

Annual Report and Accounts 2019-20

July 2020



HC 629



Office of Rail and Road

Annual Report and Accounts 2019-20

Report presented to Parliament pursuant to section 74(1) of the Railways Act 1993

Accounts presented to the House of Commons pursuant to section 6 of the Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

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Contents

Section A: Performance Report	5
Overview	6
Foreword	7
Chair's Report	9
Who we are	11
Our strategic objectives	12
Measuring performance	16
Delivery of service standards	17
Strategic objective 1: A safer railway	19
Strategic objective 2: Better rail customer service	24
Strategic objective 3: Value for money from the railway	28
Strategic objective 4: Better highways	35
Our financial performance	37
Employee matters	40
Sustainability	41
Better regulation	44
Section B: Accountability Report	45
Directors' Report	46
Statement of Accounting Officer's responsibilities	48
Accountability to Parliaments and the Devolved Assemblies	49
Governance Statement	50
Board member committee attendances	62
Remuneration and Staff Report	63
Parliamentary accountability and audit report	76
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	81
Section C: Financial Statements	85
Statement of Comprehensive Net Expenditure	86

Statement of Financial Position	87
Statement of Cash Flows	88
Statement of Changes in Taxpayers' Equity	89
Notes to the departmental resource accounts	90
Annex A: Off-payroll engagements	108
Annex B: Trade Union facility time publication requirements	109

Section A: Performance Report

Overview

This section gives a short summary of our purpose, our performance over the year, and the key risks to the achievement of our strategic objectives.

Foreword

ORR protects the interests of current and future rail and road users. We do so, in the public interest, by overseeing the safety, value and performance of the railway and monitoring the performance and efficiency of England's strategic road network.

While the safety record of the railway is generally very good, sadly two rail workers died at Port Talbot, one at Tyseley and one on the London Underground network, highlighting the need for constant vigilance. We continued our focus on proactive inspection and building improved capability in safety management systems.

In promoting a better service for passengers we provided a submission to the Williams Rail Review in July, with recommendations to make it easier for passengers to claim compensation and to improve accessibility for all rail users. While many of the recommendations were for government to consider, some are within our power and we are implementing these.

We also issued new guidance to rail operators on Accessible Travel Policies. This sets requirements on the industry to improve the reliability and availability of assistance, so those who need help when using the network travel with greater confidence.

A core part of our role is to secure value for money from the railway. April 2019 saw the start of Network Rail's new five-year funding settlement. Building on our previous work, we continued to rigorously challenge Network Rail on its preparedness to deliver efficiently, given its poor efficiency in the previous control period. The company has responded constructively and was on course to deliver its target for 2019-20. It needs to maintain this progress if it is to make the further savings required in future years and deliver on its commitments to customers.

In January, we reported on Network Rail's good progress improving performance planning and incident recovery, following our enforcement action in November 2018. But we had to issue an early warning to its North West & Central region for its poor performance. We will continue to step in at an early stage where delivery to rail users is at risk.

Our periodic review of High Speed 1 (HS1) set the access charges for train operators using HS1 for the next five years. Our role provides independent assurance that the network will be kept in good condition for the lowest possible cost. Our review led to charges being set 32% lower than those originally proposed by HS1 Limited.

Following our review of Highways England's business plan, we provided our advice to the Secretary of State to inform the second Road Investment Strategy (RIS2) for 2020-25. We

also issued a revised holding to account policy for Highways England, ready for the new roads period which began on 1 April.

Some of our essential work providing a service to the industry is less noticed but equally vital. This included the approval of several hundred new and amended passenger and freight access contracts; authorisation of new vehicles and infrastructure into service; and issuing 1,636 train driver licences. We also launched our new data portal, providing a great way for the public, governments and industry to access statistics on the railway.

At the end of the year, Covid-19 created major challenges. We moved quickly to provide support and advice to the rail industry and government, while continuing to deliver our day job. Our investment in IT systems and more flexible working patterns over the previous two years has meant we have been able to work almost normally from home since Covid-19 hit.

In November we relocated our main office to London's Canary Wharf. The move went smoothly and was delivered within budget.

Finally, we could not have delivered what we have this year without the professionalism and dedication of our staff. I want to thank them for their excellent work.



John Larkinson

Chief Executive and Accounting Officer

Chair's Report

Whether protecting users, challenging the industry to deliver more for its customers, or providing assurance to government and taxpayers, independent oversight plays a vitally important role in protecting the public interest.

Fundamental to this is the ability to make impartial evidence-based decisions in a complex context.

Once again, this year has seen us do this on a number of fronts, as described in this annual report.

Our work on the periodic review of High Speed 1 is one such example. Our determination on funding balanced long-term asset sustainability issues against affordability for operators in the short term, with robust scrutiny and analysis leading to a settlement that was fair to all parties.

Similarly, in the consumer arena, we challenged rail operators to deliver more for passengers, across several areas including on accessible travel and passenger information. In the context of the Williams Review we were pleased to be asked to make recommendations to government for broader reform on passenger compensation and accessibility. Again, our work was evidence based, taking full account of all relevant factors including customer expectations and complex practical and legal constraints. We recognise that there is much more to be done in this area and we will continue this work in 2020-21.

And on roads, our expert advice to government gave it assurance on what Highways England could deliver over the second road period (2020-25).

Although delayed, the UK Government has said it still plans to publish an announcement regarding the review on the future structure of the rail industry. At the Department for Transport's request, we have been providing advice and support in those areas where we have particular knowledge and experience. We will continue to work in these areas and look forward to helping implement the conclusions of the review when they are published.

It is important that the Board is well equipped to respond to the challenges and opportunities that will come both from the reform of the industry, as well as the recovery following Covid-19. With regard to governance, this year, ORR commissioned an external review of the effectiveness of the Board. Its main conclusion was to give strong assurance on the Board's effectiveness and governance in place, and it provided positive stakeholder feedback on our work. The review also made a small number of suggestions to further

strengthen how we operate. Both the Board and I welcome its findings and we have already begun to implement the suggested improvements.

On other Board matters, I was very pleased that the Secretary of State confirmed extensions to the non-executive appointments of Bob Holland, Justin McCracken, Michael Luger and Stephen Glaister. This provides valuable continuity over what promises to be a challenging period for the industry and ORR. I would like to thank Tracey Barlow who retired from the Board in the last year for her valuable contribution to our work, and welcome Madeleine Hallward who joined the Board in April 2020.

I would also like to recognise and thank John Larkinson, our interim CEO for his leadership and contribution in what has been a busy year.

Lastly, I would like to thank all ORR staff for their hard work over what has been a successful year. The Board remains grateful for everything they have done.



Declan Collier

Chair

Who we are

The Office of Road and Rail (ORR) exists to protect the interests of rail and road users, improving the safety, value and performance of railways and roads, today and in the future.

We are the independent economic and safety regulator for Britain's railways, and the monitor of performance and efficiency for England's strategic road network.

We regulate Network Rail, including setting the targets it has to achieve, and report regularly on its performance. We regulate health and safety standards and compliance across the whole rail industry. We oversee competition and consumer rights issues – driving a better deal for rail passengers and taxpayers. We also regulate the High Speed 1 link to the Channel Tunnel.

Since April 2015, we have been monitoring Highways England to hold the company to account on its commitments to improve the performance and efficiency of England's strategic road network.

As an independent regulator, we operate within the framework set by UK and EU legislation and are accountable through Parliament and the courts. We are an independent statutory body, with powers vested by Parliament in our governing board, which is responsible for setting our strategy and overseeing its delivery. Members are appointed by the Secretary of State for Transport for a fixed term of up to five years.

Our staff work from six offices across Great Britain, giving us the flexibility and coverage we need to perform our functions efficiently. Many of our people work away from the office, for example conducting on-site inspections across the rail network.

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

Our strategic objectives



**A SAFER
RAILWAY**



**BETTER RAIL
CUSTOMER
SERVICE**



**VALUE FOR
MONEY FROM
THE RAILWAY**



**BETTER
HIGHWAYS**

Key risks and uncertainties

Our risk management strategy and the key issues and risks that could affect us in delivering our strategic objectives are set out in the Governance Statement on page 55.

Performance summary

Funding

ORR's rail functions are funded almost entirely by the railway industry – broadly, passenger train and freight operating companies, plus Network Rail. We work within a defined budget, and charge the industry via a safety levy and an economic licence fee. We

also cover our regulatory costs relating to the Channel Tunnel, HS1 and Northern Ireland by charging the relevant organisations. Our charges are based on a full economic cost model, therefore without profit. Our combined charges and other income meet our rail-related costs in full, bar a token resource budget of £2,000 provided by Parliament.

We receive grant funding from the Department for Transport (DfT) for our highways function, and also have a token resource budget of £2,000 provided by Parliament.

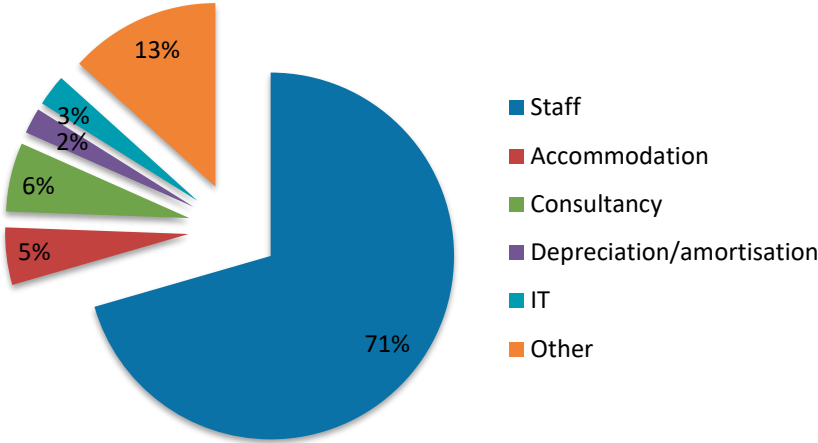
We had a Capital Departmental Expenditure Limit (CDEL) of £6,320,000 for 2019-20 and £720,000 for 2018-19.

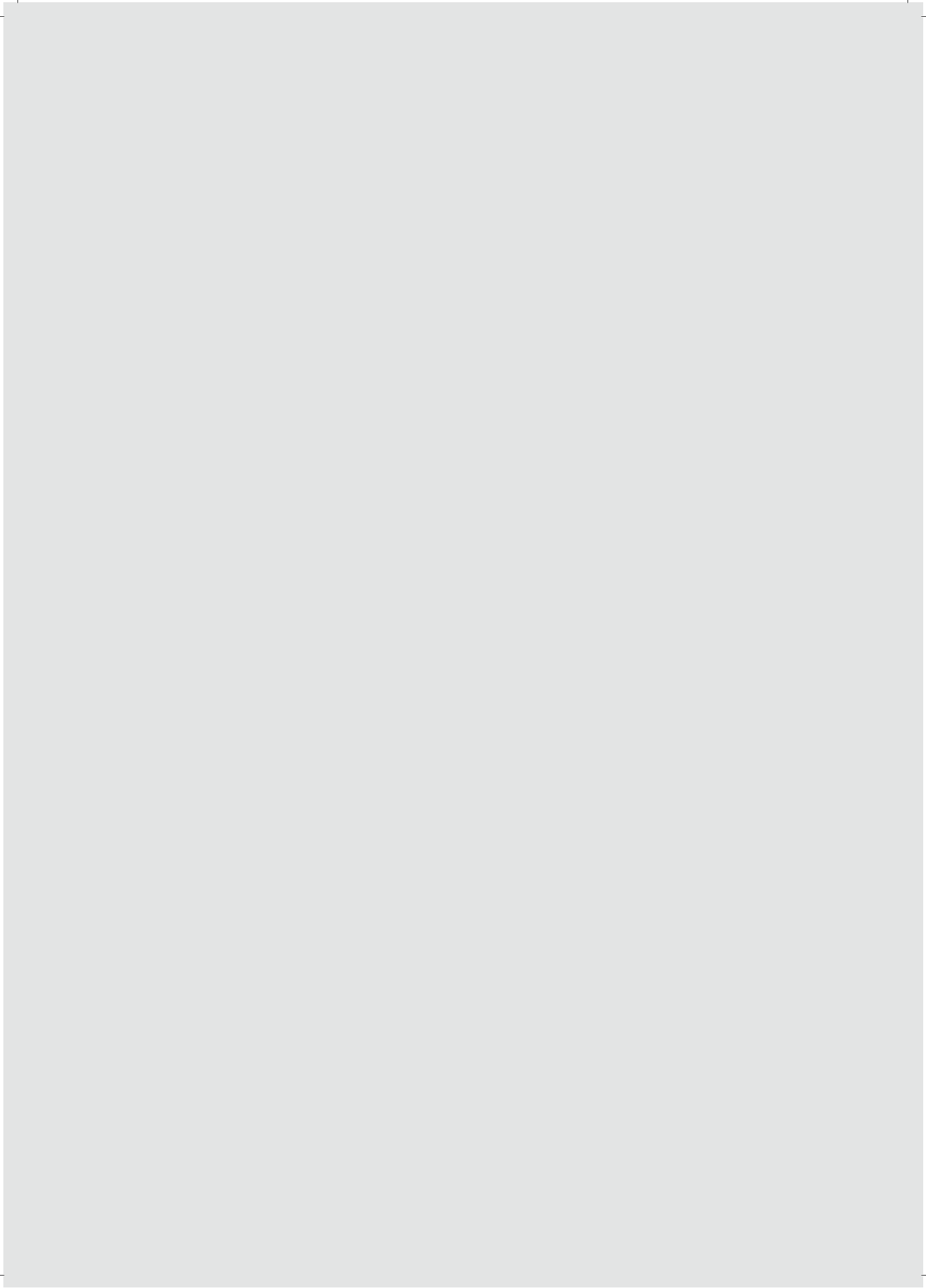
Outturn – gross costs

	2019-20	2019-20	2018-19
	Outturn	Budgeted	Outturn
	gross	gross	gross
	costs	costs	costs
	£000	£000	£000
Rail - Economic	14,075	15,218	13,284
Rail - Safety	18,164	18,775	15,813
Roads	2,443	2,592	2,297
Total	34,682	36,585	31,394

Variances against budget and 2018-19 are analysed on page 37.

Analysis of 2019-20 costs





Measuring performance

Our strategic objectives are set out on page 12. Our priorities are set out in our annual business plan. In the business plan we set out a number of key commitments under each of our strategic objectives. These are underpinned by a number of internal milestones, defined during our annual business planning round. We also publish a series of service standards in our business plan (set out on page 17). The Board reviews progress against business plan commitments and service standards on a quarterly basis. The Executive reviews progress against internal milestones monthly.

Our performance against the business plan

The work we have carried out in the year to meet our priorities is set out in each of the 'strategic objective' chapters on pages 19 to 36. We have either delivered or made good progress on all of these.

In addition to our published priorities we have delivered the following unplanned or reprioritised work in 2019-20:

- In developing revised Accessible Travel Policy guidance for train and station operators we received a legal challenge regarding our proposals to improve the accessibility of rail replacement services provided during disruption, to which we are considering our response.
- Additional work to understand the safety impact of all lane running smart motorways and development of ORR's position, prior to the Department for Transport undertaking its stocktake. This was partly in response to increased stakeholder concerns.
- Significant involvement in developing and promulgating rail industry guidance in respect of Covid-19, and providing ongoing support to the industry.

Delivery of service standards

Much of ORR's 'business as usual' work involves providing services to those in the industry or others with an interest in our work.

As an organisation that is largely funded, directly or indirectly, by the public, it is essential that we publish service standards as part of our commitment to transparency.

The service standards below were published in our business plan for 2019-20.

Provision	Standard	% achieved
Issue new or revised train driver licences	100% of applications processed within one month of receipt of all necessary documentation	100%
ROGS safety certificates and authorisations (Railway and Other Guided Transport Systems Regulations 2006)	100% determined within four months of receiving completed application	100%
Report to Rail Accident Investigations Branch (RAIB) on the progress of its recommendations	100% response to RAIB recommendations within 1 year of associated RAIB reported being published	100%
Efficient processing of technical authorisations	100% of responses within 28 days of receiving complete submission	98% ¹
Access and licensing casework	100% decided within two months of receipt of all relevant information	100%
Freedom of Information requests	90% of requests for information responded to within 20 working days of receipt	96%
General enquiries and complaints including adjustment to account for cases investigated	95% of enquiries and complaints responded to within 20 working days of receipt	89% ²
Prompt payment of suppliers' invoices to ORR	80% paid within 10 days of valid invoice	95%
	100% paid within 30 days of valid invoice	100%
Publication of quarterly statistical releases	100% published within four months after quarter end	100%

¹ One authorisation was one day late due to its complexity.

² This is now subject to greater management focus.



**Our inspectors spent 52% of their time
in the field (against 50% target)**



Strategic objective 1: A safer railway

ORR is the health and safety regulator for all of Britain's rail industry. Our vision is zero industry-caused fatalities to passengers, the workforce and the public with an ever-decreasing systems risk.

The deaths of two track workers at Margam near Port Talbot in July 2019, together with the death of a member of the London Underground workforce at Waterloo station in September, were a stark reminder of how far the industry has still to go and why it remains so important that we continue to strive for continuous improvement across the sector.

During the year, we have continued to pursue our strategic themes:

- Supporting people, who are often the last line of defence in preventing a major failure;
- Pressure on the system from struggling performance, introduction of new trains and ageing assets; and
- Managing the effective introduction of new technology while taking human interactions into account.

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

In 2019-20 we have:

- Made good progress working with the UK tram sector to respond to the 15 recommendations in the Rail Accident Investigation Branch's (RAIB's) December 2017 report into the fatal tram overturn at Sandilands Junction, Croydon. A key part of this work has been our role in bringing the sector together to establish the Light Rail Safety and Standards Board.
- Continued to have regulatory oversight of Network Rail at both a national and route level, offering particular scrutiny and advice to its organisational change programme 'Putting Passengers and Freight First', in order to provide assurance that changes in risk management arrangements are fully challenged and validated prior to the changes being made.

- Continued to focus on key areas of risk on the mainline network – in particular earthworks and drainage, front-line assurance of compliance with standards and processes, track worker safety, occupational health, and warnings at passive crossings.
- Carried out our programme of inspections of mainline operators - including the charter operators - looking at driver, shunter and conductor management, management of change, contractor management, rolling stock maintenance, occupational health and depot safety. We have undertaken inspection work in relation to the introduction of new train fleets to ensure that risks have been designed out, or immediate mitigation is in place and longer-term remedial mitigation is planned. We have also undertaken inspections of train dispatch and management of the platform-train interface with a number of operators and needed to secure compliance by serving two improvement notices on one operator.
- Continued to investigate all high risk signals passed at danger (SPADs) - which is when a train passes a stop signal when not allowed to do so - to understand the underlying causes in competence and safety management systems. Through our work with industry risk groups, we have fully endorsed the Rail Safety and Standards Board SPAD Risk Reduction Strategy and the Red Aspect Approaches to Signals toolkits, actively promoting these with mainline operators.
- Continued to monitor Transport for London's progress in embedding its transformation programme throughout the year. We continued our engagement with London Underground Limited to ensure its good safety record is maintained, with a particular focus on risk assessment and maintenance of assets.
- Delivered our programme of inspections of heritage railway operators, and worked with the Heritage Railway Association in increasing their capability in providing greater leadership and guidance to the sector.
- Continued our engagement with projects to introduce Crossrail, HS2 and a range of fleet renewal and replacement projects.
- Continued to provide leadership, expert advice and secretariat support to the Channel Tunnel Intergovernmental Commission (IGC) and supporting Channel Tunnel Safety Authority (CTSA). In particular, the CTSA monitored Eurotunnel's approach to safety-related issues in respect of its new ElecLink project; Eurotunnel's work to improve control of the fire risks of over height objects through the installation of four pagodas to its shuttle wagons; worked closely with Eurotunnel on its plans to modernise its

passenger shuttle fleet; and worked to ensure that risks associated with the carriage of lithium batteries through the Tunnel are assessed and appropriately mitigated. We have also considered the impact of post-Brexit arrangements on the supervision and monitoring of Channel Tunnel operators and the IGC's role as safety regulator under the EU Safety Directive.

- Launched the new version of the Risk Management Maturity Model (RM3), supported by well received workshops across the sectors we regulate.
- Continued to chair the Railway Industry Health and Safety Committee, which brings together representatives of employers, employees, passengers, and government bodies to discuss and contribute to health and safety matters.
- Published revised strategic risk chapters on tramways, occupational health (supported by our report Closing the Gap, our review of health risk management between 2014 and 2019), track and lineside and level crossings. We also published updated guidance on crowding and undertook additional inspection activity around crowd management.
- Undertaken inspections of freight and passenger operator emergency planning operations, which has included carriage of dangerous goods by freight operators and management of stranded trains and self-evacuation by passenger operators. We are an active member of the Railway Delivery Group's emergency planning group, which meets quarterly and where Covid-19 contingencies were prioritised for action in early January 2020.
- Continued to work closely with the Government as it delivered the UK's departure from the European Union, in particular to secure the continued safe operation of international rail services.
- Put renewed focus on the health of everyone working on or around the railway through our support for the Samaritans' Million Hours Challenge.

Regulation and certification

In 2019-20 we have:

- Issued 1,636 train driver licences.
- Delivered 34 level crossing orders.

- Issued 38 safety certificates to train operators and 13 safety authorisations to infrastructure managers.
- Reported to RAIB on a total of 104 recommendations, with 70 having been implemented; 16 reported as implementation ongoing; 17 as progressing; and one directed to another public body not regulated by us.

Investigation and enforcement

During the year we served four prohibition notices and 17 improvement notices and, where appropriate, prosecuted duty holders in the courts to ensure compliance with the law. As prevention is always better than addressing issues after an incident has occurred, the 17 improvement notices were served when we identified serious breaches of the law and required changes to be made.

Two of the improvement notices followed inspection findings from 2019, which demonstrated that Network Rail's arrangements for ensuring the safety of persons on or near the track from moving trains relied too heavily on unassisted lookout protection.

Our findings also showed inconsistent improvement plans across the routes, with wide variation in scope and ambition. We served the notices to ensure strategic improvement in the consideration of risk controls further up the risk control hierarchy - such as doing work when trains are not running, or using technological means of warning or protection. One of the notices concerned planning and the second was about using technology.

Over the year, we also successfully concluded a number of health and safety prosecutions:

- Govia Thameslink Railway Limited (GTR) was fined £1 million plus costs in July for breaching health and safety legislation in relation to an incident in 2016, where a passenger on a Gatwick Express died after his head came to be outside of a droplight window on the train and was struck by a signal gantry. The risk created by droplight windows had not been assessed by GTR and the control measures in place were inadequate.
- Lanes Group PLC was fined £400,000 plus costs in October after pleading guilty to one offence under the Work at Height Regulations 2005. The prosecution was brought after a worker fell 14 feet from Brent Cross viaduct whilst cutting back vegetation and was seriously hurt. Our investigation found that the work was neither properly planned nor supervised.

- In January, DB Cargo (UK) Ltd was fined £1.2 million plus costs in relation to an incident in June 2017 in which a 13-year-old boy suffered life-changing injuries after receiving an electric shock from 25,000-volt overhead line equipment at Bescot Yard freight terminal in Walsall. Our investigation found that DB Cargo was aware that members of the public were often gaining unauthorised access to the site, with 35 incidents documented between July 2012 and June 2017. The company pleaded guilty to one offence under the Health and Safety at work etc. Act 1974.
- In March, Renown Consultants Limited was found guilty on three health and safety charges following the deaths of two of their staff in June 2013. The prosecution followed a long and complex investigation into the deaths of the men, who were rail welders and had died after their van hit a parked lorry as they drove back home after a night shift.

It was the first time that we had prosecuted in relation to failures of fatigue management, and the case is likely to have wide-ranging effects within and beyond the rail industry in emphasising the duties on employers to control the risks associated with worker fatigue and work-related road driving.



Strategic objective 2: Better rail customer service

We have a key role in ensuring that rail companies understand their obligations and deliver improved service across the network so that passengers get the service to which they are entitled.

These responsibilities require us to focus on four important aspects of the customer experience that feed into our strategic objective of better rail customer service:

- The provision of passenger information, including when there is disruption
- The provision of assistance to passengers who require additional support to make their journey
- The provision of an accessible, effective and efficient complaints handling service, including providing compensation where passengers are subject to delay; and
- Ticket retailing, specifically the ease with which passengers can buy tickets.

In addition, we focus on improving innovation and driving value in supply chains for passenger-facing retail products and services by promoting competition.

Our submission to the Williams Review

Following an invitation from Keith Williams, we responded to his wide-ranging review of the rail industry including his request to provide advice on what more could be done to make it easier for passengers to access the compensation to which they are entitled, and for improving accessibility for all users including disabled people.

Our submission set out short, medium and long-term recommendations.

For improving help to passengers who need assistance, short-term proposals included:

- Improving the reliability of the assistance all passengers receive – whether or not they book in advance;
- Strengthening accessibility training so that rail staff are better able to provide assistance;
- Making it easier to plan journeys by improving the quality of information available to passengers;

- Adopting common branding for assisted travel services; requiring train operators to make a phased reduction in the notice period required for booking assistance; and
- Providing redress to passengers when booked assistance fails.

In terms of improving access to delay compensation, our short-term actions included the introduction of a new licence condition on delay compensation as well as:

- Requiring train operators to meet a new code of practice
- To tell passengers of their rights to compensation while they are on a delayed train and when they get off it
- Requiring companies to process compensation claims in 20 working days
- To publish data on delay compensation performance; and
- To accept claims from third party intermediaries which meet a new code of conduct.

In 2019-20 we have also:

- Published the results of independent research into the provision of information to passengers. This found that while there had been improvements in recent years, it still remains a challenge – and particularly so during periods of disruption. Following on from this, we wrote to the industry to ask it to work as one to develop an action plan to deliver tangible and enduring improvements in passenger information. We also continue to work with industry to develop the Customer Information Model to monitor and report on progress with improvements, and expect this to be rolled out widely later this year.
- Following dispensations being given by the Department for Transport from the requirements of a new standard of train accessibility (known as the technical specification for interoperability for persons with reduced mobility - PRM-TSI), we wrote to train operators to understand what plans they had in place to communicate relevant information to passengers about the services available. We have since followed up the results of our initial monitoring with individual operators.
- Published new Accessible Travel Policy (ATP) guidance, replacing the Disabled Persons Protection Policy, for train operators. This guidance sets out new requirements designed to deliver improvements in reliability, staff training, and

awareness of assistance amongst others. We have started to approve train operators' policies against this guidance. We also continued our research into passenger satisfaction with booked assistance provided by train operators.

In December, we published a consultation on possible changes to the ATP guidance, to reflect requirements to provide accessible rail replacement services. We published responses to the consultation and an update on our next steps in March, and will publish our decision early in 2020-21.

During the year, we also developed and started to trial targeted measures to reduce the frequency of assistance failures at stations. Improving the quality and consistency of information communicated between a passenger's boarding and alighting stations, can ensure staff are always ready and prepared to provide assistance as required. We aim to conclude our trial and implement these measures formally as part of our ATP requirements later this year.

- On complaints handling, we have continued to monitor train operators and have taken steps to improve performance with individual operators where they have fallen short. Passengers' satisfaction with how their complaint has been handled has continued to be captured by our continuing complaints satisfaction survey, the results of which we will publish this summer. We have worked with the Rail Ombudsman, and now that it has completed its first year of operation, we have initiated an independent review to consider whether there are any areas where changes may be needed. The results of this will be published early in 2020-21.
- Continued to develop our compliance and enforcement policy focussed on the licence conditions and consumer law areas for which we have responsibility. This will complement our existing wider enforcement policy, and expect that this work will be finalised later this year.
- In October, we published our consultation on changes to train and station operator licences to reflect requirements arising from the expiry of the domestic exemption from obligations in the Rail Passengers' Rights and Obligations Regulations 2010. These changes were confirmed and introduced into these licences in December.
- On ticket retailing – and to help passengers be better informed on the terms and conditions regarding specific tickets types and more generally as part of their rail ticket contract with the train operator – we launched a 'Know Your Rail Rights' awareness campaign through our social media channels.

- Published our annual consumer report, 'Measuring Up', in July. This draws together all our work on customer service and reports on the performance of the train operators, and Network Rail, in the key areas for which we have responsibility.



Strategic objective 3: Value for money from the railway

We support the delivery of an efficient, high-performing rail service that provides value for money for passengers, freight customers, governments and taxpayers. We also regulate other significant elements of the national rail infrastructure, including High Speed 1 (HS1) and the UK portion of the Channel Tunnel.

In addition, we have a number of roles that enable us to secure the best deal for rail and road users now and in the future.

Holding Network Rail to account

- 2019-20 marked the start of the new five-year control period (CP6). This implements the conclusions of the 2018 periodic review which set the expectations for what the company should deliver from 2019 to 2024.
- Our new regulatory policy for holding Network Rail to account came into effect at the beginning of April 2019, using a three-stage approach to enable us to target those areas that have the most serious impact and detriment to passengers, freight customers and funders:
 - Stage 1 Routine monitoring and assessment
 - Stage 2: Investigation and early resolution of concerns
 - Stage 3: Enforcement action
- In July, we published our final annual assessment of Network Rail's performance in CP5 through two reports (one for England & Wales and one for Scotland), which highlighted good performance by the company in managing its infrastructure assets and for the freight sector, but continued underperformance in the key areas of passenger train performance and efficiency.
- In February 2019, Network Rail had announced that it would be making changes to how it operates and for a new model for the organisation – known as 'Putting Passengers First' – that Network Rail considers will better align with train operators and franchises. The first phase went live in June with the creation of five regions and the devolution of parts of Infrastructure Projects and the System Operator. We undertook enhanced evaluation of the company's proposals as they developed,

issuing our opinion in May and subsequent updates in June and July, and then again on phase 2 of the programme in December.

- To support our renewed approach to holding Network Rail to account in CP6, we have reorganised our resources and reporting, including appointing senior regulation managers to align with Network Rail's new devolved structure and to act as our leads for Network Rail's regions and its system-level functions. We have continued to evaluate the company's proposals as they have developed.
- In December, we published our first interim assessment of how efficiently Network Rail was delivering against the five-year plans set out for CP6, again with separate reports for England & Wales and Scotland. We noted valuable progress in the planning and preparation by Network Rail regional business units following work we had commissioned to investigate their management capability and processes. Our assessment also noted a significant step-up in efficiency targets in subsequent years of CP6 and the need for further work to prepare for these.

Formal action against Network Rail

- Following the provisional order we issued against Network Rail in November 2018 for deficiencies in how it plans and manages network capacity, timetables and performance, we continued to monitor the company's progress against the improvements it committed to in its response to the order in February 2019, and the performance action plan for which we approved in April that year.
- On a separate issue, in January 2020 we undertook a review of train and freight performance in the North West and Central region due to sustained poor performance. The purpose of the review, as part of stage two of our new policy, was to identify whether the company could demonstrate it had recognised factors causing this reduction in train and freight performance and whether it was doing everything reasonably practicable to address them.

Timetable changes

Following the action that we took against Network Rail in 2018 for deficiencies in how it plans network capacity and implements new timetables, we continued to monitor the company's progress against the improvements it committed to.

We monitored preparedness across the industry for the May 2019 and December 2019 timetable changes, which were both delivered without disruption following the failed implementation of the May 2018 timetable.

High Speed 1

In 2019-20 we have:

- Published our annual report on HS1 Ltd. We found that its delivery for its users remained significantly better than the minimum standard in its concession and overall it had maintained a high level of train service reliability, although the number of train services delayed by incidents attributed to the company had worsened from the previous year.
- Concluded our second periodic review of HS1 Ltd (PR19). We had launched this in 2018 and since then had worked with the company and its stakeholders to understand its plans for Control Period 3 (2020–2025). Our role is to provide independent assurance that HS1's assets can be kept in the long term at the lowest possible cost. We published our draft determination in September, for consultation, and in January published our final determination, which includes total operating, maintenance and renewals charges for train services using the HS1 network from 1 April 2020 to 31 March 2025.
- Successfully defended a claim for a Judicial Review brought by Eurostar in respect of the process that ORR proposed for reaching a final determination.

Channel Tunnel regulation

We work with the French rail and road regulator, the Autorité de Régulation des Transports (ART), to jointly exercise our statutory responsibilities for the economic regulation of the Channel Tunnel. Although our powers are independent of one another, ORR and ART have agreed to work together under a mutual cooperation agreement to ensure that we make consistent decisions across the UK and French halves of the network. Our overall objective is to maximise the benefits of using the tunnel for passengers and freight customers in both countries.

In February, we published our opinion on Eurotunnel's 2021 Network Statement, which will come into force in December 2020.

Access and capacity

Our work ensures that operators get fair access to the rail network, and that users and funders are not put at a disadvantage by the monopoly power of the networks we oversee.

From April 2019, we introduced a number of changes for open access operators. New operators that run certain services have been required to pay charges that more accurately reflect the actual cost of using the network, while we also made changes to our access policy that mean new services could benefit from greater access to the network in the future.

As noted below, we have also implemented a framework to monitor the economic and commercial impact of, and response to, open access and published our first report on this in February.

In 2019-20 we have also:

- Approved several hundred new and amended access contracts for track, stations, depots, freight terminals, other service facilities and connecting networks.
- Completed 14 reviews of Network Rail's proposed land disposals, consenting to 13 of them.
- Issued 21 licences and exemptions to applicants wishing to operate railway assets.
- Continued in our role as economic regulator for rail in Northern Ireland.

Promoting competition

In February, we published our first piece of analysis into the impact of, and response to, open access competition in railway markets and the impact on funding and passenger outcomes. This reflected the evidence and feedback we gathered and informed the design of our monitoring framework last year.

We have continued to receive and assess applications from open access operators this year, including proposed services on Great Western to Wales, and West Coast to North West England and Scotland. These assessments include, for the first time, the new infrastructure cost charges for open access operators and the application of new EU requirements for an 'Economic Equilibrium' test, similar to our previous 'Not Primarily Abstractive' test.

In January, we announced the beginning of a formal market study under our concurrent competition powers into the market for signalling technology, which constitutes a significant proportion of anticipated costs for future railway enhancement projects. The study set out to look at whether the supply chain is fair and competitive, and whether the way that it operates delivers the best quality and value for money to infrastructure managers like Network Rail, and ultimately rail users and taxpayers.

Because of the Covid-19 outbreak, we took the decision to close the study at the beginning of April 2020 in order to allow the industry to focus on operational and safety issues. At the time of publication of this report, we were committed to re-opening the study at the appropriate time to so do so.

During the year, we also published an update paper setting out the progress against the recommendations made in our final report in March 2019 of our study into the supply of automatic ticket gates and ticket vending machines.

Information and analysis

We have continued to publish a range of statistics about railway performance, rail usage and safety – to support performance evaluation, analysis and decision-making for the rail industry.

During the year, we updated these to include new punctuality and reliability performance measures developed by the rail industry such as the 'On Time' measure, which registers trains as being on time only when they arrive at station stops within one minute of schedule.

The more widely-reported measure for punctuality - Public Performance Measure (PPM) - registers trains that arrive within five or 10 minutes of their scheduled arrival time, dependent on the service. 'On Time' is measured at station stops along the route, whereas PPM only measures punctuality at each train's final destination.

We also launched our new data portal, to put all our statistical releases and other publicly available information in one place.

Europe

The EU continued to have a role in the development of railway regulation throughout the year, and we helped to influence and implement European rail law in a number of areas, in line with the UK Government's approach of continued engagement while we remained a member of the EU until December 2019.

Our objective was the same as for domestic regulation: ensuring maximum benefit for the users and funders of UK rail, and delivering a safe, efficient and developing railway. In the process we aim to foster an increasingly open, competitive, safe and interoperable rail sector throughout Europe.

Under the post-Brexit transition period agreed by the UK Government and the EU, many of the rights and obligations previously held by us and industry parties prior to Brexit will remain in place until December 2020. This means that operator licences, train driver licences and safety certificates we have issued will remain valid in the EU until at least the end of 2020. Equally, equivalent documents issued in the EU remain valid here.

The transition period also defers the entry into force of the UK's exit legislation until the end of the year. This means the law we regulate under – and with which regulated businesses must comply – remains unchanged for the time being. We will continue to work closely with the government and the industry while the long term UK-EU relationship is negotiated and in preparation for what will happen after the transition period ends.

In 2019-20 we have also:

- Supported the industry to understand how leaving the EU affects their business, especially where this involve cross-border services or supply chains, and to plan mitigations in risks as they arise.
- Advised government on its development of legislation to bring European competences into UK law, to ensure a stable regulatory environment after Brexit.
- Collaborated with other European regulatory bodies via IRG-Rail, the network of independent rail regulatory bodies. We have developed best practice and

harmonised regulatory processes in a number of areas, including rail freight corridors and evolving regulation on international timetabling and service facilities.

- Acted as Secretariat for the International Liaison Group of Government Railway Inspectors (ILGGRI) which facilitates liaison between national safety authorities (NSAs) on the practical implications of European safety and interoperability proposals.



Strategic objective 4: Better highways

Highways England operates the strategic road network, managing motorways and major roads in England. Our role is to monitor and hold it to account for its performance and delivery, so that its customers enjoy predictable journeys on England's safe, good quality roads.

We report on Highways England's delivery of around £4 billion of annual expenditure, providing transparency to funders, road users and wider stakeholders. We encourage Highways England to publish more information on its plans and performance. Importantly, improved transparency allows other stakeholders to play a more informed role in holding the company to account.

Our business plan for 2019-20 outlined two priority areas for the year: continued monitoring of Highways England's performance over the first road period (RP1, from 2015 to 2020) and work to inform the next road investment strategy (RIS2), which covers the new road period (RP2).

Road Investment Strategy (RIS2)

RIS2 sets out the funding available to Highways England for the government's five-year strategic version for investment in, and management of, the strategic road network from April 2020 to March 2025.

We reviewed Highways England's Draft Strategic Business Plan in the first half of 2019, and submitted our advice to the Secretary of State in June. The RIS2 published in March reflects the advice we provided on what could be achieved in the period.

In January, we consulted on updating or monitoring framework and enforcement policy for Highways England. We first set these out in 2015, when we took on our role as Highways Monitor, and the consultation considered how we might combine our monitoring framework and enforcement policy, and utilise new tools to assist early resolution of issues, and incentivise performance.

Our new policy was published at the end of March. It outlines how we will focus on early resolution of issues wherever possible; introduce hearings as an additional tool; and have made changes to how we would consider setting the size of a fine. Following the

consultation, we also made some amendments, including clarifying the process for notifying Highways England of our intent to take statutory enforcement action, should we decide to do so, and added new text to our policy that recognises that we may need to draw on the insight of stakeholders, including local and regional bodies, when gathering information.

In 2019-20 we have also:

- Published our annual assessment of Highways England's performance. The report found that the company was meeting targets for maintaining roads, clearing incidents, reducing deaths and serious injuries and completing improvement schemes, and is delivering its work more efficiently. However, the assessment also noted that although road user satisfaction remains high it is still below its target and Highways England needs to provide improved data to back up its efficiency claims.
- Established a new road expert panel to support our work as the Highways Monitor. The eight members of the panel – with a wide range of expertise in fields including local government, civil engineering and international benchmarking met twice during the year.
- Published our 2019 progress report, covering the fourth year of ORR benchmarking Highways England's performance and efficiency against comparable organisations, including in other countries or sectors. Alongside this – and building on previous work – we commissioned a feasibility study to consider the scope for comparing pavement condition across road authorities. The study concluded that it is not possible to directly compare condition without modification of the metrics used. We will consider how best to take this work forward as one of our priority areas for benchmarking in the new road period.

Our financial performance

A summary of our income and expenditure is shown below:

	2019-20	2018-19
	£000	£000
Income		
Economic regulation	(14,074)	(13,283)
Health and safety regulation	(18,163)	(15,812)
Highways monitoring	(2,442)	(2,296)
Total income	(34,679)	(31,391)
Expenditure		
Staff costs	24,460	22,435
Other costs	10,222	8,959
Total costs	34,682	31,394
Reconciliation between resource outturn and resource budget outturn		
Net resource outturn	3	3

Income

All rail-related costs are recovered via licence fees or the safety levy which are invoiced based on estimated costs. Therefore any over-recovery is treated as deferred income and any under-recovery as accrued income, as set out in note 5 to the accounts. All highways-related costs are recovered in full from the Department for Transport.

The £14.1m income from economic regulation comprises income from the licence fee, HS1 and our monitoring of Northern Ireland. Health and safety regulation income of £18.2m includes income from railway service providers and from the Channel Tunnel. Income from highways monitoring was £2.4m.

Expenditure

In 2019-20 we spent a total of £34.7m compared to £31.4m in 2018-19. Our overall gross budget for 2019-20 was £36.6m.

By segment, our spend breaks down as follows:

- £0.8m more on economic regulation than last year, at £14.1m (£1.1m less than budget);
- £2.4m more on safety regulation than last year, at £18.2m (£0.6m less than budget); and
- £0.1m more on our highways monitoring role compared to last year, at £2.4m (£0.1m less than budget).

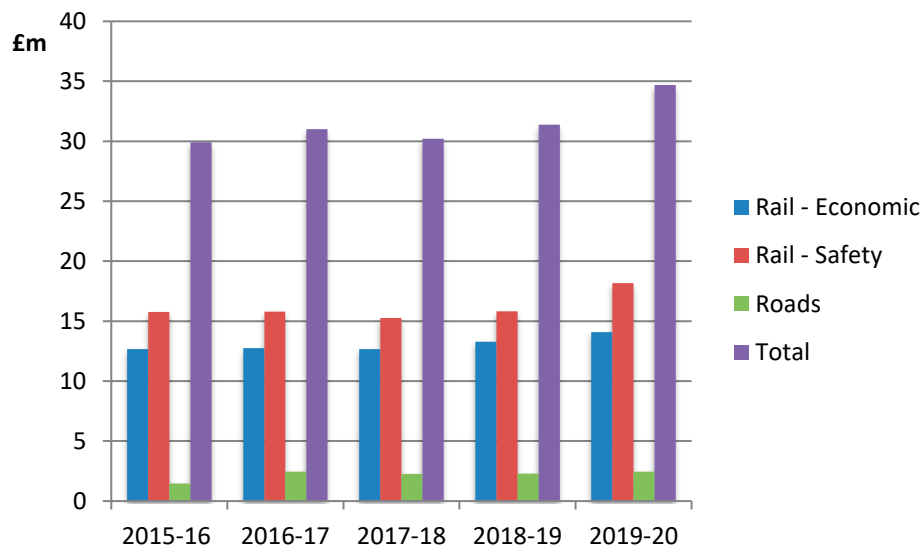
The largest single contributing factor to the underspend against budget was the relocation of our London office from Holborn to Canary Wharf, which accounted for just over half of the underspend. Due to factors beyond our control we signed our lease seven weeks later than planned, saving rent and rates during this time. We were able to negotiate with the landlord of our previous London premises and came to an agreement not to pay dilapidations, therefore enabling us to release a provision for this. The fit out of our new premises came in on budget, with no requirement to use the contingency, which had a positive impact on depreciation.

Another cause of underspend was staff costs which were 3% below budget, due to higher vacancies throughout the year than budgeted.

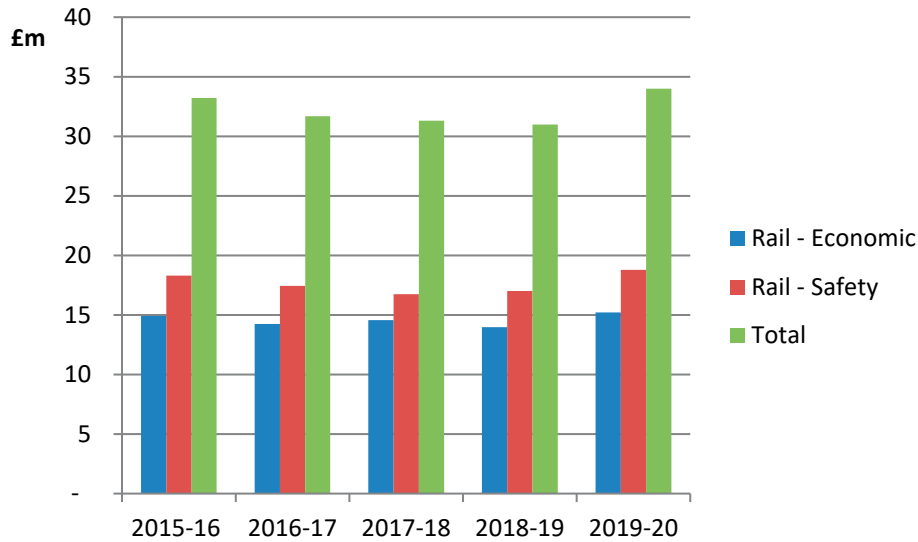
Staff costs accounted for £24.5m (71%) of total costs, compared to £22.4m (71%) in 2018-19. Our average staff cost per full-time equivalent in 2019-20 was £74,121 compared to £72,374 in 2018-19.

Long-term expenditure trends

The chart below shows our spending pattern, in cash terms, over the last five years, split by key resource area.



In real terms (using the Retail Prices Index) our maximum statutory charges to the rail industry have decreased steadily between 2015-16 and 2018-19 as demonstrated by the chart below. Most of the increase in 2019-20 is due to one-off office move costs.



Impact of EU exit and Covid-19

ORR has not incurred any direct expenditure as a result of the UK's EU exit preparations. ORR's activity in this area is set out on page 33. A small amount of expenditure has been incurred in providing essential IT equipment such as monitors to staff to enable them to work from home effectively during the coronavirus pandemic. ORR's response to the pandemic is set out on page 56. There have been no changes to ORR's headcount as a result of EU exit or Covid-19.

John Larkinson
Accounting Officer
13 July 2020

Employee matters

All employees at ORR are required to comply with the terms of the Civil Service code, including the core values of integrity, honesty, objectivity and impartiality. The Code also sets out what an employee must do if they believe they are being required to act in a way that conflicts with the Code, or if they become aware of actions of others which they believe are in conflict with the core values. To date, no such concerns have been raised within ORR.

ORR also has a fraud prevention policy that ensures all employees understand how to prevent fraud and what to do if they suspect that fraud may be occurring. The policy sets out employees' responsibilities under the Fraud Act 2006, the Bribery Act 2010 and the Public Interest Disclosure Act 1998, as well as under Managing Public Money. No incidents of fraud or bribery have been raised since the policy was implemented. The policy is reinforced through ORR's conduct and discipline policies.

At ORR, we are committed to the principles of equality and diversity, both as an employer and as a safety and economic regulator. In accordance with the Equality Act 2010, ORR has published specific equality objectives and regularly publishes diversity data in our capacity as an employer. We:

- eliminate unlawful discrimination, harassment and victimisation;
- promote equality of opportunity between people who share a 'protected characteristic' (such as age, disability or race) and those who do not; and
- foster good relations between people who share a protected characteristic.

Our diverse backgrounds, experience and talents are critical in securing our success as a regulator. We make every effort to ensure that our people practices reflect the true value of every individual, and that we continually foster a diverse, open and inclusive workplace.

ORR participates in the Civil Service people survey. The 2019 survey, in which we had a very high staff response rate of 84%, showed an increased engagement level (up from 60% to 63%). Across the nine question themes, five were higher than 2018, three were unchanged and only one very slightly lower. The biggest improvement was in leadership and managing change, which was up 7%. Overall the survey scores demonstrated that there had been improvement across a range of topics, with some needing further work. ORR's wellbeing index was a little higher than the average departmental benchmark across the Civil Service.

Sustainability

Sustainability is a dynamic area and to support our holding to account role we commissioned a study in March 2020 to identify key challenges and best practice for sustainable development and reducing environmental impact within the rail sector. This work is in addition to quarterly liaison meetings held with Network Rail's Head of Environment and Sustainable Development. We also actively participate in a number of cross industry working groups including the RSSB's Sustainable Development Steering Group and Climate Change Working Group and the Environment Agency's sponsored Infrastructure Operators Adaptation Forum.

In 2020-21 Network Rail plans a refresh of their sustainability strategy and the ORR is supporting this process. In 2019-20 we participated in the workshop process for John Varley's independent report to the Department for Transport on Network Rail's approach to vegetation management. Network Rail has presented its response to the report, including developing a sustainable land use programme and we will be monitoring progress against this work as part of our ongoing holding to account activities.

Reporting against environmental sustainability has continued to develop in 2019-20, with us working with Network Rail to develop a set of additional KPIs in this area.

A key part of our role is holding Network Rail to account for the performance of its assets and managing the impacts of weather on the infrastructure is vital to this. We highlighted the need for Network Rail to update each of their route's Weather Resilience and Climate Change Adaptation plans in our CP6 determination. We are disappointed that a number of these plans are still outstanding at the end of year one of CP6, as achieving the milestones set out in these plans is one of the confirmed KPIs Network Rail has identified.

We monitor Highways England's progress against its commitment to deliver better environmental outcomes on the strategic road network. This includes holding the company to account for its performance against two key performance indicators on biodiversity and noise. We also monitor progress against a number of environmental performance indicators, covering carbon emissions, air quality, flooding and water quality.

In our annual assessment of Highways England's performance in 2018-19, we reported that:

- Highways England had mitigated 951 noise important areas, towards a target of 1,150 by 2020. The majority of these were delivered through a programme to fit double glazing to noise-affected properties close to the network.
- Highways England continues to make progress in delivering its Biodiversity Action Plan. In 2018-19 the company produced management plans for 10 sites of special scientific interest on its estate, bringing the total number of plans to 40 in this road period. It also completed 25 grassland schemes and trialled its new biodiversity metric.

We have worked with Highways England, the Department for Transport and other stakeholders to support the development of a new suite of environmental metrics that will be used to monitor Highways England's performance in the second Road Period, which will run from April 2020 to March 2025.

Our next annual assessment is due to be published in July 2020. It will report on Highways England's performance in 2019-20 and for Road Period 1 as a whole.

Procurement

Sustainable procurement involves the management of internal demand to ensure that only appropriate goods and services are obtained from third parties, selecting suppliers that have appropriate sustainability credentials where relevant to the contract, utilising eTendering and opening up procurements to small and medium enterprises (SMEs).

Examples over the last 12 months include:

- issuing documentation for all tenders electronically and requiring all proposals to be submitted electronically;
- encouraging SMEs' participation in tenders through highlighting the suitability of tender opportunities on Contracts Finder and ensuring that liability and insurance limits were as low as practical within the contract;
- achieving a BREEAM³ rating of "Very Good" through the fit out of our new London premises; and
- using Crown Commercial Services' Facilities Management framework for the procurement of facilities management at 25 Cabot Square, which includes sustainability plans with targets to reduce waste, water and energy consumption.

ORR performance and policy

Our environmental performance in 2019-2020 is shown in the table below. We have presented the data as transparently as possible, and provided notes to explain where it has not been possible to obtain some information.

All data is for our Kemble Street London office and Glasgow offices, except for that on water and oil which was unavailable for Glasgow. In October 2019 we relocated to a new London office (25 Cabot Square). Data is included for 25 Cabot Square where available, but information on CRC expenditure, water and energy costs was unavailable. Our other offices, occupied as sub-tenants of other government departments' premises, should be reported by the lead department. Much of our utilities are provided and controlled by our building landlords or lead tenants, therefore we do not set targets for the measures set out below. The data on travel and paper consumption applies to the whole organisation.

Waste figures are higher than in previous years as a result of the London office move.

³ Building Research Establishment Environmental Assessment Method

Based on Defra conversion factors	2017-18	2018-19	2019-20
Greenhouse gas emissions (tonnes CO₂)			
Electricity (scope 2)	210	215	88
Oil (scope 2)	67	59	19
Gas (scope 2)	n.a	n.a	n.a
Travel:			
Car (personal vehicle)	86	35	30
Air	60	43	58
Train	97	104	144
Hire car	13	4	8
Gross emissions total	533	460	347
Total net emissions	n.a	n.a	n.a
Gross emissions of official business travel (tonnes CO₂)	256	186	240
Expenditure (£)			
Carbon Reduction Commitment (CRC) gross expenditure (£)	83,075	82,709	52,208
Expenditure on accredited offsets (£)	0	0	0
Expenditure on official travel (£)	629,267	651,810	784,837
Waste (tonnes)			
Total waste	21	19	56
Hazardous waste	0	0	0
Non-hazardous to landfill	0	0	0
Non-hazardous recycled	12	11	20
Non-hazardous incinerated/energy from waste	8	7	36
Cost of waste collection (£)	5,279	8,125	36,415
Water			
Water consumption (m ³)	2,329	2,063	866
Water supply costs	5,480	4,820	2,628
Finite resources			
Electricity non-renewable (Kwh)	440,157	480,562	243,175
Electricity renewable (Kwh)	32,261	33,342	103,567
Oil (Kwh)	251,016	209,180	66,742
Total energy expenditure (£)	83,075	82,709	52,208
Paper consumption (A4 reams)	2,158	1,520	995

n.a = not available

Better regulation

In December 2019, we published an interim compliance report against the Government's Business Impact Target, as required under section 24A of the Small Business, Enterprise and Employment Act (as amended). From January 2020 we resumed our work on our Public Sector Equality Duty, in compliance with section 149 of the Equality Act 2010. Throughout the year, we have actively participated in the Department for Business, Energy and Industrial Strategy's work on the government priorities for the fourth industrial revolution i.e. create innovation supportive regulatory framework, strengthen collaboration between sectors regulators.

We have continued to work jointly wherever appropriate with other economic regulators, principally through the UK Regulators Network (UKRN). This has included work with UKRN networks on current issues such as Brexit as well as emerging issues such as cyber security, data sharing and on achievement of the 2050 Net Zero target. We meet regularly with the Department for Transport and the Civil Aviation Authority to support joined-up regulation across economic and safety regulation affecting key transport sectors.

We have implemented the recommendations of Treasury's 'Aqua Book'⁴ to improve quality analysis when taking policy decisions. All our decision making processes are evidence-based, proportionate and transparent. To increase our confidence in the reliability of the evidence we use, we have started to review the quality assurance of our most used models.

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/416478/aqua_book_final_web.pdf

**Section B:
Accountability Report**

Directors' Report

ORR is a non-ministerial government department, which is independent of, but works closely with, the Department for Transport (DfT).

Executive and Non-Executive members of the ORR Board are listed on page 51.

Details of company directorships and other significant interests held by the Board are available on request.

Prompt payment

We are committed to the prompt payment of our suppliers and seek to pay all valid invoices as soon as possible. During 2019-20, 100% of invoices were paid within 30 days (100% in 2018-19) and 94% paid within 10 days (94% in 2018-19).

Better regulation

Our work on better regulation in 2019-20 is explained on page 44.

Personal data related incidents

Personal data related incidents are covered in the Governance Statement on page 60.

Complaints

Our customer correspondence team handles all complaints and general enquiries received by ORR. The majority of correspondence received are concerns about the rail industry⁵. ORR is represented at the cross-government complaint handlers' forum and the Department for Transport complaint handlers' working group.

In 2019-20 we received 1,722 complaints and general enquiries, which represents an increase of 81 cases, or 5%, on the previous year. This is the highest total in the last five years. We aim to respond to 95% of all such enquiries within 20 working days of receipt, excluding safety cases which can often take longer than 20 days to investigate due to the complexity of often multi-part enquiries. In 2019-20 we received 1,681 such complaints and general enquiries, of which 1,500 (89%) were cleared within the deadline. Frequent concerns being raised include: problems in obtaining delay/repay; disruption and punctuality; crowding; and accessibility issues. We have also had an increase in rail employee health, safety and welfare concerns.

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

⁵ complaints about the strategic road network are handled by Highways England.

Freedom of Information

In 2019-20 we received 183 requests of which 175 (96%) were responded to within 20 working days or within the permitted extension deadline. Further details are published by the Cabinet Office: <https://www.gov.uk/government/collections/government-foi-statistics>.

Formal complaints received about ORR

If someone is unhappy with the service they have received from ORR, they can raise a formal complaint in writing with the head of the customer correspondence team. Their complaint will be acknowledged and passed to the relevant Director to respond. If the complainant remains unhappy they can escalate their concern to the Parliamentary and Health Services Ombudsman (PHSO). ORR received eight formal complaints which were investigated, with none being escalated directly to the PHSO.

Auditors

The Comptroller and Auditor General carries out the audit of ORR's financial statements. The notional cost of auditing the financial statements was £41,000 (2018-19: £36,000). No remuneration, actual or notional, was paid to the National Audit Office for non-audit work (2018-19: none).



John Larkinson
Accounting Officer
13 July 2020

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act 2000, ORR is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources required, held, or disposed of during the year and the use of resources by ORR during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of ORR and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the 'Government Financial Reporting Manual' and, in particular, to:

- observe all relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the 'Government Financial Reporting Manual', have been followed, and disclose and explain any material departures in the accounts;
- prepare the financial statements on a going concern basis and
- confirm that the annual report and accounts as a whole is fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Treasury has appointed the Chief Executive as ORR's Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding ORR's assets, are set out in 'Managing Public Money' published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that ORR's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Accountability to Parliaments and the Devolved Assemblies

ORR is accountable through Parliament and the courts for its role as an independent health and safety and economic regulator of the railways and monitor of the strategic road network. Its Parliamentary accountability manifests itself practically in several ways, including the appointment of its Chair being subject to scrutiny by the Transport Select Committee and ORR senior officials regularly contributing to Parliamentary and Assembly committee inquiries. ORR's contribution to the Parliamentary process at Westminster in this reporting period has included:

- an introductory briefing session with the new team clerking the Transport Select Committee; and
- providing information to the Scottish Parliament's Rural Economy and Connectivity Committee on Network Rail's performance in Scotland.

We offer expert and impartial information and advice to governments and Parliamentarians, including members of the Devolved Assemblies, to inform their scrutiny of rail and road issues. We also provide independent assessment of delivery across key transport strands. ORR actively engages with Parliamentarians on issues which are of interest to them and their constituents, through briefings, correspondence and proactive engagement. In 2019-20 ORR held a number of one-to-one briefings as well as larger events, which included:

- a briefing on our recommendations – on accessibility and compensation – to the Williams Railway Review;
- a parliamentary drop-in session for all MPs, Lords, and staff on ORR's role and responsibilities; and
- an update to the All Party Parliamentary Group on Rail in the North.

Governance Statement

This statement explains the governance arrangements of ORR, including the management of risk and resources. ORR is the independent safety and economic regulator for Britain's railways, established on 5 July 2004 under the Railways and Transport Safety Act 2003. Since 1 April 2015, ORR has also been the independent monitor for Highways England.

The Board

ORR is a non-ministerial government department led by a statutory Board consisting of Non-Executive Directors (including the Chair) and Executive Directors (including the Chief Executive). The Secretary of State for Transport makes appointments to the Board for a fixed term of up to five years, which is renewable, but can only remove individual members for grounds specified under paragraph 2 of Schedule 1 of the Railways and Transport Safety Act 2003. The Board provides support and challenge on the effective running and long term strategy of ORR as well as on the department's performance and risk management, and progress against delivery of our objectives and priorities. Members' duties and responsibilities are set out in a code of conduct included in the Board's rules of procedure⁶. The Board's objectives are aligned to key business and risk management activities. The Board held 13 meetings in 2019-20.

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

- considered regular reports on health and safety risks across the industry;
- monitored the performance of Network Rail, with particular attention to their change programme Putting Passengers First, financial efficiency and their commitment to improving trackwork safety;
- monitored progress of the Williams Review and advised the review team and government where requested;
- Reviewed and approved HS1 Ltd's five-year asset management strategy;
- developed our advice to government on the Road Investment Strategy 2 (RIS2) and considered reports on the performance of Highways England;
- initiated a market study under our competition powers and considered other competition issues;
- discussed and reviewed applications for access to the network; and
- continued to keep under review the industry mechanisms to manage the risk around periodic changes to timetables.

⁶ At <http://orr.gov.uk/about-orr/who-we-are/the-board>

Membership and appointment terms of ORR's Board as at 31 March 2020 was as follows:

Non-Executive Directors

Declan Collier, Chair, since 1 January 2019, appointed until 31 December 2023

Justin McCracken, Deputy Chair, reappointed to 31 July 2024

Stephen Glaister, reappointed to 31 March 2022

Bob Holland, reappointed to 31 December 2024

Michael Luger, reappointed to 31 July 2021

Anne Heal, to 30 September 2021

Graham Mather, to 30 September 2021

Executive Directors

John Larkinson, Director, Railway Markets and Economics, to 27 March 2022. Interim Chief Executive from 8 October 2018

Ian Prosser, Director, Railway Safety, to 25 September 2023

Graham Richards, Director, Railway Planning and Performance, to 30 November 2021

Changes to Board membership

Changes to Board membership in the year are listed below:

Tracey Barlow's appointment ended on 30 April 2019. The original appointment began in February 2010.

Board Committees

The Board's work is informed by a number of advisory committees with clearly defined terms of reference. The activities and functions of these committees are described below. Papers submitted to the Board are normally scrutinised by a relevant Executive Committee first. Minutes of our Board meetings are published on our website within three months of them being approved.

Audit and Risk Committee

The Audit and Risk Committee supports the Board in its responsibilities for issues of risk control and governance and associated assurance. Its role is to review whether assurances presented are sufficient and comprehensive enough to meet the Board and the Accounting Officer's needs, and to assess the reliability and integrity of those assurances, as well as to provide an opinion on how well the Board and Accounting Officer are supported in decision making and in discharging their accountability obligations (particularly in respect of financial reporting and risk management).

The Audit and Risk Committee comprises two Non-Executive Directors (one of whom chairs the Committee) and an independent member. Membership of the Committee is reviewed every three years.

The Committee met five times during the year. Areas considered included:

- internal and external audit plans and progress against those plans, including progress made in implementing audit recommendations;
- key strategic risks for ORR and how they are managed, incorporating a new risk management process introduced at the start of 2019-20;
- the programme for the London office move;
- business critical models; and
- the annual report and accounts and the Governance Statement.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee has a specific role in reviewing the performance and remuneration of ORR's senior civil servants including the Chief Executive. It also maintains oversight of our people strategy, including our reward strategy for employees below the Senior Civil Service. It also advises the Chair on non-executive recruitment and induction.

The Committee, which comprises three Non-Executive Directors, met three times during the year. Areas considered included:

- the performance of ORR's senior civil servants during 2018-19;
- ORR's pay policy and non-consolidated performance-related pay awards for its senior civil servants, ensuring that this is consistent with the annual guidance produced by Cabinet Office for the Senior Civil Service as a whole;
- the succession and talent management arrangements for senior civil servants covering critical roles at ORR;
- the diversity and inclusion strategy review;
- the review of ORR's pay and reward strategy;
- the people survey results; and
- the gender pay gap report.

Health and Safety Regulation Committee

The Health and Safety Regulation Committee's role is to develop, maintain, review and update ORR's health and safety regulatory strategy and the overall adequacy of arrangements to meet ORR's statutory duties. It consists of a mix of Non-Executive and Executive members.

The Committee met four times during the year. Areas considered included:

- ORR's strategic approach to health and safety regulation;
- Network Rail's work to improve track worker safety;
- relevant 'lessons learned' reviews from inside and outside the rail industry;
- industry's leadership on occupational health issues;
- emerging safety trends and challenges;
- safety performance and management of non-mainline sectors, including London Underground and UK Trams; and
- dutyholders' health and safety performance.

Highways Committee

The purpose of the Highways Committee is to oversee the work of the highways monitor team, advise the ORR Board and act as a forum for policy development with senior staff. It consists of a mix of Non-Executive and Executive members. The Committee met four times in the year and considered:

- reports from our monitoring framework for Highways England;
- Highways England's capital planning and asset management;
- Highway England's operational performance, including safety and efficiency;
- development of ORR's advice on the second Road Investment Strategy; and
- Highways England's management of significant local disruption to the network and support for those affected.

Board effectiveness

The Board and its standing committees are governed by the Board's rules of procedure. There is a formal appraisal system for all Board members, including Executive members, undertaken by the Chair. Committee chairs report to the Board after each meeting and minutes are circulated to board members. The Board is required to review its own performance, including that of the committees, at least every two years. During 2019-20 a review of Board effectiveness was undertaken by an external consultant and completed in February 2020. The review gave strong assurance on the Board's effectiveness and governance and provided positive stakeholder feedback on the Board's work. The review made a small number of suggestions to further enhance the existing governance procedure. A plan to implement the recommendations for improvements will be delivered under the oversight of the Audit and Risk Committee.

Board attendances are summarised on page 62.

Conflicts of interest

The Board's rules of procedure include strict guidelines on conflicts of interest. A register of Board members' interests is available on ORR's website, and members declare interests on agenda items at the start of every Board and Committee meeting. On the rare occasion where there is a risk of a conflict of interest, the Board must decide whether or not the relevant member must withdraw from the meeting during discussion of the relevant item and this is recorded in the minutes. No issues arose during the year.

Compliance with the Code of Practice on Corporate Governance⁷

ORR is a non-ministerial government department with its functions vested in a statutory Board appointed by the Secretary of State. On that basis, there are some departures from the model envisaged in the 'Enhanced Departmental Board Protocol' for ministerial departments, as follows:

- the Board reserves to itself any changes in its governance and scrutiny thereof, so there is no committee with responsibility for governance;
- the Board does not include a Finance Director as ORR is not a spending department; and
- the Board has a role in deciding individual reward for senior civil servants. This approach adds a useful element of independence and objectivity given the small size of the department.

These exceptions aside, the Board considers that ORR is compliant with the principles established in the Code. The Board and senior team operates according to the recognised precepts of good corporate governance in business, namely: leadership, effectiveness, accountability, and sustainability.

The Executive

As Chief Executive, I head ORR and am also the Accounting Officer. Executive governance arrangements are based around three committees. Each committee involves a sub-set of Executive Directors as appropriate.

- The Executive Committee meets weekly and oversees operational issues such as progress against the business plan and allocation of resources for business planning.
- The Policy Committee meets weekly and advises on the development and implementation of policy. The Committee is concerned with policy substance and alignment with strategy.

⁷ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

- The Regulatory Interventions Committee meets weekly and oversees a range of enforcement issues across economic, safety and monitoring functions.

In addition, certain major workstreams have their own programme board, for example, the London office move. Programme boards are made up of a task-appropriate mix of Executive Board members, directors and staff.

Business plan

ORR produces and publishes an annual business plan, setting out resource requirements and key outputs planned for the coming financial year. Monthly internal reports on delivery of planned outputs form an important part of the assurance process, allowing the Executive to monitor the delivery of ORR's objectives. This is drawn from a business management system, which requires the input of milestones against activities contributing to ORR's strategic objectives. The Board receives quarterly reports on: progress against business plan commitments; service standards, which we use to monitor the performance of some of our public-facing 'business as usual' work; and unplanned or reprioritised work.

I delegate budgets to Directors as appropriate and review their expenditure against these delegated budgets, and their progress against business milestones, on a monthly basis. Each Director has a number of officers to whom s/he may sub-delegate financial and purchasing authority. Records of these authorities and associated signatures are maintained within the finance team and are refreshed as required.

Whistleblowing

ORR's whistleblowing policy is designed to provide an avenue for staff to raise concerns about perceived wrongdoings, illegal conduct or fundamental misconduct that may endanger others. Our 'whistleblowing and raising a concern' policy is available to all staff on our intranet. There were no whistleblowing complaints during 2019-20.

ORR is a prescribed person under the Public Interest Disclosure Act 1998. Prescribed persons are people and bodies you can blow the whistle to rather than your employer. People are able to contact ORR regarding concerns over the provision and supply of railway services and any other activities in relation to our functions. Details of whistleblowing complaints by railway employees will be published on our website separately.

Risk management

The Board considers the key risks facing ORR as part of a yearly discussion on strategy. Management of these risks is delegated to the Executive Committee. The Audit and Risk Committee is responsible for assuring the Accounting Officer and the Board on the adequacy of risk management processes. On a quarterly basis the Board receives an

update on risk from the Audit and Risk Committee, and the Executive's risk summary paper.

At the start of 2019-20 we implemented a new corporate risk management process. Risks are collated at directorate level by risk champions who come together as a group to discuss top and cross-cutting risks. A longlist is then presented to the deputy directors group for review and a shortlist is produced. The top risks are then discussed and challenged by the Executive Committee before being presented to the Audit and Risk Committee on a quarterly basis. Risks are categorised into external, strategic and operational to help define ORR's accountability in each risk and mitigate accordingly.

Our key risks are grouped into strategic risks by theme:

Coronavirus pandemic

The outbreak of coronavirus and the consequent social distancing requirements have forced staff to work from home for a sustained period of time. Whilst standard working practices are not possible and new ways of working have had to be adopted, the potential risk that staff would be unable to work effectively from home due to inadequate IT systems has not materialised. ORR's IT systems have remained accessible and robust throughout this time. There is a risk that with many staff having to juggle working from home with childcare responsibilities, productivity could be affected. Productivity could also be affected if a large number of staff became ill with coronavirus. There is also a risk to staff's wellbeing and mental health caused by prolonged social distancing.

There is a risk that some work planned for 2020-21 will need to be rescheduled, re-scoped or deprioritised.

What we are doing: A 'Gold and Silver Team' crisis management approach has been put into place to lead ORR's response to the pandemic. At the start of the pandemic daily meetings were held to identify ongoing concerns and provide an appropriate response. ORR's IT team has ensured that services have remained accessible from outside the office environment. Staff have been kept informed through fortnightly all-staff briefings held over Skype, through all-staff emails, and through information published on our intranet such as Frequently Asked Questions and tips for working from home. A high priority has been given to staff wellbeing, including encouraging breaks and making sure teams keep in contact regularly. Business processes and policies have been adapted where necessary to reflect the changing situation. Staff have been provided with essential IT equipment such as monitors.

Directorates have reviewed business plans for the coming year and identified where work may need to be deferred and also where other activities can be brought forward. The publication of ORR's business plan has been delayed to allow for reprioritisation of work. We have halted the market study into competition in the supply chain for signalling technology, and have paused other work which required information-gathering from

industry stakeholders while they are coping with the crisis. The future of the funding and outputs that the Government and ORR have set for Control Period 6 needs to be determined, and we will reconsider our approach to holding the rail industry to account.

Future structure of the rail sector

The Government is conducting a review of the structure of the rail sector ('the Williams Review'), the scope of which includes issues of rail sector governance and oversight, including the role of ORR. There are risks that the review does not fully take into account the full range of regulatory implications of any policy proposals and hence the wider impacts on the industry. In March 2020 the Government announced a delay to the publication of the review, and that it expected to make a further announcement in the summer.

What we are doing: We have been engaged with the review process since its inception following our inquiry into the May 2018 timetable collapse, and have contributed advice to the review across a number of different areas, including publishing advice to the review in July 2019 on passenger rights. We have also seconded a member of staff to the Department for Transport's (DfT's) review team. We remain engaged in the review process pending publication of the White Paper expected in summer 2020.

Network Rail monitoring

We have identified and are managing potential risks relating to our monitoring of Network Rail. To carry out our regulatory activities it is vital that we have the right information about Network Rail's activities and delivery so that we can hold it to account effectively. Network Rail is currently changing its structure to devolve more decision making to five regions. We are monitoring these changes now to make sure that Network Rail is not distracted from delivery and continues to manage safety and performance risks effectively.

What we are doing: We are actively engaging the company to make sure that we are collecting the right information about its safety, performance, asset management and efficient delivery outcomes – and also about its 'System Operator' function, which manages access, timetabling and long-term capacity on the network. We are also making sure that we are set up to regulate Network Rail's regions in the right way – taking account of where accountabilities sit.

Looking further ahead, we are working with industry stakeholders to ensure that any future changes to industry structure continue to have the right checks and balances so that Network Rail is held to account for its delivery to customers and taxpayers.

Accessibility

In developing revised Accessible Travel Policy (ATP) guidance for train and station operators we sought views on proposals to improve the accessibility of rail replacement

services provided during planned and unplanned disruption. This resulted in a new guidance requirement for operators to set out how, in cases of planned disruption, they will make reasonable endeavours to secure accessible rail replacement services, and where they are unable to do so to set out why. Following publication of the ATP guidance, ORR received a challenge on behalf of an individual that caused us to reconsider this position. One particular issue raised was the decision by ORR not to make it a mandatory requirement for all new ATPs to provide for accessible rail replacement buses where disruption is planned or reasonably foreseeable.

What we are doing: We sought legal advice on the applicability of the Public Service Vehicle Accessibility Regulations 2000 (PSVAR) to rail replacement services. We have also sought information from train operators and others on the accessibility of buses and coaches used, and available, for rail replacement. We have engaged extensively with DfT and the Driver and Vehicle Standards Agency, who are responsible for enforcing the requirements of the PSVAR, as well as with the Rail Delivery Group and representatives of bus and coach operators.

We published a further public consultation on this matter in December 2019. In parallel, the government recently enabled coach and bus operators who provide rail replacement services, to apply for strictly time-limited special authorisations for the use of non-compliant coaches and buses for rail replacement services. We now need to understand the government's final position on this matter before we conclude our position on the ATP guidance.

Recruitment and retention

We require high-calibre staff, in many cases with in-demand specialist skills, in order to carry out our functions effectively, and fulfil our strategic objectives. There is a risk that any difficulty retaining and recruiting the staff resources we need may impact on our ability to carry out our responsibilities in the most effective and efficient way. We face strong competition from other government departments and companies in our regulated sectors.

What we are doing: Our reward strategy continues to recognise high calibre people at all levels who contribute to the delivery of ORR's strategic objectives, and we make the best use of the flexibility available, in consultation with our staff representatives, to engage and motivate staff. However, we recognise that pay is not the only reason why excellent people would choose to work at ORR. In addition to pay, we offer support for personal and career development, and continue to invest in and improve our technology, embracing smart working to enable staff to work in the most effective and flexible manner.

We are carrying out a comprehensive review of our approach to pay and reward that includes looking at the financial and non-financial elements of our employee proposition. We have identified those aspects of working at ORR which colleagues particularly value such as working relationships, flexibility, autonomy, as well as the elements of pay and

reward which motivate staff. Our focus is on ensuring we achieve an equitable and consistent approach which will support our ambition to recruit and retain colleagues who will contribute to ORR delivering on its strategic objectives.

We are committed to ensuring that we have a strong, diverse and inclusive organisation that provides all employees with equal opportunity to deliver, develop and progress. We have undertaken a review of our activities in order to develop a new diversity and inclusion strategy.

Quality and analytical assurance

We manage analytical risks through our quality assurance and analytical assurance frameworks. We have reviewed our existing approach to quality and analytical assurance to develop frameworks, processes and tools to support our policy and decision makers. Our frameworks outline what needs to be in place for robust and proportionate quality assurance of our analytical models, including a set of controls with a clear internal chain of responsibility for challenge where analysts have concerns. Using Sir Nicholas Macpherson's definitions from the Aqua Book, we have also reviewed our analytical tools to establish a list of models we use to inform our decisions and advice. We are mapping the quality assurance and governance processes attached to each of these models.

Information assurance

ORR maintains an information management strategy which sets out how we manage our information as a combined safety and economic regulator. ORR is registered as a data controller with the Information Commissioner and adheres to the provisions of the Data Protection Act 2018. We have a data protection officer as mandated by the legislation who advises the office with regards to compliance. Our privacy policy is published on our website.

We maintain a risk register on information risk and oversee our compliance with our government information assurance requirements through a security forum chaired by our senior information risk owner. This forum meets quarterly (or by exception) to monitor breaches in general security and information security, recommend follow-up actions as appropriate, and to provide a central management point for matters relating to information assurance.

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

information asset owners who manage the information on a day-to-day basis. An annual assurance review is carried out with them directly.

Personal data related incidents

We have had no notifiable breaches for 2019-20.

Internal audit

Our internal auditors are Mazars. During the year Mazars have delivered a programme of audit reviews which was developed jointly with the Executive and endorsed by the Audit and Risk Committee. The plan was designed to address the key risks facing the organisation and to provide assurance that our key business processes are fit for purpose. The most that the internal audit service can provide to ORR is reasonable assurance that there are no major weaknesses in those systems audited. Based on the reviews undertaken and specific testing and evaluation performed during the year to 31 March 2020, Mazars have provided moderate assurance in respect of the adequacy and effectiveness of the framework of governance, risk management and control. Recommendations made by Mazars during the year have either been implemented already, or will be implemented in 2020-21.

Value for money from major contracts

It is ORR's policy to utilise competitive tendering when seeking goods and services from third party suppliers, when practical to do so. On the occasions where a single source approach is taken, robust justification must be provided, which is signed off by a senior member of staff.

For high value contracts, ORR has three main routes to access the market, depending on the requirement of the tender: Crown Commercial Service frameworks; specialist frameworks; and open tenders. Our main tendering strategy is and will continue to be to utilise Crown Commercial Services framework agreements using mini-competitions or through direct award where it can be demonstrated that the supplier provides value for money. A benefit of using such frameworks is that they often allow for the inclusion of benchmarking provisions, which can be used to ensure the contract remains value for money.

For tendering consultancy we either run mini competitions through specialist framework agreements that have been competitively let using price/whole life costs as one of the main evaluation criteria, or we opt for open competitions, publicising the requirement through ContractsFinder, once again using price/whole life costs as one of the main criteria.

Accounting Officer's statement

As Accounting Officer, I am personally responsible and accountable to Parliament for the organisation and quality of management in the department, including its use of public money and stewardship of its assets. The system of internal control in place to support me in this capacity accords with all relevant HM Treasury guidance.

My review of the effectiveness of the system of internal control for 2019-20 was informed by assurance statements from Directors across the organisation, and from the Audit and Risk Committee. This is further supported by independent assurances from internal and external audit.

As Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that ORR's auditors are aware of that information. I am not aware of any relevant audit information which has not been disclosed to the auditors.

I have considered the evidence that supports this Governance Statement and am assured that ORR has a strong system of internal control in place to support the achievement of its strategic objectives. During the year our internal auditors have made a number of recommendations to management to enhance governance, risk management and control. Action plans are in place for all of the recommendations we have accepted.

The annual report and accounts are fair, balanced and understandable. I am personally responsible for them, and for the judgments required to determine this.



John Larkinson
Accounting Officer

13 July 2020

Board member committee attendances

Member	Board	Audit & Risk Committee	Remuneration and Nominations Committee	Health and Safety Regulation Committee	Highways Committee
Tracey Barlow	1/1	-	-	-	-
Declan Collier	13/13	-	-	1/4	-
Stephen Glaister	13/13	-	-	-	4/4
Anne Heal	13/13	-	3/3	-	4/4
Bob Holland	12/13	5/5	-	4/4	-
John Larkinson	13/13	-	-	3/4	3/4
Michael Luger	12/13	5/5	3/3	-	-
Justin McCracken	13/13	-	3/3	4/4	-
Graham Mather	11/13	-	-	-	-
Ian Prosser	13/13	-	-	4/4	-
Graham Richards	13/13	-	-	3/4	4/4
Rodney Norman*	-	4/5	-	-	-

*independent member of the Audit and Risk Committee

Remuneration and Staff Report

Remuneration Report

Remuneration and Nominations Committee

The Remuneration and Nominations Committee maintains strategic oversight of the approach to remuneration, performance, reward, as well as other terms and conditions of all staff. It also has a specific role in reviewing the remuneration packages of ORR's senior civil servants (SCS) including the Chief Executive. It comprises three Non-Executive members of the Board. For 2019-20 these were Michael Luger (Committee Chair), Justin McCracken and Anne Heal.

The Committee's role is set out in the Board's rules of procedures⁸. Our Civil Service pay strategy accords with parameters set by the Cabinet Office for the SCS following recommendations by the Senior Salaries Review Body.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Remuneration policy

Remuneration of senior civil servants is set out in their contracts and is subject to annual review, taking into account guidance from Cabinet Office and the recommendations of the Senior Salaries Review Body. The notice period for all senior members of ORR does not exceed six months.

Each senior civil servant participated in performance management arrangements under which top performers have the opportunity to be awarded a performance-related payment, following the annual Cabinet Office pay guidance and the 'Performance management arrangements for the Senior Civil Service' (Cabinet Office, May 2018 edition).

⁸ http://orr.gov.uk/__data/assets/pdf_file/0013/2902/board_rules_of_procedures.pdf

These performance payments are non-consolidated and non-pensionable.

The remuneration of the Chair and Non-Executive Directors is set by the Secretary of State for Transport. Remuneration of Non-Executive Board members is by payment of salaries and they have no entitlement to performance-related pay. One Non-Executive Board member had exercised an entitlement to pension benefits, but opted out of the scheme with effect from August 2019.

The arrangements for early termination of contracts of senior civil servants are made in accordance with the employment contract of the relevant individual subject to the provisions of the Civil Service Compensation Scheme. No early termination payments were made to senior civil servants in 2019-20 (2018-19: none).

Salary and pension entitlements

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

Single total figure of remuneration

	Salary (£000)		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits (£000)		Total (£000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
John Larkinson Interim Chief Executive (from 8/10/18), Director, Railway Markets and Economics (to 7/10/18)	150-155	140-145	0-5	10-15	1,000	600	110	79	270-275	230-235
Joanna Whittington Chief Executive (to 7/10/18)	-	80-85	-	10-15	-	-	-	36	-	130-135
Dan Brown Director, Railway Markets and and Economics, and Strategy and Policy	130-135	125-130	-	5-10	600	-	54	48	185-190	175-180
Russell Grossman Director, Communications	130-135	130-135	-	-	-	-	45	43	175-180	170-175
Freya Guinness Director, Corporate Operations and Organisational Development	115-120	110-115	5-10	-	-	-	46	45	170-175	155-160
Juliet Lazarus General Counsel and Director of Competition	65-70	85-90	-	-	-	-	29	36	95-100	120-125
Ian Prosser Director, Railway Safety	145-150	140-145	-	-	-	-	51	51	195-200	195-200
Graham Richards Director, Planning and Performance	125-130	125-130	-	-	-	-	47	73	170-175	195-200

Salary includes: gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by ORR and thus recorded in these accounts.

Bonus payments are based on performance levels attained and are made as part of the performance appraisal process. Bonuses reported in 2019-20 relate to performance in 2018-19 and comparative bonuses reported for 2018-19 relate to performance in 2017-18.

Benefits in kind comprise subsidised gym membership and travel allowances for those London-based staff who incur a higher travel cost as a result of the office move.

Pension benefits are shown on page 67. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the

contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to the transfer of a pension right. No senior manager exercised the option to take extra salary to invest in a pension scheme of their own choice rather than participate in a Civil Service pension. John Larkinson opted to switch from a Civil Service pension to a partnership pension during the year. Employer contributions totalling £3,800 were made to the partnership pension provider for him.

Joanna Whittington left ORR on 7 October 2018. Her full-year basic equivalent salary for 2018-19 was in the range £155,000 - £160,000.

The full-year basic equivalent salary for Juliet Lazarus (who works part-time hours) is in the range £130,000 - £135,000 (2018-19: £130,000 to £135,000).

The full-year basic equivalent salary for Freya Guinness (who works part-time hours) is in the range £130,000 - £135,000 (2018-19: £125,000 - £130,000).

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in ORR in the financial year 2019-20 was £155,000 - £160,000 (2018-19: £160,000 - £165,000). This was 2.9 times (2018-19: 3.0) the median remuneration of the workforce, which was £54,584 (2018-19: £53,260).

In 2019-20, no employees (2018-19: none) received remuneration in excess of the highest-paid director. Remuneration ranged from £19,649 to £159,953 (2018-19: £22,355 to £153,850).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension entitlements for Directors

	Accrued pension at pension age as at 31/03/20 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV as 31/03/20 £000	CETV as 31/03/19 £000	Real Increase in CETV £000
John Larkinson Interim Chief Executive (from 8/10/18), Director, Railway Markets and Economics (to 7/10/18)	55-60 plus a lump sum of 150-155	5-7.5 plus a lump sum of 7.5-10	1,180	1,069	87
Joanna Whittington Chief Executive (to 7/10/18)	-	-	-	594	-
Dan Brown Director, Railway Markets and Economics, and Strategy and Policy	35-40	2.5-5	437	390	22
Freya Guinness Director, Corporate Operations and Organisational Development	40-45	2.5-5	560	500	26
Russell Grossman Director, Communications	55-60	2.5-5	1,148	1,049	46
Juliet Lazarus General Counsel and Director of Competition	25-30	0-2.5	497	456	18
Ian Prosser Director, Railway Safety	35-40	2.5-5	616	545	38
Graham Richards Director, Planning and Performance	30-35	2.5-5	492	440	23

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension

age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website <https://www.civilservicepensionscheme.org.uk>

Some employees are covered by the provisions of the Railway Pension Scheme (RPS), which is contributory and funded. The scheme is a defined benefit scheme with obligations met by the RPS trustees. Details of the RPS scheme statements and other financial information can be found in the annual report and accounts of Railway Pensions Trustee Company Limited (<https://www.railwaypensions.co.uk>).

The former rail regulators' and a former Chair's pensions are by analogy with the Principal Civil Service Pension Scheme. During 2019-20 there were no active members (2018-19: no active members). The accruing cost of providing for the members' future benefits, which is based on actuarial advice, is charged to the Statement of Comprehensive Net Expenditure. A provision for the expected future liabilities for the former rail regulators' and former Chair's pension scheme is disclosed as a liability on the Statement of Financial Position.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Payments to past Directors and compensation for loss of office

No compensation payments were made to past Directors on early retirement or for loss of office (2018-19: none).

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

	Fee range		Benefits in kind		Pension benefits		Total	
	(£000)		(to nearest £100)		(£000)		(£000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Declan Collier (Chair from 1/1/19, Non-Executive Director from 17/11/18)	80-85	20-25	-	-	-	-	80-85	20-25
Stephen Glaister (Chair to 31/12/18, Non Executive Director from 1/1/19)	20-25	95-100	-	-	-	-	20-25	95-100
Bob Holland	20-25	20-25	2,200	2,100	-	-	20-25	20-25
Tracey Barlow (to 30/4/19)	0-5	20-25	1,700	3,700	-	-	0-5	25-30
Justin McCracken	20-25	20-25	1,900	2,200	-	9	20-25	30-35
Michael Luger	20-25	20-25	1,300	1,000	-	-	20-25	20-25
Anne Heal	20-25	20-25	-	300	-	-	20-25	20-25
Graham Mather	20-25	20-25	-	-	-	-	20-25	20-25
Melvyn Neate* (to 30/9/18)	-	0-5	-	100	-	-	-	0-5
Rodney Norman* (from 1/10/18)	0-5	0-5	-	-	-	-	0-5	0-5
Garrett Emmerson** (to 31/8/18)	-	0-5	-	-	-	-	-	0-5
Terry Hill** (to 31/8/18)	-	0-5	-	-	-	-	-	0-5

*independent Audit and Risk Committee member

**independent Highways Committee member

Non-Executive Directors and independent members of the Audit and Risk Committee and Highways Committee are entitled to receive reimbursement of expenses incurred in relation to their duties. ORR meets the cost of the tax due on these taxable benefits. The only benefits in kind for Non-Executive Directors and independent Committee members are travel arrangements. One Non-Executive Board member exercised an entitlement to pension benefits, but opted out of the scheme with effect from August 2019.

Staff report

Staff numbers and related costs

Staff costs comprise:

	Permanently employed staff £000	Others £000	2019-20 £000 Total £000	2018-19 £000 Total £000
Wages and salaries	16,977	1,051	18,028	17,096
Social security costs	2,018	23	2,041	1,957
Other pension costs	4,396	2	4,398	3,382
Total costs	23,391	1,076	24,467	22,435
less: recoveries for outward secondments	(7)		(7)	-
Total net costs	23,384	1,076	24,460	22,435

All ORR staff and related costs are charged to administration budgets.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which ORR is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation⁹.

For 2019-20, employers' contributions of £4,301,990 were payable to Civil Service pension schemes (2018-19: £3,299,816) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The schemes' actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. In 2018-19 employer pension contributions to this scheme were at one of four rates in the range 20.6% to 24.5%.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £56,958 were paid to an appointed stakeholder pension provider (2018-19: £55,273). Employer contributions are age-related and range from 8.0% to 14.75% of pensionable earnings.

Employers also match employee contributions up to 3% of pensionable earnings. In 2019-20 no employer contributions of pensionable pay were payable to the PCSPS to cover the

⁹ <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees (2018-19: £nil).

No contributions were due to the partnership pension provider at 31 March 2020 (31 March 2019: £nil).

One member of staff retired early on ill-health grounds (2018-19: nil). There were no additional accrued pension liabilities (2018-19: £nil).

The Railway Pension Scheme (RPS) is a funded multi-employer defined benefit scheme administered by Railway Pensions Trustee Company Limited. This is a defined benefit scheme which prepares its own scheme statements. Details of the RPS pension statements can be found in the annual report and accounts of the RPS (www.railwaypensions.co.uk). Employer contributions of £16,291 were paid to the trustees of the RPS in 2019-20 at a rate of 1.5 times the individual members' contributions, on the basis of actuarial valuations (2018-19: £16,756, 1.5 times). ORR matches some of the BRASS2 contributions (an AVC scheme) made by the members. In 2019-20, matching contributions of £2,608 were made (2018-19: £2,608).

With regard to the accrued pension costs for a former Chair and past rail regulators, no notional contributions (as advised by the Government Actuary) have been charged to the Statement of Comprehensive Net Expenditure (2018-19: £nil). The liability at 31 March 2020 is estimated at £890,000 (31 March 2019: £837,000).

Average number of persons employed

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

Segment	2019-20 Number		2018-19 Number
	Permanent Staff	Others	Total
1. Economic Regulation	131	4	135
2. Safety Regulation	171	5	176
3. Roads Monitoring	19	-	19
Total	321	9	330

Included in "Others" are:

Others	Number	Cost (£000)
Agency staff	8.5	
Specialist contractor	0.5	
Consultant	0.0	
Total	9.0	1,076

Non-Executive Directors are included within permanent staff. The average number in 2019-20 was 7.1, with a cost of £250k.

Staff composition

At 31 March 2020, our total headcount comprised the following staff:

	Male	Female	Total
	FTE	FTE	FTE
Directors	5.0	1.4	6.4
SCS1	5.3	3.9	9.2
Employees	177.0	115.5	292.5
	187.3	120.8	308.1

All directors are at SCS2 level. The Chief Executive is SCS3.

Exit packages

No exit packages were paid in 2019-20. In 2018-19 an additional £5k was paid to a member of staff who received an exit package in 2017-18, resulting from a miscalculation in previous service. No other exit packages were paid in 2018-19.

Sickness absence data

The average annual working days lost per employee through sickness in 2019-20 was 3.3 (2018-19: 3.9).

Staff policies applied during the year

Diversity and inclusion

We are committed to the principles of equality, diversity and inclusion, and aim to ensure that nobody receives less favourable treatment particularly on the basis of age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, gender or sexual orientation. We have 'Level 2: Disability Confident Employer' status which encourages

applications from people with disabilities, offers them a guaranteed interview if they meet the minimum requirements for the role, and adjustments through the recruitment process. There is support for staff with disabilities when in employment, making workplace adjustments to their working environment and providing additional training and support, utilising 'Access to Work' resources. We have encouraged our managers to complete e-learning unconscious bias training and all managers have completed 'Leading Inclusive Teams' training to increase their awareness of how to manage a diverse team.

In order to build on our work to date and to provide a fresh and cohesive set of actions, we engaged an external consultant to support the development of a new Diversity and Inclusion strategy. We have continued to recruit and train more anti-bullying and harassment volunteers, operate a staff diversity network, and carry out an equal pay audit. We have continued our membership of the Business Disability Forum, who we will work with to help us become more disability-smart.

We engage with our Staff Representatives Group (which includes representatives from trade unions as well as non-union staff representatives) on a regular basis to share information on the organisation and on all aspects concerning employment. The bi-monthly meetings are open for staff to attend as observers.

Health and wellbeing

We continue to work on our mental health action plan to embed the 'Thriving at Work' standards and to reflect our participation in Mind's Workplace Wellbeing Index 2019-20, for which we were awarded Bronze – Achieving Change.

Actions have included regularly promoting our mental health first aiders, running drop in sessions for 'Brew Monday' and 'Time to Talk' day, talks by our Wellbeing Champion, and encouraging staff to share how they look after their own wellbeing. We continue to participate in the Samaritans' 'Million Hours Challenge', with staff talks and staff volunteering.

We offer staff occupational health support via Health Management Limited and an Employer Assistance Programme, with free face-to-face counselling sessions and a dedicated management support line. 40% of our employees had a free flu vaccination.

Health and safety

We fully recognise and accept our legal responsibility in relation to the health, safety and welfare of our employees and for all people using our premises. We comply with the Health & Safety at Work Act 1974 and all other relevant legislation as appropriate.

We are committed to the positive promotion of accident prevention and the elimination of incidents involving personal injury, illness or damage. We actively monitor and manage our staff absence, ensuring that staff receive the support and advice they need from

occupational health and/or our employee assistance service, to remain in work or return to work. The Executive Committee reviews our absence data on a quarterly basis for trends and changes, and discusses how we can improve the wellbeing of our staff. We have trained internal Display Screen Equipment assessors in each of our offices, who undertake workstation assessments for staff, with staff receiving an annual reminder to complete an assessment.

Career management

We have continued to develop current and future leaders through our Leadership Development Programme, and have run the fourth and fifth cohorts of our Management Development Programme for new and experienced managers to strengthen management capability across the organisation. We also have 20 apprentices working across several different areas of the business, including some existing roles which we have been able to convert to apprenticeships to provide our staff with new challenges and qualifications.

Off-payroll engagements

Annex A contains details of off-payroll engagements during 2019-20.

Facility time publication requirements

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



John Larkinson
Accounting Officer
13 July 2020

Parliamentary accountability and audit report

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires ORR to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

Summary of resource and capital outturn 2019-20

	SoPS Note	Estimate			Outturn			2019-20 £000	2018-19
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted Outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	1.1	4	-	4	3	-	3	1	3
- Capital	1.2	6,320	-	6,320	5,219	-	5,219	1,101	483
Annually Managed Expenditure									
- Resource	1.1	-	-	-	-	-	-	-	-
- Capital	1.2	-	-	-	-	-	-	-	-
Total Budget		6,324	-	6,324	5,222	-	5,222	1,102	486
Non-Budget									
- Resource	1.1	-	-	-	-	-	-	-	-
Total		6,324	-	6,324	5,222	-	5,222	1,102	486
Total Resource		4	-	4	3	-	3	1	3
Total Capital		6,320	-	6,320	5,219	-	5,219	1,101	483
Total		6,324	-	6,324	5,222	-	5,222	1,102	486

Figures in bold cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement 2019-20				
SoPs note	2019-20 £000 Estimate	2019-20 £000		2018-19 £000
		Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
	7,601	-12	7,613	-297
Administration costs 2019-20				
	2019-20 £000 Estimate	2019-20 £000 Outturn	2018-19 £000 Outturn	
	4	3	3	

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Parliamentary Supply

SoPS1 Net outturn

SoPS1.1 Analysis of net resource outturn by section

	2019-20 £000						2018-19 £000
	Outturn				Estimate		Outturn
	Administration						
	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Total
Spending in Departmental Expenditure Limit							
Voted:							
A Economic regulation, admin, associated capital and other expenditure	14,075	(14,074)	1	1	1	-	1
B Safety regulation, admin and other expenditure	18,164	(18,163)	1	1	1	-	1
C Other regulation, admin and other expenditure	2,443	(2,442)	1	1	2	1	1
Total	34,682	(34,679)	3	3	4	1	3

SoPS1.2 Analysis of net capital outturn by section

	2019-20 £000					2018-19 £000
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared to Estimates	Net
Spending in Departmental Expenditure Limit						
Voted:						
A Economic regulation, admin, associated capital and other expenditure	2,310	(32)	2,278	6,320	4,042	221
B Safety regulation, admin and other expenditure	2,983	(42)	2,941	-	(2,941)	262
C Other regulation, admin and other expenditure	-	-	-	-	-	-
Total	5,293	(74)	5,219	6,320	1,101	483

Net capital outturn is £1.1m lower than the capital budget mainly as a result of the fit out of the London office costing less than budgeted.

SoPS3 Reconciliation of net resource outturn to net cash requirement

	SoPS Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Resource outturn	1.1	4	3	1
Capital outturn	1.2	6,320	5,219	1,101
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(1,213)	(781)	(432)
New provisions and adjustments to previous provisions		(40)	(165)	125
Other non-cash items		(36)	(125)	89
Adjustments to reflect movements in working balances:				
Increase in receivables		-	433	(433)
Decrease in payables		2,566	(4,691)	7,257
Use of provisions		-	95	(95)
		1,277	(5,234)	6,511
Net Cash Requirement		7,601	(12)	7,613

As noted in the introduction to the SoPs above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SoPS4 Income payable to the Consolidated Fund

SoPS4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

	2019-20		2018-19	
	Income £000	<i>Receipts</i> £000	Income £000	<i>Receipts</i> £000
Excess cash surrenderable to the Consolidated Fund	12	12	297	297
Total	12	12	297	297

SOPS4.2 Consolidated Fund income

Consolidated Fund income shown in note 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund were:

	2019-20 £000	2018-19 £000
Balance of Intergovernmental Commission levy due to be paid	48	46
Balance of DfT roads funding due to be paid	135	441
Total	183	487

ORR receives funding from Eurotunnel to meet the UK's share of the expenses of the Intergovernmental Commission and Safety Authority pertaining to the Channel Tunnel. This fee is calculated annually in line with a settlement agreement. ORR is allowed to cover its costs only, therefore any excess funding is paid over to the Consolidated Fund.

ORR receives a grant from DfT for funding of our highways monitoring function. Any excess funding is paid over to the Consolidated Fund.

Other areas of Parliamentary accountability

ORR has nothing to report in respect of:

- losses or special payments in excess of £300,000, either individually or in aggregate; and
- remote contingent liabilities.

Fees and charges are as set out in the note 2 to the accounts.



John Larkinson
Accounting Officer

13 July 2020

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Office of Rail and Road for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that are described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2020 and of the Department's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Office of Rail and Road in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these

requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Office of Rail and Road's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Office of Rail and Road have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Department's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

of expressing an opinion on the effectiveness of the Office of Rail and Road's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the Office of Rail and Road's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office of Rail and Road's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Office of Rail and Road to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Office of Rail and Road and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

14 July 2020

Section C: Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Total income	5 & 6	(34,679)	(31,391)
Staff costs	3	24,460	22,435
Other administration costs	4	10,222	8,959
Total operating expenditure		34,682	31,394
Net operating expenditure		3	3
Other comprehensive net expenditure/(income)			
Actuarial loss/(gain) on pension scheme liabilities	14	64	(9)
Total comprehensive net expenditure/(income)/ for the year		67	(6)

Statement of Financial Position

As at 31 March 2020

	Note	2019-20 £000	2018-19 £000
Non-current assets			
Property, plant and equipment	7	5,504	985
Intangible assets	8	162	243
Total non-current assets		5,666	1,228
Current assets			
Trade and other receivables	9	3,210	2,729
Cash and cash equivalents	10	1,561	2,150
Total current assets		4,771	4,879
Total assets		10,437	6,107
Current liabilities			
Trade and other payables	12	(12,469)	(9,137)
Provisions	13	(64)	(590)
Total current liabilities		(12,533)	(9,727)
Non-current assets less net current liabilities		(2,096)	(3,620)
Non-current liabilities			
Trade and other payables	12	(877)	-
Provisions	13	(710)	(78)
Pension liabilities	14	(890)	(837)
Total non-current liabilities		(2,477)	(915)
Total assets less total liabilities		(4,573)	(4,535)
Taxpayers' equity			
General fund		(4,573)	(4,554)
Revaluation reserve		-	19
Total taxpayers' equity		(4,573)	(4,535)



John Larkinson
Accounting Officer
13 July 2020

Statement of Cash Flows

For the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Cash flows from operating activities			
Net operating cost	2	(3)	(3)
Adjustments for non-cash transactions	4	454	703
(Decrease)/increase in trade and other receivables	9	(481)	967
Less movement in receivables relating to items not passing through statement of comprehensive net expenditure		48	46
Increase/(Decrease) in trade and other payables	12	4,209	(794)
Less movements in payables relating to items not passing through statement of comprehensive net expenditure		482	(297)
Use of provisions	13	(60)	-
Use of provisions - by analogy pension	14	(35)	(34)
Net cash outflow from operating activities		4,614	588
Cash flows from investing activities			
Property plant and equipment additions	7	(5,233)	(209)
Intangible non-current assets additions	8	-	(82)
Adjustment - non-cash	8	631	-
Net cash outflow from investing activities		(4,602)	(291)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		-	-
From the Consolidated Fund (Supply) - prior year		-	-
Advances from the Contingencies Fund		25,000	25,000
Repayments to the Contingencies Fund		(25,000)	(25,000)
Net financing		-	-
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		12	297
Payments of amounts due to the Consolidated Fund		(784)	(725)
Amounts due to the Consolidated Fund - and not paid over		183	487
Payments of amounts due to the Consolidated Fund		(601)	(238)
Net (decrease)/increase in cash and cash equivalents after adjustments for receipts and payments to the Consolidated Fund		(589)	59
Cash and cash equivalents at the beginning of the period	10	2,150	2,091
Cash and cash equivalents at the end of the period	10	1,561	2,150

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

	Note	General fund £000	Revaluation reserve £000	Total reserves £000
Balance as at 1 April 2018		(4,317)	37	(4,280)
Excess cash surrenderable to the Consolidated Fund	12	(297)	-	(297)
Net operating expenditure for the year	2	(3)	-	(3)
Actuarial gain relating to pension provision	14	9	-	9
Auditors remuneration	4	36	-	36
Additional depreciation charged for revaluation on assets	7	18	(18)	-
Balance as at 31 March 2019		(4,554)	19	(4,535)
Excess cash surrenderable to the Consolidated Fund	12	(12)	-	(12)
Net operating expenditure for the year	2	(3)	-	(3)
Actuarial loss relating to pension provision	14	(64)	-	(64)
Auditors remuneration	4	41	-	41
Additional depreciation charged for revaluation on assets	7	19	(19)	-
Balance as at 31 March 2020		(4,573)	-	(4,573)

Note 1.11 describes the accounting treatments within the general fund and the revaluation reserve.

Notes to the departmental resource accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context by the 2019-20 'Government Financial Reporting Manual' (FReM) issued by HM Treasury. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ORR for the purpose of giving a true and fair view has been selected. The particular policies adopted by the ORR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

ORR does not exercise in-year budgetary control over any other public or private body. ORR is a single entity department whose entire operations are within the accounting boundary reflected in these accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment.

1.2 Basis of preparation

The presentational and functional currency of ORR is pounds sterling. The financial statements are presented in thousands of pounds sterling (£000).

1.3 Property, plant and equipment and depreciation

Property, plant and equipment are initially recognised at cost. The minimum level for capitalisation is £5,000. The grouping of assets below the threshold has been restricted to IT and fit-out costs.

Depreciated historical cost is used as a proxy for current value as this realistically reflects consumption of the asset. Annual revaluations would not create a material difference to the carrying value of the assets.

Depreciation is provided at rates calculated to write off property, plant and equipment by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Fitting out costs (limited to period of remaining lease)	up to 15 years
Furniture, office & telecoms equipment	5 - 10 years
Information technology	3 - 5 years

Depreciation is provided in the month after purchase or on bringing the asset into use.

1.4 Intangible assets

Purchased computer software licences and software development costs are capitalised as intangible assets where expenditure of £5,000 or more is incurred. Software licences are amortised over the shorter of the term of the licence and the useful economic life. Software development costs are amortised over 5 years or the life of the asset, whichever is shorter. The useful economic life for software is normally 2 to 5 years. Website costs are amortised over 5 years. Amortised historic cost is used as a proxy for current value as annual revaluations would not create a material difference to the carrying value of the assets.

1.5 Cash

Cash and cash equivalents comprise cash in hand and current balances with banks. These are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value, and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

1.6 Revenue from contracts with customers and other operating income

The FReM's definition of a contract under *IFRS 15 Revenue from Contracts with Customers* includes legislation and regulations which enable an entity to obtain revenue that is not classified as a tax by the Office of National Statistics. This definition captures the majority of ORR's income streams.

Revenue from contracts with customers relates directly to ORR's operating activities. It comprises: licence fees; concession fees (HS1); safety levies; safety related income and grant funding for highways monitoring. ORR does not have one specific performance obligation for each contract. Instead the performance obligation represents ORR carrying out its duties throughout the year. Revenue is therefore accounted for systematically over the period that the related costs are expensed.

Other operating income comprises rental income, government grant funding in respect of the apprenticeship levy and costs awarded to ORR arising from successful prosecutions, and is also accounted for systematically over the period that the related costs are expensed.

Since all rail-related costs are recovered via licence fees or the safety levy, which are invoiced based on estimated costs, any over-recovery is treated as deferred income within current liabilities, and any under-recovery is treated as accrued income within current assets. Revenue is stated net of VAT. Roads-related costs are funded by grant provided by the Department for Transport. Any unspent grant is paid over to the Consolidated Fund.

1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), described in the staff report, on page 67. The defined benefit schemes are unfunded. ORR recognises the expected cost of these elements on a systematic basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of defined contribution schemes, ORR recognises the contributions payable for the year.

In addition, two present employees (2018-19: two) are covered by the provisions of the Railways Pension Scheme (RPS) which is contributory and funded. The scheme is a defined benefit scheme with the obligations met by the trustees. The benefits of the RPS are ultimately guaranteed by the Secretary of State. The scheme is treated as a defined contribution arrangement because there is insufficient information to identify ORR's share of the scheme liabilities and costs. The contributions paid in respect of these pensions is shown under staff costs in the Statement of Comprehensive Net Expenditure.

Past rail regulators have separate pension arrangements that are broadly analogous with the PCSPS. The arrangements provide for an unfunded defined benefit scheme. However, unlike the PCSPS, a pension liability is included in the accounts provision to meet ORR's liability for future payment.

1.8 Operating leases

Rentals due under operating leases are charged to the Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis, or on the basis of actual rentals payable which fairly reflects the usage. Future payments, disclosed at note 15.2, are not discounted.

1.9 Provisions

ORR provides for legal or constructive obligations where it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the combined rate set by HM Treasury.

The discount rate applied to provisions for past rail regulators' pension commitments is the Treasury's post-employment benefits rate.

1.10 Value added tax (VAT)

Most of ORR's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on some purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-

current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.11 Reserves

The revaluation reserve was created to record historic increases in the value of certain fixed assets (fixtures and fittings and fitting out costs). When these assets are depreciated, the reserve is reduced by the amount of depreciation that relates to that part of the asset that was previously revalued.

The general fund records elements of the accounts which are not charged to the industry, and therefore do not pass through our income and expenditure account. These include, the effect of changes in accounting policy, actuarial gains and losses relating to our pension provision, auditors' remuneration, cash to be returned to the Consolidated Fund and our token annual £3,000 operating cost for the year voted by Parliament.

1.12 Going concern

The Statement of Financial Position at 31 March 2020 shows a negative taxpayers' equity of £4.6 million. In common with other government departments, the future financing of ORR's liabilities is accordingly to be met by future grants of supply and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2020-21 has already been given, and there is no reason to believe that future approvals will not be granted. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these accounts.

1.13 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with *IAS 37 Provisions, contingent liabilities and contingent assets*, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of 'Managing Public Money'.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament is separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament. These are noted in the Accountability Report on page 80.

1.14 New and amended standards and interpretations

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

1.15 New and revised IFRSs in issue but not yet effective

IFRS 16 Leases supersedes *IAS 17 Leases* and is effective for the public sector for periods beginning on 1 April 2021. IFRS 16 provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or if the underlying asset meets the IFRS 16 criteria to be classified as 'low value'.

HM Treasury has mandated that IFRS 16 will be implemented using the cumulative catch up method. As a result, comparatives will not be restated on adoption, and the adjustment to net assets will be made with effect from 1 April 2021. 'Right of use' assets will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application. We expect that the adoption of IFRS 16 will result in an increase in reported assets and liabilities.

2. Statement of operating costs by operating segment

	2019-20				2018-19			
	Economic regulation £000	Safety regulation £000	Roads monitoring £000	Total £000	Economic regulation £000	Safety regulation £000	Highways monitor £000	Total £000
Gross expenditure	14,075	18,164	2,443	34,682	13,284	15,813	2,297	31,394
Gross income	14,074	18,163	2,442	34,679	13,283	15,812	2,296	31,391
Net expenditure	1	1	1	3	1	1	1	3

Short description of segments

Economic regulation: as the economic regulator of the mainline railway, ORR sets the outputs which Network Rail must achieve.

Safety regulation: ORR regulates the health and safety of the entire mainline network in Britain as well as London Underground, light railway, trams and the heritage sector.

No individual train operating company contributes more than 10% of ORR income. However, Network Rail paid £4.7 million in safety levy in 2019-20 (£4.0 million in 2018-19).

Highways monitor: ORR is responsible for monitoring and enforcing the performance and efficiency of Highways England.

The analysis of services for which a fee is charged is provided for fees and charges purposes, not IFRS 8 purposes.

3. Staff costs

Staff costs comprise:

	Permanently employed staff £000	Others £000	2019-20 £000 Total £000	2018-19 £000 Total £000
Wages and salaries	16,977	1,051	18,028	17,096
Social security costs	2,018	23	2,041	1,957
Other pension costs	4,396	2	4,398	3,382
Total costs	23,391	1,076	24,467	22,435
Less: recoveries for outwards secondments	(7)	-	(7)	-
	23,384	1,076	24,460	22,435

Further information is provided in the Staff Report, on page 71.

4. Other administration costs

	2019-20	2018-19
	£000	£000
Rental under operating leases:		
Hire of office equipment	21	27
Other operating leases	1,278	1,068
	1,299	1,095
Non-cash items:		
Depreciation	680	559
Amortisation	101	154
Loss on disposal	74	-
Interest charges in respect of by analogy pension scheme	24	21
Auditors' remuneration and expenses	41	36
	920	770
Provisions:		
Release of dilapidations provision	(475)	(137)
Provision for other costs	19	70
Release of stamp duty provision	(10)	-
	(466)	(67)
Other:		
Travel and subsistence	1,094	1,054
Hospitality	51	67
Consultancy	2,108	1,511
IT & telecoms	960	889
Landlord service charges & rates	1,642	1,162
Printing & stationery	128	206
Recruitment & training	663	781
Staff-related	170	170
Building-related	584	232
External services - internal audit, payroll, banking and finance	217	247
External services - other	842	839
Other costs	10	3
	8,469	7,161
	10,222	8,959

5. Revenue from contracts with customers

	Note	2019-20	2018-19
		£000	£000
Licence fees		15,646	13,430
Less income deferred to future year	12	(1,745)	(368)
Safety levy and related safety income		18,555	16,441
Less income deferred to future year	12	(640)	(1,187)
Income from roads monitoring		2,435	2,253
		34,251	30,569

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

6. Other operating income

	2019-20	2018-19
	£000	£000
Other operating income	428	822

Other operating income consists mainly of costs awarded to ORR arising from successful safety prosecutions, costs recovered from other organisations resulting from ORR safety inspectors being engaged to work on their behalf, rental income and government grants for apprenticeship funding.

7. Property, plant and equipment

	Fitting out costs £000	Furniture, office equipment & telecoms £000	Information technology £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2019	4,034	812	946	357	6,149
Additions	4,609	343	315	-	5,267
Disposals	(3,795)	(679)	(528)	-	(5,002)
Transfers	357	-	-	(357)	-
Reclassifications	-	43	(43)	-	-
At 31 March 2020	5,205	519	690	-	6,414
Depreciation					
At 1 April 2019	3,759	785	620	-	5,164
Charged in year	415	28	218	-	661
Disposals	(3,795)	(679)	(460)	-	(4,934)
Revaluations	19	-	-	-	19
Reclassifications	-	43	(43)	-	-
At 31 March 2020	398	177	335	-	910
Carrying amount at 31 March 2020	4,807	342	355	-	5,504
Carrying amount at 31 March 2019	275	27	326	357	985

	Fitting out costs £000	Furniture, office equipment & telecoms £000	Information technology £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2018	4,034	852	903	-	5,789
Additions	-	1	43	357	401
Disposals	-	(41)	-	-	(41)
At 31 March 2019	4,034	812	946	357	6,149
Depreciation					
At 1 April 2018	3,412	811	423	-	4,646
Charged in year	329	15	197	-	541
Disposals	-	(41)	-	-	(41)
Revaluations	18	-	-	-	18
At 31 March 2019	3,759	785	620	-	5,164
Carrying amount at 31 March 2019	275	27	326	357	985
Carrying amount at 31 March 2018	622	41	480	-	1,143

All tangible assets are owned by ORR. Reclassifications have been made for assets which had been incorrectly classified in previous years.

8. Intangible assets

	System developments	Software licences	Website	Assets under construction	Total £000
Cost or valuation					
At 1 April 2019	1,709	448	231	58	2,446
Additions	-	-	-	26	26
Disposals	(1,270)	(343)	-	-	(1,613)
Transfers	58	-	-	(58)	-
Reclassifications	(32)	32	-	-	-
At 31 March 2020	465	137	231	26	859
Amortisation					
At 1 April 2019	1,568	437	198	-	2,203
Charged in year	63	19	19	-	101
Disposals	(1,270)	(337)	-	-	(1,607)
At 31 March 2020	361	119	217	-	697
Carrying amount at 31 March 2020	104	18	14	26	162
Carrying amount at 31 March 2019	141	11	33	58	243

	System developments	Software licences	Website	Assets under construction	Total £000
Cost or valuation					
At 1 April 2018	1,805	448	231	-	2,484
Additions	24	-	-	58	82
Disposals	(120)	-	-	-	(120)
At 31 March 2019	1,709	448	231	58	2,446
Amortisation					
At 1 April 2018	1,639	390	140	-	2,169
Charged in year	49	47	58	-	154
Disposals	(120)	-	-	-	(120)
At 31 March 2019	1,568	437	198	-	2,203
Carrying amount at 31 March 2019	141	11	33	58	243
Carrying amount at 31 March 2018	166	58	91	-	315

Reclassifications have been made for assets which had been incorrectly classified in previous years.

9. Trade receivables and other current assets

	31 March 2020 £000	31 March 2019 £000
Amounts falling due within one year		
Trade receivables	2,357	2,012
Other receivables	-	79
Staff receivables	60	77
Prepayments and accrued income	656	438
HM Revenue and Customs (VAT)	137	123
Total trade receivables and other current assets at 31 March	3,210	2,729

Included in staff receivables are travel season ticket loans for 31 employees totalling £50,230 (2018-19: £70,971 for 39 employees) and £9,336 relating to other advances made to 23 employees (2018-19: £6,535 to 17 employees).

10. Cash and cash equivalents

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	2,150	2,091
Net change in cash balances	(589)	59
Balance at 31 March	1,561	2,150
The following balances at 31 March were held at:		
Government Banking Service	1,555	2,107
Commercial banks and cash in hand	6	43
Balance at 31 March	1,561	2,150

11. Reconciliation of liabilities arising from financing activities

	1 April 2019 £000	Financing cash flows £000	31 March 2020 £000
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,366	-	1,366
	1,366	-	1,366

12. Trade payables and other current liabilities

	31 March 2020 £000	31 March 2019 £000
Amounts falling due within one year		
Other taxation and social security	4	8
Trade payables	1,136	513
Other payables	2,741	2,480
Accruals	4,642	2,431
Deferred income	2,385	1,555
Balance of Intergovernmental Commission levy payable to the Consolidated Fund	48	46
Balance of DfT roads funding payable to the Consolidated Fund	135	441
Excess cash surrenderable to the Consolidated Fund	12	297
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,366	1,366
Total trade payables and other current liabilities at 31 March	12,469	9,137
Amounts falling due after more than one year	877	-

13. Provisions for liabilities and charges

The provision for accommodation has been established in order to satisfy the obligation to return our offices to their original condition, calculated on a cost per square foot basis and discounted from the end of the lease date. 'Other' provisions are for a potential VAT liability and for decommissioning costs of our current accounting system.

	Accommodation £000	Other £000	Total £000	2018-19 £000
Balances at 1 April 2019	553	115	668	735
Provided for in year	631	19	650	71
Provisions no longer required	(475)	(10)	(485)	(121)
Provisions utilised in the year	-	(60)	(60)	-
Borrowing costs (unwinding of discounts)	1	-	1	(17)
Balance at 31 March 2020	710	64	774	668

Analysis of expected timing of discounted flows

	Accommodation	Other	Total	2018-19 Total
	£000	£000	£000	£000
Not later than one year	-	64	64	590
Later than one year and not later than five years	79	-	79	78
Later than five years	631	-	631	-
Balance at 31 March 2020	710	64	774	668

14. Pension liabilities

Details for by-analogy defined benefit pension schemes

	As at 31 March 2020	As at 31 March 2019
	£000	£000
Liability in respect of:		
Active members	-	-
Deferred pensioners	-	-
Current pensioners	890	837
Total present value of scheme liabilities	890	837

	As at March 2020	As at March 2019
	£000	£000
Liability calculation		
Present value of scheme at 1 April	837	859
Current service cost (net of employee contributions)	-	-
Employee contributions	-	-
Interest cost	24	21
Actuarial loss/(gain)	64	(9)
Benefits paid	(35)	(34)
Past service cost	-	-
Balance at 31 March	890	837

Former rail regulators benefit from a defined benefit pension scheme by-analogy with the PCSPS. An actuarial assessment was carried out on the scheme by the Government

Actuary's Department (GAD) as at 31 March 2020. The current Chair has no pension arrangements with ORR.

The pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the employer. There is no fund, and therefore no surplus or deficit.

ORR has recognised all actuarial gains and losses immediately through the general fund.

Actuarial assumptions

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

	At 31 March 2020 % per annum	At 31 March 2019 % per annum
Discount rate	1.80%	2.90%
Rate of increase of pensions in payment	2.35%	2.60%
CPI inflation	2.35%	2.60%

Life expectancy at retirement

The life expectancies shown below illustrate the longevity assumption used for the assessment.

There were no future pensioners in the scheme at 31 March 2019 or 2020.

Current Pensioners Exact Age	As at 31 March 2020		As at 31 March 2019	
	Men (years)	Women (years)	Men (years)	Women (years)
60	26.8	28.4	27.6	29.3
65	21.9	23.5	22.7	24.3

Cumulative amount of actuarial gains and losses

The cumulative actuarial loss for the year to 31 March 2020 amounts to £434,000 (31 March 2019: £370,000).

Present value of scheme liabilities

	Value at 31/03/2020 £000	Value at 31/03/2019 £000	Value at 31/03/2018 £000	Value at 31/03/2017 £000	Value at 31/03/2016 £000
Liability in respect of:					
Deferred pensioners	-	-	-	593	483
Current pensioners	890	837	859	52	310
Total present value of scheme liabilities	890	837	859	645	793

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

Change in assumption*	Impact on DBO	
	%	£000
Rate of discounting scheme liabilities	+0.5% a year	-7%
Rate of increase in CPI	+0.5% a year	8%
Life expectancy: each member assumed one year younger than their actual age		2%
		£000
		(62)
		69
		21

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO.

15. Financial and capital commitments

15.1 Capital commitments

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

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	-	3,751
Information technology	86	-

Capital commitments in 2019-20 are for laptops ordered but not received at 31 March 2020. Capital commitments in 2018-19 were for construction costs, IT and professional fees associated with the fit out of our new London office.

15.2 Commitments under operating leases

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

	31 March 2020 £000	31 March 2019 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	144	958
Later than one year and not later than five years	3,623	433
Later than five years	3,985	93
	7,752	1,484
Other		
Not later than one year	11	4
Later than one year and not later than five years	37	-
	48	4

15.3 Other financial commitments

Apart from the lease commitments mentioned above, ORR has not entered into any non-cancellable contracts for any new expenditure as at 31 March 2020 (31 March 2019: £nil).

16. Financial instruments

As the cash requirements of the department are mainly met through the licence fee, safety levy and grant, with advances from the Contingencies Fund to cover timing differences between income and expenditure, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. We are therefore exposed to little credit, liquidity or market risk. ORR is also not exposed to any significant interest rate or foreign currency risks.

Fair values

The carrying amounts for current assets (Note 9) and current liabilities (Note 12) approximate to their fair value due to their short term nature.

17. Contingent liabilities disclosed under IAS 37

There were no contingent liabilities as at 31 March 2020 or 2019.

18. Related party transactions

In addition to balances due to the Consolidated Fund (see note 11) regarding excess cash and Intergovernmental Commissionaire levy, and grant funding from the Department for Transport there have been a small number of transactions with other government departments and other central government bodies.

No Board member, key manager or other related parties has undertaken any material transactions with ORR during the year, other than remuneration.

19. Events after the reporting period

The Accounting Officer authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate. The financial statements do not reflect events after this date.

Annex A: Off-payroll engagements

Table 1: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

Number of existing engagements as of 31 March 2020	3
Of which:	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	3
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	4
Of which:	0
Number assessed as caught by IR35	2
Number assessed as not caught by IR35	2
Number engaged directly (via PSC contracted to department) and are on departmental payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

Table 3: For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

Number of off-payroll engagements of board members, and/or, senior officials with significant responsibility, during the financial year	0
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure includes both on payroll and off-payroll engagements	8

Annex B: Trade Union facility time publication requirements

Table 1: Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
4	3.3

Table 2: Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	4
51%-99%	-
100%	-

Table 3: Percentage of pay bill spent on facility time

Total cost of facility time	£5,098
Total pay bill	£21.8m
Percentage of total pay bill spent on facility time	0.02%

Table 4: Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	11%
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