinged doors to continue operating from 1 April.
- Reported to RAIB on a total of 98 recommendations. Using our simplified status definitions (implemented 1 January), 50 were reported as closed, 1 superseded, 42 open, 3 insufficient response and 2 other public body.

Investigation and enforcement

During the year we issued 4 Prohibition Notices and 12 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

Prohibition Notices stopped activities that posed a risk of serious personal injury and the Improvement Notices identified serious breaches of the law that required changes to be made.

The first court hearing for ORR's prosecution relating to the 2016 Croydon tram crash took place in June 2022 when pleas were entered. TfL and FirstGroup-owned Tram Operations Limited (TOL) will be sentenced on 27 July 2023 for health and safety failings after seven passengers died and 51 were injured. Driver Alfred Dorris was also prosecuted but was acquitted at the conclusion of his trial in May and June 2023.

We successfully concluded a number of prosecutions:

- In May 2022, Network Rail were fined £1.4 million for breaching Section 2(1) of the Health & Safety at Work etc. Act 1974 following an incident in which a worker was crushed between a 25-tonne ballast distributor conveyor and people carrier whilst undertaking track maintenance. Network Rail was found guilty of failing to provide the necessary information, instruction, training and supervision to ensure the health and safety of its employees.
- Also in May 2022, VolkerRail Limited was convicted of an offence under section 33(1)(c) of the same Act for contravening Regulation 31 of the Construction (Design & Management) Regulations 2007 and fined £550,000. The court found the company failed to take reasonable steps to prevent danger to workers undertaking excavation work, after a trench wall collapsed outside Stafford Station, burying and seriously injuring a worker.
- In January 2023 train driver Mr Mark Andrew Hubble was sentenced to 8 months' imprisonment, suspended for 18 months, following an incident in which he failed to control the speed of the locomotive he was driving, while using a mobile phone. The locomotive, owned and operated by DB Cargo (UK) Limited, ran through buffer stops, causing it to derail onto the adjacent running line, where it was struck by a passing CrossCountry passenger train. No-one was injured, but there was extensive damage to the locomotive and the passenger train. Mr Hubble was also ordered to undertake 120 hours of unpaid work and pay £600 compensation to the passenger train driver.
- In February 2023, Siemens PLC was fined £1.4 million for breaching Section 3(1) of the Health & Safety at Work etc. Act 1974. It followed an incident in 2017 in which a 650kg traction motor fell on a self-employed contractor working at Siemens Old Oak Common depot, causing fatal crush injuries. Our investigation revealed defects in task planning, including the failure to carry out an appropriate task-specific risk assessment and a lack of clear allocation of supervision responsibility.

We continued to drive improvements in our own internal processes and performance. We established more meaningful and practical risk profiling processes to make better use of available data on health and safety risk as part of our annual planning. Our Regulatory Training Programme received NEBOSH accreditation and we developed and delivered a full suite of in-house training to ORR staff.

Development and testing of the new Train Driving Licence Portal continued in 2022-23. Whilst we had planned to implement this in the year, technical issues identified during testing delayed the project. The portal is now expected to go live in 2023-24. As part of an organisation-wide drive to improve cybersecurity we also developed a toolkit for inspectors and an inspection protocol, to ensure alignment with our existing RM3 tool.



Strategic objective 2: Better rail customer service

We have a key role to improve the rail passenger experience 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 where we have regulatory responsibility:

- 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 a complaints handling service, compensation where passengers are subject to delay, and independent resolution through an ombudsman where necessary.
- Ticket retailing, specifically the ease with which passengers can purchase tickets and, where necessary, receive a refund for their ticket.

We do not have regulatory responsibility for train performance (punctuality and reliability) or fares, although both are important aspects of the passenger experience. We do hold Network Rail to account for the quality of the rail infrastructure, which is a contributor to train performance, and provide transparency through publication of statistics.

Our business plan for 2022-23 outlined priority areas of work on customer service relating to passengers. These were: informing the Department for Transport's review of the Station Design Code for accessible railway stations and publishing outcomes of audits of train company websites with regard to accessibility; accepting companies' passenger information pledges as statutory requirements; and launching a statutory consultation on new arrangements for complaints handling.

Last year's business plan also set out deliverables on policy and regulatory areas related to wider customer service in the industry. Priority areas were: regulating access to the networks; timetabling and revisions to the Network Code; HS2's proposal to levy an investment recovery charge; and a review of Eurotunnel's Network Statement, including assessing costs transparency.

Passenger accessibility

There was little progress during the year on DfT's review of the Station Design Code for accessible railway stations. We have continued to engage with the Department to inform their review and look forward to seeing their consultation in due course. Separately, we have engaged with Network Rail to understand how they ensure that station infrastructure works are compliant with the code, aiming to prevent the occurrence of non-compliant projects at the design stage.

In July 2022, as part of our Annual Consumer Report, we published the outcomes of our audits of train company websites. Many passengers rely on operators' websites to access the information they need to plan their journeys. We therefore commissioned a follow-up to our 2020 review of website accessibility, which included a technical audit, accessibility information audit and user testing by disabled people. We reported that many operators were now close to full compliance with the AA standard of the Web Content Accessibility Guidelines (WCAG) (2.0) and 13 operators met minimum requirements for the scope of accessibility information provided, compared to none in our previous review.

Overall, while we found scope for further improvement, we welcomed the progress that has been made. We committed to engaging with individual operators on their own performance with a focus on those that have most to do to reach compliance with the WCAG technical criteria: TfL, LNER, Northern Rail, SWR, Avanti West Coast and London Overground.

Separately, we decided to commission in-depth audits on the delivery of assistance, to be focused around the processes necessary for train operators to deliver assistance reliably. We will be undertaking these audits in 2023-24, focusing on a small number of train operators.

Passenger information

We welcomed the industry's commitment to better passenger information through the creation of new customer information pledges, developed under the governance of the industry's Smarter Information, Smarter Journeys programme (SISJ). The pledges set out good practice for what information passengers can expect before, during and after their journey, and particularly during periods of disruption on the network, placing the focus firmly on the passenger perspective. We have worked with industry to ensure that lessons learned from previous activities were fully incorporated.

In April 2022, we issued updated regulatory guidance to support train operators in adopting these pledges to satisfy licence requirements. All mainline operators have now confirmed to us that they have adopted the pledges and we will, in turn, hold them to account for delivery. We scrutinised the self-assessment that each operator submitted to us, engaged with them where we identified opportunities for improvement, and will continue to monitor compliance with the pledges.

Complaints handling and redress

We want to drive a culture that sees operators actively using complaints as a source of insight to drive continuous improvement in passengers' experience of rail, and to incentivise both quality and timeliness in complaints handling.

We carried out a statutory consultation on proposals to bring new arrangements for complaints handling into train operating licences. Following the consultation, we made the necessary licence changes to introduce a new Code of Practice on complaints handling, with effect from April 2023.

On delay compensation, we monitored operators' compliance with the licence condition and code of practice that came into effect in April 2022.

ORR has been given a new and important oversight role as sponsor of the Rail Ombudsman, providing greater confidence in the independence of the ombudsman as an arbiter between customers and companies. In preparation for this, we carried out and concluded a successful consultation on the ombudsman operating model and made the necessary changes to industry's licences to enable them to transition to the ORR-sponsored scheme. We have appointed a preferred provider through an open competition and preparations are under way for the scheme to go live in autumn 2023.

Compliance monitoring, consumer engagement and reporting

We continued our day-to-day monitoring of the passenger experience of using the railways and intervened where we identified poor performance. For example, we required improvement plans from Avanti on their timetabling processes and passenger information, from TransPennine Express on passenger information and from CrossCountry and Grand Central on their complaints handling processes. As a result, we expect all of these to return to providing an appropriate service to customers.

We continued to seek input from our Consumer Expert Panel on a range of issues including complaints handling, delay compensation and Network Rail stakeholder engagement, and appointed four new members to the panel.

In July 2022 we published our Annual Rail Consumer Report for 2021-22. This illustrates the breadth and depth of our work across the consumer areas for which we are responsible.

Access, licensing and capacity

ORR's work ensures that access to the rail network is fair to all customers who use it and that railway companies are fit to operate. Our role ensures that users and funders of the railway are not disadvantaged by the monopoly power of the networks we oversee. We continued to review and approve decisions taken between Network Rail and train operating companies about use of the network, and provided independent resolution where they couldn't agree.

During 2022-23, we met all our service standards for access and licensing casework. We:

- reviewed and approved 111 new and amended track access contracts for passenger and freight operators, within our statutory timescales.

- reviewed and approved 362 access contracts for stations, depots, freight terminals, other service facilities and connecting networks within our statutory timescales.
- issued 9 licences or licence exemptions for operators of railway assets, meeting our timescale commitments to industry in every case.
- reviewed 2 Network Rail-proposed land disposals, consenting to both of them.
- completed our annual audit of Network Rail's land disposals to time in November 2022. We had no major concerns over Network Rail's internal sign-off procedures for land disposals and no sign of our general consent facility being used inappropriately. We found some instances where information was incomplete, and we have encouraged Network Rail to complete its review of how third party expressions of interest for land are used.

We continue to provide independent expert advice to government to help it achieve its policy objectives on rail reform. At the request of Ministers, we have had significant input into GBR Transition Team's commission from the Secretary of State to explore simplifications and efficiencies in managing the use of the rail network. This commission published some initial discussion papers in March 2023, including evolutions in our regulatory approach and processes.

We continued to monitor Network Rail's timetabling to drive improvements in quality and in July 2022 published our assessment of their delivery of the rail timetable, as part of our annual assessment of Network Rail's performance. Timetabling also formed a key part of our published letter to Network Rail in October 2022, calling for it to improve network performance. We have provided an update view on Network Rail's performance in our annual assessment published in July 2023.

In January 2023, subject to ORR's approval, the industry agreed some significant revisions to the Network Code to speed up timescales and processes for producing the rail timetable. In April 2023 we launched a public consultation to consider the potential impact of the revisions on passengers and what, if any, licence changes may be required were we to approve the change.

ORR also has an important role in regulating access on other networks, such as High Speed 2 (HS2). Following a consultation between March and May 2022, we determined that HS2 will be able to levy an investment recovery charge from its future operators for phase 1 of the infrastructure.

We conducted and concluded our annual review of Eurotunnel's Network Statement jointly with the French rail regulator and published our opinion in February 2023. As part of this, we found that while Eurotunnel has improved transparency about its long-term costs recovery, further work is needed by the company and both regulators to test the robustness of how it calculates these charges.



Strategic objective 3: Value for money from the railway

ORR works to ensure that the railway is run in the most efficient way for users and funders and holding Network Rail to account is a key role for us. 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 help secure a better deal for rail users now and in the future.

Our business plan for 2022-23 set out a number of priority areas for delivery during the year: carrying out various reviews of Network Rail's activities; consulting on the 2023 Periodic Review (PR23) and advising government on funding and outputs for the next Control Period (CP7) starting in 2024; consulting on our approach to the 2024 Periodic Review of High Speed 1; monitoring implementation of our recommendations on competition in the GB signalling market; and publication of official statistics.

Holding Network Rail to account

One of the ways in which we support value for money from the railways is by holding Network Rail to account for its efficient management of the rail network in Great Britain and its delivery to a wide range of stakeholders. We monitor how it is supporting a reliable and punctual train service, how it is maintaining and renewing its assets, and how it keeps the network safe and in good condition. We hold it to account against its obligations in its network licence and against its committed targets set for each five-year control period and in its business plan.

In July 2022 we published our Annual Assessment of Network Rail, which covered performance in year three of Control Period 6 (CP6) (April 2021 to March 2022). We reported that overall performance was mixed. Network Rail helped keep the railway running safely and efficiently despite continued challenges from the coronavirus pandemic, with recent data confirming that Great Britain continued to have one of the safest railways in Europe. While train performance had worsened from the record levels of the previous year as the network became busier, it was generally at acceptable levels.

Most regions had met or exceeded their annual efficiency targets for the year, and overall Network Rail had reported £840 million of efficiency improvements for the year, ahead of its £830 million target. However, we warned that the company must carefully manage its financial risks, particularly in the context of rising inflation. We also highlighted that Network Rail needed to make improvements to how it manages its assets, with asset reliability varying across each of Network Rail's five regions. While Eastern and Southern regions achieved their asset reliability targets, North West and Central, Wales and Western, and Network Rail Scotland failed to achieve their targets for the year.

In September we published our Annual Assessment of Network Rail's stakeholder engagement, also covering year three of CP6. We reported that performance on stakeholder engagement remains strong overall, with evidence of some improvements that relevant business units have made in their approach. When we asked stakeholders to rate the overall quality of Network Rail's engagement, we found this has declined slightly from our year two assessment. We again recommended that Network Rail's Senior Leadership Team and Board drive forward a strong culture of stakeholder engagement whilst continuing to support locally tailored engagement across the relevant business units.

During 2022-23, we completed five Targeted Assurance Reviews (TARs), five independent reports and one consultant report looking at various aspects of the way Network Rail approaches the management of its assets.

Examples of the reports we have published include the following:

- the accuracy of recording of maintenance activities within Network Rail's Maintenance Delivery Units (MDUs), which found data quality weaknesses that required improvement.
- the effectiveness of structures examination compliance, where we identified the extent of non-compliance and prompted Network Rail to produce recovery plans to a compliant state.
- technology adoption, which led to Network Rail agreeing to put greater emphasis on change management, identified as an obstacle to the adoption of technology.
- management of depot plant assets, where we identified that the standards for maintenance were not being strictly adhered to and required Network Rail to improve its asset management process around depot plant.
- management of vegetation assets, which required Network Rail to develop more robust plans for vegetation management; and
- the effectiveness of Network Rail's contract management, where we identified some shortcomings but noted that a new framework had been developed and was yet to be fully embedded into the regions.

Beyond activities identified in our business planning we also undertook TARs on traction power modelling and capability, Network Rail's approach to maintenance, an IR on the transition from CP6 to CP7 and a Consultant Report on embedded risk.

Periodic Review 2023

Work continued on preparing for the 2023 Periodic Review, which determines what Network Rail must deliver in Control Period 7 from 2024 to 2029 (CP7) and the funding it requires to do this. Periodic reviews are one of the principal mechanisms by which we hold

Network Rail to account and secure value for money for users and funders of the railway, and this year we have continued our collaborative, cross-industry approach, working closely with funders (in England and Wales and in Scotland), Network Rail and industry stakeholders.

We provided formal independent advice to the UK and Scottish governments to inform their decisions on CP7 funding and outputs. On 1 December 2022, the UK Government issued its Statement of Funds Available (SoFA) and High-Level Output Specification (HLOS) for England and Wales. The Scottish Ministers' SoFA and HLOS followed on 3 February 2023. Both governments' HLOSs expect Network Rail to maintain a strong standard of safety, deliver cost efficiency and achieve value for money for taxpayers, maintain focus on punctuality, reliability, and asset and environmental sustainability, including resilience to claim to change. These requirements are consistent with our PR23 key objectives of safety, performance, asset sustainability, and efficiency.

We issued Network Rail with guidance in July 2022 about our requirements for its Strategic Business Plan (SBP). Following publication of the SoFA and HLOS decision, Network Rail issued its SBP to ORR in February 2023.

We issued several PR23 consultations during the year. In April 2022 we launched a consultation on charging frameworks, with conclusions published in October (when we also published the policy conclusions for the CP7 incentive regime). In July 2022 we published the policy framework for our approach to holding Network Rail to account, with conclusions published in December. Alongside this we published the consultation and conclusions on our technical consultation on the outcome measures for CP7. In December we consulted on our financial framework for CP7.

High Speed 1

In August we published our annual report on HS1 Ltd for the period April 2021 to March 2022. We noted continued operational outperformance and good progress in responding to recommendations made in our previous periodic review, PR19. Our report expressed concern about HS1 Ltd's ability to deliver its planned renewals for the control period 2020-2025 and asked that the company undertook more rigorous monitoring and assurance of its contractors' plans.

In October we consulted on our approach to PR24, our next five-yearly review and published our approach document in January 2023 setting out the increased scope of our duties to include stations on the route; and our intention to work with HS1 Ltd and its stakeholders to better understand and account for the uncertainty in the railway system following the coronavirus pandemic.

Promoting competition

We have continued our work monitoring and taking action to promote competition and tackle anti-competitive behaviour in railway markets.

Following recommendations made in our 2021 market study on GB signalling procurement, we have actively monitored Network Rail's progress towards implementation and in July 2022 published an update paper. This reported that progress has been made towards revising the approach to procurement and a new framework for CP7 and CP8 has been published. The update was followed by a final report on overall progress and next steps in April 2023.

We continued to monitor progress against the recommendations in our 2019 competition study into automatic ticket gates and ticket vending machines and published a monitoring update report in December 2022. In this we concluded that progress had been made in generating and improving competition and innovation, although challenges remain, particularly in relation to access to TfL's network.

On the open access market and our commitment to monitor annually the impact of open access operators on the network, we published our third report in April 2022, and our latest report was published in May 2023. Our aim is to ensure that benefits for all rail users and funders are maintained. Our 2022 report found that despite the pandemic presenting significant challenges, open access operators see an important role for their services in supporting the re-growth of rail travel.

In addition to our own-initiative competition work, we have provided expert advice and support to the Competition and Markets Authority (CMA) throughout its merger inquiry into the proposed acquisition by Hitachi of Thales' ground transportation systems business. The CMA's inquiry was launched in October 2022 and the statutory deadline to conclude the inquiry is 11 August 2023.

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, as set out in the Code of Practice for Statistics.

During the year we continued to publish a range of quarterly and annual statistics on our data portal. These cover a range of key areas for rail, including safety, passenger experience, finance, emissions and our quarterly statistics on Passenger Rail usage and Passenger Rail Performance, which are an important and valuable tool for continuing to scrutinise the performance of operators and for elevating the focus on recent performance issues that have emerged in the industry. The data portal includes published summaries and a suite of data tables and interactive dashboards, used by a wide range of stakeholders including policymakers, passenger watchdogs, academia and consultants, media, and the public.

In November 2022 we published our Rail Industry Finance (UK) annual statistics, reporting income and expenditure for Network Rail, passenger operators and other sectors of the

UK rail industry. We reported that the rail industry has made progress in recovering from the pandemic, as passenger volumes and revenues have begun to recover, but significant economic challenges remain. Total rail industry income in the latest year was £21.3 billion, a decrease of 0.9% when adjusted for inflation, and including £13.3 billion of government funding. Total expenditure was £22.8 billion, up 3.9% largely because of increased finance costs.

As an accompanying report to our Annual Efficiency and Finance Assessment of Network Rail, we issued the Rail Industry Employment Cost Study, taking a whole industry approach. The study compared pay and total reward (which includes pension costs and other measurable benefits) of 64,459 rail industry workers. While the complexity of rail pay arrangements can make data capture and consistent comparisons difficult, the study found that in some areas of the industry, pay and conditions are favourable when compared with the wider market.



Strategic objective 4: Better highways

National Highways is responsible for operating, maintaining and renewing the strategic road network (SRN) of motorways and major 'A' roads in England. Our role is to scrutinise the company and hold it to account for its performance and efficiency. We report on National Highways' delivery of over £4 billion of annual expenditure,

providing transparency to funders, road users and wider stakeholders. We encourage National Highways 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 2022-23 outlined the following priority areas: monitoring National Highways' performance under the remainder of the current road period (2020-25) and preparing our advice for the third Road Investment Strategy (RIS3); publishing our Annual Assessment of National Highways' performance and continuing to monitor the impacts of the pandemic; and monitoring delivery of the Smart Motorways Action Plan, quality assuring the Smart Motorways Second Year Progress Report and supporting implementation of the Transport Select Committee recommendations on the roll-out and safety of Smart Motorways

Annual assessment of National Highways

We continued to monitor National Highways' delivery of requirements set out in the second Roads Investment Strategy (RIS2), which covers the current second period (RP2) from April 2020 to March 2025. We looked at the company's performance and efficiency and the delivery of projects to budget and to time, and how well National Highways executed its duties to run an efficient, safe and reliable strategic road network in England. This was in the context of changes to the capital programme following Spending Review 2021 that removed £3.5 billion from the RIS2 budget and resulted in a smaller RIS2 delivery portfolio and a reduction in the efficiency target.

In July 2022 we published our Annual Assessment of National Highways' performance in 2021-22. Our four key messages focused on safety, asset management, environmental performance (covered in 'Sustainability in the road sector – holding National Highways to account' on page 40) and enhancements.

Our assessment showed that National Highways' primary focus has been safety on the strategic road network as traffic levels returned to normal after the pandemic, and delivery of the Government's Smart Motorway Action plan. The company also worked to improve its asset management maturity and set baselines on all environmental key performance indicators (KPIs) for RP2.

On asset management, we reported that we saw some progress in National Highways' asset management maturity. However, the company was yet to provide us with sufficient evidence that it was executing its asset management policy consistently and effectively. We said that the renewals work it delivers must be targeted at the right asset at the right time in its lifecycle and that National Highways must urgently take steps to demonstrate compliance with its own policy.

On enhancements, we noted that National Highways faced several challenges in 2021-22 but met its in-year revised delivery commitments to start work on four schemes and open seven schemes for traffic. We asked the company to demonstrate that it was mitigating ongoing risks to delivery, such as planning issues, so that it could deliver the remainder of its enhancements portfolio on time and to budget, with the appropriate efficiency savings.

Regional Benchmarking

In January 2023 we published the latest in our regional benchmarking series, alongside summary performance dashboards for each region. This annual exercise uses disaggregated data to measure National Highways' performance and efficiency across its own regional areas or comparable organisations and helps to inform the development of each five-yearly road investment strategy.

Safety on the strategic road network including Smart Motorways

In May, we published our quality assurance of National Highways' Smart Motorways Second Year Progress Report and reported no major concerns.

In December, we published our first Annual Assessment of safety performance on the strategic road network, setting out our assessment of National Highways' performance in 2021 and a progress update on the Transport Select Committee recommendations on the roll-out and safety of smart motorways. We reported that National Highways appears to be on course to achieve its key safety target to halve the number of people killed or seriously injured on the SRN by 2025 (compared to a 2005-2009 baseline). However, traffic across 2021 was still below pre-pandemic levels and there is a risk that the number of casualties could increase if this rises further. We said the company needs to maintain its strong focus on safety and committed to scrutinising the action plan aligned to its 2025 target when shared in March 2023, to assure ourselves that it is robust, deliverable and sets out how the company will achieve its target.

ORR has a specific role in ensuring National Highways delivers on its actions in the Smart Motorways Action Plan. A key focus was on the action for faster traffic officer response times to incidents where the existing spacing between safe places to stop in an emergency is more than one mile. National Highways met its target to achieve this by the end of September, largely due to our intervention. We will continue to monitor their performance to the end of the current road period.

The safety report also provided the early findings of our work responding to the Transport Select Committee recommendations, specifically looking at the effectiveness of safety systems in place on smart motorways and of the action plan in reducing the frequency and duration of live lane incidents.

Our review found that stopped vehicle detection (SVD) technology is not yet performing to the level the company set itself. We required National Highways to respond to this urgently, setting a target of the end of June 2023 to make rapid improvements to the SVD technology. National Highways implemented several software fixes as part of its programme to improve the performance of stopped vehicle detection on all lane running motorways. We have worked closely with the company throughout the process and are content with the progress we have seen so far. We will provide an update from our initial assessment of results in summer 2023 and will provide a more detailed report on progress in our annual report on safety later this year.

Our assessment also concluded that it was too early to fully understand how successful National Highways' delivery of the action plan has been in reducing the frequency and duration of live lane stoppages. However, the initial stages of our work carried out a detailed assessment of how the company evaluates its education campaigns, which found that its overarching strategy and approach are well aligned to the relevant best practice guidance. The company will begin its wider evaluation work in 2023 and we will monitor implementation and delivery, along with the evaluation of future waves of education campaigns.

Preparing for RIS3

As part of our role in the development of new road investment strategies, we published a document in May setting out our role and approach to the third Road Investment Strategy (RIS3). In preparation for providing our independent advice to the Secretary of State for Transport, we commissioned, jointly with National Highways, capability reviews focusing on the company's ability to improve efficiencies in its asset management and project management and procurement. Furthermore, following a request from DfT, in October we provided early advice on funding for renewals.

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 2022-23. The table shows how we performed against each of these.

Achieved key: ■ G (Green): Standard met ■ A (Amber): Narrowly missed

Provision	Service standard	Achieved	Percentage achieved
Issue new or revised train driver licences	100% of applications processed within one month of receipt of all necessary documentation	G	100%
ROGS safety certificate and authorisations (Railway and Other Guided Transport Systems Regulations)	100% determined within 4 months of receiving completed application	G	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	G	100%
Efficient processing of technical authorisations	100% of responses within 28 days of receiving complete submission	G	100%
Access and licensing casework	100% decided within 2 months of receipt of all relevant information	G	100%
Freedom of Information requests	90% of requests for information responded to within 20 working days of receipt	G	100%
General enquiries and complaints, including adjustment to account for cases investigated	95% of enquiries and complaints responded to within 20 working days of receipt	G	96%
Prompt payment of suppliers' invoices to ORR	80% paid within 10 days of valid invoice	G	88%
Prompt payment of suppliers' invoices to ORR	100% paid within 30 days of valid invoice	A	99%*
Publication of quarterly statistical releases	100% published within 4 months after quarter end	G	100%
Proactive railway inspection	50% (minimum) of ORR inspector time on proactive inspection	G	56%

Table 2: Performance against service standards

*The target was narrowly missed as a result of a finance system issue early on the year, which has been resolved.

Our people

As an organisation, we are committed to carrying out our regulatory duties efficiently, effectively and transparently, to deliver the best value for money for all stakeholders. We have made excellent progress against last year's business plan deliverables on developing and supporting our people.

We have continued to invest in modernising our ways of working and are on track to meet our commitments in our 2020 three-year Technology Strategy, with a focus on cyber security and information technology. To provide a more effective approach to document and information management within the organisation, we are migrating from our existing system, Box, to MS365, which involves moving a total of 4.7 terabytes of data. This has been a high profile and complex project with significant risks, which we are managing. Excluding case management, the migration was completed in March 2023, with over 2.1 million files equating to 4.2 terabytes of data successfully transferred.

Plans for two regional office relocations were progressed successfully during the year, to reinforce our regional presence. The phase 1 move to an interim Glasgow office was achieved and we are on track to move to the permanent office by the end of 2023. The 2025 move to a new government hub in Manchester was also agreed in principle.

Earlier this year, ORR's Smarter Working approach was assessed as 'mature', the highest attainable level, by the Government Property Agency (GPA), as part of a mandatory programme to assess all government departments and executive agencies. A key theme acknowledged throughout GPA's report was that Smarter Working principles are so embedded in ORR's ways of working that the majority of our people are unaware of the term 'Smarter Working' or its meaning – it is simply our way of working life.

A priority this year has been embedding our new and more engaging learning management system 'MyLearning'. We introduced a number of mandatory training courses as part of our growing investment in organisational knowledge and skills. Fraud awareness training was provided to all staff following an update to ORR's fraud prevention policy and a new module on bullying, harassment and victimisation was completed by more than 92% of all staff with directors managing those that still need to complete the course. Our new drugs and alcohol policy and an update to our whistleblowing policy were both introduced as planned.

ORR is committed to getting the best out of our people – developing talent and creating a modern, inclusive workplace where everyone can thrive.

We continued our investment in leadership and management, with our 2022-23 cohorts for both the Senior Leadership and Management Development programmes successfully completing their training. Designed with a focus on managing change and strategic leadership, it ensures ORR values and behaviours are front and centre in our thinking.

This is part of the foundation we are setting for our existing and future leaders, with an emphasis on ‘engage, focus and embed’.

Our ongoing commitment to develop talent and progress diversity and inclusion (D&I) was reflected in a number of ways this year. Following a Talent Inclusion & Diversity Evaluation (TIDE) assessment by the Employers Network for Equality and Inclusion (ENEI), ORR was awarded silver, building on our bronze award in 2021. We came 22nd out of 155 entries and were advised that we scored consistently above average compared to other public sector organisations.

We were also shortlisted for the ENEI Annual Inclusivity Awards in November 2022 in the category ‘Creating an Inclusive Workplace’. Fellow nominees in this category were Active Prospects, Birmingham Women’s & Children’s NHS Trust and Brodies.

As part of our outreach to help young people think about careers, develop future talent and support social mobility, we held another series of 'Business Insight' events arranged through the Mayor of London's Access Aspiration scheme. We hosted a visit by twenty 16-18-year-olds to our head office in London, where they heard from a variety of colleagues about their career journeys and opportunities within ORR and the wider civil service.

Moving forward, we want to ensure everyone is able to contribute to building an inclusive culture within ORR. It has been agreed that all ORR staff will have their own D&I objective, set and reviewed just like any other objective in our performance management system. Guidance on the type of objective and how to evidence it at different grades has been created to support colleagues and we plan to launch this during National Inclusion Week in September 2023.

Category	Key highlights
Recruitment Activity	2,641 total applications received leading to 78 new starters
Our People Survey	A response rate of 81% and an engagement score of 62% overall
Learning and Development	92% of all staff completed our training on whistleblowing, anti-bribery and bullying, harassment and victimisation
Employee Benefits	69% of staff are active users of our Edenred My Lifestyle employee benefits portal
Recognition	70% of staff received an in-year award between the award period August 2021 – August 2022
Leadership	26 staff have completed the ORR Leadership and Management Development Programmes, to invest in our approach to change management and strategic leadership.

Table 3: Key highlights in the Our People and Performance activities

Sustainability

ORR has different environment and sustainability duties for rail and road, and the industries are subject to different goals and legislation across England, Wales, Scotland and Northern Ireland.

In September 2022 we published our new overarching sustainable development policy statement following public consultation in 2021. This sets out how we will incorporate sustainable development principles in delivering our rail regulatory functions and holding National Highways to account. It will drive how we develop and implement policy, including how we work with third parties, our corporate operations and how we scrutinise and report on progress.

We are also subject to sustainability and reporting duties as a public authority, such as through the Greening Government Commitments, and the sustainable development policy statement also covers these internal corporate activities and processes.

Sustainability in the rail sector – holding Network Rail to account

UK governments have committed to a net zero railway in England and Wales by 2050 and in Scotland by 2045, through the Plan for Rail, DfT's Decarbonisation Plan and DfT's Rail Environment Policy Statement (all published in 2021) and the Scotland Climate Change Act 2019. In December, the Government set out the environmental outcomes it expects of the railway over the forthcoming control period (2024-2029) in its High Level Output Specification. This includes requirements to deliver a more circular economy, to address climate change adaptation and to conserve and enhance biodiversity.

Teams across ORR continue to support industry's work to achieve these. We have updated our sustainable development policy statement and our environmental guidance to railway licensees, ensuring they are adhering to appropriate environmental policies and arrangements. We are monitoring how industry responds to this and the wider challenges of government decarbonisation policy.

We continued our quarterly liaison meetings with Network Rail's Chief Environment and Sustainability Officer and subject matter leads. We have also met with the Head of Environment for each of Network Rail's five regions to understand and assure delivery of their Environment Strategy at a regional and route level. We found positive progress in areas including governance, emissions data, incident response, energy efficiency and habitat creation initiatives. There are opportunities for improvement around scope 3 emissions reporting and pathways, and longer-term systemic changes to reduce habitat destruction.

Our regulatory work on decarbonisation has expanded during the year, as we look ahead to PR23. We have placed a requirement on Network Rail under the escalator process to improve its data capture, assurance and governance for reporting on energy use and scope 1 and 2 carbon emissions and have requested regular updates on its preparatory work to ensure it can also report scope 3 emissions from April 2024.

Following the disruption caused by the spell of extremely hot weather in summer 2022, we worked with Network Rail to understand the key issues around weather resilience and climate change adaption (See 'A Safer Railway' page 16).

We consulted on wider sustainability outcomes and supporting performance measures for the next control period and have provided advice to ministers on outcomes we feel are important. We have provided feedback to Network Rail on the development of a new corporate 'one planet' environmental sustainability indicator and will commission an independent assessment of the proposed indicator in autumn 2023.

We have also presented our environmental priorities for the next control period to principal contractors in the supply chain, to enable them to prepare their approach for supporting Network Rail's delivery.

We continued to monitor Network Rail's delivery against its biodiversity action plan and saw the publication of its first state of nature report. Our work with Network Rail regions has revealed some welcome areas of progress, such as robust examples of project level habitat creation and restoration schemes, the setting of bold targets for new schemes by the end of CP6 and strong governance. We also see opportunities for improvements, including showing how Network Rail will help deliver nature commitments in the Government's Environmental Improvement Plan and a cultural shift towards recognising natural assets as no different from other asset families on the railway.

We completed an independent review of lineside vegetation management practices to ensure these respond to the recommendations of the Varley Review, while also delivering operational safety. Aspects of governance, planning and habitat reporting were shown to require improvement, which we are addressing with Network Rail.

Meetings with statutory environmental bodies across England, Wales and Scotland were held throughout the year, to help us stay abreast of permitting requirements for the industry and explore opportunities to address key challenges collaboratively. We continued to discuss with Natural England how biodiversity accounting tools can be applied to the railway estate and report performance on biodiversity 'net gain' from 2024 onwards.

Sustainability in the road sector – holding Highways England to account

We monitor National Highways' progress against its commitment to deliver better environmental outcomes on the strategic road network. For the second road period

covering April 2020 to March 2025, this includes holding the company to account on its performance against four key indicators: noise, biodiversity, air quality and corporate carbon emissions.

We also monitor progress against several other environmental performance indicators covering carbon emissions from the supply chain, the condition of cultural heritage assets, water quality and litter.

In our annual assessment of National Highways' performance in 2021-22, published in July 2022, we reported that:

- National Highways had made good progress on its commitments to reduce corporate carbon emissions by 75%, mitigate noise impacts on 7,500 households, and bring air quality on sections of its network into compliance with legal limits in the shortest possible time. We also noted that the company will need to sustain its performance over the remainder of the second road period (RP2) to meet these targets.
- Further assurance was required that National Highways' biodiversity delivery programme is accurate, deliverable and would achieve the company's key performance indicator (KPI) target of no net loss in biodiversity by 2025. At the end of 2021-22, National Highways was forecasting a biodiversity net loss by 2025. Given this, and additional future impacts linked to enhancements funding and/or scheme schedule changes, we set a requirement for the company to provide sufficient evidence that it was working quickly to rectify this position. We required National Highways to provide a robust plan by September 2022 setting out how it would achieve the KPI target by the end of RP2.
- National Highways spent £53 million of its environment and wellbeing designated fund in 2021-22, against a budget of £60 million, and delivered 32 out of 50 planned milestones during the year. The company reported that it had delivered further milestones in 2021-22 but that these had not been internally validated at year-end. As a result, we set a requirement for National Highways to take steps to comply with its validation process in a timely way so that we have confidence that the company is effectively delivering designated fund projects.

Our next annual assessment is due to be published in summer 2023, when we will report on National Highways' performance against these environmental metrics during 2022-23.

ORR's own environmental strategy

ORR is committed to delivering the 2021-25 Greening Government Commitments, covering climate change mitigation and adaptation, waste, water and resource use, sustainable procurement and nature recovery. We have engaged consultants to support us in developing a strategy and action plan within ORR that can assist us in actively

meeting the Greening Government targets and set us firmly on the path to zero emissions before 2050. This includes data gathering and identifying where we can set meaningful targets in areas where we have control.

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

In the past year we have continued to gather data where available on our own environmental performance as an organisation and this is reported in the tables below. Our data is collected by DfT on behalf of Defra. We have presented the data as transparently as possible and have noted where it has not been possible to obtain some information.

Building-related data is provided only for the offices for which we are leaseholders. That is our London office for the full financial year and our Glasgow office up to November 2022, when we moved out of those premises and into the premises of another government department. 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.

Emission Category	2022-23 Greenhouse gas emissions (tonnes CO ₂ e)	2021-22 Greenhouse gas emissions (tonnes CO ₂ e)	2020-21 Greenhouse gas emissions (tonnes CO ₂ e)
Electricity (scope 2)	23	25	24
Oil (scope 2)	-	-	-
Gas (scope 2)	93	74	-
Official business travel (car - personal vehicle) (scope 3)	34	28	17

Emission Category	2022-23 Greenhouse gas emissions (tonnes CO₂e)	2021-22 Greenhouse gas emissions (tonnes CO₂e)	2020-21 Greenhouse gas emissions (tonnes CO₂e)
Official business travel (air) (scope 3)	24	6	1
Official business travel (train) (scope 3)	54	30	5
Official business travel (car - hire vehicle) (scope 3)	13	11	3
Gross emissions of official business travel	127	78	27
Total gross emissions	243	177	51

Table 4: Greenhouse gas emissions

Greenhouse gas emissions from travel increased in 2021-22 as the COVID-19 restrictions were lifted and staff were able to travel again. Emissions increased again in 2022-23 as more usual travel requirements returned. Our travel policies will be reviewed as part of the development of our corporate environmental strategy in 2023-24.

Related consumption and expenditure	2022-23	2021-22	2020-21
Non-renewable electricity consumption	-	-	-
Renewable electricity consumption	110,280 kWh	109,752 kWh	88,734 kWh
Gas consumption	509,160 kWh	414,783 kWh	n.a.
Oil consumption	-	-	-
Total expenditure on energy and other utilities	£174,701	£77,007	£75,411
Expenditure on official business travel	£522,771	£283,916	£100,104
Distance travelled by international business flights	40,581 km	10,219 km	5,684 km

Table 5: Greenhouse gas-related consumption and expenditure

n.a = Data not available

Electricity consumption for the Glasgow office was until November 2022, after which the office relocated to premises where another government department holds the responsibility for reporting. Gas reporting is for the London office only and based on an apportionment of the building. The figure for total expenditure is for all utilities for the London office and for Glasgow until November 2022. A breakdown of costs is not available from the landlord.

Waste category and related expenditure	2022-23	2021-22	2020-21
Non-hazardous recycled	1 tonne	3 tonnes	1 tonne
Non-hazardous incinerated/energy from waste	4 tonnes	7 tonnes	5 tonnes
Total waste	5 tonnes	10 tonnes	6 tonnes
Related expenditure, cost of waste collection	£1,818	£3,242	£1,795

Table 6: Waste and waste-related expenditure

The waste figures include data for the Glasgow office until November 2022, after which the office relocated to premises where another government department holds responsibility for reporting. London waste figures are for a percentage of the building until September 2022, and actual weights for ORR thereafter. Waste collection costs are for London only and are based on an apportionment of the building.

Finite resource consumption and related expenditure	2022-23	2021-22	2020-21
Water consumption	1,285 m ³	971 m ³	n.a
Paper consumption	355 A4 reams	100 A4 reams	150 A4 reams
Related expenditure	n.a	n.a	£1,992

Table 7: Finite resource consumption and related expenditure

Water consumption and expenditure figures are for London only. Most water usage is controlled by the landlord. Dishwashers in our London office are controlled by cleaning staff to reduce use. The paper consumption figure is for all offices and is higher than the previous years following a return to offices after the pandemic.

ORR is predominantly a cloud-based organisation. No IT disposals have been made in the year, but we will continue to use sustainable organisations to ensure that where possible IT components are reused or recycled.



John Larkinson
Accounting Officer
14 July 2023

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.
- 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 2022-23 Estimate and 2021-22 outturn is shown in the table below.

Outturn Category	2022-23 outturn (£000)	2022-23 estimate (£000)	2021-22 outturn (£000)
Economic regulation income	(19,192)	(19,866)	(15,865)
Health and safety regulation income	(17,738)	(18,449)	(17,376)
Highways monitoring income	(3,018)	(3,441)	(2,651)
Total income	(39,948)	(41,756)	(35,892)
Staff costs expenditure	28,672	30,095	25,508
Other costs expenditure	11,219	11,665	10,387
Finance costs	60	-	-
Total expenditure	39,951	41,760	35,895
Net operating cost/net resource outturn (RDEL)	3	4	3
Net capital outturn (CDEL)	450	720	619
Net cash requirement (NCR)	2,060	5,000	(530)

Table 8: Outturn against 2022-23 financial control totals and 2021-22 outturn

This table ties directly to the Statement of Outturn against Parliamentary Supply on page 90, 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 2022-23 we spent a total of £40.0m compared to £35.9m in 2021-22. Our overall gross budget for 2022-23 was £41.8m.

By segment, our spend breaks down as follows:

- £3.3m more on economic regulation than last year, at £19.2m (£0.7m less than budget).
- £0.4m more on safety regulation than last year, at £17.7m (£0.8m less than budget).
- £0.4m more on our highways monitoring role compared to last year, at £3.0m (£0.4m less than budget).

Our largest area of underspend was staff costs where we spent £1.4m (5%) less than budget. This is due to a number of staff vacancies not being filled throughout the year as well as a number of roles which were difficult to recruit into being covered by consultants.

Staff costs accounted for £28.7m (72%) of total costs, compared to £25.5m (71%) in 2021-22. Our average staff cost per full-time equivalent (including employer's National Insurance and pension contributions) in 2022-23 was £77,495 compared to £74,804 in 2021-22.

Our travel and subsistence costs have increased to close to pre-pandemic levels and we spent £0.4m (70%) more than last year. We spent £0.3m (14%) more than last year on IT costs in the second year of our IS strategy. We had fewer senior appointments in 2022-23 resulting in lower recruitment costs than last year. We spent more than last year on cybersecurity and utilities.

Long-term expenditure trends

The chart below shows our spending pattern, in cash terms, over the last five years and for the 2023-24 plan, split by key work area.

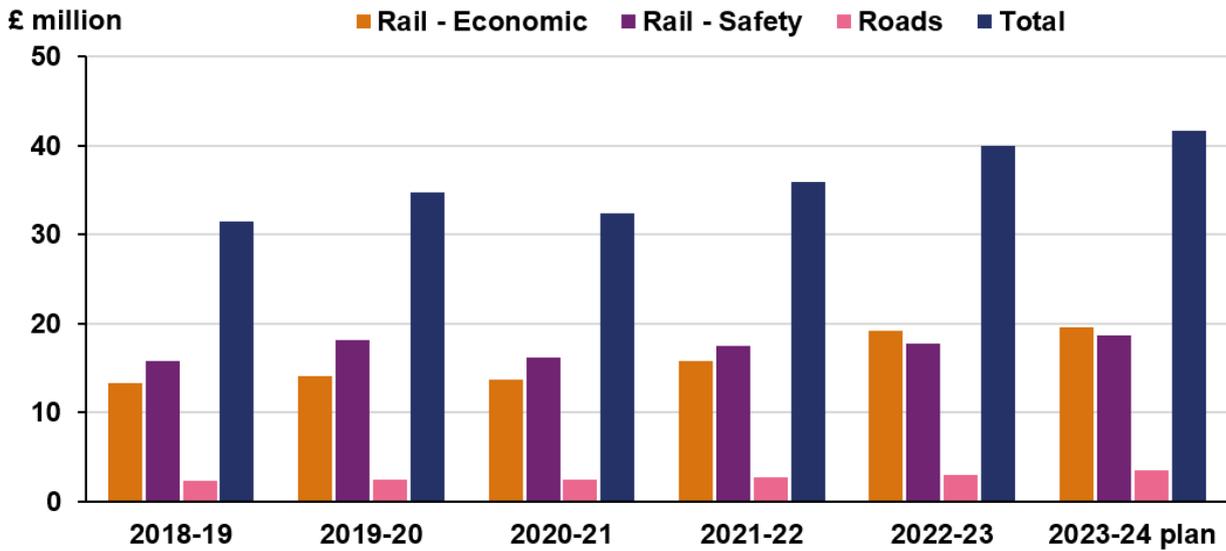


Chart 1: Spend by key work area over the last five years and 2023-24 plan

The following chart shows how our spending breaks down by category of spend over the last five years and for the 2023-24 plan.

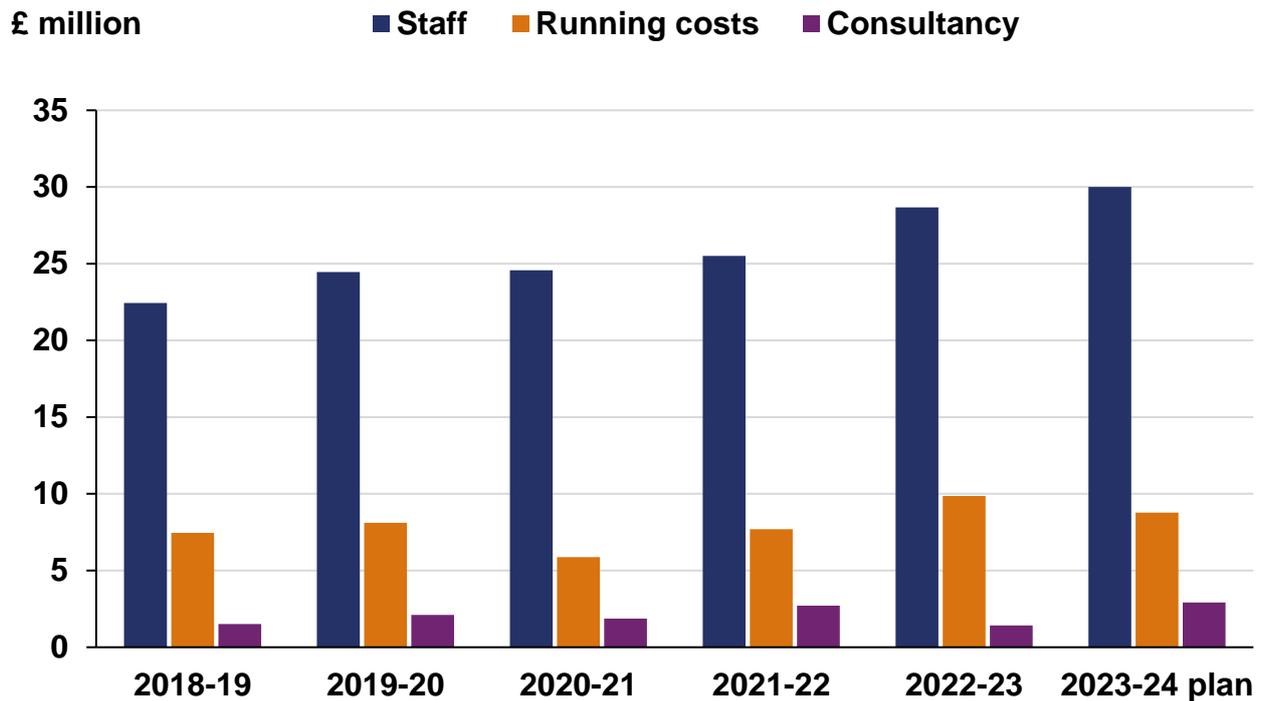


Chart 2: Spend by category over the last five years and 2023-24 plan

Capital expenditure

Net capital expenditure was £0.5m compared to £0.7m budget. The chart below shows CDEL outturn for the last five years and for the 2023-24 plan. Capital expenditure in 2019-20 was higher than usual at £5.2m, due to fit-out costs associated with the London office move.

£ million

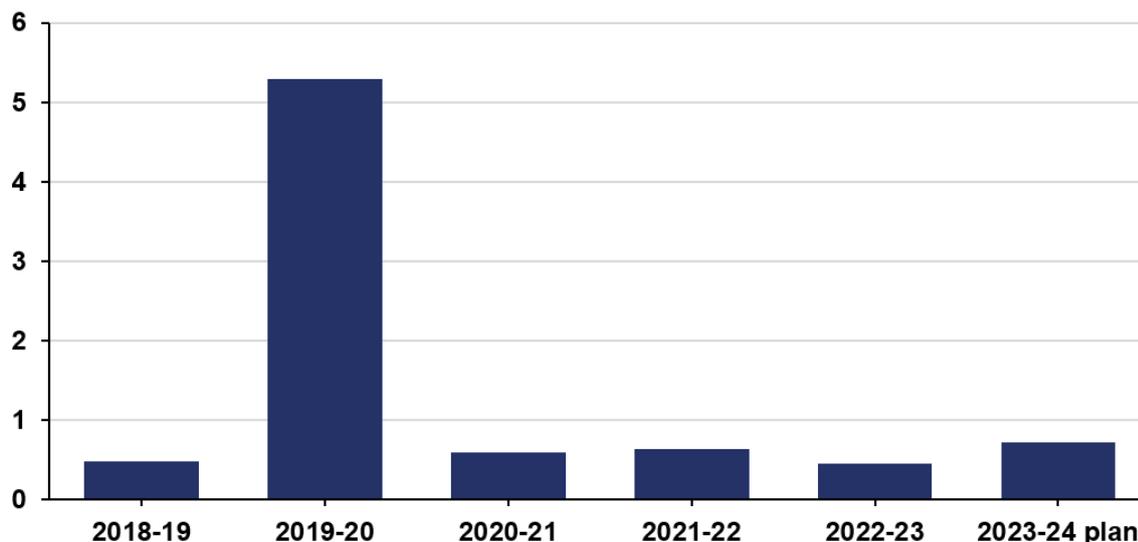


Chart 3: CDEL outturn over the last five years and 2023-24 plan

Net cash requirement

We had a net cash requirement (NCR) of £2.1m compared to £5.0m requested in the Estimate. We request an NCR to cover timing differences, and £2.1m was required to cover receipts which did not come in until after the year end.

Future plans

We agreed a multi-year budget with HM Treasury through the 2021 Spending Review (SR21). Our overall operating expenditure budget will remain the same in 2023-24 and 2024-25 as in 2022-23, at £41.7 million. We have also secured £0.7 million of capital budget, which we will use largely for renewal of operational assets.

Allocating resources to where they will be most efficiently used in order to meet our strategic objectives will be essential in the current economic environment. Our priorities in 2023-24 include: driving improvements to train service performance; focusing on the efficiency of Network Rail; working with the rail industry to ensure safe operations in the event of further industrial action; determining the 2023 Periodic Review which looks at Network Rail's funding and delivery from 2024 to 2029; doing the same for the third Road Investment Strategy between 2025 and 2030; and supporting the government in its rail reform programme.

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 58.

Details of company directorships and other significant interests held by directors are available on our website¹. No conflicts of interest have been identified.

Prompt payment

We are committed to the prompt payment of our suppliers and seek to pay all valid invoices as soon as possible. During 2022-23, 99% of invoices were paid within 30 days (100% in 2021-22) and 88% paid within 10 days (86% in 2021-22). The target of 100% of invoices being paid within 30 days was narrowly missed in 2022-23 as a result of a finance system issue early in the year, which has been resolved, and due to some delays in receipting for goods and services received.

Personal data related incidents

Personal data related incidents are covered in the Governance Statement on page 67.

Complaints

Our public correspondence team handles all complaints and general enquiries received by ORR. The majority of correspondence received relates to concerns about the rail industry and the strategic road network. ORR is represented at the cross-government complaint handlers' forum and the Department for Transport complaint handlers' working group.

In 2022-23 we received 1,118 complaints and general enquiries, which represents an increase of 39 cases, or 4%, on the previous year. 132 (12%) of these were requests for data or information that did not fall under the scope of the Freedom of Information Act. 69 enquiries (6%) related to fares and ticketing and the ability to obtain refunds.

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 2022-23, 96% were cleared within the deadline. Frequent concerns being raised include problems with obtaining refunds and operational concerns raised by rail employees.

¹ <https://www.orr.gov.uk/about/who-we-are/register-interests>

Details of whistleblowing complaints are published on our website separately².

Freedom of Information

In 2022-23 we received 114 requests which were all 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 public 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 four formal complaints which were investigated, with none being escalated directly to the PHSO.

Better regulation

We published our annual Business Impact Target report in December 2022 as required under section 24A of the Small Business, Enterprise, and Employment Act (as amended). In January 2023, we responded to the UK Government Chief Scientific Adviser and National Technology Adviser's Regulation for Innovation consultation and participated in a follow-up roundtable discussion.

We continued to participate in the BEIS Better Regulation Executive's work including the BEIS Regulators' Innovation Network, which allowed us to keep up to date with innovation activities across regulators. Additionally, we participated in the BEIS Regulators' Forum which provided an opportunity to learn from the experience of regulators across the United Kingdom's regulatory landscape. We look forward to participating in the above networks in 2023-24 with responsibility moving from BEIS to the Department for Business and Trade.

Throughout the year, we engaged with other government departments, and continue to work collaboratively wherever appropriate with other economic regulators, principally through the UK Regulators Network (UKRN) of which we are an active member. We expect this collaborative approach to continue in 2023-24.

Fraud prevention

We have 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. The policy is reinforced through ORR's conduct and discipline policies. We have assessed ourselves against functional standard GovS 013 Counter Fraud and consider that we comply with all

² <https://www.orr.gov.uk/sites/default/files/2022-09/whistleblowing-annual-report-2021-22.pdf>

mandatory elements. In 2022-23 all staff were required to complete mandatory training on The Bribery Act 2010. No incidents of fraud or bribery have been identified in 2022-23.

Auditors

The Comptroller and Auditor General carries out the audit of ORR's financial statements. The notional cost of auditing the financial statements was £55,000 (2021-22: £42,000). No remuneration, actual or notional, was paid to the National Audit Office for non-audit work (2021-22: none).



John Larkinson
Accounting Officer
14 July 2023

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 Parliament

We are accountable to the House of Commons' Transport Select Committee and the courts for our role as an independent health and safety and economic regulator of the railways and in our role holding National Highways to account.

Our parliamentary accountability manifests itself practically in several ways, including the appointment of our Chair being subject to scrutiny by the Transport Select Committee and senior officials regularly contributing to parliamentary committee inquiries.

This year we have contributed to the parliamentary process at Westminster by submitting evidence to the Transport Select Committee inquiries on Strategic Road Investment and Accessible Transport: Legal Obligations.

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. This year we have briefed staff from the House of Commons Library, European Scrutiny Committee, European Affairs Unit, and the House of Lords Built Environment Committee. In addition, we have met with staff from the Transport Select Committee, the research and information service based in Parliament to assist MPs and their staff, on several occasions.

We also provide independent assessment of delivery across key transport strands. We actively engage with parliamentarians on issues which are of interest to them and their constituents, through briefings, correspondence, and proactive engagement. In 2022-23 we focused our activity primarily on one-to-one engagements, meeting with a number of MPs, MSPs and Peers from across the political spectrum. We also convened two parliamentary briefing events on rail reform and the rail industry finance statistics. Across both events, we welcomed 51 parliamentarians and parliamentary representatives.

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 and the independent monitor for National Highways.

Governance structure

Our governance structure for 2022-23 is shown below:

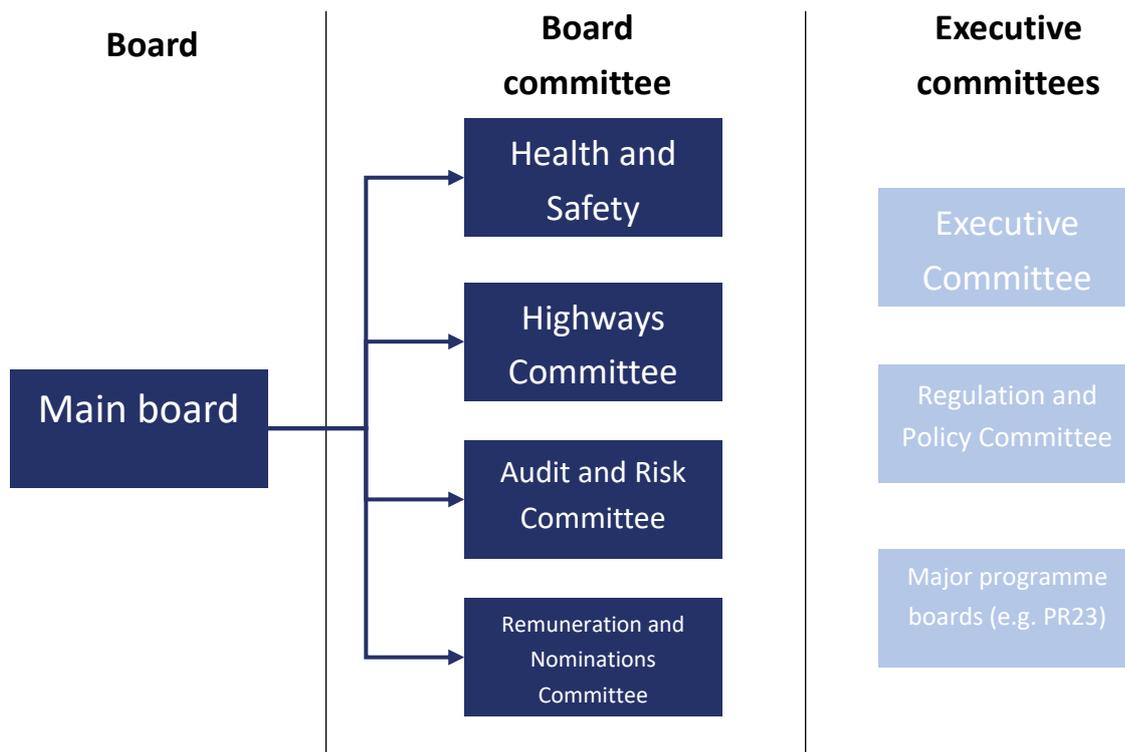


Figure 1: Governance structure

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 he 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 procedure³. The Board's objectives are aligned to key business and risk management activities. The Board held 10 formal meetings in 2022-23.

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

- Considered regular reports on health and safety risks across the rail industry and ensured that the safety impacts of industrial action were considered and mitigated.
- Monitored the ongoing impact of recovery from COVID-19 of the rail industry and the strategic roads network.
- Monitored the performance of Network Rail, with particular attention to its work to improve track worker safety, keeping up pressure to deliver financial efficiency, and its response to declining performance of freight and passenger services.
- Oversaw ORR's work with industry to plan for establishment and management of a refreshed rail ombudsman as part of rail reform.
- Engaged with key stages (including advice to governments) of the five-yearly periodic review process for Network Rail, which will result in a draft determination in June 2023.
- Responded to government's requirements for assurance in relation to the evidence base for the introduction and operation of smart motorways and oversaw ORR's first assessment of safety on the strategic roads network.
- Continued to press train operators to address poor performance and deliver better customer service through improved information during disruption, complaints handling, training for frontline staff and compensation, where appropriate.
- Received regular updates on progress of regulatees against environmental performance indicators, undertook visits to understand the performance and safety challenges around extreme weather events and climate change on earthworks on the rail network, and monitored the work of Network Rail in response to those challenges.
- Oversaw ORR's measures to ensure its workforce remained effective and engaged as hybrid working became the norm.

³ <https://www.orr.gov.uk/sites/default/files/2021-07/orr-board-rules-of-procedure.pdf>

- Continued to oversee ORR's work as competition authority for the rail industry.
- Participated in a programme of stakeholder engagement and field visits to better understand the needs of our stakeholders.

Membership and appointment terms of ORR's Board as at 31 March 2023 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

Xavier Brice, to 16 January 2027

Bob Holland, reappointed to 31 December 2024

Anne Heal, reappointed to 30 September 2026

Madeleine Hallward, to 12 April 2025

Daniel Ruiz, to 16 January 2027

Catherine Waller, to 16 January 2027

Executive Directors

John Larkinson, Chief Executive from 8 October 2018, reappointed to the Board until 27 March 2027

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

Changes to Board membership

There were no changes to Board membership this year.

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 four Non-Executive Directors (one of whom chairs the Committee) and an independent member.

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.
- Deep dive into regulatory risks and roads data.
- A regular report on cyber security, including threats, trends and cyber effectiveness.
- Fraud prevention and whistleblowing policies.
- 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 four times during the year. Areas considered included:

- The performance of ORR's senior civil servants during 2021-22.
- 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.
- Implementation of the three-year diversity and inclusion strategy.
- Implementation of ORR's pay and reward strategy.
- The annual people survey results.
- 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 and extreme weather resilience.
- Relevant 'lessons learned' reviews from inside and outside the rail industry.

- Emerging safety trends and challenges.
- Safety performance and management of non-mainline sectors, including heritage operators, London Underground and UK Trams.
- Duty holders' 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 National Highways.
- National Highways' capital planning and asset management.
- Operational performance, including safety and efficiency.
- Implementation of the second road investment strategy (RIS2) and planning for RIS3.
- Reports on National Highways' implementation of its smart motorway action plan.
- National Highways' management of local disruption to the network and support for those affected.

Board committee attendance

Board committee attendance in 2022-23 was as follows:

Member	Board	Audit and Risk Committee	Remuneration and Nominations Committee	Health and Safety Regulation Committee	Highways Committee
Declan Collier	10/10	-	-	4/4	-
Xavier Brice	10/10	5/5	-	4/4	4/4
Madeleine Hallward	9/10	5/5	-	-	4/4
Anne Heal	10/10	-	4/4	-	4/4
Bob Holland	9/10	5/5	-	3/4	-
John Larkinson	10/10	-	-	4/4	4/4
Justin McCracken	9/10	-	4/4	4/4	-
Ian Prosser	10/10	-	-	4/4	-
Daniel Ruiz	10/10	-	-	4/4	4/4
Catherine Waller	10/10	5/5	4/4	-	-
Nicholas Bateson [note 1]	-	5/5	-	-	-

Table 9: Board committee attendances

Note 1: 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.

In early 2022 an internal review of Board processes gave strong assurance on ORR's internal governance. In early 2023 an externally conducted board effectiveness review found that "the current ORR Board is strong, dynamic and challenging. Board renewal and increased diversity have created a different complexion of Board in terms of diversity of thought. In 2019 there was the solid base of a well-functioning Board, but this Board appears more proactive and engaged in an anticipatory way around critical challenges".

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 website⁴, 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 where a Board member was required to withdraw from a meeting.

Compliance with the Code of Practice on Corporate Governance⁵

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.
- 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 operate according to the recognised

⁴ <https://www.orr.gov.uk/sites/default/files/2023-05/orr-board-register-of-interests.pdf>

⁵ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

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 two 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.
- The Regulation and Policy Committee meets three times a month and assists the development of safety strategy, policy, and reviews the overall adequacy of arrangements to meet ORR's statutory duties.

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.

Managing outside interests

Leavers from ORR are reminded of the Business Appointment Rules (BARs) in place for departing civil servants, as part of our leaving process. Similarly, as part of the onboarding process new joiners are asked to disclose any conflict of interest and are referred to the employment handbook and policy available on our intranet.

Application of Business Appointment Rules

In compliance with Business Appointment Rules, we are transparent in the advice given to all grades of employees and those at SCS level. Our conflict of interest policy is published on our intranet and we advise our employees that there must never be any reason for people outside ORR to suspect that our decisions may be influenced by private interests. We therefore impose certain restrictions on employees' financial and non-financial activities. These requirements form part of their employment contract and the Civil Service Code. In 2022-23 there have been no exits where BARs have been required or set.

Whistleblowing

ORR's whistleblowing policy is designed to provide an avenue for employees 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. In 2022-23 all staff were required to complete mandatory 'whistleblowing with confidence' training. There were three internal whistleblowing complaints investigated and closed during 2022-23 (one in 2021-22).

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. An outline of whistleblowing complaints by railway employees is published on our website⁶ 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.

⁶ <https://www.orr.gov.uk/sites/default/files/2022-09/whistleblowing-annual-report-2021-22.pdf>

Risk profile

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

Key risks and mitigating actions

Principal risks	Risk Description	Mitigating actions
<p>Failure to deliver key milestones of PR23 programme</p>	<p>The 2023 periodic review (PR23) is an ORR-led statutory process designed to deliver a stable basis for Network Rail, its supply chain and train operators to plan, invest and provide services over the next five-year control period from 1 April 2024. PR23 will determine what Network Rail is expected to deliver with respect to its operation, support, maintenance, and renewal (OSMR) of the network and the level of funding that it will be provided with over control period 7 (CP7).</p> <p>PR23 will also determine the framework for access charges for use of the rail network and the contractual performance and possessions regimes and how we hold Network Rail to account.</p> <p>Key inputs to the process are the UK and Scottish governments' Statements of Funds Available (SoFA) and High-Level Output Specifications (HLOS). These inform Network Rail's Strategic Business Plan (SBP) for CP7 which will form the basis of ORR's determination for Network Rail.</p> <p>The risk if key milestones are missed is that the timetable for the periodic review slips, causing uncertainty for Network Rail, its supply chain and train operators.</p>	<p>PR23 has and will continue to be a collaborative, cross-industry process. We have worked closely with funders (in England & Wales and in Scotland), Network Rail and industry stakeholders. We provided advice to funders about Network Rail's funding requirements for its OSMR activities for CP7 and what it can deliver for that funding. This informed the UK Government's and Scottish Ministers' SoFAs and HLOSs, which are both critical inputs to the success of completing the periodic review to statutory deadlines.</p> <p>We also issued guidance in July 2022 to Network Rail on our requirements for its SBP.</p> <p>We have a dedicated cross-office programme in place, with appropriate governance, which has ensured that we have met our milestones. In December 2022, we delivered on two key policy areas for CP7: our conclusions on the policy framework for how we intend to hold Network Rail to account in CP7 and our conclusions on the outcomes measures for CP7. We also issued a consultation on our financial framework for CP7 and have been working with Network Rail and wider industry on the recalibration of charges and Schedule 4 and Schedule 8 parameters for CP7.</p>
<p>Network Rail's train service performance</p>	<p>We hold Network Rail to account for its delivery of the outcomes that matter to rail users, including its contribution to reliable and punctual train services. Network Rail must ensure it has the capability to manage train service performance effectively, otherwise performance is at risk. It must carefully manage many factors that influence performance, such as development of a resilient timetable, reliability of infrastructure assets, operational response to disruption and recovery of services. It must also work collaboratively with train operators to minimise disruption.</p>	<p>We regulate Network Rail in line with our published Holding to Account policy. We have robust processes in place for scrutinising Network Rail's contribution to train service performance and escalating our concerns. This includes monitoring key performance indicators, such as delays attributed to Network Rail. This year, we recruited a new Deputy Director role to increase our leadership and scrutiny of operational performance.</p> <p>During the year, we raised concerns about train performance with each of Network Rail's regions and with its System Operator (which oversees freight performance, and national passenger operational performance). We required them to develop performance improvement plans and are actively monitoring progress of these. We will take further action if they are not delivered. We reported on Network Rail's contribution to train service performance and the action we are taking in our Annual Assessment of Network Rail and through two letters which are published on our website⁷.</p>

⁷ <https://www.orr.gov.uk/monitoring-regulation/rail/networks/network-rail/monitoring-performance/annual-assessment-network-rail>

Principal risks	Risk Description	Mitigating actions
<p>Future structure of the rail industry</p>	<p>The government is implementing its plan to reform the organisational structure of the rail sector, as set out in The Plan for Rail.</p> <p>The reform programme represents an opportunity to simplify and clarify accountabilities in the sector, addressing lessons learnt through the Glaister review. Reform should benefit passengers, freight users and taxpayers by putting in place a more integrated approach to running the railway. ORR can support those benefits through taking a more integrated approach to oversight and assurance across all of Great British Railways' (GBR) activities.</p> <p>The main risk for ORR is that reform undermines our ability to provide effective oversight and assurance of the railways. The cause of this risk is that the legal and sectoral structures are designed without sufficient understanding of the role that ORR currently plays and how it can best operate in the future.</p> <p>Additionally, the change programme has not moved forward as quickly originally hoped. While the government's intention to legislate is clear, there is still no final confirmation that the legislation required for the programme will be taken forward. It is also worth noting that the implementation of any change programme on this scale can create risks to day-to-day delivery of existing commitments, or a loss of clear accountabilities during transition.</p>	<p>We have engaged with the reform process since its inception. We continue to use our expertise and independent perspective to inform and support DfT's developments of its proposals and ensure that the future industry model provides for a strong accountability framework. We have put in place internal coordinated oversight of the reform programme across ORR, bringing together work on consumers, competition, safety, access, the licence and other aspects of reform. This enables us to track all of the interaction between DfT's reform programme and ORR, keeping up to date with progress and identifying future issues.</p> <p>In addition to DfT, we work at a number of different levels with others, including the Great British Railways Transition Team (GBRTT) and industry partners. Through these relationships we influence the direction of reform and ensure ORR interests are represented. We also gather information about reform and work together to tackle the challenges of implementation.</p> <p>With the earliest expected date for GBR go-live being sometime during CP7, we are working closely with PR23 colleagues to ensure reform issues are considered as we move forward through the review. We ensure that any determinations will be adaptable to reform as and when it happens.</p> <p>More broadly, we continue to hold industry organisations to account for the safe and efficient delivery of their obligations during a time of substantial change for the sector. Our engagement with the Safety Working Group ensures that safety remains a priority and that reform doesn't become a distraction from the safety critical work of running the railways.</p>
<p>Network funding to support passenger and service levels is difficult to secure</p>	<p>A key objective of the periodic review process is to establish the level of funding for the mainline GB rail network and the outcomes Network Rail should deliver over a five-year control period.</p> <p>PR23 is taking place under challenging circumstances for the industry. Passenger revenues have fallen due to changed travelling patterns following the COVID-19 pandemic and challenging macroeconomic conditions make government decisions on funding difficult, with the risk that funding to support passenger and service levels is difficult to secure.</p>	<p>We have provided advice to the UK and Scottish governments about Network Rail's funding requirements for its OSMR activities and what it can deliver for that funding. This included identifying choices that funders have available to them.</p> <p>Our advice informed the UK Government's and Scottish Ministers' HLOSs and SoFAs for CP7. These include requirements around punctuality and reliability which build on ORR's PR23 objectives of safety, performance, asset sustainability and efficiency.</p> <p>We have also defined the outcomes measures that we will hold Network Rail to account against in CP7, including success measures for passenger and freight performance.</p>

Principal risks	Risk Description	Mitigating actions
<p>Network Rail is unable to achieve funders' requirements with the level of funding made available for CP7</p>	<p>An important element of the periodic review process is governments' decisions about how much funding they will make available for the railway given their other priorities and what, in return, the railway is required to deliver over the five-year control period. Network Rail bases its business plan for the control period on these decisions which governments set out in their Statements of Funds Available (SoFA) and High-Level Output Specifications (HLOS).</p> <p>The 2023 periodic review is taking place in a complex context for the rail industry, which continues to recover from the pandemic against a backdrop of inflationary pressures and industrial action, while funders are making decisions amid a challenging macroeconomic environment.</p> <p>ORR will assess whether Network Rail's CP7 business plans are consistent with funders' priorities and determine whether there are sufficient funds in each SoFA to meet the associated HLOS. There is a risk that funders' requirements are not consistent with the funds available for Network Rail's activities in CP7.</p>	<p>We worked closely with funders on the appropriate funding for Network Rail for CP7, delivering advice to the UK Government and Scottish Ministers about Network Rail's funding requirements for its OSMR activities and what it can deliver for that funding. This informed the UK and Scottish governments' SoFA and HLOS, which in turn have informed Network Rail's CP7 plans.</p> <p>ORR's assessment of Network Rail's Strategic Business Plan will put particular focus on ensuring Network Rail is being as efficient as is realistically possible and can deliver the HLOSs for the funding set out in the SoFAs. We have also continued to work closely with the UK and Scottish governments to understand their priorities.</p>
<p>Industrial action in the rail sector</p>	<p>ORR's risk relates to inadequate preparation for any industrial action and management of its impacts. The most significant of these are the potential for reduced competence and capability in the railway during periods of industrial action and increased potential for health and safety incidents, and pressure on maintenance backlogs. These areas are the subject of complaints to ORR during periods of strike action.</p> <p>There is also a wider financial risk to the railway due to the immediate loss of revenue and high cost of the strikes, and the longer term loss of confidence in the railways by passengers and freight, leading to a move to other modes of transport.</p>	<p>We have maintained ongoing dialogue with senior industry staff and trade unions to assess the likelihood and potential impacts arising from industrial action.</p> <p>We have completed and issued a review of guidance on principles for contingency staff to ensure it was fit for purpose and shared with Network Rail.</p> <p>We have carried out some targeted visits during strike periods, which showed that Network Rail and TOCs had mitigations in place and were managing well on the ground.</p> <p>We have responded to complaints received and have found no significant safety implications or increase in train accident risk. Where there were deficiencies, we have raised these with the duty holders. The priority of our interventions, and the necessity for any follow up activity is informed by the risk and severity of the incident.</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 summer an internal audit of the business critical model (BCM) process was conducted. A list of priority actions was identified and is being progressed. At the end of the year model leads reviewed the governance and quality assurance processes for their

business critical models to ensure they were fit for purpose. This consisted of a set of assurance activities across a five-pillar methodology and a scoring system. This is in alignment with the recommendations from Sir Nick Macpherson's review of quality assurance of government models, the Aqua Book and best practice across government. The internal BCM panel has helped to support cross-working between model leads and to strengthen quality assurance processes.

Information assurance

ORR maintains an information strategy as part of our wider technology strategy. ORR is registered as a data controller with the Information Commissioner and adheres to the provisions of the Data Protection Act 2018 and the UK General Data Protection Regulation. 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.⁸

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. This is being replaced by a new Cyber Assessment framework and we have identified that further work needs to be completed to comply with this. We have therefore embarked on a plan which will enable us to implement stricter technical controls across our network and devices.

Personal data related incidents

We have had no reportable personal data breaches for 2022-23.

Internal audit

Our internal auditors for 2022-23 were RSM. Throughout the year RSM 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 2023, RSM's opinion is that ORR has an adequate and effective framework for risk management, governance and internal control, with some further enhancements to the framework needed to ensure the framework remains adequate and effective.

⁸ <https://www.orr.gov.uk/privacy-notice>

Recommendations made by RSM during the year have either been implemented already or will be implemented in 2023-24.

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 Services 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.

Functional standards

During the year we have assessed ourselves against the Cabinet Office's functional standards⁹. Most mandatory elements have been met at 31 March 2023. Where they have not been met, there is an action plan in place to achieve compliance.

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 2022-23 was informed by the Audit and Risk Committee, from assurance statements from directors across the organisation, and from information on levels of compliance with relevant government functional standards. 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

⁹ <https://www.gov.uk/government/collections/functional-standards>

that information. I am not aware of any relevant audit information which has not been disclosed to the auditors.

During the year we identified that the Cabinet Office learning and development spend control had been breached, where on several occasions we did not seek approval from Cabinet Office to procure locally first. In all cases the spend was low value. Cabinet Office has given retrospective approval for the breaches. As this is the third year in succession that a breach of spend controls has occurred, we have now centralised the process for procuring learning and development spend and are actively working with Cabinet Office to agree principles for procurement.

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. Recommendations have also been made in other independent reports regarding cyber and information security. Where actions have not yet been completed, action plans are in place for all 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 July 2023

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 2022-23 these were Anne Heal (Committee Chair), Catherine Waller and Justin McCracken.

The Committee's role is set out in the Board's rules of procedures¹⁰. 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.

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, following the annual Cabinet Office pay guidance and the 'Performance Management Arrangements for the Senior Civil Service' (Cabinet Office, March 2023 edition).

¹⁰ <https://www.orr.gov.uk/media/19516>

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.

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 2022-23 (2021-22: none).

Salary and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the Executive Directors of ORR.

Single total figure of remuneration (audited)

Director	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100) (£)	Pension benefits (£000)	Total (£000)
John Larkinson Chief Executive	160-165 (155-160)	10-15 (10-15)	600 (400)	30 (28)	205-210 (195-200)
Feras Alshaker ^[note 1] Director, Planning and Performance	120-125 (60-65)	- (-)	- (-)	48 (23)	170-175 (80-85)
Dan Brown ^[note 2] Director, Economics, Markets and Strategy	- (130-135)	- (-)	- (-)	- (41)	- (170-175)
Will Godfrey ^[note 3] Director, Economics, Finance and Markets	100-105 (-)	- (-)	- (-)	19 (-)	120-125 (-)
Russell Grossman Director, Communications	135-140 (135-140)	- (0-5)	- (-)	(76) ((19))	60-65 (120-125)
Freya Guinness ^[note 4] Director, Corporate Operations and Organisational Development	- (5-10)	- (-)	- (-)	- (3)	- (5-10)
Vinita Hill ^[note 5] Director, Corporate Operations and Organisational Development	120-125 (60-65)	- (-)	- (-)	65 (72)	185-190 (130-135)
Juliet Lazarus ^[note 6] General Counsel and Director of Competition	- (25-30)	- (-)	- (-)	- ((228))	- ((200-205))
Ian Prosser Director, Railway Safety	145-150 (145-150)	- (5-10)	- (-)	53 (52)	195-200 (205-210)
Graham Richards ^[note 7] Director	35-40 (60-65)	- (-)	- (-)	15 (40)	50-55 (100-105)
Liz Thornhill ^[note 8] General Counsel	115-120 (25-30)	- (-)	- (-)	37 (13)	155-160 (40-45)
Stephanie Tobyn ^[note 9] Director, Strategy, Policy and Reform	120-125 (60-65)	- (-)	- (-)	48 (24)	165-170 (80-85)

Table 10: 2022-23 directors' remuneration, with 2021-22 comparatives in brackets

Note 1: Feras Alshaker has been on temporary promotion since 1 October 2021. His full year basic equivalent salary for 2021-22 was in the range £120,000 - £125,000.

Note 2: Dan Brown left ORR on 31 March 2022.

Note 3: Will Godfrey joined ORR on 6 June 2022. His full-year basic equivalent salary for 2022-23 was in the range £125,000 - £130,000.

Note 4: Freya Guinness left ORR on 18 April 2021. Her full year basic equivalent salary was in the range £135,000 - £140,000.

Note 5: Vinita Hill joined ORR on 28 September 2021. Her full year basic equivalent salary for 2021-22 was in the range £120,000 - £125,000.

Note 6: Juliet Lazarus left ORR on 19 August 2021. She worked part-time hours. Her full year basic equivalent salary was in the range £135,000 - £140,000.

Note 7: Graham Richards was seconded to the Great British Railways Transition Team from 1 October 2021 to 30 November 2022 and his salary was recovered accordingly. His full year basic equivalent salary for 2022-23 is in the range £130,000 - £135,000 and £125,000 to £130,000 for 2021-22.

Note 8: Liz Thornhill joined ORR on 4 January 2022. Her full-year basic equivalent salary for 2021-22 was in the range £115,000 - £120,000.

Note 9: Stephanie Tobyn was on temporary promotion from 20 September 2021. She was permanently appointed to the role from 25 July 2022. Her full year basic equivalent salary for 2021-22 was in the range £120,000 - £125,000.

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 2022-23 relate to performance in 2021-22 and comparative bonuses reported for 2021-22 relate to performance in 2020-21.

Benefits in kind comprise subsidised gym membership.

Pension benefits are shown on page 72 for Directors and page 79 for non-executive Board members and independent members of the Audit and Risk Committee. 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 has a partnership pension. In 2022-23 employer contributions totalling £29,805 were made to the partnership pension provider for him (2021-22: £28,100). Will Godfrey also has a partnership pension. Since he joined ORR in 2022-23, employer contributions of £18,928 have been made for him (2021-22: £nil).

Fair pay disclosures (audited)

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

The banded remuneration of the highest-paid director in ORR in the financial year 2022-23 was £175,000 - £180,000 (2021-22: £170,000 - £175,000). This was 3.1 times (2021-22: 3.1) the median remuneration of the workforce, which was £57,021 (2021-22: £55,361).

In 2022-23, no employees (2021-22: none) received remuneration in excess of the highest-paid director. Remuneration ranged from £14,837 to £163,991 (2021-22: £20,688 to £171,483).

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.

The following table shows the percentage change from the previous financial year for salaries and allowances and for performance pay and bonuses payable in respect of the highest paid director, based on the mid-point of the salary band.

Category	2022-23 (£)	2021-22 (£)	Change (%)
Salary and allowances	162,500	157,500	3
Performance pay and bonuses	12,500	12,500	-

Table 11: Percentage change in salaries and allowances and performance pay and bonuses for the highest paid director

The following table shows the average percentage change from the previous financial year for salaries and allowances and for performance pay and bonuses in respect of all employees taken as a whole, excluding the highest paid director.

Category	2022-23 (£)	2021-22 (£)	Change (%)
Salary and allowances	55,239	56,006	(1)
Performance pay and bonuses	1,586	1,135	40

Table 12: Percentage change in salaries and allowances and performance pay and bonuses for all employees excluding the highest paid director

The following table shows the ratio between the highest paid director's total pay and benefits and the salary component of their total pay and benefits, and the lower quartile, median and upper quartile remuneration of our workforce.

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Total pay and benefits (ratio)	4.2	4.2	3.1	3.1	2.6	2.6
Total pay and benefits (£)	42,065	41,108	57,021	55,361	67,261	65,698
Salary (ratio)	4.3	4.4	3.1	3.3	2.7	2.7
Salary (£)	40,237	39,354	55,989	53,111	65,933	62,998

Table 13: Ratio between the highest paid director compared to the workforce

Pension entitlement for directors (audited)

Directors	Accrued pension at pension age as at 31/3/23 (£000)	Real increase in pension at pension age (£000)	Cash Equivalent Transfer Value at 31/3/23 (£000)	Cash Equivalent Transfer Value at 31/3/22 (£000)	Real increase in CETV (£000)
John Larkinson ^[note 1] Chief Executive	-	-	-	-	-
Feras Alshaker Director, Planning and Performance	10-15	2.5-5	132	100	18
Dan Brown Director, Economics, Markets and Strategy	-	-	-	530	-
Will Godfrey ^[note 2] Director, Economics, Finance and Markets	-	-	-	-	-
Russell Grossman ^[note 3] Director, Communications	60-65	-	1,291	1,278	(92)
Freya Guinness Director, Corporate Operations and Organisational Development	-	-	-	619	-
Vinita Hill Director, Corporate Operations and Organisational Development	35-40 plus a lump sum of 65-70	2.5-5 plus a lump sum of 0 – 2.5	678	568	43

Directors	Accrued pension at pension age as at 31/3/23 (£000)	Real increase in pension at pension age (£000)	Cash Equivalent Transfer Value at 31/3/23 (£000)	Cash Equivalent Transfer Value at 31/3/22 (£000)	Real increase in CETV (£000)
Juliet Lazarus General Counsel and Director of Competition	-	-	-	393	-
Ian Prosser Director, Railway Safety	45-50	2.5-5	858	761	43
Graham Richards <small>[note 3]</small> Director	40-45	0-2.5	661	595	(2)
Liz Thornhill General Counsel	25-30	0-2.5	271	237	14
Stephanie Tobyn Director, Strategy, Policy and Reform	25-30	2.5-5	339	287	28

Table 14: Pension entitlement for directors

Note 1: John Larkinson opted to switch from a Civil Service pension to a partnership pension.

Note 2: Will Godfrey was not a member of a Civil Service pension scheme during 2022-23.

Note 3: Taking account of inflation, the CETV funded by the employer has decreased in real terms.

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, 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). 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 2022-23 there were no active members (2021-22: 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.

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It excludes increases due to inflation and contributions paid by the employee. It is calculated using common market valuation factors for the start and end of the period.

Payments to past Directors and compensation for loss of office (audited)

No compensation payments were made to past Directors on early retirement or for loss of office (2021-22: none).

Fees of Non-Executive Board members and independent members of the Audit and Risk Committee (audited)

NEDs and independent members	Fee range (£000)	Benefits in kind to nearest £100 [note 1] (£)	Pension benefits (£000)	Total (£000)
Declan Collier, Chair	80-85 (80-85)	- (-)	- (-)	80-85 (80-85)
Stephen Glaister (to 31 March 2022)	- (20-25)	- (-)	- (-)	- (20-25)
Bob Holland	20-25 (20-25)	3,200 (1,900)	- (-)	25-30 (20-25)
Justin McCracken	20-25 (20-25)	3,700 (1,500)	- (-)	25-30 (20-25)
Michael Luger (to 31 December 2021)	- (15-20)	- (1,000)	- (-)	- (15-20)
Anne Heal	20-25 (20-25)	100 (100)	- (-)	20-25 (20-25)
Graham Mather (to 31 December 2021)	- (15-20)	- (-)	- (-)	- (15-20)
Madeleine Hallward	20-25 (20-25)	200 (100)	- (-)	20-25 (20-25)
Xavier Brice (from 17 January 2022)	20-25 (0-5)	600 (-)	- (-)	20-25 (0-5)
Daniel Ruiz (from 17 January 2022)	20-25 (0-5)	2,100 (100)	- (-)	20-25 (0-5)

Catherine Waller (from 17 January 2022)	20-25 (0-5)	1,700 (100)	- (-)	20-25 (0-5)
Nick Bateson [note 2] (from 1 October 2021)	0-5 -	- (-)	- (-)	0-5 (-)
Rodney Norman [note 3] (to 30 September 2021)	- (0-5)	- (-)	- (-)	- (0-5)

Table 15: Fees for NEDs and independent members of the Audit and Risk Committee for 2022-23 with comparatives for 2021-22 in brackets

Note 1: Benefits in kind are solely in relation to home to office travel.

Note 2: independent member of the Audit and Risk Committee. Nick Bateson waived his fee until September 2022.

Note 3: 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.

Staff Report

Staff numbers and related costs (audited)

Category	Permanently employed staff (£000)	Others (£000)	2022-23 Total (£000)	2021-22 total (£000)
Wages and salaries	20,064	1,240	21,304	18,772
Social security costs	2,514	24	2,538	2,129
Other pensions costs	5,110	-	5,110	4,708
Total costs	27,688	1,264	28,952	25,609
Less: recoveries from outward secondments	(280)	-	(280)	(101)
Total net costs	27,408	1,264	28,672	25,508

Table 16: Analysis of staff costs

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 Superannuation¹¹.

For 2022-23, employers' contributions of £4,777,919 were payable to Civil Service pension schemes (2021-22: £4,415,543) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme 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 2022-23 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 £122,400 were paid to an appointed stakeholder pension provider (2021-22: £78,728). Employer contributions are age-related and range from 8.0% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In 2022-23 employer contributions of £4,006, 0.5% 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 (2021-22: £7,702).

No contributions were due to the partnership pension provider at 31 March 2023 (31 March 2022: £nil).

No members of staff retired early on ill-health grounds (2021-22: one). There were no additional accrued pension liabilities (2021-22: £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). Employer contributions of £18,081 were paid to the trustees of the RPS in 2022-23 at a rate of 1.5 times the individual members' contributions, on the basis of actuarial valuations (2021-22: £18,104, 1.5 times). ORR matches some of the BRASS2 contributions (an AVC scheme) made by the members. In 2022-23, matching contributions of £2,608 were made (2021-22: £2,608). We expect contributions to be at a similar level in 2023-24.

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

¹¹ <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

Statement of Comprehensive Net Expenditure (2021-22: £nil). The liability at 31 March 2023 is estimated at £680,000 (31 March 2022: £953,000).

Average number of persons employed (audited)

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

Operating segment	Permanent staff	Others	2022-23 Total	2021-22 Total
Economic regulation	166	8	174	149
Safety regulation	165	6	171	171
Roads monitoring	23	2	25	21
Total	354	16	370	341

Table 17: Average number of employees

The 'Others' category above is analysed as follows:

Category	2022-23		2021-22	
	Number	Total cost £000	Number	Total cost £000
Non-executive directors	8	261	8	269
Agency staff	8	1,003	5	600
Specialist contractors	-	-	-	-
Consultants	-	-	-	-
Total	16	1,264	13	869

Table 18: Breakdown of 'Others' category

Agency costs have increased in 2022-23 due to more agency staff being used by the Information Technology team.

Staff composition

Category	Male FTE	Female FTE	Total FTE
SCS 3	1	-	1
SCS 2	5	3	8
SCS 1	7	5	12
Employees	187	151	338
Total	200	159	359

Table 19: Staff composition at 31 March 2023

Exit packages (audited)

No exit packages were paid in 2022-23 or 2021-22.

Sickness absence data

The average annual working days lost per employee through sickness in 2022-23 was 3.6 (2021-22: 2.9).

Staff turnover

During 2022-23 staff turnover was 15.6% which is significantly higher than in 2021-22 (13.5%). This represents a return to our pre-pandemic turnover rates and indicates an increase of recruitment opportunities outside the civil service.

Civil Service People Survey

ORR participates in the Civil Service People Survey. The 2022 survey, in which we had a very high staff response rate of 87%, showed an engagement level of 62%.

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. During 2022-23 three internal whistleblowing complaints were raised (see page 62).

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 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 are a '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 competition providing additional training and support, utilising 'Access to Work' resources. To build on our work to date we recruited a diversity and inclusion lead to drive the delivery of our strategy. We have continued to recruit and train fair treatment ambassadors. We continue to operate a diversity and inclusion strategy board and a staff diversity network.

This year we continued our participation in the UK Regulators Network scheme, Next Generation Non-Executive Directors (NEDs) which aims to widen the talent pipeline and diversity of NEDs in the public sector. We have welcomed four colleagues from the network who will receive mentoring and observe committee meetings during a 12-month period.

We continue to 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. Quarterly meetings are open for staff to attend as observers.

Health and wellbeing

We continue to be active in our health and wellbeing initiatives and promote physical, emotional and financial wellbeing.

We have regularly promoted our mental health first aiders, have run 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, access to free flu vaccinations, an Employer Assistance Programme, with free face-to-face counselling sessions and a dedicated management support line.

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.

Apprenticeships

We have 16 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

Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater

Number of existing engagements as of 31 March 2023	8
Of which, number that existed:	
for less than one year	5
for between one and two years	2
for between two and three years	-
for between three and four years	-
for four or more years	1

Highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

Number of temporary off-payroll workers engaged during the year ended 31 March 2023	13
Of which:	
Not subject to off-payroll legislation	8
Subject to off-payroll legislation and determined as in scope of IR35	2
Subject to off-payroll legislation and determined as out of scope of IR35	3
Number of engagements reassessed for compliance or assurance purposes during the year	-
Of which: number of engagements that saw a change to IR35 status following review	-

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

Number of off-payroll engagements of board members, and/or, senior officials with significant responsibility, during the financial year that have existed for less than one year at time of reporting	-
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	10

Facility time publication requirements

The following disclosures are required under Statutory Instrument 328: The Trade Union (Facility Time Publication Requirements) Regulations 2017.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	3
Full-time equivalent employee number	2.7

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	3
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time (£000)	9
Total pay bill (£000)	27,412
Percentage of total pay bill spent on facility time	0.03%
Total cost of facility time (£000)	9

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	27%



John Larkinson
Accounting Officer
14 July 2023

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 from, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 46, 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 for 2022-23

Type of spend	SOPS note	Outturn voted (£000)	Outturn non-voted (£000)	Outturn total (£000)	Estimate voted (£000)	Estimate non-voted (£000)	Estimate total (£000)	Voted outturn compared with estimate: saving/(excess) (£000)	Prior year outturn total 2021-22 (£000)
Departmental Expenditure Limit - resource	1.1	3	-	3	4	-	4	1	3
Departmental Expenditure Limit – capital	1.2	450	-	450	720	-	720	270	619
Total Departmental Expenditure Limit		453	-	453	724	-	724	271	622
Annually Managed Expenditure Limit - resource	1.1	-	-	-	-	-	-	-	-
Annually Managed Expenditure Limit – capital	1.2	-	-	-	-	-	-	-	-
Total Annually managed expenditure limit		-	-	-	-	-	-	-	-
Total Resource		3	-	3	4	-	4	1	3
Total Capital		450	-	450	720	-	720	270	619
Total Budget expenditure		453	-	453	724	-	724	271	622
Net Cash Requirement	3	2,060	-	2,060	5,000	-	5,000	2,940	(530)
Administration costs		453		453	724	-	724	271	622

Figures in the areas outlined in thick line cover the voted 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, 2022-23

SOPS1: Outturn detail, by Estimate line

SOPS1.1: Analysis of resource outturn by Estimate line

Type of spend (Resource)	Administration resource outturn gross expenditure (£000)	Administration resource outturn income (£000)	Administration resource outturn net expenditure (£000)	Estimate outturn net total (£000)	Outturn compared with Estimate: saving/ (excess) (£000)	Prior year outturn total 2021-22 (£000)
A Economic regulation, admin, associated capital and other expenditure	19,193	(19,192)	1	2	1	1
B Safety regulation, admin and other expenditure	17,739	(17,738)	1	1	-	1
C Other regulation, admin and other expenditure	3,019	(3,018)	1	1	-	1
Total spending in Department Expenditure Limit	39,951	(39,948)	3	4	1	3

SOPS1.2: Analysis of capital outturn by Estimate line

Voted capital spending in Departmental Expenditure Limit	Outturn gross expenditure (£000)	Outturn income (£000)	Outturn net total (£000)	Estimate total (£000)	Estimate virements (£000)	Estimate total including virements (£000)	Outturn compared with Estimate: saving/ (excess) (£000)	Prior year outturn total 2021-22 (£000)
A Economic regulation, admin, associated capital and other expenditure	234	(1)	233	720	(250)	470	237	295
B Safety regulation, admin and other expenditure	217	-	217	-	250	250	33	324
C Other regulation, admin and other expenditure	-	-	-	-	-	-	-	-
Total spending in Department Expenditure Limit	451	(1)	450	720	-	720	270	619

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on gov.uk.

The outturn versus estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can tie the Estimate back to the Estimates laid before Parliament.

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 (£000)	Estimate (£000)	Outturn compared with estimate: saving/(excess) (£000)
Resource Outturn	1.1	3	4	1
Capital Outturn	1.2	450	720	270
Adjustments to remove non-cash items:				
Depreciation and amortisation		(1,720)	(1,826)	(106)
New provisions and adjustments to previous provisions		23	(40)	(63)
Other non-cash items		(57)	(42)	15
Adjustments to reflect movements in working balances:				
Increase in receivables		832	-	(832)
Decrease in payables		1,374	6,184	4,810
Use of provisions		66	-	(66)
Repayment of principal on lease liabilities		1,089	-	(1,089)
Total adjustments		1,607	4,276	2,669
Net Cash Requirement		2,060	5,000	2,940

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 require a Net Cash Requirement to cover any timing differences in the collection or payment of cash and the recognition of costs or income.

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	SOPS Note	2022-23 Outturn total Accruals (£000)	2022-23 Outturn total Cash basis (£000)	2021-22 Outturn total Accruals (£000)	2021-22 Outturn total Cash basis (£000)
Excess cash surrenderable to the Consolidated Fund	3	-	-	530	530
Total amounts payable to the Consolidated Fund		-	-	530	530

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 (which are otherwise excluded from the financial statements) were:

Item	Outturn total (£000)	Prior year outturn total 2021-22 (£000)
Balance of Intergovernmental Commission levy due to be paid	345	254
Balance of DfT roads funding due to be paid	133	228
Amount payable to the Consolidated Fund	478	482

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 (audited)

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.



John Larkinson
Accounting Officer

14 July 2023

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 2023 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2023 and its net expenditure 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 Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 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 (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 2019*. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit of 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 Department'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 Department'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 Department is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 financial statements and my auditor's certificate and report 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.

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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department 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 by the Department or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Department'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 Department 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department's accounting policies.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected or alleged fraud.
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department's framework of authority and other legal and regulatory frameworks in which the Department operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2022, employment law, tax legislation and pension legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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 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

18th July 2023

Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

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	2022-23 £000	2021-22 £000
Revenue from contracts with customers	5	(39,231)	(35,331)
Other operating income	6	(717)	(561)
Total operating income		(39,948)	(35,892)
Staff costs	3	28,672	25,508
Other administration costs	4	11,219	10,387
Total operating expenditure		39,891	35,895
Net operating (income)/expenditure		(57)	3
Finance expense		60	-
Net expenditure for the year		3	3

Other comprehensive net expenditure			
Actuarial (gain)/loss on pension scheme liabilities	16	(250)	59
Total comprehensive net (income)/expenditure for the year		(247)	62

The notes on pages 108 to 126 form part of these accounts.

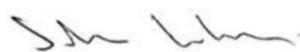
Statement of Financial Position

As at 31 March 2023

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	2022-23 £000	2021-22 £000
Non-current assets			
Property, plant and equipment	7	3,985	4,756
Right of use assets	8	4,125	-
Intangible assets	9	503	367
Total non-current assets		8,613	5,123
Current assets			
Trade and other receivables	10	3,895	3,063
Cash and cash equivalents	11	918	3,012
Total current assets		4,813	6,075
Total assets		13,426	11,198
Current liabilities			
Lease liabilities	13	(1,061)	-
Trade and other payables	14	(6,671)	(11,911)
Provisions	15	(67)	(143)
Total current liabilities		(7,799)	(12,054)
Non-current assets less net current liabilities		5,627	(856)
Non-current liabilities			
Lease liabilities	13	(5,083)	-
Trade and other payables	14	-	(661)
Provisions	15	(661)	(689)
Pension liabilities	16	(680)	(953)
Total non-current liabilities		(6,424)	(2,303)
Total assets less total liabilities		(797)	(3,159)
Taxpayers' equity			
General fund		(797)	(3,159)
Total taxpayers' equity		(797)	(3,159)

The notes on pages 108 to 126 form part of these accounts.



John Larkinson
Accounting Officer
14 July 2023

Statement of Cash Flows

For the year ended 31 March 2023

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	2022-23 £000	2021-22 £000
Cash flows from operating activities			
Net expenditure	2	(3)	(3)
Adjustments for non-cash transactions and provisions	4	1,790	1,022
Finance costs		60	-
(Increase)/decrease in trade and other receivables	10	(832)	1,289
Adjustments for non-cash transactions for lease liabilities	13	7,173	-
Less: movement in receivables relating to items not passing through Statement of Comprehensive Net Expenditure		-	183
Decrease in trade and other payables	14	(5,901)	(1,633)
Less: movement in payables relating to items not passing through Statement of Comprehensive Net Expenditure		(2,646)	276
Adjustments to previous provisions	15	(23)	-
Use of provisions	15	(29)	-
Use of provisions – by analogy pension	16	(37)	(36)
Net cash (outflow)/inflow from operating activities		(448)	1,098
Cash flows from investing activities			
Property, plant and equipment additions	7	(315)	(427)
Right of use assets additions	8	(22)	-
Intangible non-current asset additions	9	(208)	(188)
Adjustment – non cash	9	22	47
Net cash outflow from investing activities		(523)	(568)
Cash flow from financing activities			

	Note	2022-23 £000	2021-22 £000
Repayment of principal on lease liabilities		(1,089)	-
Financing from the Consolidated Fund (Supply) – current year		2,500	-
Financing 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)
Net cash flows from financing activities		1,411	-
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		440	530
Payments of amounts due to the Consolidated Fund		(3,012)	(1,508)
Amounts due to the Consolidated Fund and not paid over		478	482
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(2,094)	(496)
Cash and cash equivalents at the beginning of the period	11	3,012	3,508
Cash and cash equivalents at the end of the period	11	918	3,012

The notes on pages 108 to 126 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

This statement shows the movement in the year on the different reserves held by the department analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). 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 and total reserves £000
Balance at 1 April 2021		(2,609)
Excess cash surrenderable to the Consolidated Fund	14	(530)
Net expenditure for the year	2	(3)
Actuarial loss relating to pension provision	16	(59)
Auditors' remuneration	4	42
Balance at 31 March 2022		(3,159)
Net Parliamentary funding		2,060
Net expenditure for the year	2	(3)
Actuarial gain relating to pension provision	16	250
Auditors' remuneration	4	55
Balance at 31 March 2023		(797)

The notes on pages 108 to 126 form part of these accounts.

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 2022-23 '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. ORR is domiciled in the United Kingdom and its principal place of business is at 25 Cabot Square, London, E14 4QZ.

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 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 2023-24 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.

1.4 New and amended standards and interpretations

ORR has adopted *IFRS 16 Leases* from 1 April 2022. This replaces the previous standards, *IAS 17 Leases*. Further details are disclosed in Note 1.6.

IFRS 17 Insurance Contracts Leases came into effect for accounting periods commencing on, or after, 1 January 2023. We do not consider that this standard will have a material impact for ORR.

1.5 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.

Right of use assets are depreciated as property, plant and equipment.

1.6 Leases

Prior to 1 April 2022

Until 1 April 2022 ORR applied *IAS 17 Leases*, recognising leases as either operating or finance leases. ORR had no finance leases. Operating leases were charged to the SoCNE over the lease term on a straight line basis.

From 1 April 2022

ORR adopted *IFRS 16 Leases* from 1 April 2022, as mandated by the FReM.

IFRS 16 provides a single lessee accounting model requiring lessees to recognise assets and liabilities in the Statement of Financial Position 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'. The adoption of the standard results in the recognition of a right-of-use asset, representing a right to use the underlying asset and a lease liability, representing an obligation to make lease payments.

Practical expedients on transition to IFRS 16

We have applied a number of practical expedients on initial adoption of IFRS 16, as mandated by HM Treasury.

We have adopted IFRS 16 on the cumulative catch-up basis, without restatement of comparative balances. Consequently the 2021-22 comparatives are prepared in accordance with the previous standard, *IAS 17 Leases*.

We have not reassessed whether contracts are or contain a lease or not as the initial date of application.

We have not made adjustment for leases for which the underlying asset is of low value. We have used a de minimis threshold of £5,000, consistent with our capitalisation threshold.

We have used hindsight in determining the remaining term of leases, and we have not made adjustments for leases whose term ends within 12 months of the date of adoption.

We have excluded initial direct costs from the measurement of right-of-use assets at the date of initial application.

The definition of a contract is expanded under the FReM definition to include intra-UK government agreements where non-performance may not be enforceable by law. This includes Memorandum of Terms of Occupation (MOTO) agreements.

Measurement of right of use assets on transition

On initial application the right of use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application, including adjustments for capital contributions, treated as lease incentives. Costs of removing the asset and restoring the site to the conditions required by the lease terms and conditions at the end of the lease are not included in the initial measurement of the right of use asset on transition.

Measurement of lease liability on transition

On initial application the lease liability is measured at the value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. Interest rates implicit in ORR's leases cannot be readily determined, therefore the HM Treasury discount rate of 0.95% has been used.

The table below reconciles the operating lease commitments under IAS 17 as presented in the Annual Report and Accounts 2021-22 to the lease liability calculated under IFRS 16 on 1 April 2022:

	£000
Operating lease commitments at 31 March 2022	6,937
Re-presentation of lease commitments	452
Restated operating lease commitments at 31 March 2022	7,389
Exemptions for:	
Low value leases	(25)
Short-term leases	(37)
Irrecoverable VAT accounted for under IAS 17	(38)
Discount rate	(236)
Change in lease terms	98
Lease liability recognised at 1 April 2022	7,151

Measurement of leases post-transition

Initial recognition

At the commencement of a lease ORR recognised a right of use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments discounted either by the interest rate implicit in the lease or, when this is not readily determinable, ORR's incremental rate of borrowing. This rate is advised annually by HM Treasury (0.95% for leases recognised in the 2022 calendar year, 3.51% for leases recognised in the 2023 calendar year). The weighted average discount rate applied to the lease liabilities is 0.95%. This reflects the HM Treasury discount rate prevailing at the time of adoption.

Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options the department is reasonably certain to exercise and any termination option ORR is reasonably certain not to exercise. The measurement of lease payments excludes any VAT payable, and irrecoverable VAT is expensed at the point it falls due.

The right of use asset is measured at the value of the lease liability date, adjusted for any lease payments made before the commencement date, any incremental costs of obtaining the lease, and any costs of removing the asset and restoring the site to the conditions required by the lease terms and conditions at the end of the lease.

Subsequent measurement

After initial recognition the right of use asset is measured using the fair value model. ORR considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value for its leases as they are either less than five years in duration or have regular rent reviews.

Right of use assets are depreciated on a straight line basis from commencement date to the earlier of the end of the useful life of the asset and the lease term.

Lease liabilities are remeasured to reflect changes in lease payments, lease modifications or reassessments. Remeasurements are accounted for by discounting the revised cash flows at a revised discount rate. The amount of remeasurement is recognised as an adjustment to the right of use asset.

1.7 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. Other intangible assets are amortised over the shorter of the term of the asset and the useful economic life.

1.8 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.

1.9 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.

1.10 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 (2021-22: 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.

1.11 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.

1.12 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.

1.13 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 relation to our pension provision, auditors' remuneration, cash to be returned to the Consolidated Fund and our token annual £3,000 operating expenditure for the year voted by Parliament.

1.14 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 Parliamentary accountability disclosures on page 94.

2. Statement of operating expenditure by operating segment

	2022-23 Gross expenditure (£000)	2022-23 Gross income (£000)	2022-23 Net expenditure (£000)	2021-22 Gross expenditure (£000)	2021-22 Gross income (£000)	2021-22 Net expenditure (£000)
Economic regulation	19,193	(19,192)	1	15,866	(15,865)	1
Health and safety regulation	17,739	(17,738)	1	17,377	(17,376)	1
Highways monitoring	3,019	(3,018)	1	2,652	(2,651)	1
Total	39,951	(39,948)	3	35,895	(35,892)	3

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 heritage.

No individual train operating company contributes more than 10% of ORR income. However, Network Rail paid £5.4 million safety levy in 2022-23 (£4.7 million in 2021-22).

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

	Permanently employed staff £000	Others £000	2022-23 Total £000	2021-22 Total £000
Wages and salaries	20,064	1,240	21,304	18,772
Social security costs	2,514	24	2,538	2,129
Other pension costs	5,110	-	5,110	4,708
Total costs	27,688	1,264	28,952	25,609
Less: recoveries from outward	(280)	-	(280)	(101)
Total net costs	27,408	1,264	28,672	25,508

Further information is provided in the Staff Report, on page 80.

4. Other administration costs

	Note	2022-23 £000	2021-22 £000 (re-presented) [note 1 and 2]
Rentals under operating leases			
Hire of office equipment		-	17
Other operating leases		-	618
Total rentals under operating leases		-	635
Non-cash items			
Depreciation	7	1,617	842
Amortisation	9	103	65
Loss on disposal of property, plant and equipment		1	40
Interest charges in respect of by analogy pension	16	14	11
Auditors' remuneration and expenses		55	42
Total Non-cash items		1,790	1,000
Provisions			
Release of dilapidations provision		(26)	-
Provision for dilapidations		3	-
Provision for other costs		-	22
Total Provisions		(23)	22
Other			
Travel and subsistence		895	528
Hospitality		9	2
Consultancy		2,672	2,716
IT and telecoms		2,135	1,866
Rent		62	144
Landlord service charges and rates		636	676
Printing and stationery		77	135
Recruitment and training		819	1,093
Staff-related		175	190
Building-related		724	567
External services – internal audit, payroll, banking		96	136
External services – other		1,098	641
Hire of office equipment		23	-
Other costs		31	36
Total Other		9,452	8,730
Total other administration costs		11,219	10,387

Note 1: £15,000 has been moved from other operating leases to rent.

Note 2: £144,000 has been moved from landlord services charges and rates to rent.

5. Revenue from contracts with customers

	Note	2022-23 £000	2021-22 £000
Licence fees		19,921	16,432
Less: income deferred to next year	13	(856)	(642)
Safety levy and related safety income		17,886	18,823
Less: income deferred to next year	13	(468)	(1,933)
Income from roads monitoring		2,749	2,651
Less: income deferred to next year	13	(1)	-
Total income from contracts with customers		39,231	35,331

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

6. Other operating income

	2022-23 £000	2021-22 £000
Other operating income	717	561

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 and telecoms £000	Information technology £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2022	5,219	608	1,049	-	6,876
Additions	-	52	138	-	190
Revaluations	(52)	-	-	-	(52)
Disposals	(192)	(37)	-	-	(229)
At 31 March 2023	4,975	623	1,187	-	6,785
Depreciation					
At 1 April 2022	1,443	252	425	-	2,120
Charged in year	545	55	308	-	908
Disposals	(191)	(37)	-	-	(228)
At 31 March 2023	1,797	270	733	-	2,800
Carrying amount at 31 March 2023	3,178	353	454	-	3,985
Carrying amount at 31 March 2022	3,776	356	624	-	4,756

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2021	5,227	578	817	-	6,622
Additions	60	36	375	-	471
Disposals	(68)	(6)	(143)	-	(217)
At 31 March 2022	5,219	608	1,049	-	6,876
Depreciation					
At 1 April 2021	949	206	319	-	1,474
Charged in year	547	52	243	-	842
Disposals	(53)	(6)	(137)	-	(196)
At 31 March 2022	1,443	252	425	-	2,120
Carrying amount at 31 March 2022	3,776	356	624	-	4,756
Carrying amount at 31 March 2021	4,278	372	498	-	5,148

All tangible assets are owned by ORR.

8. Right of use assets

As explained in Note 1.6, ORR adopted IFRS 16 Leases from 1 April 2022. As required by the FRM, we have implemented it using the cumulative catch-up method, without restatement of prior year figures. The majority of leases, treated as operating leases until 31 March 2022 have now been recognised on the Statement of Financial Position as right of use assets and lease liabilities. On transition we recognised £4,812,000 of right of use assets and £7,151,000 of lease liabilities.

	Buildings £000)	Other £000	Total £000
Cost or valuation			
At 1 April 2022	-	-	-
Reclassification on transition to IFRS 16	4,812	-	4,812
Additions	-	22	22
At March 2023	4,812	22	4,834
Depreciation			
At 1 April 2022	-	-	-
Charged in year	705	4	709
At 31 March 2023	705	4	709
Carrying amount at 31 March 2023	4,107	18	4,125
Carrying amount at 31 March 2022	-	-	-

A maturity analysis of lease liabilities is given within note 13 'Lease liabilities'.

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2022-23 £000	2021-22 £000
Interest expense	60	-
Depreciation	709	-
Low value and short-term leases	71	-
Total	840	-

Amounts recognised in the Statement of Cash Flows

	2022-23 £000	2021-22 £000
Interest expense	60	-
Repayments of principal on leases	(1,099)	-
Total	(1,039)	-

9. Intangible assets

	System developments £000	Software licences £000	Website £000	Other intangibles £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2022	215	78	171	105	69	638
Additions	50	-	-	-	189	239
Transfers	69	-	-	-	(69)	-
At 31 March 2023	334	78	171	105	189	877
Amortisation						
At 1 April 2022	165	49	57	-	-	271
Charged in year	35	14	34	20	-	103
At 31 March 2023	200	63	91	20	-	374
Carrying amount at 31 March 2023	134	15	80	85	189	503
Carrying amount at 31 March 2022	50	29	114	105	69	367

	System developments £000	Software licences £000	Website £000	Other intangibles £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2021	263	116	171	-	-	550
Additions	-	14	-	105	69	188
Disposals	(48)	(52)	-	-	-	(100)
At 31 March 2022	215	78	171	105	69	638
Amortisation						
At 1 April 2021	190	74	23	-	-	287
Charged in year	17	14	34	-	-	65
Disposals	(42)	(39)	-	-	-	(81)
At 31 March 2022	165	49	57	-	-	271
Carrying amount at 31 March 2022	50	29	114	105	69	367
Carrying amount at 31 March 2021	73	42	148	-	-	263

All intangible assets are owned by ORR.

10. Trade receivables and other current assets

	31 March 2023 £000	31 March 2022 £000
Amounts falling due within one year		
Trade receivables	2,293	1,633
Staff receivables	7	9
Prepayments and accrued income	1,345	1,234
HM Revenue and Customs (VAT) receivable	250	187
Total trade receivables and other current assets at 31 March	3,895	3,063

11. Cash and cash equivalents

	31 March 2023 £000	31 March 2022 £000
Balance at 1 April	3,012	3,508
Net change in cash balances	(2,094)	(496)
Balance at 31 March	918	3,012

The following balances at 31 March were held at:

Items	31 March 2023 £000	31 March 2022 £000
Government Banking Service	886	2,996
Commercial banks and cash in hand	32	16
Balance at 31 March	918	3,012

12. Reconciliation of liabilities arising from financing activities

Item	1 April 2022 £000	Financing cash flows £000	31 March 2023 £000
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,000	(1,560)	440
Total	2,000	(1,560)	440

13. Lease liabilities

13.1 Analysis of expected timing of lease liability discounted cash flows

	Building £000	Other £000	2022-23 Total £000
Not later than one year	1,054	7	1,061
Later than one year and not later than five years	3,972	10	3,982
Later than five years	1,101	-	1,101
Balance at 31 March 2023	6,127	17	6,144

ORR's leases are for office accommodation and ziptaps.

13.2 Reconciliation between lease liabilities balance on transition and closing balance

	Buildings £000	Other £000	Total £000
Lease liabilities balance on transition to IFRS 16 at 1 April 2022	7,151	-	7,151
Additions	-	22	22
Interest charge	60	-	60
Cash payments	(1,084)	(5)	(1,089)
Lease liabilities at 31 March 2023	6,127	17	6,144

14. Trade payables and other current liabilities

	31 March 2023 £000	31 March 2022 £000
Amounts falling due within one year		
Trade payables	672	355
Other payables	1,184	1,064
Other taxation and social security	8	4
Accruals	2,564	4,901
Deferred income	1,325	2,575
Balance of Intergovernmental Commission levy payable to the Consolidated Fund	345	254
Balance of DfT roads funding payable to the Consolidated Fund	133	228
Excess cash surrenderable to the Consolidated Fund	-	530
Amounts issued from the Consolidated Fund for supply but not spent at year end	440	2,000
Total trade payables and other current liabilities at 31 March	6,671	11,911
Other payables	-	661
Amounts falling due after more than one year	-	661

15. Provisions for liabilities and charges

The provision for dilapidations 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.

	Dilapidations £000	Other £000	2022-23 Total £000	2021-22 Total £000
Balances at 1 April 2022	787	45	832	756
Provided for in the year	3	-	3	69
Provisions no longer required	(86)	-	(86)	-
Provisions utilised in the year	(29)	-	(29)	-
Borrowing costs (unwinding of discounts)	8	-	8	7
Balance at 31 March 2023	683	45	728	832

Analysis of expected timing of discounted cash flows

	Accommodation £000	Other £000	2022-23 Total £000	2021-22 Total £000
Not later than one year	22	45	67	143
Later than one year and not later than five years	46	-	46	-
Later than five years	615	-	615	689
Balance at 31 March 2023	683	45	728	832

16. Pension liabilities

Analysis of movement in scheme liability

	As at 31 March 2023 £000	As at 31 March 2022 £000
Net pension liability at 1 April	953	919
Interest cost	14	11
Actuarial (gain)/loss	(250)	59
Benefits paid	(37)	(36)
Net pension liability at 31 March	680	953

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 2023. 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

Liability in respect of	As at 31 March 2023 £000	As at 31 March 2022 £000
Active members	-	-
Deferred pensioners	-	-
Current pensioners	680	953
Total present value of scheme liabilities	680	953

Liability in respect of	Value at 31/3/23 £000	Value at 31/3/22 £000	Value at 31/3/21 £000	Value at 31/3/20 £000	Value at 31/3/19 £000
Deferred pensioners	-	-	-	-	-
Current pensioners	680	953	919	890	837
Total present value of scheme liabilities	680	953	919	890	837

Actuarial assumptions

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

Liability in respect of	As at 31 March 2023	As at 31 March 2022
Gross discount rate	4.15%	1.55%
Rate of increase of pensions in payment	2.40%	2.90%
CPI inflation	2.40%	2.90%

Rates are as prescribed by HM Treasury.

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 2023 or 2022.

Current pensioners exact age	Men as at 31 March 2023 (years)	Women as at 31 March 2023 (years)	Men as at 31 March 2022 (years)	Women as at 31 March 2022 (years)
60	26.6	28.1	27.0	28.6
65	21.8	23.2	22.1	23.8

Cumulative amount of actuarial gains and losses

The cumulative actuarial loss for the year to 31 March 2023 amounts to £292,000 (31 March 2022: £542,000).

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

Change in assumption [note 1]		Impact on DBO (%)	Impact on DBO (£000)
Gross discount rate	+0.5% a year	(5)	(37)
Rate of increase in CPI	+0.5% a year	6	40
Life expectancy: each member assumed 1 year younger than their actual age		2	16

Note 1: Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO.

17. Financial and capital commitments

17.1 Capital commitments

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

	31 March 2023 £000	31 March 2022 £000
Property, plant and equipment	-	31
Information technology	73	68

Capital commitments in 2022-23 were for system upgrades and software development, and for office security system upgrades and software development in 2021-22.

17.2 Commitments under operating leases

Total future minimum lease payments under operating leases prior to the implementation of IFRS 16 Leases are given below, analysed according to the period in which the lease expires.

Obligations under operating leases comprise	31 March 2023	31 March 2022 (re-presentation)
Building		
Not later than one year	-	1,111
Later than one year and not later than five years	-	4,142
Later than five years	-	2,111
Building Total	-	7,364
Other		
Not later than one year	-	11
Later than one year and not later than five years	-	14
Other Total	-	25

The note has been re-presented to aid the reconciliation of operating lease commitments at 31 March 2022 to lease liabilities on transition (disclosed in note 1.6). Total commitments under operating leases for buildings in 2021-22 has increased by £452,000. There is no impact on the Statement of Comprehensive Net Expenditure or on the Statement of Financial Position.

17.3 Other financial commitments

ORR has not entered into any non-cancellable contracts for any new expenditure as at 31 March 2023 (31 March 2022: £nil).

18. 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 10) and current liabilities (Note 14) approximate to their fair value due to their short-term nature.

19. Contingent liabilities

There are no contingent liabilities at 31 March 2023 or 2022.

20. Related party transactions

In addition to balances due to the Consolidated Fund (see note 14) 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. Full details of compensation for key management personnel are disclosed in the Remuneration Report.

21. 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: Delivery against business plan deliverables in 2022-23

In our 2022-23 business plan we published a number of deliverables. The table below sets out those deliverables and how we have performed.

A Safer Railway

Status key: ■ G (Green): Commitment met ■ R (Red): Commitment not met

2022-23 Commitment	Status
Carry out risk assessments and other support to TfL on the opening of the Elizabeth Line	G
Build and implement new Train Driving Licence Portal*	R
Conclude our own Carmont investigation	G
Assess whether Network Rail has complied with its track worker safety improvement notices	G
Conduct Post-Implementation Reviews for government legislation, in particular for the Train Driving Licences and Certificates Regulations 2010	G
Agree and deliver a revised tripartite Memorandum of Understanding (MOU) between ORR, Department of Infrastructure (Northern Ireland) and HSE NI	G
Deliver an inspection programme to review safety management arrangements across tramways on Signals Passed at Stop	G
Facilitate the heritage sector's delivery of common standards on good practice	G
Deliver an inspection project on the maintenance of tram system switches and crossings	G

* Technical issues identified during testing of the portal have delayed this project. We continue to work with our contractors to resolve these and will deploy the portal in 2023-24.

Better Rail Customer service

2022-23 Commitment	Status
Accept Passenger Information Pledges as regulatory commitments	G
Update environmental guidance to industry	G
Publish the outcomes of audits on train company websites, looking both at the accessibility of those sites and at the accuracy of information provided about accessibility at stations	G
Determine whether HS2 can levy an investment recovery charge	G
Launch statutory consultation on new complaints handling arrangements	G
Publish report of annual audit into Network Rail's use of general approvals to vary access contracts during 2021-22	G
Publish Annual Assessment of Network Rail's Stakeholder Engagement	G
Take on sponsorship of the Rail Ombudsman, subject to contract tender and licence modification processes	G
Conduct annual review of Eurotunnel's Network Statement	G
Update our assessment of Eurotunnel's recovery of long-term costs	G

Value for Money from the Railway

2022-23 Commitment	Status
Issue PR23 consultations on charging frameworks and financial incentives for performance	G
Carry out review into the recording of maintenance activities accuracy within Maintenance Delivery Units	G
Carry out review into the effectiveness of Structures Examinations Compliance within Network Rail	G
Carry out review into technology adoption by use of case studies within Network Rail	G

2022-23 Commitment	Status
Provide formal advice to UK and Scottish governments on CP7 funding and outputs	G
Publish annual Rail Safety statistics	G
Issue PR23 consultations on our approach to holding Network Rail to account	G
Complete review of Management of Depot Plant Assets	G
Publish Annual Assessment of Network Rail	G
Review effectiveness of Network Rail Contract Management – management of claims and contract variations	G
Publish annual Rail Industry Finance statistics	G
Issue Periodic Review 24 (HS1) consultation document	G
Complete review of Management of Vegetation Assets for Risks and Opportunities	G

Better Highways

2022-23 Commitment	Status
Quality assure National Highways' annual Smart Motorways safety update report	G
Publish the Annual Assessment of National Highways	G
Complete capability reviews into National Highways' potential for further efficiencies in RP3	G

Our People and Performance

2022-23 Commitment	Status
Introduce a new Drugs and Alcohol Policy	G

2022-23 Commitment	Status
Revise and publish Whistleblowing Policy	G
Implement a more engaging and digital learning approach through the launch of our new learning management system	G
Enhance cybersecurity by the introduction of more “Play Books” for automatic attack mitigation	G
Provide and complete mandatory Bullying and Harassment training for all staff	G
Revise ORR Fraud Prevention Policy and deliver Fraud Awareness training to the Senior Leadership Group and Executive Team	G
Finalise workforce and location options for two regional office relocations, Glasgow and Manchester	G
Build values into employee recognition and reward	G
Build Diversity and Inclusion into governance processes and undertake further school outreach	G
Consolidate information technology and data	G

