

# Impact assessment

## Impact assessment of the consultation on the operation of the railway safety levy

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Version: Final

Available at: <http://orr.gov.uk/consultations/railway-safety-consultations/closed-consultations/closed-consultations-2016/railway-safety-levy-consultation>

### Section 1: The issue

- Railway service providers (RSPs) have a statutory obligation to pay a safety levy to ORR under the Railway Safety Levy Regulations 2006.
- The format in which we request and accept financial information from RSPs in order to apportion the levy is not defined by the Regulations or by our guidance. The statements we receive therefore vary in detail. In order to ensure that the safety levy is calculated consistently and transparently across all RSPs, we intend to provide a proforma request for relevant turnover, which we expect all RSPs to complete and return to us.
- We have also been challenged by one of our levy payers on whether we should allow RSPs to deduct amounts paid to Government from relevant turnover, to form the basis of apportionment.

### Section 2: The objectives

- ORR's stated policy objectives for the levy in 2005 were to introduce a funding system which:
  - was part of a framework that encouraged effective engagement on safety and economic matters;
  - was fair and transparent;
  - was broadly cost reflective;
  - was cost effective;
  - avoided any significant windfall gains and losses;
  - was consistent with ORR's independence;
  - was compatible with DfT regulations implementing EU rail directives; and
  - was stable over time, facilitating forward planning.

These policy objectives have not changed.

### Section 3: Option generation and appraisal

#### Option 1: 'Do nothing'

- The 'do nothing' scenario would mean allowing RSPs to continue submitting information in a format of their choice. This does not meet the stated policy objective of transparency.

#### Option 2: Introduce a proforma for the collection of relevant turnover data from RSPs

- Requesting proforma information would ensure that all submissions were calculated on the same basis, meeting the policy objectives of transparency and fairness.
- There will be a small administrative cost to RSPs with turnover greater than £10m in 2016-17, as their auditors will be asked to certify outside of the normal reporting cycle. This should be no more than £5k per RSP (based on consultation responses received on this question), but we would expect this to be lower, as the financial information we will request should be readily available from RSP's accounting systems. In addition, we plan to alter the current process, so that after the 2016-17 financial year we will use the last but one year's data as the basis for

apportionment. This means that there should be no audit costs for 2017-18, and lower audit costs for those RSPs who don't have March year ends, as the audit of the proforma can be completed at the same time as the audit of the financial statements.

- The new process will also allow us to collect data from RSPs more quickly as it should be available on demand.

**Option 2 is the preferred option.**

#### **Section 4: Evaluation**

- We will evaluate the process at the end of the 2016-17 levy collection process.