Briefing: What the Railways Bill means for the role of ORR

Funding Period Review: the new funding process

28. Across all of its activities GBR will be funded from a range of sources including government grants, income from fares, charges paid by non-GBR train operators for accessing GBR's network and property and commercial income. The Bill makes provision for a reformed five-yearly funding process for GBR, known as the Funding Period Review (FPR) (Schedule 2, Part 1, paragraph 1 and Part 2 paragraph 8). Unlike the current periodic review, ORR will no longer conduct a review of charges paid by train operators to access the network – as GBR will set charges under the new framework. ORR will no longer make a final determination at the end of the process: instead, ORR will provide advice to funders (Secretary of State and Scottish Ministers) throughout the process, and the funders will approve GBR's integrated business plan.

29. It is expected that the FPR will determine the funding for GBR's network operation, maintenance and renewals (OMR) activities – although the Bill allows for a wider range of GBR activities to be funded via the new process if Ministers wish. In practice, this means that although GBR's assumptions about future passenger services funding and revenue will be considered as part of GBR's five-yearly business planning, to start with GBR's passenger services funding will be determined through the UK Government's Spending Reviews, separate from the new funding process.

How this will work

30. To a timeline to be defined by ORR, the Secretary of State will publish a Statement of Objectives outlining the objectives for the railway (replacing today's High Level Output

Specification, or HLOS), along with a Statement of Funds Available (SoFA) estimating the funding the UK Government can provide to fund GBR (in addition to income from other sources) in order to cover the expenditure required to deliver those objectives. The Secretary of State will be required to consult ORR when developing the SoFA and a range of parties – including devolved governments and authorities, ORR and the Passenger Watchdog – when developing the Statement of Objectives (Schedule 2, Part 1, paragraphs 2 and 3).

31. In response, GBR will develop an integrated business plan across all of its activities, based on the objectives and funding estimates provided by the Secretary of State. While preparing the business plan, GBR must consult a range of parties including the Secretary of State, ORR and the Passenger Watchdog (Schedule 2, Part 1, paragraph 4).

32. ORR must assess GBR's draft business plan and advise the Secretary of State on whether the plan meets their objectives and whether the estimated costs offer good value for money. ORR must also publish a summary of its advice. Following ORR advice, the Secretary of State may approve the business plan. GBR must then provide ORR with the approved plan and publish it (Schedule 2, Part 1, paragraph 4). In Scotland, an equivalent process will apply (Schedule 2 Part 2).

33. ORR expects the business plans to provide transparency about the activities GBR intends to carry out during the five-year funding period. This is to enable the Secretary of State, Scottish Ministers and ORR to monitor GBR's performance against the plan and inform funders' final decisions.

34. Under the Bill, the Secretary of State and Scottish Ministers have the power to postpone, withdraw or reduce financial assistance to GBR. If this variation is likely to have a material impact on GBR's ability to deliver the business plan, the Secretary of State or Scottish Ministers must notify ORR and publish details of the variation (Schedule 2, Part 1, paragraph 7 and Schedule 2, Part 2, paragraph 14). With the Secretary of State or Scottish Ministers' approval, GBR may amend the Integrated Business Plan in consultation with ORR (Schedule 2 5 (2) and Schedule 2 12 (2) (a)).

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- → Next Access and use of the network