

Annual Report and Accounts 2021-22

July 2022

HC 190



Office of Rail and Road

Annual Report and Accounts 2021-22

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 Her Majesty

Ordered by the House of Commons to be printed 7 July 2022

HC 190



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ISBN 978-1-5286-3381-9

E02752319 07/22

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of Her Majesty's Stationery Office

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 2021 to 31 March 2022 and is split into three main sections:

The **Performance Report** includes a summary of progress achieved in 2021-22 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 2022, and additional information designed to enable readers to understand these results.

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Chief Executive's Report

This annual report shows another year of significant delivery across our functions, protecting the interests of current and future rail and road users.

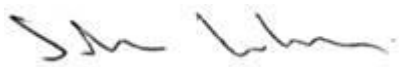
As well as supporting the rail industry with managing Coronavirus (COVID-19) risk as circumstances changed, this year we continued to deliver on those key day-to-day activities which are core to our role. Those include, among other things, our safety inspections and authorisations, monitoring rail operators' compliance with their obligations to passengers and holding to account the companies we oversee.

We also carried out a number of activities which were either 'one-off' activities or are perhaps areas of our work that are less well-known to stakeholders. These included:

- facilitating the safe return to passenger service of Hitachi trains after their withdrawal due to the identification of cracks, and then providing assurance of Hitachi's remedial programme and leading a review with affected industry stakeholders so that lessons could be learnt for the future;
- providing, at the Secretary of State's request, independent analytical assurance on the evidence base for the safety of National Highways' All Lane Running motorways. This was a complex and controversial area, with our recommendations supporting positive changes in the interests of road users;
- maintaining our constructive challenge on Network Rail's and National Highways' efficiency. Pleasingly, we expect this to be the third year running in which Network Rail will have met its efficiency target. And similarly we expect National Highways to meet its target for the second year of road period 2;
- continuing to support the UK Government's work on rail reform, providing advice at the request of the Department for Transport as it developed its more detailed plans for implementing the Williams-Shapps Plan for Rail; and
- supporting the work of the Channel Tunnel Safety Authority (CTSA) in reviewing the safety issues relating to Eurotunnel's new high voltage interconnector project (ElecLink). Following extensive engagement and challenge, CTSA was able to give sufficient assurance to the Intergovernmental Commission for it to grant consent to the project.

The year also saw us relocate our Birmingham office to new modern premises. Our regional offices are key to how we operate, giving us a national reach and enabling us to recruit from a broader base. This move – delivered within budget – provides our staff based there with a better-equipped environment in which to work effectively.

Finally, my thanks go to all of ORR's staff for what they have achieved in another busy year.

A handwritten signature in black ink, appearing to read "John Larkinson". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

John Larkinson

Chief Executive and Accounting Officer

Chair's Report

2021-22 has been another year of challenge for the industries that we oversee, set within the wider context of COVID-19. While passenger rail services have been gradually increasing, passenger revenue remains significantly lower than before the pandemic. On roads, National Highways faced major challenges both with securing development consent orders for its projects and in relation to its All Lane Running motorways.

In the rail sector in particular, the scale of challenge is not going to get any easier. Rail reform brings the prospect of more effective ways of working, reducing fragmentation and delivering a better service for customers. But the reorganisation it heralds and the need to respond to current financial pressures means the rail industry faces significant change at a time when it needs to continue to provide a rail service that meets the expectations of those it serves.

Against this backdrop, ORR continues to have an important role. This year has seen us again carry out our job effectively – monitoring, challenging and supporting those companies we oversee, providing crucial assurance on health and safety, and giving honest, independent, expert advice to government on both rail and road. As the pace of reform increases over the coming year and the rail industry is reshaped, the continuity of the oversight and assurance that ORR brings will be vital, particularly in the current financial circumstances.

Reflecting this, it is essential that ORR continues to remain relevant to rail and road users and well-equipped to take account of both reform and broader economic and social change. We remain open to challenge from stakeholders to help us with this, and we continue to review and improve the capability and capacity of ORR to perform its role effectively, both now and in the future.

In this respect I was pleased in January to welcome Catherine Waller, Daniel Ruiz and Xavier Brice to the Board as new non-executive members. They bring skills and experience in digital and data analytics, sustainability, and delivery of large-scale programmes and projects – areas that will be particularly important in rail and road over the coming years.

On other Board matters, Graham Mather, Michael Luger and Stephen Glaister stood down from the Board during the year, as their terms expired. I am grateful to them all for their service and valuable contribution to the office over recent years. It was with great sadness that the Board learnt in March that Michael Luger had since passed away.

Lastly, ORR could not achieve anything without the professionalism and commitment of its staff. I would like to thank them all for their continued dedication over the last year.

Declan Collier
Chair

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. We are an independent statutory body, with powers vested by Parliament in our governing board, which is responsible for setting our strategy and overseeing its delivery. Members are appointed by the Secretary of State for Transport for a fixed term of up to five years.

ORR comprises some 330 professionals, spanning engineering, railway safety, economics, competition, statistical analysis and management, operating from six offices across the country.

Our team of Executive Directors is responsible for delivering the business plan to meet our strategic objectives.

Our strategic objectives

Our business plan summarises what we aim to achieve each year and provides detail around our strategic objectives. In 2021-22 our strategic objectives continued to be:



**A SAFER
RAILWAY**



**BETTER RAIL
CUSTOMER
SERVICE**



**VALUE FOR
MONEY FROM
THE RAILWAY**



**BETTER
HIGHWAYS**

Our performance against the business plan

In our 2021-22 business plan we set out a number of key commitments under each of our strategic objectives. These were underpinned by a number of internal milestones, defined during our annual business planning round. We also published a series of service standards in our business plan (set out on page 344). The Board reviews progress against business plan commitments and service standards on a quarterly basis. The Executive reviews progress against internal milestones 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 155 to 333. We have delivered or made good progress on all of our priorities.

How we are funded

ORR's 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 £2,000 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.

We had a Capital Departmental Expenditure Limit (CDEL) of £720,000 for 2020-21 and 2021-22.

Summary of financial performance

The table below shows our gross costs for 2021-22 compared to budget and prior year outturn.

Table 1 Gross costs outturn against 2021-22 budgeted gross costs and 2020-21 outturn

Funding stream	2021-22 gross costs outturn (£000)	2021-22 gross costs budgeted (£000)	2020-21 gross costs outturn (£000)
Economic regulation	15,866	16,639	13,688
Health and safety regulation	17,377	18,706	16,154
Highways monitoring	2,652	2,889	2,483
Total	35,895	38,234	32,325

Variances against budget and 2020-21 are analysed on page 411.

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 59.

Performance analysis

The Performance Analysis provides a more detailed analysis of how ORR has performed against its strategic objectives during 2021-22.



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.

In 2021-22 the railways performed well during the pandemic, with front-line colleagues delivering the service throughout unprecedented circumstances. The industry continued to work in a highly collaborative way, supportive of ORR and our efforts to issue Covid-related guidance that could respond swiftly and appropriately to changing situations.

The industry had some big issues to prepare for that it will be managing over the next two to three years – recovery from the effects of the pandemic, a significant drop in passenger numbers and financial pressures, and major reorganisations of the industry that will need to be well-managed. It is clear that to get us through the pandemic there has been reduced activity in key areas like training, assessment and management assurance. Towards the end of 2021-22 we sent a firm message that these situations need to recover as quickly as possible and that the connections between the top and bottom of industry organisations need to improve. It remains vital that everyone maintains focus on the day job, including throughout any changes.

Our business plan for 2021-22 outlined a number of health and safety priority areas for the year. These included the management of extreme weather risk; track worker safety; preparing for the trial operation of Crossrail; promoting safety by design; the management of the Platform Train Interface; leadership in the heritage sector; and supporting the Light Rail Safety and Standards Board in delivering its objectives in the tram sector.

We also set out plans to ensure appropriate arrangements were in place to support effective safety regulation of the Channel Tunnel (following the UK's exit from the EU at the end of 2020); to enhance our train driving licensing processes and guidance; to improve data capture from our proactive inspections; and to publish new guidance on principles for managing level crossing safety.

During the year, we pursued our key themes of:

- **Managing for the future:** Demonstrable, strong, visible leadership, seeing through reform of the railways, continuing to promote health and safety by design as a key element of building back better, and managing the key challenge climate change is having on the ageing infrastructure with new and better ways to manage these risks going forward.
- **Supporting people:** Managing and supporting people through pandemic recovery and restart, continuing to tackle the mental health taboo, supporting key events such as Rail Wellbeing Live, new campaigns launched by Network Rail in partnership with Chasing the Stigma, and the industry's longstanding partnership with the Samaritans.
- **Technology:** The Network Rail Task Forces on earthworks and weather management provided a good example of how technology could lead to a step change, not just in risk reduction but customer experience, and could help bring further efficiencies to the rail network. This theme also reflects the importance of human factors and quality risk assessment so that the human interface is well-managed.

We continued to drive these themes, together with the priorities set out in our strategic risk chapters, through our inspection, permissioning, and investigation and enforcement work.

Network Rail

Network Rail embarked on a series of changes reflecting the challenges to industry finances following the pandemic. During 2021-22 it reduced managerial grade headcounts in parts of its business by around 20% and has begun framing significant changes to the ways it carries out maintenance in order to achieve more efficiencies in the future. Further, a substantial programme of work was drawn up to address the continuing test of making the network more resilient to extreme weather. Finally, there was excellent sustained progress in complying with ORR's Improvement Notices on workforce safety by reducing reliance on assisted human lookout warnings. Overall safety and health performance was maintained, despite these potential distractions to routine business.

Much of our proactive work continued to target the key risks of management of earthworks and structures, weather resilience and risks to track workers. We monitored Network Rail's response to recommendations from the task forces it commissioned around earthworks and drainage management as well as its operational responses to extreme weather events. There is an ambitious, prioritised programme of action plans across Network Rail. It will be a continuing challenge to ensure co-ordinated oversight of so many complex and inter-dependent work streams, which now include the recommendations from the Rail Accident Investigation Branch (RAIB) Carmont report. In this context, we note that weather-related issues include those leading to poor adhesion – such as the conditions that led to the signal passed at danger and subsequent collision at Salisbury on 31 October 2021.

Our work on occupational health and safety concentrated on continuing to assess improvements in the safety of trackside workers as a result of our enforcement notices. The year has seen a pronounced move away from Victorian methods of protection using flags and horns to safer alternatives. By the end of the year, work relying on unassisted lookout warning had reduced to 0.5% of all hours worked. Following a number of incidents, we also took action to improve safety of workers near overhead line equipment during maintenance work. Our monitoring of this continues.

On occupational health we continued to monitor Network Rail's progress in managing risks from asbestos as part of a national priority programme, with a focus on ensuring a risk-based approach to asbestos surveys, and the provision of adequate training to workers who could accidentally disturb asbestos during their work. We continued to assess Network Rail's progress in improving its standards for control of welding fumes and respiratory crystalline silica, with evidence of improvements in engineering and organisational controls. Continued reports of new and worsening cases of Hand Arm Vibration Syndrome (HAVS) remain a concern and we continue to challenge Network Rail on how their investigations of diagnosed cases supports better HAV risk management.

With the prospect of major changes to Network Rail's role and how the mainline network will be run, we began our engagement with all stakeholders to ensure that effective health and safety management remains at the heart of thinking around the future of the network.

Mainline operators

We have completed the first year of a two-year programme looking at rolling stock asset management with all passenger operators. Challenges for operators assuring the work of suppliers delivering maintenance is a common theme. In May 2021 the Hitachi Class 800 trains were withdrawn from service because of cracking in the vehicle bodies. We reviewed the operators' risk assessments for managing the return of trains to service and found robust challenge of Hitachi as part of operators' assurance. A safety lessons learnt review was completed by ORR and published, identifying the root causes and finding excellent collaboration by the industry to manage the return of trains to service.

Through our active involvement with Rail Delivery Group's Passenger Operators Safety Group, Rail Safety Standards Board's (RSSB) People on Trains and Stations Risk Group and the Train Accident Risk Group, we are seeking assurance that emerging risks, such as the use of mobility scooters on platforms and expectations around management of the Platform Train Interface (PTI), are being managed as far as is reasonably practicable. We have brought the sector's attention back to the important work of reviewing the RSSB PTI risk assessment tool, as well as undertaken further inspections around PTI management. We have investigated accessibility issues at stations and our action has led to improved provisions for step-free access.

Inspection activity looking at the capability of control staff to manage operational incidents commenced as part of a two-year plan looking at all passenger operators. We found common issues around the management of fatigue and competence management. Inspection of operators' management of Signals Passed at Danger (SPADs) has focused on the capability of driver managers. Workload management was a recurring theme across operators assessed and there was evidence that in some organisations training was not provided to driver managers around investigating SPADs.

Inspection of the management of legionella bacteria found significant gaps in risk assessment and control. We served three Improvement Notices on two train operators to improve the management of legionella bacteria in on-train water supplies to toilets and handwashing facilities. An Improvement Notice was also served on a contractor for failing to manage vehicle movements putting workers and the public at risk.

In the freight sector, a SPAD management inspection focused on the role of driver managers in monitoring SPAD performance and investigating incidents. Inspections found that duty holders had suitable arrangements for the selection, training and ongoing management of competence of driver managers and overall, the driver manager role is integral to managing SPAD risk. However, excessive driver manager workload appears to be a consistent theme in all inspections. An inspection of welfare facility provision for mobile staff such as drivers and ground staff found that freight duty holders were largely doing everything that was reasonably practicable in terms of the law but highlighted this is an area where operators need to focus on doing more than just comply with the law.

An inspection into rolling stock maintenance in the freight sector showed that duty holders have suitable arrangements in place to manage risks associated with rolling stock asset condition, including management of contractors where maintenance functions are delivered by third parties. The Llangennech derailment and fire has highlighted the importance of ensuring that rolling stock is maintained in a safe condition. The National Freight Safety Group's "Condition of Freight Vehicles on the Network" work will be essential in identifying what operators and maintainers can do to further reduce the risk of serious train accidents.

Non-mainline operators

On trams and light rail, we continued to monitor the sector's implementation of the Sandilands RAIB recommendations and have secured commitments from all tramways on the procurement and implementation of speed control and driver attentiveness systems to implement these recommendations. We concluded our investigations into the fatal tram derailment at Sandilands, launching prosecutions of the tramway infrastructure manager, operator, and tram driver for alleged breaches of the Health and Safety at Work etc Act 1974. We carried out the first independent review of the Light Rail Safety and Standards Board (LRSSB) in order to assess whether it was fulfilling its intended purpose to better

manage safety, standards and good practice across the sector. Our published report set out our findings that the LRSSB has been effective in adding value to the light rail sector and assisting in the delivery of recommendations for safety improvements made by RAIB. Our review made six recommendations which are intended to ensure that the light rail sector maintains a structured and formal approach to the continuous improvement of safety standards.

We provided regulatory oversight of the heritage sector as it recommenced operations following a period of extended shutdown associated with COVID-19. Our proactive and reactive work during 2021-22 focused on the management of assets and operational staff competence. We served two enforcement notices on the latter topic where our inspectors found that legal requirements had not been met by the duty holder. We also worked with the Heritage Railway Association as it outlined its proposals to develop an independent Heritage Safety and Standards Board to take on the role of developing standards and guidance for the heritage sector.

Our work with Transport for London's rail operators included the periodic reassessment of London Underground Ltd's non-mainline safety certificate and authorisation, as well as the safety authorisation for the Docklands Light Railway infrastructure manager. On London Underground our inspection work continued to examine the management of assets, focusing on the arrangements for the management of track assets. We continued our liaison with the Crossrail project, as it moved into a phase of intensive trial running prior to the opening of the Central Operating Section and carried out an inspection of the Crossrail train operator's emergency planning arrangements.

On safety by design, ORR continues to engage with companies across the rail industry to emphasise the importance of early-stage design thinking in reducing long term health and safety impacts. We have worked with Network Rail, TfL, and train operators as well as major projects such as HS2 and Crossrail.

Policy and strategy

We delivered a range of policy and strategy work in 2021-22 to support our drive to continuously improve our health and safety policies and processes.

We published Principles for Managing Level Crossing Safety and supported animated case studies which will support improvements in level crossing safety by encouraging better collaboration between those involved in managing level crossings and highways, and greater emphasis on understanding level crossing users. We completed a Post Implementation review of the Railways and Other Guided Transport Systems (Safety) Regulations 2006 (ROGs) which was published by DfT in September. The review

confirmed that ROGs are continuing to work well but that interfaces between ROGs and other legislation and standards are not always clearly understood, and that guidance on these interfaces would be helpful for stakeholders. This work is being taken forward alongside the outcomes from the more recent Railways (Interoperability) Regulations 2011 Post Implementation Review.

We published a new series of frequently asked questions and answers on the Train Driving Licences and Certificates Regulations 2010 (TDLCR) to provide easier access to information on the requirements of the regulations and our policies on handling licence applications. As some of the licensing requirements in TDLCR have been in place since 2011, we published new guidance on our policy and process for renewing train driving licences when they expire after 10 years. We worked with the developer to introduce an improved electronic system for managing licence applications and holding licence details which will provide benefits and efficiencies for ORR and train operators when it is implemented later in 2022.

The emerging post EU exit legislative landscape required a number of practical measures and consideration of next steps. For example, in the run up to the ending of mutual recognition of EU and UK train driving licences on 31 January 2022 we issued new guidance for the cross-border operators on the licence requirements for cross border drivers operating services through the Channel Tunnel and processed new licence applications for affected drivers. We published an updated version of our Guide to ROGs to explain the changes made to ROGs following our exit from the EU and, as requested by stakeholders, published a consolidated version of the ROGs legislation showing the various changes made by EU exit legislation. We were also involved in negotiating a number of bilateral agreements between the UK and France to enable continued smooth operations through the Channel Tunnel.

We continued to keep our own internal Quality Management System processes under review, undertook a project to review and improve our risk prioritisation and Strategic Risk Chapter processes, continued our drive to improve the quality of the data that underpins our work, and commissioned work to create an RM3 e-learning solution that provides an introduction to RM3 (and demonstrates the wide reach of the model across both the rail industry and non-rail industry) and looks at the theory and application of the model in three bitesize sections. We also brought the training of ORR's health and safety inspectors fully in house.

We continued to chair the Railway Industry Health and Safety Committee, which brings together representatives of employers, employees, passengers, and government bodies to discuss and contribute to health and safety matters, and we worked with other health and safety regulators to share best practice.

Channel Tunnel

Throughout the year, we continued to provide leadership, expert advice, and secretariat support to the Intergovernmental Commission (IGC) and supporting Channel Tunnel Safety Authority (CTSA). In particular, the CTSA continued to monitor Eurotunnel's approach to safety-related issues in respect of its new ElecLink HVDC interconnector project and provided a level of assurance to the IGC which enabled consent for commercial operation to be granted.

The CTSA has also delivered statutory assessment activities to amend Eurotunnel's safety authorisation and renew safety certificates for Eurostar and DB Cargo Limited. CTSA continued to work closely with Eurotunnel on its plans to modernise its passenger shuttle fleet and reviewed plans for the carriage of lithium-ion batteries through the Tunnel to ensure that risks are identified, assessed, and appropriately mitigated. The CTSA has also held Eurotunnel to account over its safety leadership and change management arrangements to identify shortcomings and drive improvements in these areas.

Regulation and certification

ORR grants a range of rail-related health and safety permissions and approvals and, in some cases, we have statutory deadlines to meet in terms of processing requests and issuing our decisions. These deadlines were all met in 2021-22. Volumes vary each year, depending on demand. In 2021-22 we:

- Issued 1,434 new train driving licences, which was more than double the number for 2020-21. 294 of these were to support the post-EU exit licence requirements for cross border drivers operating services through the Channel Tunnel.
- Processed 170 train driving licence renewals. As the requirement to hold a licence first came into force in 2011 and licences are issued for ten years, this was the first year that any required renewal.
- Recognised a further 2 doctors, 16 psychologists and 1 training and examination centre and added them to our registers as required under the Train Driving Licences and Certificates Regulations.
- Attended a hearing following a driver's appeal against ORR's decision to withdraw a train driving licence.
- Delivered 21 Level Crossing Orders, 5 Variation Orders, 1 Revocation Order, 4 Directions and 3 Authorisations for Traffic Signs, which was similar to 2020-21 volumes.
- Issued 49 mainline safety certificates and safety authorisations and 9 non-mainline safety certificates and safety authorisations. The number of mainline safety certificates issued was significantly higher than the 30 issued last year but this was as a result of amendments needed to reflect a change in legal denomination.
- Processed 6 applications to exempt non-mainline duty holders from the requirement to hold a safety certificate and safety authorisation whilst operations were being carried out above 25mph on their infrastructure.

- Issued one exemption from regulation 3 of the Railway Safety Regulations 1999.
- Reported to RAIB on a total of 119 recommendations, with 78 having been implemented; 22 reported as implementation ongoing, 18 reported as progressing and 1 reported as other public body.

Investigation and enforcement

During the year we served 1 Prohibition Notice and 10 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 10 Improvement Notices were served when we identified serious breaches of the law and required changes to be made.

We successfully concluded a number of health and safety prosecutions:

In April 2021 Tyne and Wear Metro operator, Nexus, was fined £1.5 million after pleading guilty to an offence under the Health and Safety at Work etc. Act 1974 (HSWA) for failing to ensure the safety of staff. This followed the death of a Nexus employee at the company's South Gosforth depot in July 2014 whilst he was working at height carrying out maintenance work on high voltage overhead cables.

In May 2021 QTS Group was fined £12,000 after a contract rope access technician broke his arm when it became entangled in a drilling rig they had provided. The technician was assisting the drilling rig operator with the installation of soil nails to a railway cutting slope.

In July 2021 WH Malcolm Limited, the operator of Daventry International Rail Freight Terminal near Rugby, was fined £6.5m and ordered to pay costs after being found guilty of negligence over the death of an 11-year-old boy in 2017 who easily gained access to the depot with his friends to retrieve a football, and was able to climb on top of a stationary freight wagon, where he received a fatal electric shock from the overhead line. WH Malcolm was charged with, and found guilty of, two health and safety offences under HSWA for failing to ensure, so far as is reasonably practicable, that persons not in their employment were not exposed to risks to their health and safety through the conduct of their undertaking and the Management of Health and Safety at Work Regulations 1999 for failing to undertake a suitable and sufficient assessment of the risks to the health and safety of persons not in their employment.

In November 2021 Amey Rail Limited was sentenced after pleading guilty to an offence under HSWA for failing to ensure lifting operations involving lifting equipment were properly planned, supervised, and carried out in a safe manner. This followed ORR's investigation into an incident in October 2018 outside Market Harborough station on the Midland Main Line when a road-rail excavator vehicle overturned during an unsafe lift. Amey was fined £600,000 after pleading guilty to the offence and ordered to pay full costs.



Strategic objective 2: Better rail customer service

We have a key role to improve the rail passenger experience in the consumer areas for which we have regulatory responsibility 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 for which we are responsible:

- 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 an accessible, effective, and efficient complaints handling service, including providing compensation where passengers are subject to delay.
- Ticket retailing, specifically the ease with which passengers can buy, use and, where necessary, receive a refund for their ticket.

We do not have a regulatory responsibility for punctuality from a consumer perspective. ORR's work in this area is limited to holding Network Rail to account.

Our business plan for 2021-22 outlined three priority areas for the year: monitoring compliance with accessible travel policy requirements; monitoring the industry's plans for improving the quality of information provision to passengers; and progressing our reviews of complaints handling and delay compensation processes.

Impact of COVID-19

The challenges faced by train operators as a result of COVID-19 have at times over the past year had an impact on their ability to meet regulatory obligations. We maintained engagement with operators to understand how they were meeting the needs of their passengers.

The pandemic also saw us continuing to deliver our role in relation to the Government's response to the virus, which required us to monitor Eurostar and Eurotunnel's adherence to the Government's COVID travel regulations. This required working closely with Border Force and the other transport regulators (CAA & MCA). We issued fixed penalty notices for failures to ensure that passengers had met the required COVID test, vaccine, and locator form requirements before travel. This work was paused when Government lifted the COVID Travel Regulations in March 2022.

Accessibility

During 2021-22 we have established and developed a working relationship with DVSA, the monitoring and enforcement body for accessibility standards in road-based public transport. We have worked collaboratively to monitor compliance with the Public Service Vehicle Accessibility Regulations (PSVAR), including where Rail Replacement Services either meet the accessibility requirements or have a valid exemption from DfT.

In March 2022 we approved the Accessible Travel Policies (ATPs) for Arriva Rail London, TfL Rail, and London Underground. The approved ATPs reflect the specific circumstances of these operators.

In March 2022 we also completed an annual review of the ATPs for all other mainline train operators. This process helps ensure that the documents are kept up to date, and accurately reflect the improvements to accessibility that have been made throughout the year. The key improvement that we have required is the reduction in the notice period for passengers when booking assistance for travel. Until 2020 passengers had to give 24 hours notice. Our ATP guidance required a phased reduction down to two hours notice from 1 April 2022. We have worked closely with operators to provide clarity on the requirements, and to get assurance that reliable systems, processes, and training are in place to provide this step-change in the provision of booked assistance.

Our ATP guidance requires train and station operators to deliver comprehensive accessibility training for all passenger-facing staff. The initial deadline for delivery of this training was 31 July 2021. Extensions were granted to five operators in light of the challenges they faced in delivering their training plans. Of these, one operator is still working to fully meet this requirement and we are continuing to monitor their activity.

Despite the challenges presented by COVID-19, operators have delivered accessibility training to over 30,000 frontline staff.

In December 2021 we completed an audit of the accuracy of passenger information about station accessibility. We commissioned a gap analysis between the information published by station operators online and the facts on the ground at a representative sample of stations. We have shared the findings with operators and required them to produce a plan for addressing discrepancies.

We have also renewed our assessment of train operator performance against ATP website accessibility requirements. This work was completed in March 2022 and was in three parts: a check of the availability of ATP documents; an audit of whether operator websites complied with the Web Content Accessibility Guidelines 2.0 accessibility standards; and in-depth user-testing. We will share the findings of this work with operators, requiring them to address any issues, and publish a summary of the findings.

Passenger information

We continued to engage with the industry's Smarter Information, Smarter Journeys programme, which was established in response to our request that the industry work together to make tangible and enduring improvements to passenger information. Good work is underway in a number of areas which should deliver improvements in retailing, station information screens and onboard announcements amongst others. We welcomed the development and publication of Passenger Information Pledges and will be accepting them as regulatory commitments from 30 April 2022 so that we can hold train companies to account against best practice.

We have continued to monitor the industry's performance in provision of appropriate, accurate and timely information to passengers when timetables are affected by engineering works. We have, in particular, sought improvements in the information provided by journey planners where industry is not meeting informed traveller timescales (T-12) and where blockades are planned when Network Rail closes the railway for engineering work for several consecutive days.

Complaints and redress

This year we have continued work on our review of ORR's complaints handling guidance for train and station operators to ensure it remains fit for purpose and continues to reflect good practice. In August 2021 we launched a consultation on replacing our guidance with a new Complaints Code of Practice with which train and station operators' complaints handling procedures would have to comply.

We have continued to engage closely with train and station operators as part of our monitoring of complaints handling performance, including engaging with industry on the challenges brought about by the COVID-19 pandemic.

Building on our independent review of the Rail Ombudsman, we contributed to the governance of the ombudsman through our place on the Rail Ombudsman Scheme Council and the Ombudsman's Rail Sector Liaison Panel. ORR also performed the role of secretariat to the Ombudsman Scheme Council.

We have also been developing our plan for how ORR will take on sponsorship of the Rail Ombudsman, delivering a commitment in the Williams-Shapps Plan for Rail.

We introduced a new passenger train operator licence condition to improve access to delay compensation. This includes a new code of practice designed to tackle the key barriers to delay compensation: awareness and ease of process. The new licence condition formally came into effect on 1 April 2022.

Consumer law

The Department for Transport (DfT) asked us to review the administration fees for ticket refunds in the National Rail Conditions of Travel. We published our findings in February 2022 and encouraged DfT and RDG to consider whether the maximum caps for administration fees, particularly the £10 cap in respect of ticket refunds, should be amended to provide additional protection for passengers.

We also:

- Continued our day-to-day monitoring and compliance work, for example monitoring the quality and timeliness of train operator passenger information during spells of adverse weather, and information arrangements for passengers for periods of planned line closures;
- 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
- Published our 'Annual Rail Consumer Report' for 2020-21. This report illustrates the breadth and depth of our work across the consumer areas for which we are responsible.



Strategic objective 3: Value for money from the railway

We support the delivery of an efficient, high-performing rail service that provides value for money for passengers, freight customers, governments, and taxpayers. 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 2021-22 outlined three priority areas for the year: maintaining a pragmatic approach to holding Network Rail to account while the effects of the pandemic remained present, launching our next Periodic Review (PR23) which will set the funding that the railway receives for Control Period 7 (2024-29) and what it should deliver in return, and concluding our GB signalling market study which was paused during the previous year.

Holding Network Rail to account

One of the key ways in which we support value for money from the railway is by holding Network Rail to account for its efficient delivery. For example, we monitor how it is maintaining and renewing its assets, how it is supporting a reliable and punctual train service and whether it is delivering safely and efficiently. We hold it to account against its obligations in its network licence and against its committed targets set for the five-year control period (CP6) and through its business plan.

April 2021 to March 2022 was the third year of CP6. During the year, COVID-19 has continued to present challenges to Network Rail and the wider rail industry. It has affected staff availability, working practices and passenger usage. In light of this, we have continued with a more qualitative approach to assessing Network Rail's performance and service delivery.

In our last annual assessment of Network Rail, we highlighted a clear risk that the strong train service performance seen from April 2020 to March 2021 would decline as passengers and services returned. At that time, we said that Network Rail should continue to work across the industry to retain as much as possible of the performance uplift. Between April 2021 and March 2022, train service performance (both passenger and freight) declined. In November 2021, we wrote to Network Rail setting out our views on its delivery of this in the first half of the year. We concluded that work to embed improvements across the business has continued and overall progress has been good, but there were some regional variations, and we raised particular concerns about worsening performance in the Wales and Western region.

In November 2021, we also concluded our investigation into Network Rail's impact on poor performance in the North West and Central region. The purpose of this investigation was to assess whether the region had identified key factors impacting on train service performance and whether it had set time-bound plans to mitigate them. We concluded that the region had substantively addressed all 25 recommendations. It had fulfilled the intended outcomes of our 2020 investigation and was progressing implementation of its plans as part of its business-as-usual activities.

We also published 16 Targeted Assurance Reviews looking at various aspects of the way that Network Rail approaches the management of its assets.

Periodic review 2023

In June 2021, we formally launched our periodic review 2023 (PR23) programme, which will establish Network Rail's funding and outputs for its operations, maintenance, and renewals (OMR) activities for the five-year period starting from 1 April 2024 (known as control period 7 (CP7)). PR23, including governments' decisions about the level of funding the network should receive, will be made in light of the prevailing fiscal context, as well as wider challenges facing the rail industry and the transition to rail reform. However, we expect Great British Railways to be held to account for the commitments entered into in PR23.

Since we launched PR23, we delivered against key milestones on the programme's timeline, including consultations on the Schedule 8 performance regime on 17 June 2021; the Schedule 4 possessions regime on 30 September 2021; and Network Rail's access charging framework on 28 October 2021. The purpose of these consultations was to ensure that the views of the rail industry were considered. The responses received enabled us to set out refined proposals for how the charging framework and performance and possessions regimes should be set in CP7. We identified small incremental changes that we are minded to take forward, such as an opt-out mechanism to Schedule 4, and removing the 'wash-up mechanism' for the fixed track access charge (FTAC).

One of the programme's key tasks is to advise the UK and Scottish Ministers on the level of funding the rail network needs ahead of the development of the 'High Level Output Specification' (HLOS) and 'Statement of Funds Available' (SoFA). As an early input to this process, we reviewed Network Rail's early submissions on potential CP7 funding over summer/autumn 2021 and provided our views on this to funders. To help provide clarity on this work to external stakeholders, we also published guidance on how Network Rail's CP7 funding and outputs are determined on 30 March 2022.

To support our work and reflecting the fact that PR23 is a cross-industry process, we have established robust, external governance arrangements with the UK Government, Transport Scotland, and Network Rail to help make decisions and provide a steer on key elements of the programme.

Access, licensing and capacity

Our work ensures that railway companies are fit to operate and that access to the rail network is fair. Our role ensures that users and funders of the railway are not disadvantaged by the monopoly power of the networks we oversee.

During 2021-22, whilst recognising the uncertainty created by the coronavirus pandemic for the railway and the customers it serves, we took a forward look with the upcoming access and capacity projects in mind. These included: the Network Rail approach to use of access rights, its approach to timetabling production, including the major projects on the East and West Coast Mainlines. We also continued to challenge it to: improve the clarity of evidence and information available for its access decisions; and work with industry to improve the timeliness of access applications.

We also completed a full factual update of our guidance on access to the network, including to take account of changes flowing from Brexit legislation.

The arrangements for regulatory co-operation in the Channel Tunnel have proved adaptable to the UK's exit from the EU. Working closely with our colleagues in the French Transport Regulation Authority (ART), we have made significant progress in our assessment of Eurotunnel's long-term cost recovery charges.

In 2021-22 the volume of access and licensing casework continued at similar levels to the previous year. However, industry continued to submit applications near timetable change dates, which meant that sometimes we evaluated and approved cases to meet industry needs much quicker than our statutory requirement of six weeks. We:

- Reviewed and approved just under 100 new and amended track access contracts for passenger and freight operators, within our statutory timescales.
- Reviewed and approved over 400 access contracts for stations, depots, freight terminals, other service facilities and connecting networks, again, within our statutory timescales.
- Issued ten licences or licence exemptions for operators of railway assets, meeting our timescale commitments to industry.
- Reviewed 11 Network Rail-proposed land disposals, consenting to nine of them, and consenting to one application under the financial ring-fence condition.
- Completed our annual audit of Network Rail's land disposals to time, identifying no major issues overall but it needs to be clear to third parties how they may get in touch to register their interests in land, if they wish to do so.
- Reviewed and recommended improvements for the annual network statements published by Network Rail, Eurotunnel, High Speed One, Northern Ireland Railways, and for the Core Valleys Lines (in Wales), promoting consistency between them.

High Speed 1

The number of trains operating on the HS1 network (which includes Eurostar services through the Channel Tunnel) continued to be impacted by COVID-19, but increased to more than 70% of pre-COVID levels, compared to 65% in 2020-21. We continue to work with HS1 Ltd and operators on mechanisms to manage the impacts.

COVID-19 has also impacted engineering works on HS1, resulting in under-delivery of renewals. We challenged HS1 Ltd and we have now received a plan to recover the renewals plan within this control period, which is important to protect safety, performance and efficient use of funding.

During the year we have also worked with DfT and HS1 Ltd to effect the transfer of the regulation of HS1 stations from DfT to ORR. Should this be successful it will allow ORR to regulate the HS1 route and stations together, providing more consistency and efficiency for stakeholders.

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.

Throughout the year we have continued to publish a range of quarterly and annual statistics on our data portal. These cover a range of key areas for rail, including train performance and usage (both passenger and freight), passenger experience (complaints, delay compensation, passenger assists), finance, emissions and safety. Our published statistics provide users with a summary of the latest results and trends, alongside a suite of data tables and interactive dashboards. The data portal is used by a wide range of people, for example, central and local government policy makers, passenger watchdogs and rail user groups, academia and consultancy, media, and the public.

Promoting competition

We have continued our work monitoring and taking action to promote competition and tackle anti-competitive behaviour in railway markets. We have used the range of our powers, from advising and influencing industry, where appropriate, through to using our formal enforcement tools to tackle illegal conduct.

In November 2021, we published the final report of our signalling market study, which we re-launched in November 2020. In the final report, we made a number of recommendations aimed at attracting more suppliers to the market in order to stimulate competition and achieve better value for money when procuring signalling equipment. Our

recommendations set out how Network Rail can reduce reliance on the dominant suppliers and make the market more attractive to potential new suppliers by increasing suppliers' confidence in the market and reducing costs.

In March 2021, we opened an investigation into suspected infringements of Chapter I of the Competition Act 1998, as we had concerns over entry to the market for psychometric testing for train drivers. Our concerns were around the lack of clarity and transparency in rules of industry body governing standards that applicants were required to meet. In April 2022, we published our commitments decision and closed our investigation. We consider that the commitments, made by the industry body responsible for the rules, address our competition concerns, and will reduce restrictions on entry to the market. The commitments include practical steps to improve transparency, including publishing the rules online, and ensuring objective criteria for membership are explicitly set out. Our intervention aims to send a clear signal to other trade associations within the sector to ensure that their rules do not restrict entry to markets and are compliant with competition law.

We have also continued our work monitoring open access markets following on from our publication of our 'Open Access Monitoring Framework' in February 2020 and April 2021. We published our most recent update report on how competition has developed in these markets on 28 April 2022.



Strategic objective 4: Better highways

National Highways operates the strategic road network, managing motorways and major roads in England. Our role is to scrutinise the company and hold it to account for its performance and delivery.

We report on National Highways' delivery of around £5 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 2021-22 outlined two priority areas for the year: assessing the impact of COVID-19 on National Highways' plans for the remainder of road period 2 (RP2) and preparing our advice on efficiency to the Secretary of State for Transport, as part of our work on the third road investment strategy.

Annual assessment of National Highways

We published our annual assessment of National Highways' performance. This covered the first year of the second road period (2020-21). The report found that the company met all of its targets for its key performance indicators during extraordinary circumstances of responding to the impacts of the pandemic and the end of the transition period for the UK's exit from the EU. However, National Highways needs to continue its focus on road safety to achieve its 2025 commitments and manage ongoing risks such as planning issues, to ensure future delivery of its RIS2 enhancements portfolio.

Smart motorways

We continued our monitoring of the company's delivery of the Smart Motorway Action Plan, a plan agreed with the Secretary of State to improve safety on the smart motorway sections of the strategic road network. Through the year we have closely monitored the company to ensure that it is doing everything that can be reasonably expected of it to achieve the actions and sustain its performance.

We also undertook an independent review of the safety data and evidence associated with all lane running motorways commissioned by the Secretary of State for Transport, Rt. Hon. Grant Shapps MP. Drawing on our experience and expertise as the Highways Monitor, the safety regulator of Britain's rail network and the publisher of official railway statistics, we delivered our All Lane Running report to the Secretary of State in June and it was published in September.

Benchmarking National Highways

We published our 2021 benchmarking report in which we benchmarked National Highways' performance and spending across its regions. We also set out our plans for wider benchmarking against comparable organisations, including in other countries and sectors. As a result of ORR driving the need for greater transparency and data to be published, our annual benchmarking report for 2021 includes a greater number of performance indicators at a regional level.

While this is a considerable step forward, there continue to be significant regional differences and we expect National Highways to apply the lessons it has learned about what works well in one region to other parts of the country as part of the steps it will take to meet all national-level targets by 2024-25.

Transport Select Committee recommendations

Development of our advice for the third road investment strategy (RIS3) is underway. RIS3 will set out the funding available to National Highways for the Government's five-year strategic vision for investment in, and management of, the strategic road network from April 2025 to March 2030.

In preparation for this process, we have published our consultation on our proposed approach to assessing the challenge and deliverability of plans for RIS3. This sets out how we intend to conduct our activities and the evidence we intend to use to inform our assessments.

We are currently collecting evidence to assist our assessment of the challenge and deliverability of the third road investment strategy. This includes studies on National Highways' renewals planning, its approach to whole life cost and the performance framework for environmental outcomes.

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 2021-22. The table shows how we performed against each of these.

Table 2 Performance against service standards

Achieved key: ■ G (Green): Standard met ■ R (Red): Standard not met

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	96%
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	95%
Prompt payment of suppliers' invoices to ORR	80% paid within 10 days of valid invoice	G	86%
Prompt payment of suppliers' invoices to ORR	100% paid within 30 days of valid invoice	G	100%
Publication of quarterly statistical releases	100% published within 4 months after quarter end	G	100%



Our inspectors spent 60% of their time on proactive inspection (against 50% target)

Sustainability

Sustainability is becoming increasingly prominent within the rail industry, and teams across ORR continue to support this work. Building on the work we commissioned in 2020, we have consulted on our sustainable development policy and environmental guidance to railway licence holders, with broad support for updating our policy. Our updated policy will inform our activities and regulatory duties in road and rail. We will publish our consultation conclusions in the first half of 2022.

We have increased our staff resourcing to support our holding to account work. This involves holding quarterly liaison meetings with Network Rail's Head of Environment and Sustainable Development and subject matter leads. This year, we have developed this further by holding meetings with the Head of Environment for each of Network Rail's five regions, to understand and assure delivery of Network Rail's Environment Strategy commitments at a regional and route level within Network Rail.

We have also explored how Network Rail is delivering its Low Carbon Ambition Plan. This will be an increasingly important area of focus going forward. We have used this year to build our capabilities and understanding of how best we can regulate the industry around decarbonisation, to build on existing reporting of CO₂ emissions due to Network Rail's operations, whilst also looking towards reporting of emissions produced by their supply chain.

We have challenged Network Rail to improve performance around the reporting of energy and carbon emissions. We have also provided feedback to guide Network Rail on the development of a new environmental sustainability indicator, which will be trialled in 2022-23.

We held liaison meetings with statutory environmental bodies across the three nations; this is a useful platform to understand permitting requirements for the industry, and to explore integrated opportunities for challenges such as climate change adaptation. We have also held meetings with Natural England, to discuss the requirement for 'no net loss' of biodiversity by 2024, and how the rail industry will need to plan for reporting this from 2024 onwards.

We continue to monitor how Network Rail is delivering against its biodiversity action plan and the first state of nature report was developed this year. We have also commenced an independent review of lineside vegetation management practices, to ensure these deliver operational safety but also respond to the recommendations of the Varley Review. The results of our work will be published later in 2022.

Through our engagement with industry working groups, we maintain oversight of decarbonisation, supporting on areas ranging from low carbon freight to action plans for decarbonisation across the industry. ORR has also been an observer to the development

of a new Sustainable Rail Strategy for 2022-2050, which will inform priorities for sustainable development.

Managing the impacts of weather on the infrastructure continues to be a key part of our holding to account activities, with several notable storms affecting the railway. Network Rail provides progress updates on the actions set out in its Weather Resilience and Climate Change Adaptation plans.

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 for its performance against key performance indicators on noise, biodiversity, air quality and corporate carbon emissions. We also monitor progress against several environmental performance indicators, covering supply chain carbon emissions, condition of cultural heritage assets, water quality and litter.

In our annual assessment of National Highways' performance in 2020-21 we reported that:

- The company forecasted a shortfall in biodiversity at the end of the second road period, and we are continuing to challenge National Highways to produce a no net loss plan.
- National Highways mitigated noise at 2,111 noise important areas, which is ahead of their internal target
- The company had mitigated five of 31 links (sections of road between two junctions) which are above legal levels of nitrogen dioxide, a further 17 links were considered not viable to mitigate with any measures.
- The company agreed a baseline for corporate carbon emissions, with a target agreed to reduce emissions by 75% by the end of the second road period.

Our next annual assessment is due to be published in July 2022, when we will report on National Highways' performance against these environmental metrics during 2021-22.

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 and policy

Our environmental performance in 2021-2022 is shown in the table below. We have presented the data as transparently as possible and have noted below where it has not been possible to obtain some information. Defra conversion factors are used. Building-related data is provided for our offices in London and Glasgow only. 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.

Table 3 Sustainability data on greenhouse gas emissions

Emission Category	2019-20 Greenhouse gas emissions (tonnes CO₂e)	2020-21 Greenhouse gas emissions (tonnes CO₂e)	2021-22 Greenhouse gas emissions (tonnes CO₂e)
Electricity (scope 2)	88	24	25
Oil (scope 2)	19	-	-
Gas (scope 2)	-	-	74
Official business travel (car - personal vehicle)	30	17	28
Official business travel (air)	58	1	9
Official business travel (train)	144	6	30
Official business travel (car - hire vehicle)	8	3	11 [note 1]
Gross emissions of official business travel	240	27	78
Total gross emissions	347	51	177

Note 1: Quarter 4 data was not available and so an estimate has been calculated based on previous three quarters

Table 4 Sustainability data on greenhouse gas related consumption and expenditure

Related consumption and expenditure	2019-20	2020-21	2021-22
Non-renewable electricity consumption	243,175 kWh	-	-
Renewable electricity consumption	103,567 kWh	88,734 kWh	109,752 kWh
Oil consumption	66,742 kWh	-	-
Total expenditure on energy	£73,896	£75,411	£77,007
Expenditure on official business travel	£784,837	£100,104	£283,916
Distance travelled by international business flights	n.a. [note 1]	n.a. [note 1]	10,213 km

Note 1: Data not available

Greenhouse gas emissions from electricity and travel have increased in 2021-22 as a COVID-19 restrictions were lifted and staff were able to travel again. ORR no longer uses oil or has any non-renewable electricity source. The gas figure is for the London office only. This is the first year that we have been provided with a figure.

Table 5 Sustainability data on waste and waste related expenditure

Waste category and related expenditure	2019-20	2020-21	2021-22
Non-hazardous recycled	20 tonnes	1 tonnes	3 tonnes
Non-hazardous incinerated/energy from waste	36 tonnes	5 tonnes	7 tonnes
Total waste	56 tonnes	6 tonnes	10 tonnes
Related expenditure, cost of waste collection	£36,415	£1,795	£3,242


The table above includes data for our London and Glasgow offices only. Waste figures were high in 2019-20 as a result of the London office move. In 2020-21 we only have available figures for our new London office from August 2020. Data prior to this has not been made available. Waste figures were low in 2020-21 and 2021-22 due to the offices being closed between April and September 2020 and the introduction of hybrid working.

Table 6 Sustainability data on finite resource consumption and related expenditure

Finite resource consumption and related expenditure	2019-20	2020-21	2021-22
Water consumption	866 m ³	n.a	971 m ³
Paper consumption	995 A4 reams	150 A4 reams	100 A4 reams
Related expenditure	£2,628	£1,992	n.a

No water consumption figures are available for 2020-21. The 2021-22 figure is for London only as the Glasgow figure is not available. Paper and water consumption were lower in 2020-21 due to the majority of staff working from home for most of the year. The water supply cost is not available for either London or Glasgow for 2021-22.

ORR is predominately a cloud-based organisation. During the year we have switched off two servers and moved them to the cloud. We dispose of IT waste through sustainable organisations, which ensures that where possible components are reused or recycled.



John Larkinson
Accounting Officer
27 June 2022

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 £3,000 to be voted.

A summary of our income and expenditure capital outturn compared to the 2021-22 Estimate and 2020-21 outturn is shown in the table below.

Table 7 Outturn against 2021-22 financial control totals and 2020-21 outturn

Outturn Category	2021-22 outturn (£000)	2021-22 estimate (£000)	2020-21 outturn (£000)
Economic regulation income	(15,865)	(16,638)	(13,687)
Health and safety regulation income	(17,376)	(18,705)	(16,153)
Highways monitoring income	(2,651)	(2,888)	(2,482)
Total income	(35,892)	(38,234)	(32,322)
Staff costs expenditure	25,508	26,818	24,577
Other costs expenditure	10,387	11,419	7,748
Total expenditure	35,895	38,237	32,325
Net operating cost/net resource outturn (RDEL)	3	3	3
Net capital outturn (CDEL)	619	720	593
Net cash requirement (NCR)	(530)	2,000	1,975

This table ties directly to the Statement of Outturn against Parliamentary Supply on page 82, 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 2021-22 we spent a total of £35.9m compared to £32.3m in 2020-21. Our overall gross budget for 2021-22 was £38.2m.

By segment, our spend breaks down as follows:

- £2.2m more on economic regulation than last year, at £15.9m (£0.8m less than budget).
- £1.2m more on safety regulation than last year, at £17.4m (£1.3m less than budget).
- £0.2m more on our highways monitoring role compared to last year, at £2.7m (£0.2m less than budget).

Our largest area of underspend was staff costs where we spent 5% (£1.3m) less than budget. We have experienced a higher staff turnover in 2021-22 than in 2020-21 (13.5% compared to 8.6%). We have had a number of senior level vacancies which have taken time to fill, and have experienced difficulty in recruiting specialist staff in a competitive market.

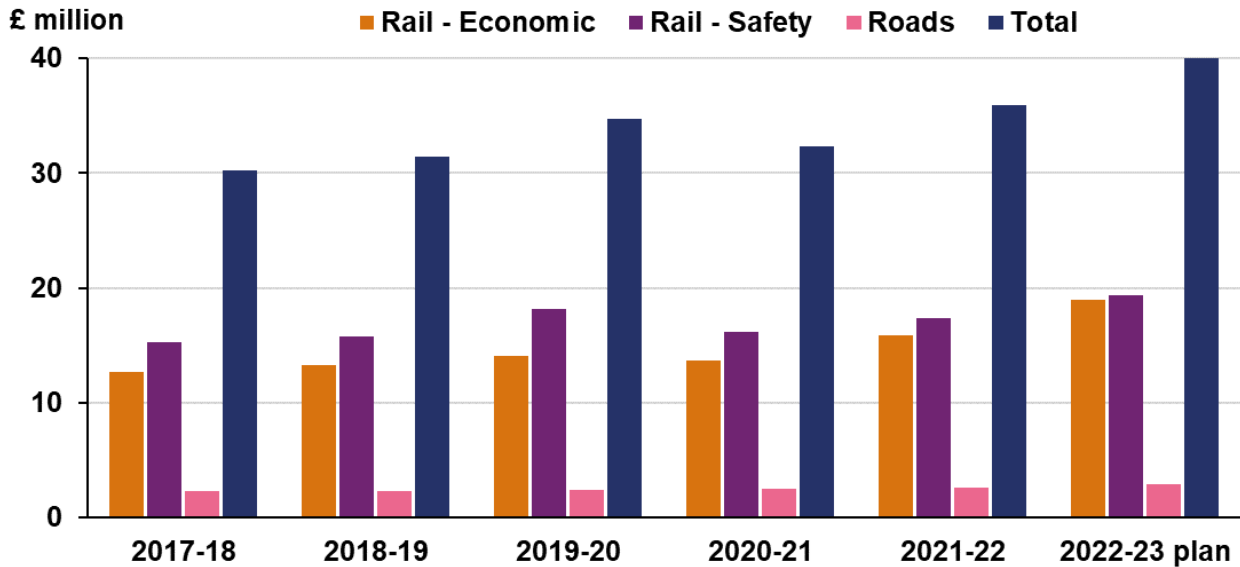
Staff costs accounted for £25.5m (71%) of total costs, compared to £24.6m (76%) in 2020-21. This reflects a return to pre-COVID levels of staff costs as a proportion of total spend, reflecting increased running costs in 2021-22. Our average staff cost per full-time equivalent (including employer's National Insurance and pension contributions) in 2021-22 was £74,804 compared to £75,390 in 2020-21.

COVID-19 continued to impact on our travel and subsistence budget, and we spent 44% less than expected. The impact of COVID-19 was also seen in lower training costs than budgeted. Some of our office running costs were also lower than budgeted, and we received unexpected service charge rebates in 2021-22.

Long-term expenditure trends

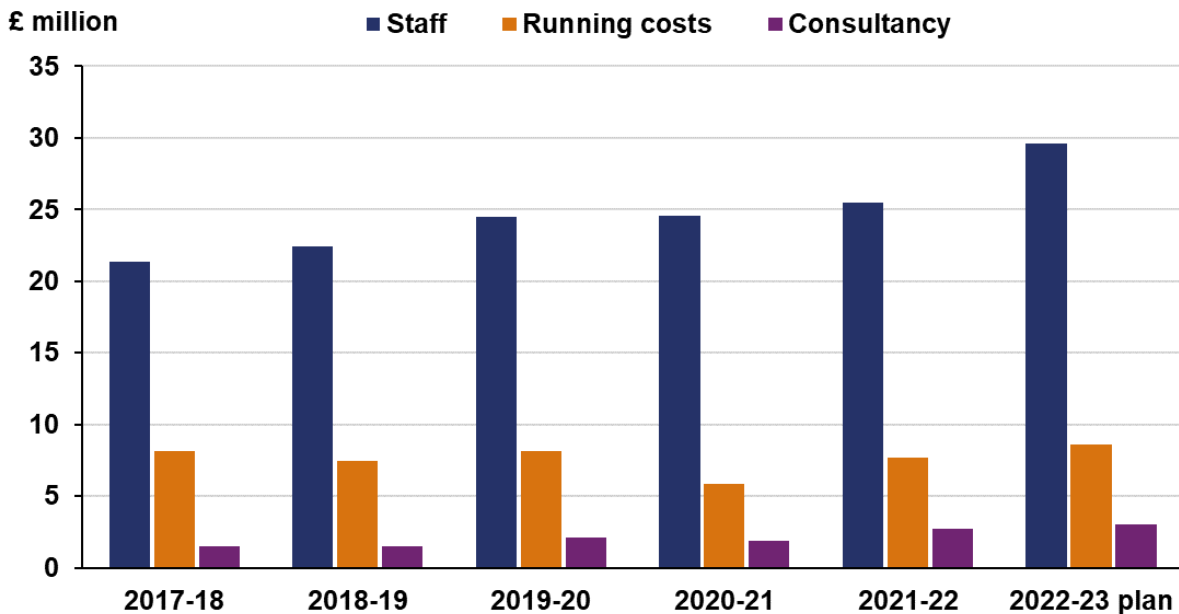
The chart below shows our spending pattern, in cash terms, over the last five years and for the 2022-23 plan, split by key work area. Our spend is expected to increase in 2022-23 as we support rail reform implementation and take over sponsorship of the rail ombudsman.

Chart 1: Spend by key work area over the last five years and 2022-23 plan



The following chart shows how our spending breaks down by category of spend over the last five years and for the 2022-23 plan.

Chart 2: Spend by category over the last five years and 2022-23 plan



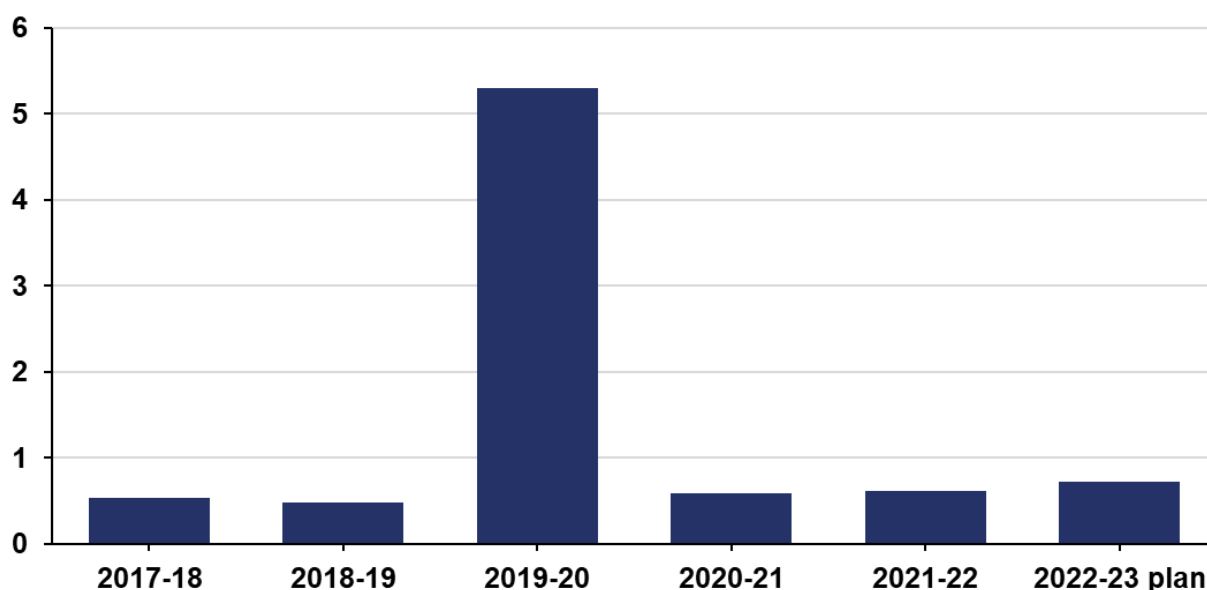
Running costs have returned to more normal levels in 2021-22 following a decrease in 2020-21 caused by the pandemic.

Capital expenditure

Net capital expenditure was £0.6m compared to £0.7m budget. Capital expenditure in 2019-20 was higher than usual at £5.2m, due to fit-out costs associated with the London office move. The chart below shows CDEL outturn for the last five years and for the 2022-23 plan.

Chart 3: CDEL outturn over the last five years and 2022-23 plan

£ million



Net cash requirement

We had a negative net cash requirement (NCR) of £0.5m compared to £2.0m requested in the Estimate. We request a NCR to cover timing differences. We did not need to use this in 2021-22.

Impact of the UK's exit from the EU and COVID-19

ORR has not incurred any direct expenditure as a result of the UK's exit from the EU. ORR's activity in this area is set out on page 20.

A small amount of expenditure has been incurred in providing essential IT equipment, such as monitors, to staff to enable them to work from home effectively during the pandemic.

There have been no changes to ORR's headcount as a result of EU exit or COVID-19. Two members of staff were loaned to other government departments to assist with the COVID-19 response in 2021-22. Both of these loans were for longer than six months, and in both cases the staff members went onto the host department's payroll. We have not experienced a significant increase in staff sickness during the pandemic.

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 52.

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 2021-22, 100% of invoices were paid within 30 days (94% in 2020-21) and 86% paid within 10 days (66% in 2020-21). These rates were lower in 2020-21 due to the sudden impact of working from home at the beginning of the year. ORR's paper-based processes have now been replaced by an online process, and rates have improved in 2021-22.

Personal data related incidents

Personal data related incidents are covered in the Governance Statement on page 61.

Complaints

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

In 2021-22 we received 1,079 complaints and general enquiries, which represents a decrease of 178 cases, or 14%, on the previous year. 116 (11%) of these were requests for data or information that did not fall under the scope of the Freedom of Information Act. 46 enquiries (4%) 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 2021-22, 95% were cleared within the deadline. Frequent concerns being raised include problems with obtaining delay/repay, and crowding on trains due to reduced or cancelled services.

¹ <https://www.orr.gov.uk/sites/default/files/2022-02/orr-board-register-of-interests.pdf>

Details of whistleblowing complaints will be published on our website separately.

Freedom of Information

In 2021-22 we received 133 requests of which 128 (96%) were 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 two formal complaints which were investigated, with neither being escalated directly to the PHSO.

Better regulation

We published our annual Business Impact Target report in December 2021 as required under section 24A of the Small Business, Enterprise, and Employment Act (as amended).

Throughout the year, we engaged with the Department for Transport, the Department for Business, Energy, and Industrial Strategy (BEIS) and our peers. We participated in the Better Regulation Executive's work and responded to BEIS consultations where relevant.

We continue to work collaboratively wherever appropriate with other economic regulators, principally through the UK Regulators Network (UKRN) of which we are an active member. This engagement continued throughout 2021-2022 and has supported our policy activity, for example, in reviewing our role on the environment by providing a forum to discuss and exchange best practice on regulators' approaches to their environmental duties.

We expect this collaborative approach to continue in 2022-2023, for example, by contributing to UKRN's work on regulatory reform and the transition to net zero.

Fraud prevention

ORR has 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. During the year the policy was updated to take account of mandatory requirements under the functional standard GovS 013 Counter Fraud. No incidents of fraud or bribery have been identified in 2021-22. The policy is reinforced through ORR's conduct and discipline policies.

Auditors

The Comptroller and Auditor General carries out the audit of ORR's financial statements. The notional cost of auditing the financial statements was £42,000 (2020-21: £41,000). No remuneration, actual or notional, was paid to the National Audit Office for non-audit work (2020-21: none).



John Larkinson
Accounting Officer
27 June 2022

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 Parliaments

ORR is accountable to the House of Commons' Transport Select Committee and the courts for its role as an independent health and safety and economic regulator of the railways and monitor of the strategic road network.

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

This year ORR has contributed to the parliamentary process at Westminster by submitting evidence to the Transport Select Committee inquiry into the roll-out and safety of smart motorways and the Joint Committee on the National Security Strategy inquiry into critical national infrastructure and climate adaptation. We also contributed to oral evidence sessions for the Transport Select Committee inquiry on major infrastructure projects, the Public Accounts Committee inquiry on the overview of costs in the English Rail System and the Joint Committee on the National Security Strategy inquiry on critical national infrastructure and climate adaptation. 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 ORR has met with the Transport Select Committee staff and the House of Commons Library, the research and information service based in Parliament to assist MPs and their staff, on several occasions.

ORR also provides independent assessment of delivery across key transport strands. ORR actively engages with parliamentarians on issues which are of interest to them and their constituents, through briefings, correspondence, and proactive engagement. In 2021-22 we largely focused our activity primarily on one-to-one engagements, meeting with a number of MPs, MSPs and Peers from across the political spectrum. ORR also convened two parliamentary briefing events on the rail industry finance statistics and the Network Rail Annual Assessment and the Chief Inspector's Annual Report. Across both events, ORR secured 38 parliamentarians and parliamentary representatives.

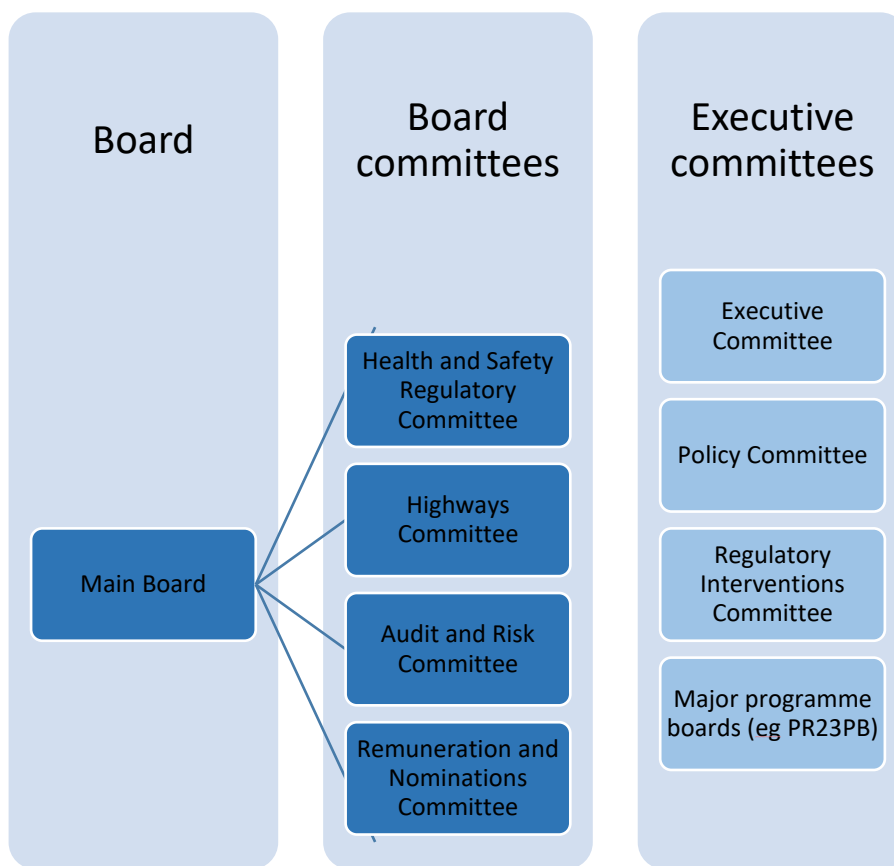
Governance Statement

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, established on 5 July 2004 under the Railways and Transport Safety Act 2003. Since 1 April 2015, ORR has also been the independent monitor for National Highways (formerly Highways England).

Governance structure

Our governance structure for 2021-22 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 procedure². The Board's objectives are aligned to key business and risk management activities. The Board held 10 formal meetings in 2021-22.

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

- Considered regular reports on health and safety risks across the rail industry.
- Monitored the impact of COVID-19 on the rail industry and the management of the strategic roads network.
- Oversaw ORR's contribution to the rail industry response as the pandemic ebbed and flowed, ensuring that the regulatory framework did not prevent pragmatic and necessary change being introduced, for example work to enable train driver training to resume safely, understanding the risk of transmission on services, and mitigating the impact on passengers of frequent changes to timetables.
- Monitored the performance of Network Rail, with particular attention to their work to improve track worker safety, keeping up pressure to deliver financial efficiency, and their response to the variation in passenger numbers as a result of the pandemic.
- Engaged with government as it published proposals for long-term rail reform alongside work on the five-yearly process of PR23.
- Responded to government's requirements for assurance in relation to the evidence base for the introduction and operation of smart motorways.
- Continued to press train operators to deliver better customer service through improved complaints handling, training for frontline staff, and compensation, where appropriate.
- Worked to enforce health protection regulations for cross-border rail services and adapted as requirements changed.
- Oversaw ORR's measures to maintain its own effectiveness and to protect staff wellbeing during the prolonged period of enforced working from home.

² <https://www.orr.gov.uk/sites/default/files/2021-07/orr-board-rules-of-procedure.pdf>

- Enhanced its reputation among stakeholders through a planned and directed programme of communications.

Membership and appointment terms of ORR's Board as at 31 March 2022 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

Stephen Glaister, whose term ended on 31 March 2022

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

Michael Luger's and Graham Mathers' Board appointments ended on 31 December 2021.

Xavier Brice, Daniel Ruiz and Catherine Waller were appointed as non-executive members of the Board on 17 January 2022.

Graham Richards, Director, Planning and Performance is on secondment to Great British Railways Transition Team. His Board appointment has lapsed for the duration of the secondment. He is still employed by ORR.

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. Membership of the Committee was reviewed in 2021-22.

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, incorporating deep dives into specific areas. In 2021-22 these included ORR's safety response to emerging climate issues, and the technology strategy.
- A regular horizon scanning report to consider emerging or potential risks.
- A regular report on cyber security, including threats, trends and cyber effectiveness.
- 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 five times during the year. Areas considered included:

- The performance of ORR's senior civil servants during 2020-21.
- 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, particularly in light of potential industry reform.
- 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.
- 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 2021-22 was as follows:

Table 8 Board committee attendances

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 [note 1]	3/3	-	-	1/1	-
Stephen Glaister	10/10	-	-	-	4/4
Madeleine Hallward	9/10	5/5	-	-	4/4
Anne Heal	10/10	-	4/4	-	4/4
Bob Holland	10/10	5/5	-	4/4	-
John Larkinson	10/10	-	-	4/4	4/4
Michael Luger	7/8	4/4	3/3	-	-
Justin McCracken	10/10	-	4/4	4/4	-
Graham Mather	8/8	-	-	-	-
Ian Prosser	10/10	-	-	4/4	-
Graham Richards [note 2]	4/7	-	-	2/3	1/2
Daniel Ruiz [note 1]	3/3	-	-	1/1	1/1
Catherine Waller [note 1]	3/3	-	-	-	-
Nicholas Bateson [note 3]	-	2/2	-	-	-
Rodney Norman [note 3]	-	3/3	-	-	-

Note 1: Committee memberships began in February 2022

Note 2: see 'Conflicts of interest' section on next page

Note 3: independent member of the Audit and Risk Committee – these are consecutive appointments

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.

The last external review of Board effectiveness reported in February 2020. In early 2022 an internal review of the Board processes gave strong assurance on ORR's internal governance. In the second half of 2022, a review of the Board's effectiveness will consider the mix of skills and experience the Board has and how best to apply them to the work in hand.

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 website, 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.

Graham Richards' secondment to the Great British Railways Transformation Team (embedded in ORR's regulatee Network Rail) presented a potential issue under the conflicts of interest guidance. After discussion with the Board Secretary and with agreement of the Chair, Graham recused himself from ORR board meetings for the rest of his appointment, to ensure the spirit of the conflicts of interest guidelines was met.

Compliance with the Code of Practice on Corporate Governance³

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 precepts of good corporate governance in business, namely: leadership, effectiveness, accountability, and sustainability.

³ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

The Executive

As Chief Executive, I head ORR and am also the Accounting Officer. Executive governance arrangements are based around three 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 Policy Committee meets two to three times a month and advises on the development and implementation of policy. The Committee is concerned with policy substance and alignment with strategy.
- The Regulatory Interventions Committee meets two to three times a month and oversees a range of enforcement issues across economic, safety and monitoring functions.

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 website.

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 2021-22 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. There was one internal whistleblowing complaint investigated and closed during 2021-22 (none in 2020-21).

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. Details of whistleblowing complaints by railway employees will be published on our website 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.

Risk profile

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

Table 9 Key risks and mitigating actions

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 Williams-Shapps Plan for Rail.</p> <p>The reform programme represents an opportunity to substantially simplify and clarify accountabilities in the sector, addressing lessons learnt through the Glaister review, and potentially unlock benefits for passengers, freight users and taxpayers by taking a more integrated approach to running the railway. ORR can support the achievement of those benefits through taking a more integrated approach to oversight, assurance and supporting improvement.</p> <p>For ORR, the principal risk is that the detailed design of the future legal and sectoral structure fails to achieve those goals and undermines ORR's ability to provide effective oversight and assurance, or makes it harder to fairly balance competing interests in the sector.</p> <p>Additionally, 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 continued to engage with the reform process since its inception following our inquiry into the May 2018 timetable collapse and have contributed public advice to the review on improving delay compensation and accessibility for passengers. We have used our expertise and independent perspective to help inform and support DfT's developments of its proposals and ensure that the future industry model provides for a strong accountability framework, and fairly balance competing demands on the railway.</p> <p>Alongside the reform process, we are underway with the PR23 process, the process by which railway infrastructure funding (and charging framework) will be set for the next Control Period (CP7). This will ensure that there is stable funding for the operation maintenance and renewal of the network in place for 1 April 2024 in any scenario, and we will continue to adapt our approach to align with the objectives of the Williams-Shapps Plan for Rail.</p> <p>More broadly, we will 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.</p>
<p>Network Rail monitoring</p>	<p>One of the key ways in which we support value for money from the railway is by holding Network Rail to account for its efficient delivery. We are actively managing risks relating to our monitoring of Network Rail. These include risks relating to provision of sufficiently high quality data, our capability and capacity to monitor at a regional level, our ability to flex our monitoring approach for changes (such as the impact of COVID-19) and changes to Network Rail's structure which might impact our monitoring.</p>	<p>We have robust processes in place for the specification, collection, quality assurance and analysis of Network Rail's performance data. We are continuously improving these processes, for example introducing greater automation. We have improved our capability and capacity to monitor Network Rail's regions, system operator and other central functions and are implementing a robust process for identifying and mitigating the impact of changes to Network Rail's structure on our monitoring through our managing change process. We have taken action to make sure that our monitoring and reporting continues to understand and reflect the impact of the pandemic on Network Rail's performance – for example, taking a more qualitative approach to assessing and reporting train service performance delivery at mid-year.</p>
<p>All Lane Running motorways</p>	<p>In April 2021, the Secretary of State for Transport requested that ORR carry out an independent review of the data and evidence concerning the safety of All Lane Running motorways. The level of scrutiny and expertise/resources required alongside the short timescales for carrying out the review posed a risk to the reputation of the ORR, potentially exposing the office to criticism from stakeholders, government, and the media.</p>	<p>We put in place a dedicated cross-office project team with appropriate governance. We also drew in independent expertise to challenge our own thinking. This ensured that we delivered on time and to the required quality, and exited the project with our reputation enhanced in the roads sector.</p>

Principal risks	Risk Description	Mitigating actions
Network Rail financial risk management	Network Rail may not be able to deliver its outputs with the money available to it because it has less financial risk funding available than it should have at this point in CP6. Delivering the remaining efficiencies and keeping within the headwinds forecast will be challenging, for example, given the uncertainty with inflation. Ultimately if Network Rail does not have enough money to deliver its outputs, it will need to defer renewals into CP7, which means there could be worse outputs for passengers.	We are discussing with Network Rail's regions and the centre how it will ensure that their process to manage the situation is working, in particular for Scotland, who we have put on the regulatory escalator for financial risk. We are monitoring the position as part of our business plan reviews and we will report on this in our annual assessment of Network Rail.
COVID-19 border enforcement	Throughout 2021-22 the risk of failing to appropriately assess, manage and enforce COVID-19 health protection regulations - where international rail operators failed to carry out passenger pre-departure checks and where necessary deny travel - has persisted. ORR was required to issue fixed penalty notices to operators where such checks were not carried out correctly. Failure to fulfil our regulatory function would have resulted in an impact on the government's objective to prevent the cross-border transmission of the COVID-19 virus and reduced the effectiveness of the contact tracing programme.	We continued to operate a robust internal process for reviewing enforcement cases to ensure consistency in processing and decision-making around issuing Fixed Penalty Notices (FPNs). We maintained close and effective contact with Border Force, DfT and other transport regulators to discuss latest developments and challenges, and to seek consistency in the application of the health protection regulations. We also engaged international operators - Eurostar and Eurotunnel - on a regular basis to discuss changes to the regulations and manage an effective appeals process where FPNs were challenged. When necessary, we made use of contingency arrangements to ensure that we retained sufficient legal and administrative resource to manage the unpredictable workload and respond to regular and ad hoc reporting requests from Border Force and DfT
Recruitment	<p>Recruitment to technical, specialist, railway engineering and senior roles has presented particular difficulties in 2021-22, requiring an increased use of specialist agencies. We expect this to continue into 2022-23. We have started to see the impact of COVID-19 and the "great resignation" which has meant that the market for a wide spectrum of roles is highly competitive and expensive.</p> <p>There remains a risk that we are unable to fulfil strategic objectives and will be required to recruit, for strategic roles, those with less experience in the rail industry at a significant juncture of rail reform.</p>	<p>In 2021-22 we have progressed our diversity and inclusion strategy to attract a broader pool of candidates. We have also continued to implement and maintain a fair, competitive and incentivising reward and recognition strategy, helping to attract and retain the expert resources we need.</p> <p>In 2022-23 we will promote our employee value proposition and modernise our external careers pages to ensure ORR is seen as a diverse and inclusive employer, which consequently will help to attract a broad talent pool from which to draw our resources. We will also ensure that effective performance management and succession planning takes place throughout the organisation so that, in addition to attracting and securing new external resource, we continue to develop employees and enhance our internal talent pipeline.</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 year model leads reviewed the governance and quality assurance processes for their business critical models to ensure they were fit for purpose. It 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 Macpherson's review of quality assurance of government models, the Aqua Book and best practice across government. We have also set up a panel to support cross-working between model leads and to strengthen the 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.⁴

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 and submits a report on security and information assurance annually to Cabinet Office. Each year we carry out an assessment to evaluate whether the security regime is appropriate to the impact levels of the information we hold throughout the organisation. As a result of this work, we have assurance that we have the appropriate security controls in place (both physical and electronic) to hold information at 'official' level. We continue to manage a risk-appropriate security culture at ORR through directorate information asset owners who manage the information on a day-to-day basis.

Personal data related incidents

We have had no reportable personal data breaches for 2021-22.

Internal audit

Our internal auditors for 2021-22 were Mazars. Throughout the year Mazars 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 2022, Mazars have provided moderate assurance in respect of the adequacy and effectiveness of the framework of governance, risk management and control.

⁴ <https://www.orr.gov.uk/privacy-notice>

Recommendations made by Mazars during the year have either been implemented already or will be implemented in 2022-23.

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 standards⁵. Most mandatory elements have been met at 31 March 2022. 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 2021-22 was informed by assurance statements from directors across the organisation, and from the Audit and Risk Committee. 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

⁵ <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 a Cabinet Office spend control had been breached, where we did not seek approval from Cabinet Office to procure locally first. Cabinet Office has given retrospective approval and additional controls have been put in place following this incident to prevent similar issues in the future.

I have considered the evidence that supports this Governance Statement and am assured that in all areas 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. 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

27 June 2022

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 2021-22 these were Michael Luger (Committee Chair) to December 2021, Justin McCracken and Anne Heal, who took over as Chair from January 2022.

The Committee's role is set out in the Board's rules of procedures⁶. 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,

⁶ http://orr.gov.uk/__data/assets/pdf_file/0013/2902/board_rules_of_procedures.pdf

following the annual Cabinet Office pay guidance and the 'Performance Management Arrangements for the Senior Civil Service' (Cabinet Office, May 2018 edition).

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 2021-22 (2020-21: none).

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Executive Directors of ORR and the fair pay disclosures have been subject to external audit.

Single total figure of remuneration

Table 10 2021-22 directors' remuneration, with 2020-21 comparators in brackets

Director	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100) (£)	Pension benefits (£000)	Total (£000)
John Larkinson Chief Executive	155-160 (155-160)	10-15 (5-10)	400 (400)	28 (26)	195-200 (190-195)
Feras Alshaker ^[note 1] Director, Planning and Performance	60-65 (-)	- (-)	- (-)	23 (-)	80-85 (-)
Dan Brown ^[note 2] Director, Economics, Markets and Strategy	130-135 (130-135)	- (5-10)	- (-)	41 (56)	170-175 (195-200)
Russell Grossman Director, Communications	135-140 (135-140)	0-5 (-)	- (-)	(19) (52)	120-125 (185-190)
Freya Guinness ^[note 3] Director, Corporate Operations and Organisational Development	5-10 (125-130)	- (5-10)	- (-)	3 (49)	5-10 (180-185)
Vinita Hill ^[note 4] Director, Corporate Operations and Organisational Development	60-65 (-)	- (-)	- (-)	72 (-)	130-135 (-)
Juliet Lazarus ^[note 5] General Counsel and Director of Competition	25-30 (65-70)	- (-)	- (-)	(228) (26)	(200)-(205) (90-95)
Ian Prosser Director, Railway Safety	145-150 (145-150)	5-10 (0-5)	- (-)	52 (52)	205-210 (200-205)
Graham Richards ^[note 6] Director, Planning and Performance	60-65 (125-130)	- (-)	- (-)	40 (51)	100-105 (175-180)
Liz Thornhill ^[note 7] General Counsel	25-30 (-)	- (-)	- (-)	13 (-)	40-45 (-)
Stephanie Tobyn ^[note 8] Director, White Paper mobilisation	60-65 (-)	- (-)	- (-)	24 (-)	80-85 (-)

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

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

Note 3: Freya Guinness left ORR on 18 April 2021. Her full year basic equivalent salary was in the range £135,000 - £140,000.

Note 4: Vinita Hill joined ORR on 28 September 2021. Her full year basic equivalent salary is in the range £120,000 - £125,000.

Note 5: 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 6: Graham Richards has been seconded to the Great British Railways Transition Team since 1 October 2021 and his salary is recovered accordingly. His full year basic equivalent salary is in the range £125,000 - £130,000.

Note 7: Liz Thornhill joined ORR on 4 January 2022. Her full-year basic equivalent salary is in the range £115,000 - £120,000.

Note 8: Stephanie Tobyn has been on temporary promotion since 20 September 2021. Her full year basic equivalent salary is 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 2021-22 relate to performance in 2020-21 and comparative bonuses reported for 2020-21 relate to performance in 2019-20.

Benefits in kind comprise subsidised gym membership.

Pension benefits are shown on page 699. 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 2021-22 employer contributions totalling £28,100 were made to the partnership pension provider for him (2020-21: £25,800).

Fair pay disclosures

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 2021-22 was £170,000 - £175,000 (2020-21: £165,000 - £170,000). This was 3.1 times (2020-21: 3.0) the median remuneration of the workforce, which was £55,361 (2020-21: £55,929).

In 2021-22, no employees (2020-21: none) received remuneration in excess of the highest-paid director. Remuneration ranged from £20,688 to £171,483 (2020-21: £22,746 to £168,281).

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.

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

Category	2021-22 (£)	2020-21 (£)	Change (%)
Salary and allowances	157,500	157,500	-
Performance pay and bonuses	12,500	7,500	66.7

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.

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

Category	2021-22 (£)	2020-21 (£)	Change (%)
Salary and allowances	56,006	56,385	(0.7)
Performance pay and bonuses	1,135	1,324	(14.3)

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.

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

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Total pay and benefits (ratio)	4.2	4.2	3.1	3.0	2.6	2.5
Total pay and benefits (£)	41,108	39,731	55,361	55,929	65,698	65,874
Salary (ratio)	4.4	4.3	3.3	3.0	2.7	2.7
Salary (£)	39,354	38,557	53,111	55,429	62,998	61,874

Pension entitlement for directors

Table 14 Pension entitlement for directors

Directors	Accrued pension at pension age as at 31/3/22 (£000)	Real increase in pension at pension age (£000)	Cash Equivalent Transfer Value at 31/3/22 (£000)	Cash Equivalent Transfer Value at 31/3/21 (£000)	Real increase in CETV (£000)
John Larkinson <small>[note 1]</small> Chief Executive	-	-	-	-	-
Feras Alshaker Director, Planning and Performance	10-15	0-2.5	100	87	8
Dan Brown Director, Economics, Markets and Strategy	40-45	2.5-5	530	485	14
Russell Grossman Director, Communications	60-65	-	1,278	1,249	(19)
Freya Guinness Director, Corporate Operations and Organisational Development	40-45	0-2.5	619	618	2
Vinita Hill Director, Corporate Operations and Organisational Development	30-35 plus a lump sum of 55-60	2.5-5 plus a lump sum of 5-7.5	568	488	56
Juliet Lazarus General Counsel and Director of Competition	20-25	-	393	534	(160)
Ian Prosser Director, Railway Safety	40-45	2.5-5	761	690	41
Graham Richards Director, Planning and Performance	40-45	0-2.5	595	544	18
Liz Thornhill General Counsel	20-25	0-2.5	237	231	6
Stephanie Tobyn Director, White Paper mobilisation	20-25	0-2.5	287	270	13

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

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, it is expected that, in due course, 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 – see below). 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 2021-22 there were no active members (2020-21: 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.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of buying additional pension benefits at their own cost. 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.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Payments to past Directors and compensation for loss of office

No compensation payments were made to past Directors on early retirement or for loss of office (2020-21: none). This section has been subject to external audit.

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

Table 15 Fees for NEDs and independent members of the Audit and Risk Committee

NEDs and independent members	2021-22 Fee range (£)	2021-22 Fee range (£)	2021-22 Benefits in kind to nearest £100 [note 1] (£)	2020-21 Benefits in kind to nearest £100 [note 1] (£)	2021-22 Pension benefits (£)	2020-21 Pension benefits (£)	2021-22 Total (£)	2020-21 Total (£)
Declan Collier, Chair	80-85	80-85	-	-	-	-	80-85	80-85
Stephen Glaister	20-25	20-25	-	-	-	-	20-25	20-25
Bob Holland	20-25	20-25	1,900	100	-	-	20-25	20-25
Justin McCracken	20-25	20-25	1,500	1,300	-	-	20-25	20-25
Michael Luger (to 31 December 2021)	15-20	20-25	1,000	-	-	-	15-20	20-25
Anne Heal	20-25	20-25	100	-	-	-	20-25	20-25
Graham Mather (to 31 December 2021)	15-20	20-25	-	-	-	-	15-20	20-25
Madeleine Hallward	20-25	20-25	100	-	-	-	20-25	20-25
Xavier Brice (from 17 January 2022)	0-5	-	-	-	-	-	0-5	-
Daniel Ruiz (from 17 January 2022)	0-5	-	100	-	-	-	0-5	-
Catherine Waller (from 17 January 2022)	0-5	-	100	-	-	-	0-5	-
Nick Bateson [note 2] (from 1 October 2021)	-	-	-	-	-	-	-	-
Rodney Norman [note 3] (to 30 September 2021)	0-5	0-5	-	-	-	-	0-5	0-5

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.

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. This section has been subject to external audit.

Staff Report

Staff numbers and related costs

Table 16 Analysis of staff costs

Category	Permanently employed staff (£000)	Others (£000)	2021-22 Total (£000)	2020-21 total (£000)
Wages and salaries	17,927	845	18,772	17,969
Social security costs	2,105	24	2,129	2,026
Other pensions costs	4,708	-	4,708	4,585
Total costs	24,740	869	25,609	24,580
Less: recoveries from outward secondments	(101)	-	(101)	(3)
Total net costs	24,639	869	25,508	24,577

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 Superannuation⁷.

For 2021-22, employers' contributions of £4,415,543 were payable to Civil Service pension schemes (2020-21: £4,449,129) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The schemes' 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 2021-22 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 £78,728 were paid to an appointed stakeholder pension provider (2020-21: £66,143). 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 2021-22 £7,702 employer contributions of pensionable pay were payable to the PCSPS to cover

⁷ <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees (2020-21: £nil).

No contributions were due to the partnership pension provider at 31 March 2022 (31 March 2021: £848).

One member of staff retired early on ill-health grounds (2020-21: none). There were no additional accrued pension liabilities (2020-21: £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 £18,104 were paid to the trustees of the RPS in 2021-22 at a rate of 1.5 times the individual members' contributions, on the basis of actuarial valuations (2020-21: £17,925, 1.5 times). ORR matches some of the BRASS2 contributions (an AVC scheme) made by the members. In 2021-22, matching contributions of £2,608 were made (2020-21: £2,608).

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 Statement of Comprehensive Net Expenditure (2020-21: £nil). The liability at 31 March 2022 is estimated at £913,000 (31 March 2021: £919,000).

This section has been subject to external audit.

Average number of persons employed

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

Table 17 Average number of employees

Operating segment	Permanent staff	Others	2021-22 Total	2020-21 Total
Economic regulation	143	6	149	140
Safety regulation	165	6	171	169
Roads monitoring	20	1	21	16
Total	328	13	341	325

Table 18 Breakdown of the 'Others' category in table above

Category	Number
Non-executive directors	8
Agency staff	5
Specialist contractors	-
Consultants	-
Total	13
Cost (£000)	869

Costs include agency fees. This section has been subject to external audit.

Staff composition

Table 19 Staff composition as at 31 March 2022

Category	Male FTE	Female FTE	Total FTE
SCS 3	1.0	-	1.0
SCS 2	4.0	3.0	7.0
SCS 1	5.9	2.7	8.6
Employees	182.7	137.6	320.3
341 Total	193.6	143.3	336.9

Exit packages

No exit packages were paid in 2021-22 or 2020-21. This information has been subject to audit.

Sickness absence data

The average annual working days lost per employee through sickness in 2021-22 was 2.9 (2020-21: 2.5).

Staff turnover

During 2021-22 staff turnover was 13.5% which is significantly higher than in 2020-21 (8.6%). 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 2021 survey, in which we had a very high staff response rate of 75%, showed an increased engagement level (up from 66% to 67%). We achieved a ten year high in six out of ten categories. Overall, the survey scores demonstrated that despite the pandemic and introduction of hybrid working practices, there had been improvement across a range of topics.

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 2021-22 an internal whistleblowing complaint was raised (see page 57).

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 are committed to the principles of equality, diversity and inclusion, and 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 achieved the Employee Network for Equality and Inclusion TIDE (Talent Inclusion and Diversity Evaluation) Bronze Standard Award in 2021-22, a reflection of our commitment to progress on diversity and inclusion. Additionally, we have '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 providing additional training and support, utilising 'Access to Work' resources. To build on our work to date we have 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 participated in the UK Regulators Network pilot 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 two 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 have continued to work successfully throughout the pandemic and following conversations with our colleagues, we have transitioned to a hybrid way of working formed around six principles.

We continue to be active in our health and wellbeing initiatives and ran a successful Wellbeing Week in February 2022 with a focus on physical, emotional and financial wellbeing.

Other actions have included regularly promoting our mental health first aiders, running 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.

Career management

We have continued to develop current and future leaders through our Leadership Development Programme and have run a further cohort of our Management Development Programme for new and experienced managers to strengthen management capability across the organisation. We also have 19 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

Annex A contains details of off-payroll engagements during 2021-22.

Facility time publication requirements

Annex B contains disclosures required under Statutory Instrument 328: The Trade Union (Facility Time Publication Requirements) Regulations 2017.



John Larkinson

Accounting Officer

27 June 2022

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 40, 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

Table 20 Summary table for 2021-22

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 2020-21 (£000)
Department Expenditure Limit - resource	1.1	3	-	3	3	-	3	-	4
Department Expenditure Limit – capital	1.2	619	-	619	720	-	720	101	593
Total Department Expenditure Limit		622	-	622	723	-	723	101	596
Annually Managed Expenditure Limit - resource	1.1	-	-	-	-	-	-	-	-
Annually Managed Expenditure Limit – capital	1.2	-	-	-	-	-	-	-	-
Total Annually managed expenditure limit		-	-	-	-	-	-	-	-
Total Resource		3	-	3	3	-	3	-	3
Total Capital		619	-	619	720	-	720	101	5,219
Total Budget expenditure		622	-	622	723	-	723	101	5,222
Net Cash Requirement	3	(530)			2,000			2,530	1,975
Administration costs		622			723			101	3

Figures in the areas outlined in thick line cover the 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, 2021-22 (£000's)

SOPS1: Outturn detail, by Estimate line

Table 21 SOPS1.1: Analysis of resource outturn by Estimate line

Voted resource spending in Departmental Expenditure Limit	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 2020-21 (£000)
A Economic regulation, admin, associated capital and other expenditure	15,866	(15,865)	1	1	-	1
B Safety regulation, admin and other expenditure	17,377	(17,376)	1	1	-	1
C Other regulation, admin and other expenditure	2,652	(2,651)	1	1	-	1
Total spending in Department Expenditure Limit	35,895	(35,892)	3	3	-	3

Table 22 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 [note1] (£000)	Estimate total adjusted for virements (£000)	Outturn compared with Estimate: saving/ (excess) (£000)	Prior year outturn total 2020-21 (£000)
A Economic regulation, admin, associated capital and other expenditure	314	(19)	295	720	(400)	320	25	272
B Safety regulation, admin and other expenditure	345	(21)	324	-	400	400	76	321
C Other regulation, admin and other expenditure	-	-	-	-	-	-	-	-
Total spending in Department Expenditure Limit	659	(40)	619	720	-	720	101	593

Note 1: Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate

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 it can be reconciled by users 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

Table 23 Reconciliation of net resource outturn to net cash requirements

Item	SOPS Note	Outturn total (£000)	Estimate (£000)	Outturn compared with estimate: saving/(excess) (£000)
Resource Outturn	1.1	3	3	-
Capital Outturn	1.2	619	720	101
<i>Adjustments to remove non-cash items: Depreciation and amortisation</i>		(907)	(1,147)	(240)
<i>Adjustments to remove non-cash items: New provisions and adjustments to previous provisions</i>		(22)	(40)	(18)
<i>Adjustments to remove non-cash items: Other non-cash items</i>		(144)	(41)	103
<i>Adjustments to reflect movements in working balances: Decrease in receivables</i>		(1,472)	-	1,472
<i>Adjustments to reflect movements in working balances: Decrease in payables</i>		1,357	2,505	1,148
<i>Adjustments to reflect movements in working balances: Use of provisions</i>		36	-	(36)
Total adjustments		(1,152)	1,277	2,429
Net Cash Requirement		(530)	2,000	2,530

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. In 2021-22 we did not need to use our Net Cash Requirement and generated surplus cash.

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).

Table 24 Income payable to the Consolidated Fund

Item	SOPS Note	Outturn total (£000)	Estimate (£000)	Outturn compared with estimate: saving/(excess) (£000)
Excess cash surrenderable to the Consolidated Fund	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:

Table 25 Consolidated fund income

Item	Outturn total (£000)	Prior year outturn total 2020-21 (£000)
Balance of Intergovernmental Commission levy due to be paid	254	71
Balance of DfT roads funding due to be paid	228	46
Amount payable to the Consolidated Fund	482	117

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.

During the year £1.6m relating to prior years was collected and 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.

During 2021-22 ORR issued fixed penalty notices in relation to our role in monitoring Eurostar and Eurotunnel's compliance with the Government's COVID Travel Regulations. We collected £0.2m which was paid to the Consolidated Fund in year.

Parliamentary accountability disclosures

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.

This section has been subject to external audit.



John Larkinson
Accounting Officer

27 June 2022

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 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's:

- Statements of Financial Position as at 31 March 2022;
- 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 affairs as at 31 March 2022 and its net operating cost 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 there under.

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 2022 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 of Public Sector Entities in the United Kingdom. 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 have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office of Rail and Road 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 Office of Rail and Road'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 Office of Rail and Road'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 Office of Rail and Road 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 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 nor my auditor's certificate thereafter. 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.

In connection with my audit of the financial statements, 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 Office of Rail and Road 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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Office of Rail and Road or returns adequate for my audit have not been received from branches not visited by my staff; 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; and
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view; and
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable; and
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Office of Rail and Road'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 Office of Rail and Road 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, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Office of Rail and Road's accounting policies, key performance indicators and performance incentives.
- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office of Rail and Road's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Office of Rail and Road's controls relating to the Office of Rail and Road's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money.
- discussing among the engagement team and involving relevant specialists 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 Office of Rail and Road for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Office of Rail and Road's framework of authority as well as other legal and regulatory frameworks in which the Office of Rail and Road operates, focusing 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 Office of Rail and Road. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2021.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing 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;
- enquiring of management, the Audit and Risk Committee and concerning actual and potential litigation and claims;
- reading and reviewing 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, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating 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 including internal specialists and significant component audit teams 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 also 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

30 June 2022

Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2022

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.

Table 26 Comprehensive Net Expenditure as at 31 March 2022

Item	Note	2021-22 (£000)	2020-21 (£000)
Total income	5 & 6	(35,892)	(32,322)
Staff costs	3	25,508	24,577
Other administration costs	4	10,387	7,748
Total operating expenditure		35,895	32,325
Net operating expenditure		3	3
Other comprehensive net expenditure - Actuarial loss on pension scheme liabilities	14	59	49
Total comprehensive net expenditure for the year		62	52

The notes on pages 100 to 120 form part of these accounts.

Statement of Financial Position

As at 31 March 2022

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.

Table 27 Financial Position as at 31 March 2022

Item	Note	2021-22 (£000)	2020-21 (£000)
Non-current assets			
Property, plant and equipment	7	4,756	5,148
Intangible assets	8	367	263
Total non-current assets		5,123	5,411
Current assets			
Trade and other receivables	9	3,063	4,352
Cash and cash equivalents	10	3,012	3,508
Total current assets		6,075	7,860
Total assets		11,198	13,271
Current liabilities			
Trade and other payables	12	(11,911)	(13,436)
Provisions	13	(143)	(86)
Total current liabilities		(12,054)	(13,522)
Non-current assets less net current liabilities		(856)	(251)
Non-current liabilities			
Trade and other payables	12	(661)	(769)
Provisions	13	(689)	(670)
Pension liabilities	14	(953)	(919)
Total non-current liabilities		(2,303)	(2,358)
Total assets less total liabilities		(3,159)	(2,609)
Taxpayers' equity			
General fund		(3,159)	(2,609)
Total taxpayers' equity		(3,159)	(2,609)

The notes on pages 100 to 120 form part of these accounts.



John Larkinson
Accounting Officer
27 June 2022

Statement of Cash Flows

For the year ended 31 March 2022

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.

Table 28 Cash Flows as at 31 March 2022

Item	Note	2021-22 (£000)	2020-21 (£000)
Cash flows from operating activities			
Net operating cost	2	(3)	(3)
Adjustments for non-cash transactions and provisions	4	1,022	905
Increase in trade and other receivables	9	1,289	(1,142)
Less: movement in receivables relating to items not passing through Statement of Comprehensive Net Expenditure		183	23
Increase in trade and other payables	12	(1,633)	859
Less: movement in payables relating to items not passing through Statement of Comprehensive Net Expenditure		276	(1,721)
Use of provisions	13	-	(7)
Use of provisions – by analogy pension	14	(36)	(36)
Net cash inflow/(outflow) from operating activities		1,098	(1,122)
Cash flows from investing activities			
Property, plant and equipment additions		(427)	(637)
Intangible non-current asset additions	8	(188)	(216)
Adjustment – non cash	8	47	-
Net cash outflow from investing activities		(568)	(853)
Cash flow from financing activities			
From the Consolidated Fund (Supply) – current year		-	4,000
From the Consolidated Fund (Supply) – prior year		-	-
Advances from the Contingencies Fund		25,000	25,000

Item	Note	2021-22 (£000)	2020-21 (£000)
Repayments to the Contingencies Fund		(25,000)	(25,000)
Net cash flows from financing activities		-	4,000
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		530	2,025
Payments of amounts due to the Consolidated Fund		(1,508)	(195)
Amounts due to the Consolidated Fund – and not paid over		482	117
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(496)	1,947
Cash and cash equivalents at the beginning of the period	10	3,508	1,561
Cash and cash equivalents at the end of the period	10	3,012	3,508

The notes on pages 100 to 120 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

This statement shows the movement in the year on the different reserves held by ORR analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. 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.

Table 29 Changes to Taxpayers' Equity as at 31 March 2022

Item	Note	General fund and total reserves (£000)
Balance at 1 April 2020		(4,573)
Net Parliamentary funding		4,000
Amounts issued from the Consolidated Fund but not spent at year end		(2,025)
Net operating expenditure for the year	2	(3)
Actuarial loss relating to pension provision	14	(49)
Auditors' remuneration	4	41
Balance at 31 March 2021		(2,609)
Excess cash surrenderable to the Consolidated Fund	12	(530)
Net operating expenditure for the year	2	(3)
Actuarial loss relating to pension provision	14	(59)
Auditors' remuneration	4	42
Balance at 31 March 2022		(3,159)

The notes on pages 100 to 120 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 2021-22 '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.

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 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.

1.4 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.

1.5 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.

1.6 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.

1.7 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 (2020-21: 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.

1.8 Operating leases

Rentals due under operating leases are charged to the SoCNE over the lease term on a straight-line basis.

1.9 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.

1.10 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.

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

1.12 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 Accountability Report on page 855.

1.13 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 2022-23 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.

1.14 New and amended standards and interpretations

ORR has not applied any new or amended standards and interpretations during the year.

1.15 New and revised IFRSs in issue but not yet effective

IFRS 16 Leases supersedes *IAS 17 Leases* and is effective for the public sector for the period beginning on 1 April 2022. IFRS 16 provides a single lessee accounting model requiring lessees to recognise assets and liabilities 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'.

HM Treasury has mandated that IFRS 16 will be implemented using the cumulative catch up method. As a result, comparatives will not be restated on adoption, and the adjustment to net assets will be made with effect from 1 April 2022. 'Right of use' assets will be

measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application. No adjustments for leases for which the underlying asset is low value or for which the lease term ends within 12 months of the date of initial application will be accounted for.

Impact of transition

At 31 March 2022 ORR has non-cancellable operating lease commitments of £6.9m. We consider that the impact on the financial statements on transition to IFRS 16 will be an increase to assets and liabilities of £6.6m. This assessment indicates that the total discounted value of right-of-use assets and lease liabilities under IFRS 16 is lower than the value of minimum lease commitments under IAS 17, due to the impact of discounting our lease liabilities at the HM Treasury discount rate for leases of 0.95%, and due to excluding short term and low value leases from the IFRS 16 figure.

The following optional practical expedient has been used: initial direct costs have been excluded from the measurement of right-of-use assets at the date of initial application.

2. Statement of operating cost by operating segment

Table 30 Operating cost by operating segment

Operating segment	2021-22 Costs (£000)	2021-22 Income (£000)	2021-22 Total (£000)	2020-21 Costs (£000)	2020-21 Income (£000)	2020-21 Total (£000)
Economic regulation	15,866	(15,865)	1	13,688	(13,687)	1
Health and safety regulation	17,377	(17,376)	1	16,154	(16,153)	1
Highways monitor	2,652	(2,651)	1	2,483	(2,482)	1
Total	35,895	(35,892)	3	32,325	(32,322)	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 the heritage sector.

No individual train operating company contributes more than 10% of ORR income. However, Network Rail paid £4.7 million in safety levy in 2021-22 (£4.7 million in 2020-21).

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

Staff costs comprise:

Table 31 Staff costs

Staff costs	Permanently employed staff (£000)	Others (£000)	2021-22 Total (£000)	2020-21 Total (£000)
Wages and salaries	17,927	845	18,772	17,969
Social security costs	2,105	24	2,129	2,026
Other pension costs	4,708	-	4,708	4,585
Total costs	24,740	869	25,609	24,580
Less: recoveries from outward secondments	(101)	-	(101)	(3)
Total net costs	24,639	869	25,508	24,577

Further information is provided in the Staff Report, on page 744.

4. Other administration costs

Table 32 Other administration costs

Type of spend	Note	2021-22 (£000)	2020-21 (£000)
Rentals under operating leases			
Hire of office equipment		17	20
Other operating leases		603	603
Total Rentals under operating leases		620	623
Non-cash items			
Depreciation	7	842	760
Amortisation	8	65	88
Loss on disposal		40	11
Interest charges in respect of by analogy pension scheme	14	11	16
Auditors' remuneration and expenses		42	41
Total Non-cash items		1,000	916

Type of spend	Note	2021-22 (£000)	2020-21 (£000)
Provisions			
Release of dilapidations provision		-	-
Provision/(release of provision) for other costs		22	(11)
Total Provisions		22	(11)
Other			
Travel and subsistence		528	99
Hospitality		2	-
Consultancy		2,716	1,873
IT and telecoms		1,866	1,177
Landlord service charges and rates		835	887
Printing and stationery		135	128
Recruitment and training		1,093	559
Staff-related		190	179
Building-related		567	571
External services – internal audit, payroll, banking and finance		136	107
External services – other		641	620
Other costs		36	20
Total Other		8,745	6,220
Total other administration costs		10,387	7,748

5. Revenue from contracts with customers

Table 33 Revenue from contracts with customers

Item	Note	2021-22 (£000)	2020-21 (£000)
Licence fees		16,432	15,334
Less: income deferred to next year	12	(642)	(1,703)
Safety levy and related safety income		18,823	18,514
Less: income deferred to next year	12	(1,933)	(2,426)
Income from roads monitoring		2,651	2,482
Total income from contracts with customers		35,331	32,201

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

6. Other operating income

Table 34 Other operating income

Item	2021-22 (£000)	2020-21 (£000)
Other operating income	561	121

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

Table 35 Property, plant and equipment as at 31 March 2022

Item	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 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

Table 36 Property, plant and equipment as at 31 March 2021

Item	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 2020	5,205	519	690	-	6,414
Additions	22	78	314	-	414
Disposals	-	(19)	(187)	-	(206)
At 31 March 2021	5,227	578	817	-	6,622
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 2021	3,776	356	624	-	4,756
Carrying amount at 31 March 2020	4,278	372	498	-	5,148

All tangible assets are owned by ORR.

8. Intangible assets

Table 37 Intangible assets as at 31 March 2022

Item	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)
Transfers	-	-	-	-	-	-
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

Table 38 Intangible assets as at 31 March 2021

Item	System developments (£000)	Software licences (£000)	Website (£000)	Other intangibles (£000)	Assets under construction (£000)	Total (£000)
Cost or valuation						
At 1 April 2020	465	137	231	-	26	859
Additions	-	45	145	-	-	190
Disposals	(202)	(66)	(231)	-	-	(499)
Transfers			26	-	(26)	-
At 31 March 2021	263	116	171	-	-	550
Amortisation						
At 1 April 2020	361	119	217	-	-	697
Charged in year	31	20	37	-	-	88
Disposals	(202)	(65)	(231)	-	-	(498)
At 31 March 2021	190	74	23	-	-	287
Carrying amount at 31 March 2021	73	42	148	-	-	263
Carrying amount at 31 March 2020	104	18	14	-	26	162

All intangible assets are owned by ORR.

9. Trade receivables and other current assets

Table 39 Trade receivables and other current assets

Amounts falling due within one year	31 March 2022 (£000)	31 March 2021 (£000)
Trade receivables	1,633	2,954
Staff receivables	9	8
Prepayments and accrued income	1,234	871
HM Revenue and Customs (VAT)	187	519
Total trade receivables and other current assets at 31 March	3,063	4,352

Included in staff receivables is a travel season ticket loan for one employee totalling £1,346 (2020-21: £1,661 for one employee) and £7,827 relating to other advances made to 15 employees (2020-21: £6,460 to 18 employees).

10. Cash and cash equivalents

Table 40 Balance of cash and cash equivalents as at 31 March 2022

Items	31 March 2022 (£000)	31 March 2021 (£000)
Balance at 1 April	3,508	1,561
Net change in cash balances	(496)	1,947
Balance at 31 March	3,012	3,508

The following balances at 31 March were held at:

Table 41 Breakdown of balances as at 31 March 2022

Items	31 March 2022 (£000)	31 March 2021 (£000)
Government Banking Service	2,996	3,489
Commercial banks and cash in hand	16	19
Balance at 31 March	3,012	3,508

11. Reconciliation of liabilities arising from financing activities

Table 42 Reconciliation of liabilities arising from financing activities

Item	1 April 2021 (£000)	Financing cash flows (£000)	31 March 2022 (£000)
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,366	634	2,000
Total	1,366	634	2,000

12. Trade payables and other current liabilities

Table 43 Trade payables and other current liabilities

Amounts falling due within one year	31 March 2022 (£000)	31 March 2021 (£000)
Trade payables	355	231
Other payables	1,064	1,063
Other taxation and social security	4	5
Accruals	4,901	4,500
Deferred income	2,575	4,129
Balance of Intergovernmental Commission levy payable to the Consolidated Fund	254	71
Balance of DfT roads funding payable to the Consolidated Fund	228	46
Excess cash surrenderable to the Consolidated Fund	530	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,000	3,391
Total trade payables and other current liabilities at 31 March	11,911	13,436
Other payables	661	769
Amounts falling due after more than one year	661	769

13. Provisions for liabilities and charges

The provision for accommodation 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.

Table 44 Provisions for liabilities and charges

Item	Accommodation (£000)	Other (£000)	2021-22 Total (£000)	2020-21 Total (£000)
Balances at 1 April 2021	711	45	756	774
Provided for in the year	69	-	69	-
Provisions no longer required	-	-	-	(19)
Provisions utilised in the year	-	-	-	(7)
Borrowing costs (unwinding of discounts)	7	-	7	8
Balance at 31 March 2022	787	45	832	756

Analysis of expected timing of discounted flows

Table 45 Analysis of expected timing of discounted flows

Item	Accommodation (£000)	Other (£000)	2021-22 Total (£000)	2020-21 Total (£000)
Not later than one year	98	45	143	86
Later than one year and not later than five years	-	-	-	35
Later than five years	689	-	689	635
Balance at 31 March 2022	787	45	832	756

14. Pension liabilities

Analysis of movement in scheme liability

Table 46 Analysis of movement in scheme liability

Item	As at 31 March 2022 (£000)	As at 31 March 2021 (£000)
Net pension liability at 1 April	919	890
Current service cost (net of employee contributions)	-	-
Employee contributions	-	-
Interest cost	11	16
Actuarial loss	59	49
Benefits paid	(36)	(36)
Past service cost	-	-
Net pension liability at 31 March	953	919

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 2022. 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

Table 47 Present value of scheme liabilities

Liability in respect of	As at 31 March 2022 (£000)	As at 31 March 2021 (£000)
Active members	-	-
Deferred pensioners	-	-
Current pensioners	953	919
Total present value of scheme liabilities	953	919

Liability in respect of	Value at 31/3/22 (£000)	Value at 31/3/21 (£000)	Value at 31/3/20 (£000)	Value at 31/3/19 (£000)	Value at 31/3/18 (£000)
Deferred pensioners	-	-	-	-	-
Current pensioners	953	919	890	837	859
Total present value of scheme liabilities	953	919	890	837	859

Actuarial assumptions

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

Table 48 Actuarial assumptions

Liability in respect of	As at 31 March 2022	As at 31 March 2021
Gross discount rate	1.55%	1.25%
Rate of increase of pensions in payment	2.90%	2.22%
CPI inflation	2.90%	2.22%

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 2022 or 2021.

Table 49 Longevity assumptions for current pensioners

Current pensioners exact age	Men as at 31 March 2022 (years)	Women as at 31 March 2022 (years)	Men as at 31 March 2021 (years)	Women as at 31 March 2021 (years)
60	27.0	28.6	26.9	28.6
65	22.1	23.8	22.0	23.7

Cumulative amount of actuarial gains and losses

The cumulative actuarial loss for the year to 31 March 2022 amounts to £542,000 (31 March 2021: £483,000).

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

Table 50 Sensitivity of the defined benefit obligations

Change in assumption [note 1]		Impact on DBO (%)	Impact on DBO (£000)
Gross discount rate	+0.5% a year	(7)	(66)
Rate of increase of pensions in payment	+0.5% a year	8	74
CPI inflation		3	25

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

15. Financial and capital commitments

15.1 Capital commitments

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

Table 51 Capital commitments

Liability in respect of	31 March 2022 (£000)	31 March 2021 (£000)
Property, plant and equipment	31	-
Information technology	68	82

Capital commitments in 2021-22 were for office security system upgrades and software development. Capital commitments in 2020-21 were for laptops ordered but not received at 31 March.

15.2 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

Table 52 Commitments under operating leases

Obligations under operating leases comprise	31 March 2022 (£000)	31 March 2021 (£000)
Building		
Not later than one year	1,078	353
Later than one year and not later than five years	4,010	4,091
Later than five years	1,824	3,002
Building Total	6,912	7,446
Other		
Not later than one year	11	11
Later than one year and not later than five years	14	26
Other Total	25	37

15.3 Other financial commitments

Apart from the lease commitments mentioned above, ORR has not entered into any non-cancellable contracts for any new expenditure as at 31 March 2022 (31 March 2021: £nil).

16. 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 9) and current liabilities (Note 12) approximate to their fair value due to their short-term nature.

17. Contingent assets

At 31 March 2022 there were no contingent assets.

At 31 March 2021 ORR had a contingent asset in relation to an amount due, where recoverability was uncertain due to the impact of the COVID-19 pandemic. Full details were not disclosed so as not to prejudice seriously ORR's position. This asset was recovered in 2021-22.

18. Contingent liabilities

At 31 March 2022 there are no contingent liabilities.

At 31 March 2021 ORR had a contingent liability in relation to the same amount mentioned in note 17. The liability was contingent upon the related contingent asset being received. This liability was realised in 2021-22.

19. Related party transactions

In addition to balances due to the Consolidated Fund (see note 12) 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.

20. 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: Off-payroll engagements

Table 53 For all off-payroll engagements as of 31 March 2022, for more than £245 per day and that last for longer than six months

Number of existing engagements	Value
Number of existing engagements as of 31 March 2022	5
Of which:	
Number that have existed for less than one year at time of reporting	3
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	1
Number that have existed for between three and four years at time of reporting	1
Number that have existed for four or more years at time of reporting	0

Table 54 For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022, for more than £245 per day and that last for longer than six months

Number of new engagements	Value
Number of new engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022, for more than £245 per day and that last for longer than six months	2
Of which:	
Number assessed as caught by IR35	1
Number assessed as not caught by IR35	1
Number engaged directly (via PSC contracted to department) and are on departmental payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

Table 55 For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

Off-payroll engagements of Board members and/or senior officials	Value
Number of off-payroll engagements of board members, and/or, senior officials with significant responsibility, during the financial year	0
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	11

Annex B: Trade Union facility time publication requirements

Table 56 Relevant union officials

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

Table 57 Percentage of time spent on facility time

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

Table 58 Percentage of pay bill spent on facility time

Pay bill spent on facility time	Value
Total cost of facility time (£000)	4
Total pay bill (£000)	24,639
Percentage of total pay bill spent on facility time	0.02%

Table 59 Paid trade union activities

Paid trade union activities	Value
Time spent on paid trade union activities as a percentage of total paid facility time	22%

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