

**THE OFFICE OF RAIL AND ROAD**  
**225<sup>th</sup> BOARD MEETING**  
**Friday 27 December 2024, 10:00 – 11:30**  
**Via MS Teams**

**Non-executive members:** Declan Collier (Chair), Xavier Brice, Madeleine Hallward, Anne Heal, Justin McCracken, Daniel Ruiz, Catherine Waller.

**Executive members:** John Larkinson (Chief Executive), Richard Hines (Director of Railway Safety).

**In attendance:** Feras Alshaker (Director of Planning and Performance), Fiona Bywaters (Board Secretary), Russell Grossman (Director of Communications), Elizabeth Thornhill (General Counsel).

*Other ORR staff who attended are shown in the minutes.*

**Item 1            WELCOME AND APOLOGIES FOR ABSENCE**

1.     The Chair welcomed everyone to the meeting. Apologies for absence were received on behalf of Bob Holland and Ian Dobbs. The meeting was confirmed as quorate.

**Item 2            DECLARATIONS OF INTEREST**

2.     There were no declarations of interest from those present. Ian Dobbs had recused himself from the meeting in accordance with Board Procedure Rule B11.

**Item 3            PR24: MATTERS TO BE DETERMINED**

*Howard Taylor (Head of Asset Management), Debbie Daniels (Delivery Manager), Steve Fletcher (Deputy Director, Engineering and Asset management) and Carl Hetherington (Deputy Director, Regulatory Economics and Finance) joined the meeting for item 3.*

3.     Feras Alshaker (FA) briefly introduced the item and reminded those present of the overall context and decisions taken to date, as well as the decisions remaining (matters to be determined). The importance of being evidence-led was underlined, with reference to the responses received upon further consultation.
4.     Elizabeth Thornhill (ET) outlined the legal framework of the decisions at hand, referring to the board's duties under section 4 of the Railways Act 1993, as well as the General Duty of HS1 Ltd under its Concession Agreement.
5.     Howard Taylor (HT) guided the Board through the recommendations outlined in the report and accompanying slides, namely:
  - a.    To determine adjustments of £1.9m/yr to the Route renewals charge; and £0.9m/yr to the Stations renewals charge; and

- b. To determine an adjustment of £2.3m/yr over CP4 to the operations and maintenance charge.

*Route Renewals and Station Renewals Charges*

- 6. HT reminded the Board of the decision taken on 11 December to reduce forecast renewals costs in our calculation of charges by 9%, over years 6-40, in the less mature asset groups (representing 3% of total renewals for Route; 4.5% for Stations) and to reduce renewals costs by a further 4% for all assets, over years 6-40. An overview of all responses received during the subsequent consultation was provided. The main concern of HS1 Ltd was noted to be the risk of charges going up at PR29, which had been explicitly acknowledged.
- 7. HT confirmed that no new evidence had been provided of the adjustments being incorrect. Therefore, it was recommended that the decision from the 11 December Board meeting be retained and adjustments determined of £1.9m/yr to the Route renewals charge; and £0.9m/yr to the Stations renewals charge.

*Operations and Maintenance Efficiencies*

- 8. HT reminded the Board of the decision taken on 11 December to determine a smaller reduction [£2.3m/yr compared to £3m/yr at Draft Determination] in Operations & Maintenance charges, reflecting bottom-up evidence provided in response to the Draft Determination, but also considering the magnitude of our challenge in totality. An overview of all responses received during the subsequent consultation was provided. In particular:
  - a. HS1 Ltd had acknowledged the decision but noted that it does not have full visibility of NR(HS)'s costs, so it defers to ORR's judgement. ORR did not necessarily agree with this position: NR(HS) is not a regulated entity and part of the HS1 Ltd supply chain, for which there existed a market test clause. The response of HS1 Ltd also noted that NR(HS) is providing "new evidence" on enablers and encouraged ORR to consider this.
  - b. NR(HS) had stated that the proposed level of additional efficiency is not achievable in CP4. The response included arguments against each of our conclusions but focussed on the identified efficiency from 'enablers'. However, it also welcomed that the evidence had been taken into account and efficiencies reduced to £2.3m/yr. NR(HS) also noted NRIL's proposal for a "3%" increase in efficiency by the end of CP4, but presented no new evidence which would allow the proposal to be considered in detail.
- 9. It was recommended that the decision from the 11 December Board meeting be retained and an adjustment determined of £2.3m/yr over CP4 to the operations and maintenance charge.
- 10. The Board further discussed NRIL's proposal for a 3% increase in efficiency by the end of CP4, questioning the evidence of how that would be comprised – which had not been provided by NRIL or NR(HS). HT confirmed that HS1 Ltd had been approached as the regulated entity (rather than NRIL –the parent company of the single- supplier to the regulated entity), but HS1 Ltd has not provided any new details on this proposal.

*The following paragraph is redacted due to legal privilege:*

- 11.[...]
12. HT further outlined NR(HS)'s argument on enablers, which focussed on those being challenged by ORR (due to provision under the management fee or lack of evidence); the 'bespoke framework' of standards and competencies; and the system as 'sole beneficiary' of this investment. Board Members were reminded of previous discussions on the management fee at Draft Determination (September board meeting). Discussion also considered for how long the HS1 assets could be considered 'new', rather than different or unique. CH also underlined that the Board needed to consider the argument on enablers holistically, as it would be the charges determined, not the spend on enablers.
13. Finally, HT provided an overview of annual charges. The Board requested that any such table in the Final Determination clearly states that the change between HS1 Ltd's November plans and the Final Determination includes a combination of the two 'matters to be determined' and also minor adjustments such as wash-up costs; and be clear that numbers had been rounded for clarity.
14. The Board also considered the EQIA at Annex C and the highlighted risk of fewer staff at stations, linked to NR(HS)'s operational changes. Mitigation should be described in the final documents. The risk was recognised as a potential issue and the Board requested that this be monitored on an annual basis. HT clarified that the operations and maintenance of stations was out of scope of PR24, but that the risk had been highlighted as a possible consequence of regulated aspects. HT confirmed that the PR24 final determination would include a commitment for HS1 Ltd to report on operational changes and that ORR could use the annual report as a mechanism to ensure any downstream consequences are being mitigated.
15. The Board raised no further questions and welcomed the work of the team.
16. **The Board resolved that:**
  - a. **Adjustments of £1.9m/yr to the Route renewals charge; and £0.9m/yr to the Stations renewals charge be determined; and**
  - b. **An adjustment of £2.3m/yr over CP4 to the operations and maintenance charge be determined.**
17. Debbie Daniels (DD) reminded the Board of the next steps to be taken, including the publication of the Final Determination before markets open on 6 January. HS1 Ltd would then have approximately a month to revise the Five-Year Asset Management Strategy to reflect the Final Determination.

#### **Item 4      ANY OTHER BUSINESS**

18. The Chair provided a short series of updates. **The Chair confirmed that:**
  - **The Director of Planning and Performance would no longer be a member of the Health and Safety Regulation Committee, in order to retain a balance of Executive and Non-Executive Members, but would still be able to attend as an observer.**

- The Board Strategy Day would take place on 24 February 2025 near Derby.
  - The Board would meet with the Board of National Highways on 28 February 2025.
  - A letter had been received from the Prime Minister, Chancellor of the Exchequer, and Secretary of State for Business and Trade on 24 December 2024, regarding 'A new approach to ensure regulators and regulations support growth'.
19. The Board noted the dates of the next meetings and item below the line, namely the Board forward programme.

Meeting end: 11.13 am  
Approved: 21 January 2025