

John Larkinson
Director, Railway markets and economics

20 July 2017

Bill Reeve
Director of Rail
Transport Scotland

By email

Dear Bill

Next steps on the HLOS and SoFA process

You have today published your high-level output specification (HLOS). We have noted that you have provided your HLOS and we have published revised notices under the Railways Act 1993 extending the deadline for receipt of your statement of funds available (SoFA) to 13 October 2017 to allow more time for work on funding to conclude. We are pleased that you continue to be committed to a five year funding settlement.

As you know, we will in due course be providing Network Rail with planning assumptions for England & Wales, given that the Secretary of State's HLOS and initial SoFA does not at this stage provide the detail that Network Rail needs to develop its strategic business plan. In terms of Scotland, Network Rail has said that it is satisfied, on the basis of the Scottish Government's HLOS, and the planning process underway between Transport Scotland and the Scottish rail industry, that it has sufficient clarity to continue to develop its business plans for control period 6. Given this, we have not been asked to provide Network Rail with planning assumptions for Scotland.

Recognising the concerns over Network Rail's efficiency, we have commissioned the independent reporter to carry out a new review, which will cover:

- whether Network Rail is developing robust efficient expenditure plans for its strategic business plans;
- whether these plans are on track;
- whether there is sufficient challenge on efficiency; and
- deep dives into specific cost categories, including staff costs.

We will work closely with Transport Scotland, the Department for Transport and the Welsh government on this. The terms of reference for this work and the conclusions will be published.



This work will complement the [consultation](#) on Network Rail's renewals efficiency which we have launched today. The work will come together at an industry workshop in September 2017 and we will draw on this work to update our advice to you. We have also published that original advice today¹.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Larkinson', is positioned below the text 'Yours sincerely'.

John Larkinson

¹ [ORR's advice to Transport Scotland on maintenance and renewals expenditure](#), 19 April 2017.