Annual report and accounts 2022 to 2023

This is the HTML version of the Office of Rail and Road annual report and accounts 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.

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.

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

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