



# PR23 final determination:

## Summary of conclusions and overview for England & Wales

31 October 2023



## About this document

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This document provides a summary of conclusions and overview of our final determination of the 2023 periodic review (PR23) for England & Wales.

PR23 determines what the infrastructure manager for the national rail network, Network Rail, is expected to deliver with respect to its operation, support, maintenance and renewal (OSMR) of the network during control period 7 (CP7), which will run from 1 April 2024 to 31 March 2029, and how the available funding should be best used to support this.

This strongly influences:

- the service that passengers and freight customers receive and, together with taxpayers, ultimately pay for; and
- the charges that Network Rail's passenger, freight and charter train operator customers pay to access its track and stations during CP7.

Our final determination sets out:

- our decisions on Network Rail's outcome delivery and its planned expenditure to secure the condition and reliability of the network;
- changes to access charges and the incentives framework; and
- relevant policies on the financial framework, managing change and holding to account.

In addition to **this document**, we have also published as part of our final determination:

Document type	Details
<b>Summary of conclusions and overviews</b>	<p>Our decisions on what Network Rail will need to deliver and how funding should be allocated:</p> <ul style="list-style-type: none"><li>• <b><u>Summary of conclusions and overview for England &amp; Wales</u></b></li><li>• Summary of conclusions and settlement for Scotland</li></ul>

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Document type	Details
<b>Consolidated decisions</b>	A summary of our final decisions across Great Britain
<b>Introduction</b>	An overview of PR23 and background to our final determination
<b>Settlement documents</b>	<p>Detailed final decisions for the System Operator and each of Network Rail's regions in England &amp; Wales:</p> <ul style="list-style-type: none"><li>• Eastern region</li><li>• North West &amp; Central region</li><li>• Southern region</li><li>• Wales &amp; Western region</li></ul> <p>See our summary of conclusions and settlement document for detailed information for Scotland.</p>
<b>Supporting documents</b>	<p>Technical assessments of:</p> <ul style="list-style-type: none"><li>• Health and safety</li><li>• Outcomes</li><li>• Sustainable and efficient costs</li><li>• National Functions</li><li>• Other income</li></ul>
<b>Policy positions</b>	<p>How we intend to regulate Network Rail during CP7 in relation to:</p> <ul style="list-style-type: none"><li>• Financial framework</li><li>• Access charges</li><li>• Schedules 4 and 8 incentives regimes</li><li>• Managing change</li><li>• Holding to account</li></ul> <p>With the exceptions of managing change and holding to account, our policy position documents include our assessment of stakeholder views on our proposals. Stakeholder views for managing change and holding to account are published in a separate document.</p>

Document type	Details
<b>Impact assessments</b>	A consolidated set of assessments of the impact of our final policies on access charges and contractual incentives on affected parties

## Next steps

We will now implement our final determination. Implementation is the process through which we amend operators' track and station access contracts to give effect to new access charges and incentives (such as Schedule 8 benchmarks and payment rates) determined through the periodic review. We expect to issue our review notices in December 2023 and, subject to Network Rail's acceptance, issue notices of agreement and review implementation notices in time for CP7 to commence from of 1 April 2024.

We expect Network Rail to publish a delivery plan for CP7 that is consistent with our final determination. We have published [a notice](#) alongside our final determination which sets out expectations for the scope and timing of the delivery plan.

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# Executive summary

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Periodic reviews are one of the principal mechanisms by which ORR holds the infrastructure manager for the mainline railway in Great Britain, Network Rail, to account and secures value for money for passengers, freight users and taxpayers who fund the railway.

At the start of this periodic review (PR23), we set out in our [June 2021 launch letter](#) that our focus would remain on four objectives of **safety; performance; asset sustainability and efficiency**. The UK and Scottish governments each also set out High-Level Output Specifications (HLOSs) detailing what they expect the available funding to deliver.

Our draft determination published in June 2023 found that while Network Rail's plans largely deliver against our objectives and the UK and Scottish governments' priorities, a greater focus was needed on train performance and renewing core assets. Better train performance will benefit passengers and freight customers, while core assets like track, structures and earthworks need to be resilient – especially with the challenges presented by climate change. We challenged Network Rail to deliver more for current and future customers, drive further efficiencies and support the effective operation of the railway. In doing so, we have taken a joined up approach to economic, and health and safety regulation.

Network Rail is substantially funded by the UK and Scottish governments, with the remainder coming from regulated charges paid by train operators and other (commercial) income sources. Accounting for the May 2023 Bank of England inflation forecast, the funders' support for the railway allows for approximately £43.1 billion of expenditure across Great Britain in the five-year control period starting from 1 April 2024 and ending on 31 March 2029 (CP7).

The Statement of Funds Available (SoFA) from the UK government allowed for a real-terms increase in funding for CP7 in comparison to CP6 (April 2019 – March 2024). However, this is now projected to be less than in CP6 by around 1%, primarily because of higher than anticipated inflation. Expenditure for England & Wales is forecast to be £38.5 billion, which compares to £38.9 billion in CP6. These and subsequent figures in this document are presented in 2023-24 prices.

## Our decisions and what we want to see in CP7

We have continued to work with Network Rail, funders and other stakeholders since our draft determination. We welcome that Network Rail has produced train performance

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forecasts that are more stretching than those implied in its original plans. Its revised plans are now based on point values for years 1 and 2, which are towards the top or higher than the ranges in its February Strategic Business Plan for three out of four England & Wales regions.

Network Rail has accepted many of the other proposals we made in our draft determination. This includes increasing its cash risk fund by delivering its risk-adjusted plan which does not require it to hold contingent renewals. It will also increase expenditure on core assets in comparison to its original plans. Nevertheless, the constrained available funding for CP7 means that Network Rail will still be spending less on renewals and more on maintenance in comparison to CP6. Therefore, there will be some decline in asset condition during CP7. Network Rail has demonstrated that it has a suitable framework for understanding the resultant change in its safety risk profile.

These aspects of our draft determination were strongly supported by other stakeholders and address many of their concerns with Network Rail's original plans.

Our decisions and the improved outcomes that we expect to see in England & Wales are summarised below.

### Customer outcomes with a focus on train performance

#### Key messages

Improving train performance for passengers and freight must continue to be a top priority.

Network Rail will need to work with operators to ensure that cancellations are reduced and that punctuality is maintained, even as passenger numbers increase.

We will reset passenger train performance trajectories for England & Wales in advance of year three of CP7.

Passengers and freight customers expect trains to be reliable and run on time. Whole industry train performance is important for maintaining and improving satisfaction for those using the railway. We support this by putting in place whole industry performance measures (and holding Network Rail to account for its contribution in delivering these) as well as financial incentives for Network Rail and train operators.

Our final determination has also considered the impacts of Network Rail's proposals on accessibility to railway services for people with protected characteristics (with particular focus on those that affect mobility, disability, age, maternity and pregnancy). We are

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satisfied that Network Rail's plan recognises its accessibility obligations and is capable of meeting the requirements on accessibility in the UK Government's HLOS.

### Passengers

Our final determination reiterates our requirement for train performance that protects the interests of passengers and for Network Rail to work with operators to ensure that cancellations are reduced and that punctuality is maintained, even as passenger numbers increase.

In addition to passenger demand, we also recognise the pressures extreme weather and constrained funding have on train performance during CP7. Despite these pressures, Network Rail's plans and our final determination are ambitious in targeting improvements in train performance, while being realistically deliverable.

We are setting targets that would see the percentage of trains cancelled reduce from 3.7% to 3.2% and the percentage of trains running on time to improve from 66.8% to 67.1%, both by the end of CP7. For the reasons outlined below, we are setting firm requirements for the first two years of CP7 and indicative figures for the last three years which will be subject to a reset after year 2.

Our draft determination called for more stretch in Network Rail's plans for contributing to whole industry train performance in CP7. In response, Network Rail has improved its plans. It has increased its forecast percentage of passenger trains that arrive 'On Time' for its Eastern, Southern and North West & Central regions in England & Wales, setting point values that are towards the top or higher than the ranges it set in its Strategic Business Plan. It has provided better evidence to support its forecast for its Wales & Western region. Network Rail has also provided us with better information to demonstrate how it plans to contribute to reducing passenger cancellations during CP7.

We have assessed these revised forecasts and consider that they now set appropriately ambitious yet realistic expectations for train performance.

The business planning and budgeting cycles for Network Rail and the publicly contracted train operators in England & Wales are currently different which makes setting whole-industry expectations challenging. In our final determination we call for greater coherence in these planning processes. A joined-up approach to longer-term business planning is vital to ensure that the network and those running services over it deliver for passengers.

Whole industry performance is also affected by factors such as changes in passenger demand following the pandemic. Therefore, our final determination commits to resetting passenger train performance trajectories for England & Wales in advance of year three of CP7. This two-year window provides an opportunity for Network Rail to work with



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operators and funders to improve industry processes for aligning longer term performance expectations.

This mid-control reset for train performance measures will only apply to passenger measures and not to freight train performance or other outcome measures from our final determination. We will reset passenger performance benchmarks in the financial incentive regime as described below.

The UK Government's HLOS expects Network Rail's System Operator to play an important role in contributing to delivering ambitious whole industry train performance. During CP7, the System Operator has committed to targeting specific objectives with its projects and to provide greater transparency about the benefits it delivers for safety, train performance and efficiency.

We expect to see the System Operator focus on supporting the regions, ensuring that operational learning is transferred across the GB network. We will monitor its progress closely, with particular focus on projects that impact performance. Starting in CP7, we will also provide greater public visibility of key 'whole industry' leading indicators on the direction of travel of performance of the rail network. This is intended to demonstrate the extent to which the industry is acting collectively in ways that will improve medium and long-term outcomes for end customers.

We also conclude that £40 million should be reserved for a train performance improvement and innovation fund. The fund is designed to kick-start collaborative, cross-industry solutions with the aim of improving train performance. Building on a similar scheme in CP6, we expect the fund to be available for use early in CP7 so that it delivers as many benefits as possible during the control period.

### Freight

We expect Network Rail to deliver a high-quality service to freight operators and their customers. This is an essential enabler for the growth in freight on rail targeted in CP7.

Since our draft determination, Network Rail has revised its plans for freight performance. However, we consider that there is scope to further reduce freight cancellations and have set appropriately challenging requirements for what Network Rail delivers for freight operators. For the duration of the five-year control period, we require freight cancellations to come down to 1.3% across England & Wales.

We recognise the importance of regulatory stability and predictability for freight operators and we do not intend to revise the freight performance baselines as part of the mid-control passenger performance reset described above.

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The UK Government's HLOS requires Network Rail's plans to include a stretching but realistic freight growth target. We are satisfied that Network Rail's proposed freight growth forecasts for the regions – which average 7.5% growth across the GB network – meet this requirement and recognise the important role of rail freight in achieving broader economic and environmental outcomes. We will hold Network Rail to account for its contribution to the freight growth success measure during CP7. We expect Network Rail to publish clear plans to describe the actions it is taking and how it will work with the industry to achieve the targets for freight growth.

We welcome Network Rail's £72 million investment in high priority structures for heavy axle weights. The increased focus on core asset renewals called for in our draft determination – and recognised by Network Rail in its response – will also be important in supporting the capability of the network for rail freight. Network Rail's plans also include £17 million for the freight safety improvement portfolio (FSIP) which we support. Further, the £40 million performance improvement and innovation fund can also be used to support collaborative, cross-industry solutions between freight train operators and Network Rail.

Nevertheless, we require Network Rail to be more specific on how it will contribute to the freight growth target. Delivery of freight growth is not wholly under Network Rail's control, but we require Network Rail to do everything reasonably practicable to deliver the conditions for growth. This includes a requirement to produce a freight growth plan as part of its delivery plan. This should be developed in consultation with the regions, freight operators and stakeholders and be consistent with wider freight strategies.

### Assets and environmental sustainability

#### Key messages

We welcome Network Rail's response to our draft determination that it will focus on core assets and deliver approximately £540 million of additional core renewals during CP7. We have identified options for how these can be funded and Network Rail's CP7 delivery plan must confirm the choices it is making.

Network Rail is expected to reduce carbon emissions by more than 20% over CP7 and there is scope to go further. The railway in England & Wales is also expected to conserve and enhance biodiversity, and we have set a target for this to improve by 4.2%.

#### Asset sustainability

The funding available for CP7 reflects wider fiscal conditions and is constrained relative to the needs of the asset renewal cycle. This means that Network Rail will conduct fewer

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renewals, with more refurbishment, life-extending repairs and maintenance in comparison to CP6. Within each of its regions, Network Rail has sought to prioritise expenditure on renewals, including in a manner which is consistent with the UK Government's HLOS, to support revenue generation while contributing to national and local growth priorities and levelling up. We recognise that this prioritisation, if deployed appropriately, has the potential to achieve greater alignment between infrastructure management and passenger and user outcomes.

Our draft determination found that Network Rail had not sufficiently prioritised funding for some core assets, including assets vulnerable to the effects of climate change. In response to our draft determination, Network Rail has committed to increase core renewals by approximately £540 million. We have continued to work with Network Rail as its plans have evolved and are satisfied that the additional expenditure it now proposes supports asset sustainability to deliver the better safety and train performance outcomes that we want to see.

Over CP7, Network Rail forecasts a smaller reduction in the residual life of its assets (as measured by the Composite Sustainability Index, CSI) of 2.5% in England & Wales, an improvement from 3.1% in its Strategic Business Plan. However, Network Rail expects that it will take until CP11 to recover asset condition to CP6 levels, assuming funding is available in future control periods.

We require Network Rail's delivery plan to explain how it will fund the £540 million of additional core renewals. This will provide clarity and stability for the supply chain. When making choices about how it prioritises its expenditure to deliver this, Network Rail should not source the necessary funding from previously identified core renewals or maintenance plans already identified for CP7.

We recognise that the detailed workbank of interventions will need to adapt within these plans, while securing the safety and performance of the network as a whole. We have identified options for how Network Rail could do this by reducing expenditure elsewhere, while protecting most of its strategic programmes of work.

During CP6 we have assessed Network Rail's renewals delivery which has informed our assessment of the deliverability of its CP7 plans. Because Network Rail is proposing to conduct fewer renewals than in CP6 we do not expect any additional deliverability challenges in CP7. We also consider that the profile of renewals spend over CP7 is smoother than in CP6 but requires further work to smooth the current reduction in renewals spend in the final years of CP7. We expect that this will be resolved ahead of Network Rail's delivery plan. Our final determination also highlights deliverability challenges in the West Coast Mainline North renewals programme and the digital

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signalling portfolio. Although Network Rail has agreed to some reprofiling of these programmes of work, our final determination considers that it can go further. This forms part of the menu of options we have identified for Network Rail to release funding for core renewals or the risk fund as part of the menu of options we have identified for Network Rail to release funding for core renewals or the risk fund.

Each of Network Rail's regions is taking a bespoke approach to procurement which allows each to adapt to its own challenges and priorities while also fostering innovation. We have received assurance from the regions that they are finalising contracts and embedding new operating models in 2023, to ensure these are stable and ready to start delivering efficiently from April 2024. We provide examples for each region in the body of this document.

We intend to monitor and benchmark Network Rail's delivery frameworks during CP7 and assess effective integration of suppliers, including small and medium-sized enterprises.

We note that in October 2023, the UK Government decided to cancel phase 2 of the High Speed 2 (HS2) project (from Birmingham to Manchester). HS2 is an enhancement project funded separately from our review of Network Rail's operations, support, maintenance and renewals expenditure. We have considered the implications of this for PR23 and have not identified anything that would adversely impact our final decisions on Network Rail's planned expenditure for OSMR or the outputs that it is required to deliver.

### **Environmental sustainability and weather resilience**

We expect Network Rail to contribute to sustainability and broader environmental targets by moving towards a low emissions railway and conserving and enhancing biodiversity in a manner which is consistent with its legal duties and relevant UK Government environmental targets. It must also address the challenges of climate change and be prepared for severe weather events.

We will hold Network Rail to account for delivering improved environmental outcomes. This includes a more than 20% reduction in scope 1 and 2 emissions (respectively, these are emissions which are directly caused by Network Rail and indirectly through the generation of electricity it purchases) and a more than 4% increase in biodiversity units delivered over CP7.

Network Rail's freight growth forecasts and our policy decisions on freight charges and incentives also recognise and support the important role of freight in achieving improved environmental outcomes.

## Health and Safety

### Key messages

Network Rail will conduct fewer renewals, with more refurbishment, life-extending repairs and maintenance in comparison to CP6.

It has demonstrated it has a suitable framework to understand and manage the resultant change in risk profile.

The effective implementation of Network Rail's Modernising Maintenance programme will be key to the successful delivery of this approach to asset management.

Network Rail's plans for CP7 are capable of maintaining, and in some cases improving, the management of health and safety risks. We consider that the additional expenditure on core renewals that Network Rail has committed to is sufficient to address the main safety vulnerabilities identified in our draft determination. This supports the safety of those who use and work on the railway and will help deliver a sustainable, well-performing service.

We are satisfied that, since our draft determination, Network Rail has developed and is applying a structured framework that has the potential to identify the best means to safely manage the residual risks so far as is reasonably practicable.

Network Rail has also demonstrated that its maintenance plans are sufficient to support the increased demand on its maintenance function during CP7. The effective implementation of its Modernising Maintenance programme will be key to the successful delivery of this approach.

We require Network Rail's delivery plan to demonstrate how it has continued to apply its structured risk assessment framework as it refines its CP7 plans; how it will manage and develop the required competencies to deliver its plan; and how it will successfully embed the Modernising Maintenance programme.

The delivery plan should also provide credible plans for delivering priority programmes for safety management. These include: Route Services' infrastructure monitoring programme, the electrical safety delivery programme (ESD), digital signalling and competence assurance. These areas are fundamental to Network Rail managing its network safely and complying with its legal obligations.

We are satisfied that Network Rail has addressed the main health and safety challenges we identified in our draft determination. Network Rail must continue to assess and manage

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its risk exposure throughout CP7, and we will also monitor risk exposure during CP7 through our monitoring and inspection so that passengers and railway employees benefit from the expected improvements.

### Delivering efficiencies and managing risks

#### Key messages

Continued efficiency and a reasonable risk fund that is governed effectively are required to manage financial pressures.

Network Rail is required to deliver at least £3.2 billion of efficiencies in CP7.

Network Rail will hold £1.5 billion of risk funding from the start of CP7.

#### Delivering efficiencies

Network Rail will need to continue, and build on, the success of its recent efficiency initiatives to deliver its ambitious CP7 plan and deliver best value for passengers, freight and taxpayers within the available funding for CP7. We have carefully reviewed Network Rail's efficiency targets for the next five years and, drawing on a range of evidence, we conclude that the efficiency target of at least £3.2 billion is stretching yet realistic.

#### Managing risks

Recent experience of the COVID-19 pandemic, industrial action and the effects of climate change demonstrate the importance of reasonable risk funding. Further risks, such as inflation, increase the importance of reasonable risk funding and effective cost control and risk management during CP7.

In our final determination, we have identified opportunities for Network Rail to increase its risk fund to approximately £1.5 billion. This is broadly consistent with Network Rail's expenditure on managing risks during CP6, but lower than the risk funding we included in the PR18 final determination, as Network Rail has used some of that funding on other areas like performance improvement schemes. £1.5 billion is consistent with the level of risk funding identified by Network Rail in response to our draft determination. We conclude that a risk fund of £1.5 billion should be reasonable for CP7 if governed effectively.

To support the effective governance of risk funding, we have augmented our Managing Change Policy to reflect principles on the governance and use of risk funding which we have agreed with Network Rail and the Department for Transport.

## Charges and incentives

### Key messages

We will continue to cap increases in track access charges for freight and charter operators while passenger operators' charges will continue to be set on a cost-reflective basis.

Performance incentives will be adaptable to changes in circumstances and potential rail reform.

We set charges to recover the costs of maintaining and renewing the network fairly from different operators (as well as taxpayers).

Our financial incentives regime has been calibrated to be financially neutral on expectation, meaning that Network Rail and train operators will not make or receive payments if prior expectations are met in terms of possessions management (i.e. securing access to the railway for engineering works) and train performance.

### Charges for passenger operators

Network Rail's recalibration of the VUC indicates that cost-reflective VUC rates are set to increase in CP7. Passenger operators will continue to pay cost-reflective rates as per Network Rail's PR23 recalibration. We will not introduce any capping or phasing-in for passenger operators. There will be a small increase (by 3%, in real terms) at the start of CP7 to adjust for lagged inflation during CP6. Thereafter, variable usage charges for passenger operators will be held constant, in real terms, over CP7. This is consistent with the requirements of relevant legislation.

Open access operators providing interurban services will continue to contribute to Network Rail's fixed cost recovery through an infrastructure cost charge (ICC). We are holding these ICCs constant in real terms at £5 per train mile. Any new open access service operating in interurban markets would benefit from a phasing in-period before they were liable for the full ICC of £5 per train mile.

In our draft determination, we said that we were considering an ICC for open access services to major airports and that we would consult on our proposals shortly after the draft determination (which we did in early August). Our final determination includes an airport services market segment which would capture only the largest airports measured by station usage (in practice only Heathrow, Gatwick, Stansted and Birmingham). Using a methodology consistent with the approach for inter-urban services, we have concluded on an ICC rate of £5 per train mile. Any new open access service operating in the airport

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market segment would benefit from a phasing in-period before they were liable for the full ICC of £5 per train mile.

### Performance incentives for passenger operators

Schedule 8 of track access contracts places incentives on Network Rail and train operators to limit the disruption they cause and therefore to improve network performance. We have updated Network Rail payment rates in the passenger performance regime. The regime places incentives on Network Rail and train operators to limit the disruption they cause and therefore to improve network performance.

Our draft determination indicated that we expected the compensation Network Rail pays to train operators for each minute of disruption to be significantly lower, by 75% on average in real terms. This was because we proposed in our draft determination to adopt a new calculation methodology and evidence on how passenger demand responds to disruption.

In response to industry concerns about the size of the reduction proposed, our final determination includes a transitional adjustment, implementing an average reduction of 45% in real terms in CP7 compared to CP6. This recognises the uncertainty in any estimation methodology and the risk of unintended consequences of significantly reducing the payment rates in a single step.

Consistent with our approach to train performance success measures, and recognising the difficulties in accurately forecasting industry conditions, we commit to resetting Schedule 8 benchmarks and payment rates in advance of year 3 of CP7. When we recalibrate the payment rates, we will review the evidence on the passenger impact of disruption as well as whether any unintended consequences have arisen.

We will also allow for the removal of relevant incentive payments between Great British Railways (GBR) and its contracted operators, if GBR is established, and if there is sufficient legislative change to permit the removal of payments.

### Charges for freight operators

We will continue to cap track access charges for freight operators. Not introducing charges that reflect the costs directly incurred in full until CP8 is anticipated to save freight operators approximately £33 million over the duration of the control period compared with setting cost-based rates.

Nevertheless, charges paid by freight operators to use the network will continue to increase on the trajectory set during PR18. While the legal framework requires that charges be fully cost-reflective, this will not be until the next control period, CP8.



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Continuing to cap freight access charges on the trajectory set in PR18 is consistent with the freight growth target for the new control period (CP7).

Our approach therefore supports freight growth ambitions in CP7, while ensuring that rates move closer towards being fully reflective of the direct costs of the network (as required by legislation). Under our PR23 approach, freight variable charges will increase by approximately 3.3% per year in real (CPI-adjusted) terms.

Infrastructure cost charges (ICCs) for freight services will reduce from CP6 levels (in per unit terms) except for the transportation of biomass for the electricity supply industry which we propose to hold constant (in per unit terms) relative to CP6 exit levels.

### Performance incentives for freight operators

We have taken a proportionate and incremental approach to the freight performance regime, updating the relevant benchmarks and thresholds based on newer evidence.

We have carefully reflected on feedback from the industry to our draft determination and our final determination recognises that there is uncertainty in whether freight operators will be able to consistently return performance to levels seen in the recalibration period chosen for PR23. We will therefore adjust the freight operator benchmark so that it is set midway between the PR18 and PR23 recalibrated levels which is consistent with our duty to protect the interests of railway users.

The mid-control period reset of passenger benchmarks referred to above will not apply to freight operator benchmarks. Nevertheless, changes to freight operator payment rates in Schedule 8 may be needed, but these will not go beyond what is required to keep the overall system in balance.

## Network Rail's expenditure in CP7

Network Rail's CP7 expenditure is forecast to be slightly less than in CP6 in real terms primarily due to higher inflation than was projected at the time when Network Rail's funding was agreed by the UK and Scottish Governments. Nevertheless, we anticipate the overall funding will be adequate for Network Rail to deliver its commitments across the network.

A summary of key expenditure areas for CP7 compared with CP6 is set out below with further details in Annex A.

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**Table 1.1 Network Rail's CP7 expenditure in Great Britain**

£m (2023-24 prices)	CP6	CP7	% change
Operations	4,019	4,384	9%
Support	5,892	5,061	-14%
Maintenance	10,666	11,388	7%
Renewals	21,189	19,733	-7%
Industry costs, rates	1,704	1,888	11%
Electricity for Traction (EC4T)	3,070	4,964	62%
Adjustment to OSMR expenditure	n/a	-1,121	n/a
Risk provision*	0	1,735	n/a
<b>Total expenditure</b>	<b>46,539</b>	<b>48,031</b>	<b>3%</b>
<b>Total expenditure (less EC4T)</b>	<b>43,470</b>	<b>43,065</b>	<b>-1%</b>

**Table 1.2 Network Rail's CP7 expenditure in England & Wales**

£m (2023-24 prices)	CP6	CP7	% change
Operations	3,632	3,911	8%
Support	5,365	4,580	-15%
Maintenance	9,613	10,253	7%
Renewals	18,727	17,585	-6%
Industry costs, rates	1,534	1,684	10%
Electricity for Traction (EC4T)	2,822	4,496	59%
Adjustment to OSMR expenditure	n/a	-1,010	n/a
Risk provision*	0	1,510	n/a
<b>Total expenditure</b>	<b>41,693</b>	<b>43,010</b>	<b>3%</b>
<b>Total expenditure (less EC4T)</b>	<b>38,871</b>	<b>38,514</b>	<b>-1%</b>

\* The risk fund figure of 0 for CP6 reflects that this is expected to be fully utilised by the end of CP6.

## Next steps

We will now implement our final determination by amending train operators' track and station access contracts to give effect to the new access charges and incentive benchmarks and rates determined through PR23. We expect to issue our review notices in December 2023. If Network Rail accepts, the changes will be implemented subject to train operators' rights to terminate their contracts.

We expect Network Rail to issue a delivery plan for CP7 that is consistent with our final determination. We have published [a notice](#) alongside our final determination which sets out expectations for the scope and timing of the delivery plan.

During the first year of CP7 we will engage with stakeholders regarding the reset of passenger train performance trajectories and Schedule 8 benchmarks and incentive rates. The reset will take effect from year 3 of CP7 (1 April 2026).

# 1. Introduction

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- 1.1 The 2023 periodic review (PR23) determines what Network Rail is expected to deliver with respect to its operation, support, maintenance and renewal (OSMR) of the network during CP7 and how the available funding should be used to support this.
- 1.2 Our final determination follows the draft determination that we published on 15 June 2023. We invited comments from stakeholders on our draft determination until 31 August. During this period Network Rail and railway stakeholders considered our proposals for:
- how the available funding should be used, what should be delivered in return (including on train performance) and how we will hold Network Rail to account for delivery of the outcomes specified in PR23;
  - changes to the charges and incentives framework (including the proposed infrastructure charges, incentive rates and performance benchmarks that will feature in track access contracts); and
  - settlement decisions for the England & Wales regions (Eastern, North West & Central, Wales & Western, Southern), Scotland and the System Operator (SO).
- 1.3 Network Rail provided formal representations on our draft proposals on 31 August. Our draft determination was based on our detailed review of Network Rail's proposals for CP7 contained in its Strategic Business Plan (SBP). It explained that Network Rail's plan for England & Wales contained two expenditure scenarios: a higher output 'full plan' and a lower output 'risk-adjusted' scenario. We based our draft determination on the risk-adjusted plan. The risk-adjusted plan assumes that, in comparison to its full plan, Network Rail would need to de-scope up to £1.5 billion of renewals and other activities across its regions in England & Wales to manage financial risk.
- 1.4 Our final determination is based on:
- the proposals in the risk-adjusted plan that Network Rail provided to us at the end of February 2023 and any changes it has confirmed through its subsequent engagement with us and its formal response to our draft determination;

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- any new evidence that it considered we should take account of for our final determination, including any evidence that it did not provide in sufficient time for consideration ahead of our draft determination and which remains relevant; and
- the views stakeholders provided in response to the consultation on our draft determination.

1.5 Our assessments of the information and evidence provided to us for our draft and now final determination have sought to ensure that Network Rail's CP7 plan:

- is consistent with the UK Government's High-Level Output Specification (HLOS) and Statement of Funds Available (SoFA);
- makes appropriate choices between maintaining the network, renewing it to raise performance levels delivered to passenger and freight operators in the near-term and maintain asset sustainability;
- includes an appropriate degree of stretch;
- provides a credible response to challenges which have emerged during CP6 (e.g., on weather resilience);
- is deliverable; and
- would enable Network Rail to continue to operate its network safely and meet its legal obligations.

## Structure of this document

1.6 In the following sections of this document, which considers England & Wales, we provide an overview of our determination in the following areas:

- outcomes with a focus on train performance;
- asset performance and sustainability;
- health and safety;
- cost efficiency, inflation and input prices;
- other sources of income;
- risk funding;

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- access charges and incentives;
- financial framework;
- managing change; and
- holding to account.

1.7 The final decisions and proposals summarised in this document for England & Wales and a [separate document for Scotland](#) are combined in our [PR23 final determination: consolidated list of decisions and proposals](#) document.

1.8 This overview document also includes three annexes. Annex A presents the income and expenditure Network Rail proposes for CP7 in Great Britain and England & Wales. Annex B sets out our final success measure trajectories for England & Wales in CP7 in comparison to those presented by Network Rail during the PR23 process. Annex C demonstrates how Network Rail's plans and any adjustments we propose in our final determination deliver on the UK Government's HLOS.

## 2. Outcomes with a focus on train performance

2.1 The CP7 outcomes framework sets the requirements that Network Rail needs to deliver for the funding it receives. It will also be one of our key tools for monitoring Network Rail's compliance with its licence, as set out in our [PR23 final determination: policy position on holding to account](#) for CP7.

### Outcomes framework

2.2 We consulted and subsequently concluded on the [CP7 outcomes framework](#) in 2022. This framework includes a focused set of top-tier 'success measures' that will be the headline indicators we will use publicly to hold Network Rail to account in CP7, as set out in Table 2.1 below. Our final determination includes 'baseline trajectories' for each success measure and each region. The baseline trajectories quantify the performance levels that we expect Network Rail to deliver, in line with the HLOS and available funding.

**Table 2.1 Success measures - CP7 outcomes framework for England & Wales**

Outcome area	Success measures
<b>Train performance: passenger</b>	On Time Cancellations
<b>Train performance: freight</b>	Freight cancellations
<b>Asset sustainability</b>	Composite Sustainability Index (CSI)
<b>Efficiency and financial performance</b>	Financial Performance Measure (FPM) (opex/capex split) Efficiency (£)
<b>Environmental sustainability</b>	Carbon emissions scope 1 and 2 Biodiversity Units
<b>Freight growth</b>	Freight net tonne kilometres moved

2.3 Our baseline trajectories for each success measure are informed by the forecasts Network Rail provided in its SBP and our analysis, including: independent reporter reviews; comparison to historical data; evidence from our ongoing engagement and monitoring; and stakeholder responses to our draft determination. Our final

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decisions seek to ensure that Network Rail is held to account against performance levels which are consistent with the aims set out in the England & Wales HLOS.

- 2.4 We provide more information on our final decisions in [PR23 final determination: supporting document on outcomes](#). In this supporting document, we also provide a detailed summary and our analysis of stakeholder responses and an explanation of changes from our draft determination.
- 2.5 In Annex B to this overview document, we present our final success measure baselines for England & Wales in CP7 year 2 for the passenger train performance success measures (On Time and Cancellations), and for year 5 (the final year of control period 7) for the rest of the success measures. These are in comparison to Network Rail's latest proposed baselines (where relevant); our draft determination baselines; and Network Rail's SBP proposed baselines (where relevant).

## Train performance for passenger and freight services

- 2.6 In this section we set out our final decisions for passenger and freight train performance and freight growth success measures for CP7.
- 2.7 Passengers and freight customers expect trains to be reliable and run on time. Whole industry punctuality and reliability are important to attract new users to the railway and to better satisfy those already using it. Train performance has been a continued focus for us during CP6 and we will continue to hold Network Rail to account by setting ambitious but realistic regional trajectories for CP7, consistent with the UK Government's HLOS.
- 2.8 Our final determination reiterates our requirement for train performance that protects the interests of passengers and for Network Rail to work with operators to ensure that punctuality is sustained and there are fewer cancellations, even as passenger numbers rise.
- 2.9 Our draft determination called for more stretch in Network Rail's plans for contributing to whole industry train performance in CP7. In response, Network Rail has improved its plans. It has increased its forecast percentage of passenger trains that arrive 'On Time' for its Eastern, Southern and North West & Central regions in England & Wales, setting point values that are towards the top or higher than the ranges it set in its SBP. It has provided better evidence to support its forecast for its Wales & Western region. Network Rail has also provided us with better information to demonstrate how it plans to contribute to reducing passenger cancellations during CP7. We have assessed these revised forecasts and



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consider that they now set appropriately ambitious yet realistic expectations for train performance.

- 2.10 During CP7 we recognise that there will be pressures on train performance, from factors such as forecast increases in passenger demand, extreme weather events as a result of climate change and constrained funding. Despite these pressures, Network Rail's plans and our final determination are ambitious in targeting improved train performance, while being realistically deliverable. We are setting targets that would see the percentage of cancelled trains reduce from 3.7% to 3.2% and the percentage of trains running on time improve from 66.8% to 67.1%, both by the end of CP7.
- 2.11 However, our periodic review has highlighted uncertainty around whole network passenger performance expectations in future years. The business planning and budgeting cycles for Network Rail and the publicly contracted train operators in England & Wales are currently different which makes setting whole-industry expectations challenging. It means we do not have committed, medium-term plans for the contribution of these passenger train operators to performance – and so do not have the evidence required to assume a stretching contribution from them in our train performance trajectories for CP7. In our final determination we call for greater coherence in these planning processes. A joined-up approach to longer-term business planning is vital to ensure that the network and those running services over it deliver for passengers.
- 2.12 As a result of this, performance levels beyond the first year are more uncertain, and operator targets often reflect historic delivery. In addition, whole industry performance is affected by other external factors, such as changes in passenger demand following the Coronavirus (COVID-19) pandemic. Therefore, our final determination commits to reset passenger train performance measures and trajectories for England & Wales in advance of year 3 of CP7.
- 2.13 This two-year window provides an opportunity for Network Rail to work with operators and funders, to improve the industry processes for aligning longer term performance expectations. This reset will only apply to passenger train performance trajectories and not to freight train performance or other outcome measures from our final determination.
- 2.14 Given this uncertainty around passenger train performance trajectories in England & Wales, we consider that giving greater public visibility of key 'whole industry' leading indicators would provide for greater overall confidence in the direction of the rail network. Sharing such information, with supporting analysis, should show

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that the rail industry is collectively acting in ways that will improve medium and long-term outcomes for passengers and freight. As such, working with industry and government, we will start publishing additional 'whole industry' leading measures during CP7 that provide this insight.

- 2.15 For freight, commercial incentives to maintain good performance require greater certainty over the five-year period. After reviewing Network Rail's updated freight performance forecasts, we still consider there is room for additional improvement. We have maintained performance expectations at a similar level to our draft determination. We are setting freight cancellations at 1.3% (across England & Wales and also at 1.3% for Great Britain) for each year of CP7, which represents a reduction on current levels.
- 2.16 Recognising the importance of improving train performance and building on a similar scheme in CP6, we also conclude that £40 million should be reserved for a train performance improvement and innovation fund (PIIF). This can be funded through minor changes to Network Rail's strategic programmes of work. The fund is intended to kick-start collaborative, cross-industry solutions with the aim of improving train performance between train operators and Network Rail. We provide more information on our proposals for the CP7 PIIF in the [PR23 final determination: supporting document on sustainable and efficient costs](#).

## Success measures related to other HLOS priorities

- 2.17 In this section we set out our final decisions for success measures related to other HLOS priorities.
- 2.18 The England & Wales HLOS includes requirements regarding freight growth (freight net tonne kilometres moved) by setting an expectation that Network Rail's plans should include a stretching but realistic freight growth target.
- 2.19 We recognise there are a range of factors which influence rail freight growth, but that the network is a critical enabler. Setting a challenging baseline target for growth sends a positive signal to Network Rail, the industry and funders that we recognise the important role that the network can play in achieving broader economic and environmental outcomes from rail freight growth.
- 2.20 Network Rail's proposed freight growth forecast for England & Wales as a whole is 7.5%, with regional variation around this. We have accepted these forecasts as the basis for the CP7 baseline trajectories. We expect Network Rail to set out clear plans to work with the industry to achieve the baseline trajectories for freight growth, aligning with its long term strategy being developed for freight growth. See

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Annex B for our baselines in CP7 year 5 compared to those proposed by Network Rail during PR23.

- 2.21 The HLOS also sets requirements for Network Rail to improve environmental outcomes. We are setting the success measure baseline trajectories for Carbon Emissions (scope 1 and 2) of at least 20% reductions over CP7, noting that the Southern region has increased stretch in its forecast in response to our draft determination.
- 2.22 Based on the findings of an Independent Reporter review of Network Rail's regional forecasts that found that Network Rail is expected to outperform its updated forecasts, we will treat the Carbon emissions scope 1 and 2 trajectories as a minimum requirement for the levels of performance we expect in CP7.
- 2.23 For biodiversity (Biodiversity Units), Network Rail has also aligned its latest forecasts with our draft determination, where we adjusted Southern's forecasts to align with other regions' forecasts, as these did not include adequate stretch compared to other regions. Over the course of CP7 the biodiversity trajectory is for a 4% improvement overall. See Annex B for our baselines in CP7 year 5 compared to those proposed by Network Rail during PR23.
- 2.24 We present our final decisions for the Composite Sustainability Index (CSI), efficiency and financial performance success measures alongside our proposals on asset performance and sustainability and efficiency in Chapters 3 and 5, respectively, of this document.

## Accessibility of stations

- 2.25 Network Rail has an important role to play in delivering improvements to the accessibility of the network and providing assistance for passengers. Network Rail has confirmed that its plan and budget for CP7 include a commitment to existing accessibility requirements in law and licence, including built environment standards, staff training, and the provision of booked and unbooked assistance for passengers. We will continue to monitor compliance in these areas.
- 2.26 Network Rail has confirmed that it will complete fitment of tactile platform-edge marking across the network by April 2025, in accordance with Rail Accident Investigation Board recommendations. We will continue to monitor installation to the required standard.
- 2.27 Finally, the England & Wales SBP included a commitment to implement improved response times when there are faults with lifts and escalators and committed £22

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million for the renewal of lifts and escalators at Network Rail managed stations. We will work with Network Rail to develop appropriate measures, and a proportionate reporting framework, for CP7.

## 3. Asset performance and sustainability

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- 3.1 In this section we set out our final proposals on asset performance and sustainability for CP7. We provide more information on our final decisions in the [PR23 final determination: supporting document on sustainable and efficient costs](#). In the supporting document, we also provide a detailed summary, our analysis of stakeholder responses and an explanation of changes from our draft determination.

### Core asset renewals

- 3.2 The funding available means that, in comparison to CP6, Network Rail will undertake fewer renewals of core assets during CP7. Within each of its regions, Network Rail has sought to prioritise expenditure on renewals in a manner which is consistent with the UK Government's HLOS to support revenue generation while contributing to national and local growth priorities and levelling up. It refers to this as its 'market-led' approach.
- 3.3 We are satisfied that while the available funding requires Network Rail to prioritise its expenditure, this does not need to result in undue concerns for the safety of assets or performance during CP7, if risks are fully assessed and managed. We acknowledge that the funding does not allow Network Rail to take the lowest whole life cost approach to managing railway infrastructure. Network Rail estimates that returning to lowest whole life cost approaches could take until at least CP11 and could cost from £9 billion to £12 billion above current funding levels.
- 3.4 Our draft determination identified that Network Rail's February 2023 SBP had not sufficiently prioritised the needs of some core assets in each of its regions.
- 3.5 In response to our draft determination proposal, Network Rail has committed to approximately £540 million of additional expenditure on core renewals. We have reviewed the effective volumes and asset types that Network Rail proposes to target its additional expenditure on and the associated assurance provided by its Technical Authority. We are satisfied that the additional expenditure it now proposes on core assets supports asset sustainability to deliver the better safety and, ultimately, train performance outcomes we want to see. It also takes into account Network Rail's forecast under-delivery on renewals during CP6.
- 3.6 Consequently, Network Rail intends to spend approximately £17.6 billion in England & Wales on asset renewals during CP7, which includes allocation of renewals for National Functions. This is approximately 6% less than in CP6. Expenditure on core renewals is planned to be £15 billion, which is just under 10% less than in CP6, while expenditure on maintenance is planned to increase by

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approximately 7% to £10.3 billion. See Table 3.1 for Network Rail's proposed expenditure on operations, support, maintenance and renewals during CP7.

- 3.7 Core renewals covers: track, off-track, signalling, level crossings, earthworks, drainage, buildings, electrification and fixed plant, and telecoms. The difference between expenditure on total renewals and core renewals is due to expenditure on European Train Control System (ETCS), National Functions projects and other capital spend, e.g. facilities and plant such as on-track machines and fleet support.
- 3.8 Direct expenditure is incurred by each of Network Rail's regions for the activities each delivers. Allocated expenditure is incurred by Network Rail's National Functions for activities that support the delivery of regional outputs and the running of Network Rail as a whole. This expenditure is apportioned to Network Rail's regions.

**Table 3.1 Changes in Network Rail's proposed OSMR expenditure in England & Wales during CP7 in comparison to CP6**

	CP7 direct expenditure (£ billion, 2023-24 prices)	CP7 allocated expenditure (£ billion, 2023-24 prices)	CP7 total expenditure (£ billion, 2023-24 prices)	Change in total expenditure compared to CP6 (%)
<b>Operations</b>	3,911	-	3,911	8%
<b>Support</b>	1,568	3,012	4,580	-14%
<b>Maintenance</b>	9,744	509	10,253	7%
<b>Renewals</b>	14,599	2,987	17,586	-6%
<i><b>Of which core renewals</b></i>	14,597	434	15,031	-10%
<b>Industry costs, rates, &amp; traction electricity</b>	-	6,180	6,180	42%
<b>Risk provisions</b>	-	500	1,501	N.A.
<b>Electricity for Traction (EC4T) income</b>	-	- 4,496	- 4,496	59%
<b>Total expenditure less EC4T</b>	29,822	8,692	38,514	-1%

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- 3.9 We welcome Network Rail's commitment to additional expenditure on core assets. However, it has not yet confirmed how this will be fully funded during CP7. Our draft determination identified expenditure on some projects and programmes that we considered was higher than necessary during CP7. We identified opportunities to release funding which could be reallocated to core renewals. In its response to our draft determination, Network Rail has committed to pursuing some of our proposed options. However, these are insufficient to fund all of its additional core renewals expenditure and other increases it has identified in its overall cost base (which are driven principally by rising inflation, see Chapter 5). Network Rail's current plan for CP7 covers this approximately £600 million difference between the expenditure in its plan and its income using a financial overlay.
- 3.10 Core renewals and maintenance included in Network Rail's latest CP7 plan and our final determination need to be protected during CP7. It is for Network Rail to decide how it will prioritise its wider activities to fund this, but we expect this to be explained in its CP7 delivery plan. Our final determination identifies options that Network Rail could pursue to fund its additional core renewals (with further detail provided in our [PR23 final determination: supporting document on sustainable and efficient costs](#)). These options would release up to £1.2 billion in CP7, of which approximately half would be required for the additional expenditure on core renewals.

## Composite Sustainability Index

- 3.11 Network Rail has provided updated Composite Sustainability Index (CSI) forecasts which reflect the reallocations of expenditure presented in this final determination. We have used these forecasts for our final baseline trajectories for CSI. Since our draft determination and Network Rail's commitment to additional expenditure on core renewals, Network Rail's forecast decline in CSI over CP7 has improved from -3.1% to -2.5%. See Annex B for our proposed baselines in CP7 year 5 compared to those proposed in Network Rail's SBP.

## Allocation of costs to Network Rail Scotland

- 3.12 Network Rail's plan includes expenditure for renewing conventional signalling assets to the European Train Control System (i.e. digital signalling or ETCS). We have discussed the treatment of central ETCS costs with Network Rail Scotland, Transport Scotland and DfT. As Network Rail Scotland is not proposing to carry out infrastructure renewals using ETCS in CP7, it will therefore only contribute to funding some enabling projects (£10 million), and some Research, Development & Innovation (RD&I) projects (in total £10 million), that benefit the whole network. Network Rail Scotland will not contribute to other central costs that Network Rail incurs for digital signalling deployment, unless and until it agrees to the adoption of

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ETCS in its 'Signalling Scotland's Future Strategy'. These costs will be logged and will be allocated to Network Rail Scotland in the future.

- 3.13 For the allocation of costs for High Output (a set of machinery which enables track renewals activity to be conducted mechanically) and Project Reach (a project that aims to use the rail corridor as a route for cabling), we will take broadly the same approach as for ETCS. This means that all High Output costs are allocated to England & Wales in our final determination for CP7, because Network Rail Scotland is not planning to use High Output in CP7. All Project Reach costs are allocated to England & Wales because Transport Scotland has stated during PR23 discussions that it does not want the project to be deployed in Scotland.

## Procurement

- 3.14 Each of Network Rail's regions is taking a bespoke approach to procurement which allows each to adapt to its own challenges and priorities while also fostering innovation. We have received assurance from the regions that they are finalising contracts and embedding new operating models in 2023, to ensure these are stable and ready to start delivering efficiently from April 2024. For example:
- Wales & Western has procured buildings & civils, and electrification & plant frameworks and has awarded development contracts for years 1 and 2 of CP7 for these categories. The remaining contractual arrangements to deliver telecoms and reactive buildings and civils works are in procurement stages.
  - The two main routes to market for the Eastern region will be through the Eastern Routes Partnership (ERP) and the Reactive and Small Schemes Framework (R&SS). The initial term of the ERP is five years (plus a two-month mobilisation) with an option to extend the ERP by yearly increments; this is currently being procured.
  - The North West & Central region has split its procurement into two phases. Phase 1 covers Minor works, reactive response and traditional renewals. It is currently being procured with contract award planned for January 2024. Phase 2 covers Major Schemes. It is also currently in procurement with a scheduled award date of February 2024.
  - The Southern Region has established its Southern Integrated Delivery framework.



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- Route Services has large procurements ongoing relating to materials and new rail delivery fleet trains. It is also procuring the National Train Control Systems framework with an award planned before the start of CP7.

3.15 We intend to monitor and benchmark Network Rail's delivery frameworks during CP7 and assess effective integration of suppliers, including small and medium-sized enterprises.

## 4. Health and safety

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- 4.1 A key consideration for our final determination is whether Network Rail's plan allows it to continue to operate safely and in line with its legal requirements. It is not ORR's responsibility in the periodic review to determine what is reasonably practicable or advise Network Rail how it should meet its legal obligations.
- 4.2 In this section, we summarise our final determination conclusions regarding health and safety. We provide more information on our conclusions in the [PR23 final determination: supporting document on health and safety](#). In the supporting document, we also provide a detailed summary, our analysis of stakeholder responses and an explanation of changes from our draft determination.
- 4.3 Our draft determination identified that Network Rail had not demonstrated sufficient mitigations to manage the increase in risk posed from a limited set of core assets. We recommended that Network Rail mitigates the main vulnerabilities we identified by increasing its expenditure on core renewals. We consider that the additional core renewals Network Rail has committed to in its response to our draft determination (described in Chapter 3 on asset performance and sustainability) will address the main vulnerabilities identified.
- 4.4 Although Network Rail's updated proposals commit to additional expenditure on core renewals, the available funding means it must still conduct fewer renewals and more maintenance during CP7 in comparison to CP6. Consequently, in our draft determination we asked Network Rail to provide further evidence to demonstrate:
- how it will manage the change in risk profile that arises from conducting fewer renewals; and
  - that its proposed maintenance plans are sufficient to support the increased demand on its maintenance function. This is compounded by issues such as: the need to implement the recommendations made in reports by Lord Mair and Dame Slingso on managing rail infrastructure in more frequent extreme weather; increased freight traffic; managing risks posed by ash dieback and any backlog from industrial action during 2022 and 2023.
- 4.5 Network Rail's response to our draft determination describes how it is using a documented and structured methodology in its regions and functions to review plans and determine whether they include adequate risk controls. Network Rail has demonstrated how its application has resulted in changes and improvements

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to its original CP7 plans. It has also used the methodology to conduct a national assessment of the asset groups most affected by the reduction in renewals during CP7 (i.e. earthworks, track, structures and operational property). We are satisfied that this approach addresses the concerns expressed in our draft determination and that it has the capability to identify the best means to safely manage risks so far as is reasonably practicable.

- 4.6 Network Rail has also demonstrated that its maintenance plans are sufficient to support the increased demand on its maintenance function during CP7. The success of Network Rail's proposed approach is reliant on implementing its 'Modernising Maintenance' programme without losing knowledge, capability and expertise in many asset safety areas and safety specific advisory roles. We are supportive of this programme and have received assurance from the Technical Authority and each of Network Rail's regions that it will be embedded for the start of CP7.
- 4.7 Our draft determination also identified specific recommendations for Network Rail's proposed health and safety programmes during CP7. In response, Network Rail has provided better information to demonstrate how its strategic objectives for employee occupational health, asbestos management, fatigue and track worker safety programmes will be delivered.
- 4.8 Although we are satisfied with Network Rail's progress on risk assessment, maintenance planning and plans for delivering its health and safety programmes at this stage in the PR23 process, before the start of CP7 we require further assurance of how it will deliver on its safety obligations in these areas.
- 4.9 The delivery plan should also provide credible plans for delivering priority programmes for safety management. This includes: Route Services' infrastructure monitoring programme, the electrical safety delivery programme (ESD), digital signalling and competence assurance. These areas are fundamental to Network Rail managing its network safely and complying with its legal obligations.
- 4.10 Earthworks and associated drainage failures can have catastrophic consequences, for example the Carmont derailment. Network Rail has responded to the concerns raised in our draft determination regarding its proposals on earthworks and drainage and how it will implement the action plans developed following the reports from Lord Mair and Dame Slingso. Specifically:
- It commits to sufficient additional expenditure on earthworks. We expect this expenditure to be protected during CP7, as described in Chapter 3 on asset performance and sustainability.

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- All regions have committed to significantly increasing their resources for drainage management and have stated their commitment to continue to deliver the action plans developed following the reports by Lord Mair and Dame Slingo. Some have elected not to adopt the specific model for dedicated drainage teams suggested in Lord Mair's report. We do not consider dedicated drainage teams to be mandatory and will closely monitor Network Rail's progress on drainage management during CP7 with a focus on whether its actions are resulting in improved outcomes.

4.11 In summary, we are satisfied that Network Rail has addressed the main health and safety challenges we identified in our draft determination. Network Rail must continue to assess and manage its risk exposure throughout CP7. We will also monitor risk exposure during CP7 through our monitoring and inspection.

## 5. Efficiency, headwinds, tailwinds, general inflation and input prices

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- 5.1 In this section we set out our final determination decisions on efficiency, headwinds and tailwinds, general inflation and input prices. We provide more information on our conclusions in the [PR23 final determination: supporting document on sustainable and efficient costs](#).
- 5.2 In the supporting document we also provide a detailed summary and our analysis of stakeholder responses, and explanation of changes from our draft determination. That document also summarises the financial adjustments that we make to pre-efficient spend in England & Wales, following our review.

### Efficiency

- 5.3 One of our core objectives for PR23 is to encourage Network Rail to deliver as efficiently as possible. Network Rail's SBP suggests that it can deliver approximately £3.7 billion of efficiency improvements across Great Britain in CP7, including at least £3.2 billion from its activities in England & Wales under the risk-adjusted plan. We consider that the initiatives Network Rail has identified to deliver efficiency improvements in CP7 are reasonable at this stage in the planning cycle. While there are some areas of stretch, we consider this is also reasonable at this point.
- 5.4 Taking account of this analysis, and the feedback through the consultation process, we have decided that an efficiency challenge of at least £3.2 billion on the risk-adjusted plan is stretching but realistic for England & Wales in CP7 and we use the associated regional figures to set our efficiency success measure baseline trajectories (see Annex B).
- 5.5 Our assessment is informed by a range of information, such as targeted assurance reviews, benchmarking, evidence from our ongoing CP6 monitoring and comparisons with other regulated network industries. We have also reviewed the specific initiatives Network Rail proposes to deliver its target of at least £3.2 billion. We present our assessment in full in the [PR23 final determination: supporting document on sustainable and efficient costs](#).

## Headwinds and tailwinds

- 5.6 Headwinds are unplanned cost increases due to external factors, largely beyond Network Rail's control, making them difficult to plan for. Tailwinds are unplanned cost decreases due to external factors. Like headwinds, by their nature, tailwinds are difficult to plan for as they are a response to factors largely beyond Network Rail's control. Network Rail has not identified any material tailwinds.
- 5.7 In Network Rail's latest forecast, headwinds in England & Wales have reduced since the SBP to £0.3 billion. Based on our discussions with Network Rail, and challenge at draft determination, we accept Network Rail's revised forecast headwinds for CP7.
- 5.8 Network Rail's SBP does not include any assumed tailwinds in CP7. On balance, we consider that Network Rail's forecast headwinds less tailwinds adequately addresses our concern about the lack of identified tailwinds. Therefore, we do not propose to make any further adjustment to our assessment of efficient costs in relation to headwinds less tailwinds.

## Input prices and general inflation

- 5.9 We use two categories for examining the effects of inflation on Network Rail's business: general inflation, as measured by CPI; and input price inflation, which relates to the specific basket of goods that Network Rail purchases such as steel and concrete. In Network Rail's view, its input price inflation has typically been around one percentage point per year higher than general inflation over recent years.
- 5.10 Forecast CPI inflation in CP7 has increased since the November 2022 Office of Budget Responsibility's (OBR's) forecast of CPI which formed the basis of the SBP. Network Rail's latest forecast, which is based on the May 2023 Bank of England CPI forecast, has increased general inflation costs from the SBP by approximately £1.4 billion in England & Wales which we have accepted. But, total OSMR expenditure is £1.5 billion lower than the SBP because there is also £0.1 billion of lower income, which reduces the expenditure which is possible in CP7.
- 5.11 The increase in CPI inflation (using the May 2023 Bank of England forecast) relative to our draft determination is £0.8 billion. This is because the draft determination already accommodated the £0.6 billion increase in inflation between the SBP (which used the November 2022 OBR forecast) and the March 2023 OBR forecast.

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5.12 Network Rail has also proposed an additional £0.4 billion cost increase on its input prices due to a 'lagged inflation' effect taking Network Rail's total input price inflation to £1.7 billion compared to £1.3 billion at SBP. In its draft determination response, Network Rail provided additional evidence to support its view on input prices and the lag effect. We have not been fully persuaded by the full extent of Network Rail's proposed adjustment to input prices. Nevertheless, from our analysis since the draft determination we consider that a greater allowance for input price inflation is reasonable and we have increased the input price adjustment for England & Wales by £0.3 billion to £1.0 billion in our final determination as explained in the [PR23 final determination: supporting document on sustainable and efficient costs](#). Our final determination position is £0.7 billion below Network Rail's view of £1.7 billion of input price inflation in CP7.

## 6. Other sources of income

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- 6.1 In this section we set out our conclusions on ‘other income’. Other income refers to income that Network Rail receives from sources other than track access charges and network grant. Other income largely comprises income from Network Rail’s properties and from other smaller activities such as stations and depots, leasing stations and facility charges.
- 6.2 We provide more information on our assessment and conclusions in the [PR23 final determination: supporting document on other income](#). In the supporting document we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination.
- 6.3 It is important for Network Rail to generate an efficient level of other income as this reduces the level of funding that the company requires from track access charges and network grants.
- 6.4 Network Rail, in its response to our draft determination, is forecasting £4.0 billion of other income in CP7 across Great Britain. This is £0.6 billion (13%) lower than in CP6, largely due to reduced property sales income. This forecast includes £3.7 billion of other income in England & Wales. Network Rail has accepted the additional property £90 million income challenge that we set in our draft determination for England & Wales.
- 6.5 Overall, our assessment is that the other income forecast across Great Britain should be £4.1 billion in CP7 as further detailed in our supporting document.



## 7. Risk funding

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- 7.1 In this section we set out our conclusions related to Network Rail's CP7 risk fund. We provide more information on our conclusions in the [PR23 final determination: supporting document on sustainable and efficient costs](#). In the supporting document we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination.
- 7.2 As described in the introduction to this document, Network Rail intends to deliver its risk-adjusted plan. At the time of our draft determination, this plan contained £2.0 billion of cash risk funding. To this we added a further £0.15 billion following other financial adjustments to the SBP to provide a risk fund for England & Wales of £2.15 billion. In its response to our draft determination, Network Rail nets off the impact of subsequent increases in forecast inflation and a proportion of its view of input prices to achieve a £1.5 billion risk fund.
- 7.3 We conclude that the £2.15 billion risk fund that we reserved at the draft determination must now also account for the latest forecast impacts of general inflation (£0.8 billion) and our view of input prices (£0.3 billion) since the draft determination. This results in an approximately £1.1 billion fund.
- 7.4 During CP6 Network Rail had a £2.7 billion cash risk fund but spent only approximately £1.3 billion of this on managing financial risks, e.g. due to train performance; extreme weather; and inflation. We consider that a £1.5 billion risk fund should be reasonable in CP7, if it is governed effectively.
- 7.5 Network Rail can secure a risk fund of £1.5 billion by reallocating approximately £0.4 billion from the £1.2 billion of opportunities we have identified in our final determination. We refer to these opportunities in Chapter 3 of this overview document and describe them more fully in our supporting document.
- 7.6 Effective use and governance of risk funding will be supported by a set of principles which Network Rail has agreed with us, the Department for Transport and HM Treasury since the publication of our draft determination (see Chapter 10 on the Financial Framework). These principles set restrictions on what risk funding can and cannot be used for, how it is incorporated into Network Rail's plan and how Network Rail should engage with stakeholders and report on how it is used.

## 8. Affordability and Funding

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- 8.1 We are required by the Railways Act 1993 to decide whether the HLOS for England & Wales can be afforded with the funding made available to Network Rail for England & Wales in the SoFA.
- 8.2 The available funding and the impacts of inflation pose challenges for Network Rail during CP7. However, we do not expect that its total expenditure requirement for England & Wales would exceed the funding in the SoFA. As such, we consider that the Secretary of State's HLOS is affordable.
- 8.3 In Annex A, we set out the income and expenditure Network Rail proposed in its plans for England & Wales and Great Britain during CP7. In Annex C we set out how we consider Network's Rail's plans for England & Wales, including any conclusions in our final determination, deliver on the UK Government's HLOS.
- 8.4 We conclude that Network Rail can fully fund its additional £540 million of core renewals and a £40 million performance improvement and innovation fund. As described in Chapter 7 on risk funding, we also conclude that Network Rail should reserve a £1.5 billion risk fund for CP7. However, after accounting for general inflation and our view of input prices, the risk fund would be approximately £1.1 billion in size. Network Rail can fund the additional core renewals, the performance improvement and innovation fund and create a reasonable risk fund from a proportion of the approximately £1.2 billion of opportunities we have identified for reducing expenditure (and which are described in our [PR23 final determination: supporting document on sustainable and efficient costs](#)).

## 9. Access charges and incentives

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9.1 In this section we set out our final determination policies for access charges and incentives. We provide more information on our conclusions in the [PR23 final determination: policy position on access charges](#) and [PR23 final determination: policy position on the Schedules 4 and 8 incentives regimes](#) documents. In these supporting documents we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination.

### Access charges

9.2 Around a third of Network Rail's income comes from regulated access charges. As part of PR23, we determine the specific charges that train operators will pay to Network Rail for use of its track and stations during CP7.

9.3 We [concluded on the structure of Network Rail's charges](#) in autumn 2022. We confirmed that we would largely retain the existing charging framework in its current form, while making a limited number of changes to simplify this framework. This framework applies across the national rail network, in both England & Wales and Scotland.

9.4 Our final determination concludes on the outstanding issues related to access charges which we summarise below. Firstly, for passenger operators:

Policy position	Description
<b>VUC rates for passenger operators will remain fully cost-reflective</b>	Our draft determination indicated that VUC rates for passenger operators would rise by 7% between CP6 and CP7. The updated recalibration indicates that they will now rise 3% to account for a lag in reflecting actual inflation in CP6 charges. Thereafter, they remain flat in real terms.

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Policy position	Description
<b>The infrastructure cost charge (ICC) for open access operators providing inter-urban services will be held constant in real terms at £5 per train mile</b>	The ICC ensures open access operators continue to contribute to Network Rail's fixed cost recovery through an infrastructure cost charge. A charge of £5 per train mile is based on our assessment of what level of ICC interurban services can bear, and consideration of our wider statutory duties. Holding this charge broadly constant in real terms also provides a stable long-term signal about the cost of operating. It also supports greater access on relevant parts of the network without discouraging prospective new services elsewhere.
<b>We introduce an ICC for open access services to major airports at a rate of £5 per train mile</b>	Our draft determination explained that we were considering an ICC for open access services to major airports and that we would consult on our proposals. Our final determination confirms our decision to include an airport services market segment. We have concluded on an ICC rate of £5 per train mile using a methodology consistent with the approach for inter-urban services.

9.5 Secondly, for freight operators:

Policy position	Description
<b>Variable usage charge (VUC) rates will continue to be capped below cost-reflective rates for freight and charter operators</b>	<p>We will keep increases in the VUC rates for freight and charter operators on the trajectory set at PR18. This approach is consistent with the way that freight growth projections have been developed for CP7, while ensuring that rates move closer towards being fully reflective of the costs of the use of the network (as required by relevant legislation). The annual increase in freight charges will be 3.3% per year in real terms.</p> <p>Full cost-reflectivity would result in freight operators paying approximately £33 million more in VUC payments over the course of CP7 than in CP6. We estimate that around £32 million of this £33.1 million difference relates to income for England &amp; Wales.</p>

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Policy position	Description
<b>Existing ICCs for commodities will reduce or be held constant in CP7</b>	The ICC for electricity supply industry (ESI) coal, iron ore and spent nuclear fuel will reduce in CP7. The ICC for biomass will be maintained in real terms. Our draft determination did not include a proposed ICC rate for spent nuclear fuel because Network Rail was still calibrating its fixed cost model. Network Rail's subsequent assessment resulted in a significant increase in fixed avoidable costs for this commodity. This significant increase was not consulted on in our draft determination and its accuracy and justification have not been tested with industry. Therefore, for CP7 we cap the ICC for spent nuclear fuel at the level indicated in our draft determination, which is about half the rate for the final year of CP6. The total savings for freight operators from the reduction in ICCs for ESI coal and iron ore and spent nuclear fuel is approximately £12 million over CP7.

9.6 Our full set of final decisions for Network Rail's access charges is set out in our [PR23 final determination: policy position on access charges](#).

9.7 In July and August 2023, Network Rail published draft price lists for access charges, using updated assumptions following some decisions which affect the level of charges, such as in respect of Network Rail's proposed spending on maintenance and renewals during CP7. Network Rail must now update its price lists and publish final versions consistent with the conclusions in our final determination in December 2023.

## Incentives

9.8 Network Rail's possessions and performance regimes (Schedule 4 and 8 respectively) compensate train operators for financial impacts arising from planned and unplanned service disruption. Schedule 4 places incentives on Network Rail to plan possessions efficiently to minimise disruption, and Schedule 8 places incentives on Network Rail and train operators to limit the disruption they cause and therefore to improve network performance.

9.9 As part of PR23, we have been reviewing the framework for these regimes. In October 2022, we published our [Schedules 4 & 8 conclusions](#) on the framework for the regime in CP7, which also included a consultation on outstanding matters. Overall, we have concluded that the frameworks for Schedules 4 and 8 should not significantly change in PR23, as set out in our October 2022 conclusions document.

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9.10 The final determination presents our conclusions on outstanding matters, and provides updates on recalibration. This can be found in our [PR23 final determination: policy position on the Schedules 4 and 8 incentives regimes](#) document.

9.11 Key policy conclusions are as follows:

Policy position	Description
<b>We are updating Schedule 8 benchmarks and payment rates for all passenger and freight operators</b>	Schedule 8 benchmarks and payment rates will reflect updated evidence on performance and revenues. In the freight sector, our final determination recognises that there is uncertainty in whether freight operators will be able to consistently return performance to levels seen in the regime's recalibration period. We will therefore implement an adjustment to the freight operator benchmark so that it is set midway between the PR18 and PR23 recalibrated levels.
<b>We commit to resetting passenger Schedule 8 benchmarks and payment rates in advance of year 3 of CP7</b>	The reset is consistent with our approach to train performance success measures. The approach recognises the difficulties in accurately forecasting whole industry passenger train performance due to the misalignment of the business planning cycles for Network Rail and the publicly contracted train operators and factors such as changes in passenger demand following the COVID-19 pandemic.
<b>We will implement a transition in the reduction to lower Network Rail Schedule 8 payment rates (to an average reduction of approximately 45%)</b>	Our draft determination indicated that we expected Network Rail payment rates to be significantly lower in CP7. In response to industry concerns about the size of the reduction in the draft results, our final determination introduces a transitional adjustment to lower payment rates. This approach recognises that there are margins of error in the estimation methodology and avoids introducing unintended consequences by implementing the full reduction in payment rates in a single step. We will look again at evidence and effects observed over the initial periods of CP7 when undertaking our mid-control reset of passenger performance trajectories and the incentive regime.

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Policy position	Description
<b>We will allow for the removal of Schedule 8 payments between Great British Railways and its contracted operators</b>	The removal of Schedule 8 payment between Great British Railways (GBR) and its future operators will be allowed if GBR is formed and there is a sufficiently robust incentive regime in place (such as powers to hold GBR to account for whole-industry performance).
<b>We have allowed train operators to opt out of Schedule 4</b>	We presented operators with this option in August 2023. Operators which opt out will not pay an access charge supplement and will not receive Schedule 4 compensation. We intend to enhance our monitoring and reporting of Network Rail's performance on network availability so that it is adequately incentivised to manage possessions effectively.

9.12 Parameters from the recalibrations have been released and approved in a phased way since May 2023. This process will conclude in November 2023.

### Impact on freight operators

- 9.13 Our final determination policies balance the UK Government's objective to grow freight over CP7 with our statutory duties, including to: promote improvements in service; use of the network; enable railway users to plan their businesses with a reasonable degree of assurance; and have regard to the funds available to the UK Government.
- 9.14 We will continue to cap charges for freight operators, meaning that they will continue to benefit from subsidised access to the network during CP7 (with charges continuing on the trajectory set in CP6). While the regulatory framework requires that charges are ultimately cost-reflective, this will not be until the next control period, CP8. The freight growth target for CP7 is consistent with the freight capping of the variable usage charge set in our determination.
- 9.15 We recognise the increase in freight variable usage charges will impact on freight operators across Great Britain by around £42 million but compared to the increase in charges that would have been required to achieve cost recovery, our policy saves £33 million. In the case of the electricity supply industry coal and iron ore, there is a saving of around £1 million due to our offsetting rises in the VUC by capping the ICCs for these commodities. Furthermore, our decision to cap the increase in spent nuclear fuel ICC rates results in savings of around £11 million

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over CP7 compared to what would have been paid at CP6 rates. The combined ICC saving amounts to around £12 million over CP7. The increase in VUCs and the relative decrease in ICCs results in a net increase in freight charges across Great Britain of around £30 million over CP7.

- 9.16 We have also taken a proportionate and incremental approach to the freight performance regime, updating the relevant benchmarks and thresholds based on the latest evidence. The incentive regimes are intended to be financially neutral on expectation in respect of performance benchmarks, so we have aimed to reset the regime to make it financially neutral in CP7. We have adjusted the freight operator benchmark due to uncertainty about whether freight operators would be able to achieve performance at the level of the recalibrated draft benchmark.



## 10. Financial framework

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- 10.1 We consulted on Network Rail's CP7 financial framework in December 2022. We reviewed the responses and in our draft determination we decided to retain most features of the existing CP6 financial framework.
- 10.2 More detailed information relating to all our decisions on Network Rail's CP7 financial framework can be found in our [PR23 final determination: policy position on the financial framework document](#). These are set out in our conclusions below, including our final decisions on cost of capital and cost of debt values.
- 10.3 Network Rail recovers a proportion of its fixed costs through direct network grants from funders, which is in lieu of fixed track access charges (FTACs) paid by passenger operators on concession-style agreements. We have obtained confirmation of the level of network grant payments from funders and are discussing with Network Rail and funders the profile of the payments. Network Rail's Schedule of Fixed Charges will be set to be consistent with this and the expenditure profile. Written confirmation of finalised network grant documentation (including payment amounts) will be submitted to ORR by December 2023.
- 10.4 Our draft determination indicated that we would seek to strengthen Network Rail's protection against an unexpected shortfall in network grant funding compared to the provisional amounts set out in our determination (should this ever occur). We consulted on this in July, in our [consultation on changes to model access contracts](#). Specifically, we proposed to amend the existing network grant dilution provisions in Schedule 7 of operators' track access contracts. Amended grant dilution provisions, which reduce timescales from three months to one month, will be included in our December review notices.
- 10.5 This would shorten the delay between any shortfall in grant funding occurring and an increase in FTAC payments. Our final determination confirms this decision. Our financial framework policy position document explains why we consider this would be achievable within one month. It also explains that the industry would in practice have more than one month's notice of a grant dilution event. We also confirm that, if a grant dilution event is necessary at the beginning of CP7, we will make industry aware three months in advance of the start of the control period.
- 10.6 Given the increased complexity of the financial risks that Network Rail is likely to have to manage in CP7, we intend to increase our scrutiny and transparency of its

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management of financial risks in CP7. Network Rail has agreed to improve the visibility for key stakeholders of how it uses its risk fund.

- 10.7 While cost of capital and cost of debt are not necessary components of our PR23 determination of revenue requirements for CP7, the values and our approach to them are relevant for some contractual purposes such as calculating facility charges payable by third parties who have promoted enhancements financed by the governments through Network Rail.
- 10.8 Since our draft determination we have reviewed the weighted average cost of capital (WACC) values proposed for CP7 in our draft determination to take account of any material changes in capital markets ahead of our final determination. Our view is that in CP7, the real CPI inflation adjusted, pre-tax WACC for Network Rail is 3.98% and that the real pre-tax cost of debt for Network Rail is 2.33%. In CP6 these values were 4.15% and 2.45% (in CPI real terms).
- 10.9 The nature of Network Rail's business comprises large capital expenditure programmes as well as the operation and maintenance of the network for a five-year period in return for relatively fixed funding. During CP6, the UK Government allowed for a degree of budgetary flexibility within the five-year period. This allowed some funding to be rolled over from one year into another. We consider this flexibility supports stable business planning and management of uncertainties. While not a matter for ORR to decide, we welcome HM Treasury's decision to maintain the budgetary flexibility applied in CP6 during CP7.

# 11. Managing change

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- 11.1 Together with our holding to account policy, as well as our regular monitoring and reporting of Network Rail's delivery against its agreed plans, our managing change policy is an integral part of how we ensure a robust regulatory framework. The policy allows for appropriate changes to be made in a transparent manner, providing us with an early sight of the proposed changes and an opportunity to understand the implications of them, and facilitating engagement and collaboration with stakeholders and funders.
- 11.2 In July 2022 we consulted on our PR23 policy framework, which included the future of the managing change policy. Stakeholders were broadly supportive of continuing to use our managing change policy, and we consulted in our draft determination on an improved and updated policy for CP7.
- 11.3 We are now setting out our final CP7 managing change policy in full in our [PR23 final determination: policy position on managing change](#) document.
- 11.4 Having considered stakeholder feedback, we have introduced further clarifications into the policy. The overall approach remains largely as we consulted on in June 2023, although we have introduced a new approach to managing changes to risk funding which incorporates the principles we have agreed with Network Rail, DfT and HM Treasury for using risk funding (explained further in the table below). In our [PR23 final determination: policy position - Stakeholder views for Managing Change and Holding to Account](#) document, we provide a summary of stakeholder responses and an explanation of changes from the draft determination version of the policy.
- 11.5 Our final policy for CP7 includes three main changes in comparison to the current policy, which is in effect during CP6:

Policy position	Description
<b>Consolidating the levels of change and renaming them</b>	In the CP6 policy, there are four 'levels' of change, which we have consolidated to three levels in the updated policy:  <b>Notified Changes</b> will be less significant changes. Network Rail must notify ORR after the change has been made via a periodic submission change log. This is

Policy position	Description
	<p>equivalent to the existing level one change in the current policy.</p> <p><b>Consulted Changes</b> will be more significant changes. Network Rail must notify us before making the change. This will allow us to publish an opinion and notify funders. This merges level two and level three changes in the current policy.</p> <p><b>Exceptional Changes</b> are consulted changes which risk undermining the settlements for Network Rail’s business units. Network Rail must consult ORR before making these changes. This allows us to add conditions or direct Network Rail not to make the change. This is consistent with the current policy.</p> <p>We have also added a new category of change relating to risk (see below).</p>
<b>Change control process for measures in the CP7 outcomes framework</b>	<p>We have extended the scope of the managing change policy so that it will apply to changes to: headline success measure baseline trajectories; definitions or calculation methodology of headline success measures; addition or removal of headline success measures; supporting measure forecasts, definitions or calculation methodologies; and addition or removal of a supporting measure.</p> <p>Changes to supporting measure forecasts will be classified as notified changes. All other changes will be consulted or exceptional changes.</p> <p>We only expect to make changes to success measure baseline trajectories where there is a material change of circumstances. This will be for those changes which are unforeseen in Network Rail’s forecasts or the baseline trajectories set in our determination, are likely to be outside of Network Rail’s control, and will lead to a sustained change in expectations for the relevant success measure in future years.</p>

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Policy position	Description
<b>A new approach to managing changes to risk funding</b>	<p>Since we consulted in June, ORR, Network Rail, HM Treasury and DfT have agreed new principles around how risk funding should be managed in CP7.</p> <p>We have incorporated these principles into the Managing Change Policy – the policy now requires Network Rail to act in accordance with the principles when making changes to its risk funding. This avoids overlap and duplication and provides a strong governance framework for risk funding.</p> <p>Risk funding changes are therefore now designated as a separate category of Relevant Change, and do not follow the processes for Notified, Consulted or Exceptional Changes.</p>

## 12. Holding to account

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- 12.1 Our holding to account policy sets out how we hold Network Rail to account for delivery of the commitments in our PR23 final determination and the obligations in its network licence. It also explains how we will monitor performance, escalate and investigate potential issues and, where necessary, take enforcement action. In doing so we seek to secure the best possible outcomes for passengers, freight customers, funders and taxpayers across the network.
- 12.2 The [PR23 final determination: policy position on holding to account](#) is published as a separate document. In our [PR23 final determination: policy position - Stakeholder views for Managing Change and Holding to Account](#) document we provide a combined view of our final position and a summary of responses for the policy.
- 12.3 We consulted on a draft CP7 holding to account policy in April 2023 and our approach to not make significant changes to the underlying principles, tools and approach to the existing policy, reflected that we consider them fit for purpose in the current context.
- 12.4 Stakeholders were broadly supportive of our consultation proposals and as such, we have not made material changes to our draft policy as we consider it is appropriate. However, we have provided further clarity in the final policy where stakeholders have requested it.

## Annex A: Network Rail's proposed CP7 income and expenditure

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- A.1 The following tables set out the income and expenditure Network Rail proposed in its plans for England & Wales and Great Britain during CP7. They are representative of the risk-adjusted plan and we expect some smoothing of the renewals profile into the last two years of CP7 to be confirmed in Network Rail's delivery plan.
- A.2 The majority of operations costs relate directly to staff numbers. Operations costs are forecast to increase in comparison to CP6. Most of the increase is due to Network Rail's strategic decision made in CP6 to fill signaller vacancies (which historically have typically run at approximately 10% in places, with the vacancy gaps filled using overtime and rest day working) and for additional resources to support new or upgraded railway operations, including the Elizabeth Line.
- A.3 Support costs varied during CP6. There was an increase in support costs firstly with devolution to the regions under 'Putting Passengers First', and then the one-off costs of the pandemic. Towards the end of CP6, support costs decreased as the management modernisation initiative reduced headcount. Support costs are forecast to decrease in comparison to CP6. This is due in part to lower headcount following the delivery of Network Rail's Modernising Maintenance programme.
- A.4 Maintenance costs are forecast to increase and renewals are forecast to decrease in comparison to CP6. This is because the constrained available funding for CP7 means that Network Rail will be spending less on renewals and more on maintenance to manage asset sustainability, safety and performance.
- A.5 The tables below include adjustments to Network Rail's proposed OSMR expenditure in CP7. We do not expect these financial adjustments to affect Network Rail's delivery of outputs in CP7. These 'OSMR adjustments' total £1,121 million in Great Britain, of which £1,010 million is in England & Wales and £111 million is in Scotland.

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A.6 In its draft determination response for England & Wales, Network Rail proposed to hold £1.0 billion of its £1.7 billion input price forecast (which goes across the cost lines in its plan) in the risk fund. It has not yet decided how it will do this. This means we cannot show the numbers in the table net of Network Rail's adjustment. Therefore, we have one line for the 'OSMR adjustment'. Our analysis shows that the input price forecast should be £0.7 billion lower than Network Rail's. This means that, taking account of some other issues since the draft determination, to have a risk fund of £1.5 billion (we agree on the size of the risk fund with Network Rail), Network Rail needs to adjust OSMR by much less (£0.4 billion).



Table A.1 Network Rail's proposed CP7 income and expenditure in England and Wales

£ million (2023-24 prices)	CP6		CP7						
	2023-24	CP6 total	2024-25	2025-26	2026-27	2027-28	2028-29	CP7 total	% vs CP6
Operations	744	3,632	797	792	781	773	769	3,911	8%
Support	1,095	5,365	914	919	918	915	915	4,580	-15%
Maintenance	1,926	9,613	2,064	2,065	2,055	2,037	2,031	10,253	7%
Renewals	3,516	18,727	3,806	3,742	3,741	3,440	2,857	17,585	-6%
Industry costs, rates	310	1,534	314	315	351	352	352	1,684	10%
Electricity for Traction (EC4T)	771	2,822	965	878	865	884	904	4,496	59%
<i>Adjustment to OSMR expenditure</i>	<i>n/a</i>	<i>n/a</i>	<i>-108</i>	<i>-184</i>	<i>-223</i>	<i>-254</i>	<i>-241</i>	<i>-1,010</i>	<i>n/a</i>
Risk provision*	0	0	172	268	329	372	369	1,510	n/a
<b>Gross revenue requirement</b>	<b>8,362</b>	<b>41,693</b>	<b>8,924</b>	<b>8,795</b>	<b>8,817</b>	<b>8,519</b>	<b>7,956</b>	<b>43,010</b>	<b>3%</b>
Other income	-816	-4,345	-752	-736	-743	-750	-755	-3,736	-14%
<b>Net revenue requirement</b>	<b>7,545</b>	<b>37,349</b>	<b>8,171</b>	<b>8,059</b>	<b>8,074</b>	<b>7,769</b>	<b>7,201</b>	<b>39,274</b>	<b>5%</b>
Fixed Track Access	-1,067	-5,380	-985	-986	-987	-985	-987	-4,931	-8%
Variable Charges	-600	-2,962	-707	-716	-721	-727	-730	-3,601	22%
Electricity for Traction (EC4T)	-766	-2,834	-965	-878	-865	-884	-904	-4,496	59%
Schedule 4 and 8	519	1,800	347	320	312	290	260	1,529	-15%
Schedule 4 access charge supplement	-276	-1,639	-333	-306	-297	-275	-245	-1,456	-11%
Network grant	-5,351	-26,347	-5,527	-5,494	-5,516	-5,187	-4,595	-26,319	0%
<b>Total regulated income</b>	<b>-7,540</b>	<b>-37,361</b>	<b>-8,171</b>	<b>-8,059</b>	<b>-8,074</b>	<b>-7,769</b>	<b>-7,201</b>	<b>-39,274</b>	<b>5%</b>
<b>Gross revenue requirement less EC4T</b>	<b>7,590</b>	<b>38,871</b>	<b>7,958</b>	<b>7,917</b>	<b>7,952</b>	<b>7,635</b>	<b>7,052</b>	<b>38,514</b>	<b>-1%</b>

Table A.2 Network Rail's proposed CP7 income and expenditure in Great Britain

£ million (2023-24 prices)	CP6		CP7						
	2023-24	CP6 total	2024-25	2025-26	2026-27	2027-28	2028-29	CP7 total	% vs CP6
Operations	821	4,019	890	886	875	868	864	4,384	9%
Support	1,206	5,892	1,010	1,016	1,014	1,010	1,010	5,061	-14%
Maintenance	2,129	10,666	2,297	2,292	2,281	2,262	2,256	11,388	7%
Renewals	3,977	21,189	4,269	4,188	4,167	3,837	3,271	19,733	-7%
Industry costs, rates	346	1,704	352	353	394	394	394	1,888	11%
Electricity for Traction (EC4T)	848	3,070	1,066	969	955	976	998	4,964	62%
<i>Adjustment to OSMR expenditure</i>	<i>n/a</i>	<i>n/a</i>	<i>-131</i>	<i>-206</i>	<i>-245</i>	<i>-276</i>	<i>-263</i>	<i>-1,121</i>	<i>n/a</i>
Risk provision*	0	0	195	302	374	428	436	1,735	n/a
<b>Gross revenue requirement</b>	<b>9,326</b>	<b>46,539</b>	<b>9,948</b>	<b>9,801</b>	<b>9,815</b>	<b>9,500</b>	<b>8,966</b>	<b>48,031</b>	<b>3%</b>
Other income	-866	-4,565	-800	-783	-790	-807	-806	-3,986	-13%
<b>Net revenue requirement</b>	<b>8,460</b>	<b>41,974</b>	<b>9,149</b>	<b>9,018</b>	<b>9,025</b>	<b>8,693</b>	<b>8,161</b>	<b>44,045</b>	<b>5%</b>
Fixed Track Access	-1,432	-7,093	-1,330	-1,332	-1,332	-1,331	-1,332	-6,657	-6%
Variable Charges	-663	-3,277	-775	-784	-789	-796	-799	-3,944	20%
Electricity for Traction (EC4T)	-842	-3,079	-1,066	-969	-955	-976	-998	4,964	61%
Schedule 4 and 8	552	2,046	370	341	332	309	280	1,632	-20%
Schedule 4 access charge supplement	-309	-1,738	-354	-325	-316	-293	-264	-1,552	-11%
Network grant	-5,761	-28,841	-5,993	-5,949	-5,965	-5,606	-5,047	-28,559	-1%
<b>Total regulated income</b>	<b>-8,454</b>	<b>-41,984</b>	<b>-9,149</b>	<b>-9,018</b>	<b>-9,025</b>	<b>-8,693</b>	<b>-8,161</b>	<b>-44,045</b>	<b>5%</b>
<b>Gross revenue requirement less EC4T</b>	<b>8,479</b>	<b>43,470</b>	<b>8,882</b>	<b>8,832</b>	<b>8,860</b>	<b>8,524</b>	<b>7,968</b>	<b>43,066</b>	<b>-1%</b>

\* The risk-fund figure of 0 for CP6 reflects that this is expected to be fully utilised by the end of CP6.

## Annex B: CP7 baseline trajectories for England & Wales

- B.1** This overview document for England & Wales provides our final decisions on success measure trajectories for CP7.
- B.2** The tables below set out these trajectories in CP7 year 2 for the passenger train performance success measures (On Time and Cancellations), and for year 5 (the final year of control period 7) for the rest of the success measures, in comparison to:
- Network Rail’s latest proposed baselines (where relevant);
  - our draft determination baselines; and
  - Network Rail’s SBP proposed baselines (where relevant).
- B.3** For On Time, Cancellations and Freight Cancellations we also provide our final determination trajectories for each year during CP7, current performance and Network Rail’s forecast CP6 exit. See our [PR23 final determination: supporting document on outcomes](#) document for further information on our conclusions on baseline trajectories.

**Table B.1 On Time final determination baselines compared with Network Rail proposed baselines and draft determination baselines, CP7 year 2**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
<b>Final determination baseline, CP7 year 2</b>	<b>70.4%</b>	<b>62.9%</b>	<b>68.3%</b>	<b>60.4%</b>	<b>66.9%</b>
Network Rail proposed baseline, CP7 year 2	70.4%	62.9%	68.3%	60.4%	66.9%
Draft determination baseline, CP7 year 2	70.6%	63.2%	68.9%	64.8%	67.7%
Network Rail SBP forecast range, year 2	68.5% to 70.0%	59.2% to 61.0%	66.4% to 68.8%	62.2% to 63.8%	Not provided

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**Table B.2 ORR On Time CP7 baseline trajectories by year, final determination**

Region	2023-24 P5 MAA	2023-24 (CP6 exit)	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
Eastern	70.0%	70.6%	70.4%	70.4%	70.4%	70.4%	70.4%
North West & Central	63.6%	63.1%	62.9%	62.9%	63.1%	63.2%	63.3%
Southern	68.1%	68.1%	68.2%	68.3%	68.3%	68.3%	68.3%
Wales & Western	60.6%	58.7%	60.4%	60.4%	61.7%	61.7%	61.8%
England & Wales	66.9%	66.8%	66.9%	66.9%	67.1%	67.1%	67.1%

B.4 The On Time success measure calculates the percentage of recorded station stops arrived at early or less than one minute after the scheduled arrival time. We are determining on CP7 years 1 to 5 only. 2023-24 (CP6 exit) figures were provided by Network Rail and included in the table above for reference.

**Table B.3 Passenger Cancellations final determination baselines compared with Network Rail proposed baselines and draft determination baselines, CP7 year 2**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Final determination baseline, CP7 year 2	3.3%	3.5%	3.5%	3.8%	3.5%
Network Rail proposed baseline, CP7 year 2	3.3%	3.5%	3.5%	3.8%	3.5%
Draft determination baseline, CP7 year 2	2.3%	2.3%	2.3%	2.3%	2.3%
Network Rail SBP forecast range, year 2	2.7% to 3.8%	3.2% to 4.5%	3.1% to 4.3%	2.8% to 3.8%	Not provided

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**Table B.4 ORR Cancellations CP7 baseline trajectories by year, final determination**

Region	2023-24 P5 MAA	2023-24 (CP6 exit)	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
Eastern	3.4%	3.4%	3.4%	3.3%	3.1%	2.9%	2.7%
North West & Central	3.9%	3.9%	3.7%	3.5%	3.3%	3.2%	3.0%
Southern	3.6%	3.6%	3.5%	3.5%	3.4%	3.2%	3.1%
Wales & Western	4.3%	4.2%	3.8%	3.8%	3.6%	3.5%	3.3%
England & Wales	3.7%	3.7%	3.6%	3.5%	3.4%	3.3%	3.2%

B.5 The Cancellations success measure calculates the percentage of planned passenger trains which either did not run their full planned journey or did not call at all their planned station stops. The measure is a score which weights full cancellations as one and part cancellations as half. We are determining on CP7 years 1 to 5 only. 2023-24 (CP6 exit) figures were provided by Network Rail and included in the table above for reference.

**Table B.5 Freight Cancellations final determination (flat) baseline trajectories compared Network Rail proposed baseline trajectories and draft determination baseline trajectories, CP7 years 1 to 5**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Final determination baseline, CP7 years 1 to 5	1.3%	1.0%	2.1%	1.6%	1.3%
Network Rail proposed baseline, CP7 years 1 to 5	1.3%	1.2%	2.5%	1.9%	1.5%
Draft determination baseline, CP7 years 1 to 5	1.3%	1.0%	2.0%	1.5%	1.2%

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Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Network Rail's SBP forecast, CP7 years 1 to 5	1.5% to 2.8%	1.0% to 1.9%	2.2% to 4.0%	1.6% to 3.3%	1.4% to 2.6%

**Table B.6 ORR Freight Cancellations CP7 (flat) baseline trajectories by year, final determination**

Region	2023-24 P5 MAA	2023-24 (CP6 exit)	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
Eastern	1.0%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
North West & Central	1.2%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%
Southern	2.5%	2.5%	2.1%	2.1%	2.1%	2.1%	2.1%
Wales & Western	3.1%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%
England & Wales	1.4%	1.6%	1.3%	1.3%	1.3%	1.3%	1.3%

**Note:** The data for 2023-24 P5 moving annual average (MAA) has been adjusted to remove the estimated impact of industrial action.

B.6 The Freight Cancellations success measure calculates the percentage of commercial freight services that are cancelled by the infrastructure manager or another operator that is not a commercial freight operator.

**Table B.7 Freight growth (Freight net tonne kilometres moved) final determination baselines compared with Network Rail proposed baselines and draft determination baselines, CP7 year 5**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Final determination baseline trajectory (CP7 year 5)	7.5%	8.6%	2.9%	6.9%	7.5%

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Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Network Rail proposed trajectory (CP7 year 5)	7.5%	8.6%	2.9%	6.9%	7.5%
Draft determination baseline trajectory (CP7 year 5)	7.5%	8.6%	2.9%	6.9%	7.5%
Network Rail's SBP forecast (CP7 year 5)	7.5%	8.6%	2.9%	6.9%	7.5%

B.7 The Freight growth (Freight net tonne kilometres moved) success measure calculates the amount of freight moved on the railway network, taking into account the weight of the load and the distance carried.

**Table B.8 Carbon emissions scope 1 and 2 (change in CP7) final determination baselines compared with Network Rail proposed baselines and draft determination baselines, CP7 year 5**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
<b>Final determination baseline trajectory (CP7 year 5)</b>	<b>-20.0pp</b>	<b>-21.0pp</b>	<b>-20.0pp</b>	<b>-20.0pp</b>	<b>-20.3pp</b>
Network Rail proposed trajectory (CP7 year 5)	-20.0pp	-21.0pp	-20.0pp	-20.0pp	-20.3pp
Draft determination baseline trajectory (CP7 year 5)	-20.0pp	-21.0pp	-20.0pp	-20.0pp	-20.3pp
Network Rail's SBP forecast (CP7 year 5)	-20.0pp	-21.0pp	-11.0pp	-20.0pp	-18.4pp

B.8 The Carbon emissions scope 1 and 2 success measure calculates all scope 1 and scope 2 carbon emissions as defined under the Greenhouse Gas Protocol. Scope 1 emissions are all direct emissions from the activities of the infrastructure manager or under its control including fuel (oil, gas) combustion on site such as gas boilers for heating and fuel for fleet vehicles. Scope 2 emissions are all

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indirect emissions arising from the generation of electricity purchased and used by the infrastructure manager.

**Table B.9 Biodiversity Units (change in CP7) final determination baselines compared with Network Rail proposed trajectories and draft determination baselines, CP7 year 5**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Final determination baseline trajectory (CP7 year 5)	4.8pp	4.0pp	4.0pp	4.0pp	4.2pp
Network Rail proposed trajectory (CP7 year 5)	4.8pp	4.0pp	4.0pp	4.0pp	4.2pp
Draft determination baseline trajectory (CP7 year 5)	4.8pp	4.0pp	4.0pp	4.0pp	4.2pp
Network Rail's SBP forecast (CP7 year 5)	4.8pp	4.0pp	2.0pp	4.0pp	3.9pp

B.9 The Biodiversity Units success measure is defined by Natural England's Biodiversity Metric 3.0. The measure is a habitat-based approach used to assess an area's value to wildlife. It uses habitat classification, condition and strategic importance to calculate a biodiversity unit value.

**Table B.10 CSI (change in CP7) final determination baselines compared with Network Rail proposed baselines and draft determination baselines, CP7 year 5**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Final determination baseline trajectory (CP7 year 5)	-2.0pp	-3.2pp	-3.0pp	-2.0pp	-2.5pp
Network Rail proposed baseline, CP7 year 5	-2.0pp	-3.2pp	-3.0pp	-2.0pp	-2.5pp
Draft determination baseline, CP7 year 5	-2.9pp	-3.5pp	-2.7pp	-2.5pp	-3.0pp



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Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Network Rail's SBP forecast (CP7 year 5)	-2.9pp	-3.5pp	-3.0pp	-3.1pp	-3.1pp

B.10 The CSI success measure calculates the percentage improvement of asset sustainability compared to the end of control period 4. Depending on the asset type, asset sustainability is measured either by remaining life of the asset or by asset condition score and is weighted by the replacement value of the asset.

**Table B.11 FPM (Financial Performance Measure) final determination baselines compared with Network Rail proposed baselines and draft determination baselines, CP7 years 1 to 5**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
<b>Final determination baseline trajectory (years 1 to 5)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Draft determination baseline trajectory (years 1 to 5)	0	0	0	0	0

B.11 The FPM success measure compares actual income and expenditure to a 'post efficient' baseline (such as budget), adjusted for delivery of outputs and covers more than just operations, support, maintenance and renewals.

**Table B.12 Efficiency final determination baselines (£ million, 2023-24 prices) compared with Network Rail proposed baselines and draft determination baselines, CP7 year 5**

Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
<b>Final determination baseline trajectory (CP7 year 5)</b>	<b>995</b>	<b>902</b>	<b>773</b>	<b>575</b>	<b>3,245</b>
Network Rail latest forecast (CP7 year 5)	995	902	773	575	3,245

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Baseline	Eastern	North West & Central	Southern	Wales & Western	England & Wales
Draft determination baseline trajectory (CP7 year 5)	992	890	781	569	3,232
Network Rail's SBP forecast (CP7 year 5)	992	890	781	569	3,232

B.12 The efficiency success measure is a measure of efficiency savings against Network Rail's CP7 delivery plan.

# Annex C: Delivering on the HLOS

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**C.1** In the table below we set out how we consider Network’s Rail’s plans for England & Wales, including any conclusions in our final determination, deliver on the UK Government’s HLOS. We will monitor and hold Network Rail to account for delivery of the UK Government’s HLOS.

Table C.1: Delivery on the UK Government’s HLOS requirements

HLOS theme	Assessment	Draft determination references
<p><b>Health and safety</b></p>	<p>In the constrained funding environment, Network Rail proposes to reduce renewals and increase maintenance. Our draft determination identified insufficient mitigations to manage the increase in risk posed by the level of renewals for a limited set of core assets. Our final determination welcomes Network Rail’s revised proposals to spend an additional approximately £540 million on core renewals. We consider that this should address the main vulnerabilities identified in our draft determination. Network Rail has also demonstrated that it has a structured framework which its regions and functions can use to identify the best means to manage risk so far as is reasonably practicable.</p> <p>We also made several recommendations regarding Network Rail’s proposed health and safety programmes during CP7. We have received much clearer evidence in Network Rail’s response to our draft determination.</p>	<p><a href="#">PR23 final determination: supporting document on health and safety</a> (‘Our decisions and actions required for the delivery plan’ section)</p> <p><a href="#">PR23 final determination: supporting document on sustainable and efficient costs</a> (‘Renewals and maintenance’ section)</p>
<p><b>Train performance</b></p>	<p>Our final decisions expect improvements in train performance where we consider this is deliverable. We have set train performance requirements that protect the interests of passengers and freight. These require Network Rail to work with operators to ensure that trains run more punctually in England &amp; Wales, and with fewer cancellations than at the end of CP6.</p> <p>We consider that Network Rail’s increased expenditure on core renewals will support the delivery of better train performance outcomes.</p>	<p><a href="#">PR23 final determination: supporting document on outcomes</a> (‘Train performance’ section)</p>



HLOS theme	Assessment	Draft determination references
<p><b>Asset sustainability</b></p>	<p>We are satisfied that the approximately £540 million of additional expenditure on core assets supports asset sustainability to deliver the better safety and train performance outcomes which our draft determination sought to address. We expect the total level of core renewals expenditure in Network Rail’s delivery plan to be delivered during CP7.</p> <p>Network Rail updated its forecasts of composite asset sustainability to reflect these reallocations. The funding for CP7 does not allow Network Rail to take lowest whole life cost approaches and it forecasts that Composite Sustainability Index will reduce by 2.5% over CP7, which is a lower rate of decline than in its initial plans. Network Rail estimates that returning to lowest whole life cost approaches could take until at least CP11 and could cost £9-12 billion above current funding levels.</p>	<p><a href="#">PR23 final determination: supporting document on outcomes</a> (‘Asset sustainability’ section)</p>
<p><b>Efficiency and financial performance</b></p>	<p>We consider that an efficiency target of at least £3.2 billion in Network Rail’s risk-adjusted plan is stretching but deliverable.</p> <p>In our view, the initiatives that Network Rail has identified to deliver efficiency improvements in CP7 seem reasonable. While there are some areas of stretch, we consider that this is reasonable at this point in the planning cycle. However, the large proportion of efficiencies that Network Rail has attributed to industry reform introduces risk to the delivery of CP7 efficiencies. There remains significant uncertainty about the scope and timing of industry reform. Network Rail will need to find new ways of working with industry partners to achieve the relevant efficiency gains.</p> <p>We will be monitoring Network Rail’s draw-down of risk funds carefully during CP7 and expect the risk fund to be used in line with the principles agreed between Network Rail, DfT, HM Treasury and ORR. We are also expecting Network Rail to improve its financial risk modelling during CP7 to address the limitations detailed in our final determination.</p>	<p><a href="#">PR23 final determination: supporting document on sustainable and efficient costs</a> (‘Efficiency, headwinds, tailwinds, inflation and input prices’ and ‘Risk’ sections)</p>

HLOS theme	Assessment	Draft determination references
<p><b>Environmental sustainability and resilience</b></p>	<p>All regions and the System Operator make clear commitments to continue to implement the recommendations of Lord Mair and Dame Slingso with regard to managing the risks associated with extreme weather events. The regions have now also committed sufficient expenditure for earthworks and resources for drainage management.</p> <p>Each of Network Rail’s regions has provided forecasts for the Biodiversity units and Carbon scope 1 and 2 emissions success measures. We are setting the success measure baseline trajectories for Carbon Emissions (scope 1 and 2) using Network Rail’s latest forecasts, and we agree and welcome the increased stretch for Southern in its forecast, in response to our draft determination. For biodiversity (Biodiversity Units), Network Rail has also aligned its latest forecasts with our draft determination, where we adjusted Southern’s forecasts to align with other regions’ forecasts, as these did not include adequate stretch compared to other regions.</p> <p>All regions have submitted Weather Resilience and Climate Change Adaption (WRCCA) plans and associated plans on carbon reduction and environmental sustainability. The regional plans vary in quality and overall we consider that more detailed commitments need to be provided in the final delivery plan, so we can hold Network Rail to account effectively in CP7.</p>	<p><a href="#">PR23 final determination: supporting document on health and safety</a> (‘Our decisions and actions required for the delivery plan’ section)</p> <p><a href="#">PR23 final determination: supporting document on outcomes</a> (‘Environmental sustainability’ section)</p> <p><a href="#">PR23 final determination: supporting document on sustainable and efficient costs</a> (‘Environmental sustainability’ section)</p>

HLOS theme	Assessment	Draft determination references
<p><b>Stakeholder engagement</b></p>	<p>Despite the compressed timescales within which Network Rail developed its plans, the England &amp; Wales regions largely demonstrated a structured approach to stakeholder engagement. The best regions successfully fed back to their stakeholders how their input influenced their plans. Our PR23 settlement documents for each region provide our assessment and feedback.</p> <p>During CP7 we expect to see evidence of Network Rail’s commitment to work with Government, train operators and other stakeholders to deliver whole-industry improvements. Our final determination sets the expectation for this, for example by setting outcomes for train performance which measure contributions from the whole-industry and proposing a performance improvement and innovation fund to kick-start collaborative, cross-industry solutions.</p>	<p>PR23 final determination: settlement documents for <a href="#">Eastern</a>, <a href="#">Southern</a>, <a href="#">North West &amp; Central</a> and <a href="#">Wales &amp; Western</a> regions and the <a href="#">System Operator</a></p>
<p><b>System Operation</b></p>	<p>We consider that the System Operator’s approach is aligned to the requirements of the HLOS. Our draft determination expected Network Rail to confirm the scope of the Industry Timetable Technical Strategy. We have since received confirmation from Network Rail that the programme has been formally closed and will be replaced with more targeted initiatives with shorter delivery periods. We recognise that this new approach allows the SO the flexibility to respond to specific operational needs. We intend to monitor the projects that we identify as being of strategic importance.</p>	<p><a href="#">PR23 final determination: settlement document for the System Operator</a></p>



HLOS theme	Assessment	Draft determination references
<p><b>Freight growth</b></p>	<p>The England &amp; Wales HLOS includes requirements regarding freight growth (freight net tonne kilometres moved) by setting an expectation that Network Rail’s plans should include a stretching but realistic freight growth target. Network Rail’s plan recognises that it needs to take actions to support freight. Delivery of freight growth is not wholly under Network Rail’s control, but we require Network Rail to do everything reasonably practicable to deliver the conditions for growth.</p> <p>Network Rail’s proposed freight growth forecasts are robust and meet the E&amp;W HLOS requirements and recognise the important role of rail freight in achieving broader economic and environmental outcomes. Our final determination success measure trajectories use Network Rail’s forecast to grow freight by 7.5% (on average) across England &amp; Wales regions during CP7. We expect Network Rail to set out clear plans to work with the industry to achieve the baseline trajectories for freight growth, aligning with its long term strategy being developed for freight growth.</p>	<p><a href="#">PR23 final determination: supporting document on outcomes</a> (‘Freight growth’ section)</p>
<p><b>Accessibility and inclusion</b></p>	<p>Network Rail’s plan describes its obligations, ongoing work which will continue into CP7, and some new deliverables. We consider the plan to be a good basis for CP7 and the commitments made align with the HLOS.</p> <p>Our final determination has taken our public sector equality duties into account. We have provided information on those areas where we consider that there is likely to be an impact on people with protected characteristics (in particular those that affect mobility) with this is presented in our Outcomes supporting document.</p>	<p><a href="#">PR23 final determination: supporting document on outcomes</a> (‘Accessibility’ section)</p>



HLOS theme	Assessment	Draft determination references
<p><b>Technology and Innovation</b></p>	<p>Network Rail’s plan includes £0.17 billion of expenditure on research, development and innovation (RD&amp;I). We have concluded that, noting constraints on funding and the need to prioritise core renewals and maintenance, this is a proportionate level of expenditure for CP7. Our final determination sets out the expectation that Network Rail coordinates its RD&amp;I activities with other bodies such as the Rail Safety and Standards Board to share efforts and funding wherever possible.</p> <p>Network Rail’s plan includes £1.50 billion of expenditure on digital signalling. Our final determination remains supportive of digital signalling and its long-term deployment in England &amp; Wales but challenges Network Rail to ensure its costs for delivery are efficient.</p> <p>Our final determination includes a £40 million train performance improvement and innovation fund to kick-start collaborative, cross-industry solutions with the aim of delivering train performance improvements.</p>	<p><a href="#">PR23 final determination: supporting document on sustainable and efficient costs</a> ( ‘Research, development and innovation, including technology adoption’ and ‘Digital Signalling’ sections)</p>
<p><b>Economic development</b></p>	<p>Network Rail advises that its approach to business planning supports revenue generation while contributing to national and local growth priorities and levelling up by prioritising expenditure on high revenue generating routes. It refers to this as a ‘market-led’ approach.</p> <p>We consider that the approach presented in the plan seeks to address the HLOS requirement. The approach is a continuation of ‘route criticality’, which is an established approach to prioritising investment in rail. We will maintain dialogue with funders and with Network Rail on how any further prioritisation should be treated and how it should be delivered.</p>	<p><a href="#">PR23 final determination: supporting document on health and safety</a> (‘Our decisions and actions required for the delivery plan’ section)</p> <p><a href="#">PR23 final determination: supporting document on sustainable and efficient costs</a> (‘Market-led approach’ section)</p>



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