# Annual Report and Accounts 2023 to 2024

## 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.

## Holding Network Rail to account

Over the past year we maintained a focus on train performance and how Network Rail is supporting a reliable and punctual service. We also monitored how it is maintaining and renewing its assets, and keeping the network safe and in good condition, during the fifth and final year of control period 6.

In July we published our annual assessment of Network Rail's performance between April 2022 and March 2023. This highlighted the company's own contribution to worsening train performance and the external factors involved. The assessment showed that while Network Rail had delivered over £900 million of efficiency savings, which was above its target, its wider financial performance was hit by costs of industrial action, payments to operators for poor train performance, and inflationary pressures.

We called for sustained focus in three important areas: improving asset reliability; working with operators to build more resilient timetables; and making sure that, when things do go wrong,

services can be recovered quickly. We required Network Rail to produce improvement plans in all its regional businesses.

In September we published our annual efficiency and finance assessment, which aims to give assurance to rail users, funders and other interested parties that Network Rail is spending money efficiently to deliver what was expected under CP6. This exercise in transparency also provides a strong reputational incentive for Network Rail to become more efficient.

In November we launched an investigation into the delivery of train service performance in the company's Wales and Western region, which will conclude in 2024-25. In December we followed up our annual assessment with a mid-year letter setting out our view on the further steps Network Rail had taken to address our concerns on performance across the country, and the challenges it faced in the coming months, in particular in the operational response to extreme weather events.

# Periodic review 2023

A significant piece of work successfully concluded in the past year was the 2023 periodic review (PR23), which determined Network Rail's funding and regulatory requirements for control period 7 (CP7), starting in April 2024. The five-year settlement is designed to deliver a stable basis for Network Rail, its supply chain and train operators to plan, invest and provide services for passenger and freight operators.

Following a cross-industry consultative process working closely and to a tight timetable with funders, Network Rail and industry stakeholders, we completed the draft determination in June, the final determination in October and implementation by the end of March 2024. The final determination sets out what Network Rail is expected to deliver as infrastructure manager for the GB mainline rail network in return for the funding available.

In March, Network Rail published its delivery plan, setting out how it would give effect to the final determination. We recognise that this will be a challenging plan for Network Rail to deliver and it will need to carefully manage the pressures that emerge over the next five years. We wrote to Network Rail after the publication of its delivery plan setting out how we intend to hold the company to account in CP7.

We have also provided advice and support to funders in relation to other important infrastructure decisions.

# High Speed 1 (HS1)

In July we published our annual report on HS1 Ltd for the period April 2022 to March 2023. We reported that the company had made significant improvements in its planning and delivery of route renewals, in response to concerns we had raised in our previous annual report. However, several new issues had arisen during the year, leading to HS1 Ltd missing a number of its targets, including on workplace injuries and train service performance. While its delivery of renewals had improved, it was failing to meet targets for the availability of lifts, escalators and travelators; and while Network Rail (High Speed) was meeting its efficiency challenges, HS1 Ltd's costs had risen. We saw evidence that HS1 Ltd had taken steps to resolve these issues, but further improvements were still needed. We will continue to monitor these areas closely in accordance with our policies for holding HS1 Ltd to account.

During the year we continued our work on the 2024 periodic review (PR24), our five-yearly review of HS1 that looks at costs for control period 4 (CP4) starting in 2025; and in February 2024 HS1 began consulting stakeholders, including us, on its Five-Year Asset Management Strategies (5YAMS).

# Promoting competition

We have continued our work to monitor and take action to promote competition and tackle anti-competitive behaviour in railway markets. In June 2023 we launched a major market study on the provision of railway station catering services. We published the interim report in December, provisionally finding that the market is not working as effectively as it should be and that greater competition to operate at stations would benefit passengers and taxpayers. Our final report in June 2024 made recommendations to increase such competition between catering companies.

We have also continued to monitor Network Rail's progress on implementing the recommendations in our 2021 market study on GB signalling procurement. Network Rail is on track to introduce recommended changes designed to increase value for money in the procurement of signalling equipment.

During the year a significant piece of work was to provide advice to the Competition and Markets Authority (CMA) for phase 2 of the Hitachi/Thales merger inquiry. The CMA's final report was issued in early October and final undertakings were accepted from Hitachi in December.

We considered four complaints about anti-competitive behaviour but determined that there were no grounds to open new cases.

# 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.

We continued to publish a range of quarterly and annual statistics on our data portal, as planned. The summaries and suite of data tables and interactive dashboards are used by a wide range of stakeholders including policymakers, passenger watchdogs, academia and consultants, media, and the public. Transparent reporting of statistics aims to provide people with accessible information they can use and to hold industry to account on performance, efficiency and value for money.

Throughout this year we have also published statistics on 'P*-coded' pre-cancellations of trains, to address concerns raised by stakeholders. These are when changes are made to train services due to non-availability of staff or rolling stock and are included in a short-notice revised timetable, and therefore may not be appearing in operators' cancellation scores.

In November 2023 we published our annual rail industry finance (UK) statistics, reporting income and expenditure for Network Rail, passenger operators and other sectors of the UK rail industry. We reported that the year 2022-23 saw the introduction of services to the central section of the Elizabeth Line generating additional revenue for the industry. However, industrial action across Great Britain resulted in fewer train services than anticipated. Despite this, passenger revenues continued to recover from the impact of the pandemic and government financial support to the industry reduced.

# Our performance against 2023-24 business plan deliverables

| 2023-24 Commitment | Status |
|---|---|
| PR23 draft determination | Met |
| PR23 consultation on changes to access contracts | Met |
| PR23 final determination | Met |
| Complete implementation of PR23 | Met |
| Publish annual assessment of Network Rail | Met |
| Publish Network Rail annual efficiency and finance assessment | Met |
| Publish annual assessment of HS1 | Met |
| Publish annual rail safety statistics | Met |
| Publish annual rail industry finance statistics | Met |

| 2023-24 Commitment | Status |
| --- | --- |
| Publish annual assessment of Network Rail's stakeholder engagement | Met |
| Publish statistics on annual estimates of station usage | Met |

## Future plans

In our deliverables for 2024-25, we have committed to publishing the following: an open letter on the conclusion of PR23 and an outline of future CP7 work; the final report on our railway station catering market study; annual assessments of Network Rail's stakeholder engagement and efficiency and finance; annual assessments of Network Rail and HS1; draft and final determinations for HS1 (PR24); annual statistics on rail safety, rail industry finance and estimates of station usage. We will also consult on our approach to charges for CP8.


- ← Previous Strategic objective 2: Better rail customer service
- → Next Strategic objective 4: Better highways