Annual report and accounts 2022 to 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

	Note	2022-23 £000	2021-22 £000
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 to the departmental resource accounts' 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

	Note	2022-23 £000	2021-22 £000
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)	-

	Note	2022-23 £000	2021-22 £000
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 to the departmental resource accounts' form part of these accounts.

John Larkinson
Accounting Officer

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		-	183

	Note	2022-23 £000	2021-22 £000
not passing through Statement of Comprehensive Net Expenditure			
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)

	Note	2022-23 £000	2021-22 £000
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			
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)

	Note	2022-23 £000	2021-22 £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 to the departmental resource accounts' 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

	Note	General fund and total reserves £000
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 to the departmental resource accounts' 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.

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)
Economic regulation	19,193	(19,192)	1	15,866	(15,865)
Health and safety regulation	17,739	(17,738)	1	17,377	(17,376)
Highways monitoring	3,019	(3,018)	1	2,652	(2,651)
Total	**39,951**	**(39,948)**	**3**	**35,895**	**(35,892)**

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 secondments	(280)	-	(280)	(101)
Total net costs	**27,408**	**1,264**	**28,672**	**25,508**

Further information is provided in the 'Staff Report'.

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	16	14	11

	Note	2022-23 £000	2021-22 £000 (re-presented) [note 1 and 2]
analogy pension scheme			
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

	Note	2022-23 £000	2021-22 £000 (re-presented) [note 1 and 2]
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,		96	136

	Note	2022-23 £000	2021-22 £000 (re-presented) [note 1 and 2]
payroll, banking and finance			
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

	Note	2022-23 £000	2021-22 £000
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**

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Assets under construction £000	Total £000
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	547	52	243	-	842

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Assets under construction £000	Total £000
year					
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 FReM, 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**

	Buildings £000)	Other £000	Total £000
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
Cost or valuation					
At 1 April 2022	215	78	171	105	69
Additions	50	-	-	-	189

	System developments £000	Software licences £000	Website £000	Other intangibles £000	Assets under construction £000
Transfers	69	-	-	-	(69)
At 31 March 2023	**334**	**78**	**171**	**105**	**189**
Amortisation					
At 1 April 2022	165	49	57	-	-
Charged in year	35	14	34	20	-
At 31 March 2023	**200**	**63**	**91**	**20**	**-**
Carrying amount at 31 March 2023	**134**	**15**	**80**	**85**	**189**
Carrying	50	29	114	105	69

	System developments £000	Software licences £000	Website £000	Other intangibles £000	Assets under construction £000
amount at 31 March 2022					

	System developments £000	Software licences £000	Website £000	Other intangibles £000	Assets under construction £000
Cost or valuation					
At 1 April 2021	263	116	171	-	-
Additions	-	14	-	105	69
Disposals	(48)	(52)	-	-	-
At 31 March 2022	**215**	**78**	**171**	**105**	**69**

	System developments £000	Software licences £000	Website £000	Other intangibles £000	Assets under construction £000
Amortisation					
At 1 April 2021	190	74	23	-	-
Charged in year	17	14	34	-	-
Disposals	(42)	(39)	-	-	-
At 31 March 2022	165	49	57	-	-
Carrying amount at 31 March 2022	50	29	114	105	69
Carrying amount at 31 March 2021	73	42	148	-	-

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)

	31 March 2023 £000	31 March 2022 £000
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**

	Buildings £000	Other £000	Total £000
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

	31 March 2023 £000	31 March 2022 £000
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

	As at 31 March 2023 £000	As at 31 March 2022 £000
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	-	-

Liability in respect of	As at 31 March 2023 £000	As at 31 March 2022 £000
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 £000	31 March 2022 (re-presentation) £000
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

Obligations under operating leases comprise	31 March 2023 £000	31 March 2022 (re-presentation) £000
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.

- ← Previous Parliamentary accountability and audit report
- → Next Annex A: Delivery against business plan deliverables in 2022-23