



PR23 final determination:

Summary of conclusions and settlement for Scotland

31 October 2023



About this document

This document is our summary of conclusions and settlement for Scotland. It sets out our final control period 7 (CP7) decisions.

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

This strongly influences:

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

Our final determination sets out:

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

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

Document type	Details
Summary of conclusions and overviews	<p>Our decisions on what Network Rail will need to deliver and how funding should be allocated:</p> <ul style="list-style-type: none">• Summary of conclusions and overview for England & Wales• <u>Summary of conclusions and settlement for Scotland</u>
Consolidated decisions	A summary of our final decisions across Great Britain

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

Next steps

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

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

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Executive summary

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

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

Our draft determination published in June 2023 found that while Network Rail Scotland's interim plans largely deliver against our objectives, and those of the Scottish Ministers, a greater focus was needed on train performance and renewing core assets. We challenged Network Rail Scotland to deliver more for both current and future customers, drive further efficiencies and support the effective operation of the railway. In doing so, we have taken a joined-up approach to economic, and health and safety regulation.

For Great Britain, Network Rail is substantially funded by Scottish and UK governments with the remainder coming from regulated charges paid by train operators and other (commercial) income sources. Accounting for the May 2023 Bank of England inflation forecast, the funders' support for the railway allows for approximately £43.1 billion of expenditure across Great Britain (in 2023-24 prices) in the five-year control period starting from 1 April 2024 (CP7).

Network Rail Scotland's total expenditure is forecast to be approximately £4.6 billion in CP7, a reduction of approximately 1% compared to CP6 (April 2019 to March 2024). Total expenditure is largely funded by the £4.2 billion (in cash prices) in the Statement of Funds Available (SoFA) from the Scottish Government, which at the time of publication in February 2023, was broadly in line with CP6 funding in real terms. Due to the impact of higher inflation since the Strategic Business Plan was set, this is now projected to be slightly less than CP6 levels in real terms. These and subsequent figures in this document are presented in 2023-24 prices.

Our decisions and what we want to see in CP7

We have continued to work with Network Rail Scotland, funders and other stakeholders since publication of our draft determination. We welcome that Network Rail Scotland responded positively to our draft determination and proposed an additional £44

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million spend on structures in CP7. Nevertheless, the overall available funding for CP7 means that Network Rail Scotland will be spending less on renewals and more on maintenance in comparison to CP6, which means there will be some decline in asset condition. It has demonstrated that it has a suitable framework for understanding the change in its safety risk profile which results from this approach.

These aspects of our draft determination were strongly supported by other stakeholders and address many of their concerns with Network Rail Scotland's plans, which we assessed based on its interim SBP.

Our decisions and the improved outcomes we expect to see from the decisions in our final determination are summarised below. A fuller explanation is provided in the subsequent chapters of this document.

Customer outcomes with a focus on train performance

Key messages

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

We will use the Scotland train performance measure as the primary measure of performance, which is consistent with the Scottish Ministers' expectations.

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

Our final determination has also considered the impacts of Network Rail Scotland's proposals on accessibility of railway services for people with protected characteristics (with particular focus on those that affect mobility, disability, age, maternity and pregnancy). We are satisfied that Network Rail Scotland's final SBP recognises its accessibility obligations and is capable of meeting the requirements on accessibility in the Scottish Ministers' High Level Output Specification (HLOS).

Passengers

The Scottish Ministers' HLOS includes a focus on performance and requires Network Rail Scotland to maintain the network in such a manner as to enable ScotRail Trains Ltd

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(ScotRail) to achieve a performance target of 92.5% in each year of CP7. This represents the percentage of trains arriving at their final destination within five minutes after the scheduled time – but does not consider those that were late due to speed restrictions during severe weather or to allow for connecting train or ferry services.

Recognising the importance of this target to the Scottish Ministers, we have:

- set the Scotland train performance measure as the main performance success measure in the CP7 outcomes framework; and
- set the baseline at 92.5% for each year of CP7.

We will hold Network Rail Scotland to account for its contribution to the delivery of improved performance in CP7; it must also work effectively with train operators to deliver innovative cross industry initiatives. The ‘Scotland train performance measure’ will be the primary measure we use for monitoring and reporting on Network Rail Scotland’s delivery of passenger train performance during CP7.

We recognise that there are some significant risks to the delivery of 92.5% for each year of CP7 and Network Rail Scotland said it projected to reach this by year 4 of CP7. As set out above, we will hold Network Rail Scotland to account for its contribution towards delivering this level of performance. To support this, we include a Scotland targeted performance fund of £50 million. This fund will only apply in Scotland. Network Rail Scotland will establish governance arrangements for the fund which must comply with its licence obligations. It will work with Transport Scotland, ORR and any other relevant stakeholders to agree the governance ahead of the start of CP7.

We expect Network Rail’s System Operator to make an important contribution to delivering ambitious whole industry train performance in Scotland. The System Operator has committed to targeting specific operational objectives with its projects and to provide greater transparency about the benefits it delivers for safety, train performance and efficiency.

We expect to see the System Operator focus on supporting Scotland and the England & Wales regions, ensuring that operational learning is transferred across the GB network. We will monitor its progress closely, with a particular focus on projects that impact on performance.

Freight

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

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CP7. We will use Freight Growth and Freight Cancellations as success measures in CP7, with Freight Cancellations and Lateness (FCaL) as a supporting measure.

The Scottish Ministers' HLOS underlines the importance of freight growth. We maintain our expectations for Network Rail Scotland to deliver its contribution to freight growth of 8.7% across CP7. We recognise that delivery of freight growth is not wholly under Network Rail Scotland's control. It is therefore important that the freight growth target is supported by a robust plan of action. This plan should set out the steps that Network Rail Scotland will take and consider any lessons from delivery of its CP6 freight growth target.

The increased focus on core asset renewals called for in our draft determination and recognised by Network Rail in its final SBP and draft determination response, will also be important in supporting the capability of the network for rail freight.

Our final determination commits to holding Network Rail Scotland to account for the following, as required in the Scottish Ministers' HLOS:

- (a) the FCaL target of 5.5% or less in each year of the control period;
- (b) its contribution to the freight growth target of 8.7% (freight net tonne kilometres moved);
- (c) maintain freight gauge capability; and
- (d) increase in the average speed of freight trains.

In addition, we will also hold Network Rail Scotland to account for Freight Cancellations in Scotland of 1.4% for each year of the control period.

Assets and environmental sustainability

Key messages

We welcome Network Rail Scotland's commitment to deliver additional core renewals to structures of £44 million during CP7.

Network Rail Scotland is required to reduce carbon emissions by more than 21% over CP7.

Network Rail Scotland is also expected to conserve and enhance biodiversity, and we have set a specific target for it to improve by 4%.

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Asset sustainability

The funding available for CP7 reflects wider fiscal conditions. This means that Network Rail Scotland will conduct fewer renewals, with more refurbishment, life-extending repairs and maintenance in comparison to CP6.

Over CP7, Network Rail Scotland forecasts a reduction in the residual life of its assets, as measured by the Composite Sustainability Index (CSI) of 2.1% in Scotland, which marks an improvement from the 3.4% reduction forecast in its interim Strategic Business Plan.

Network Rail Scotland proposed additional expenditure on core renewals in its final Strategic Business Plan and draft determination response. We are satisfied this should deliver better safety and train performance outcomes when compared to the proposals in its interim Strategic Business Plan.

Specifically, Network Rail Scotland increased renewals spend on metallic structures by allocating £44 million in its plan to the structures asset class, which is broadly in line with our draft determination challenge of £50 million.

As explained in the draft determination, additional funding was included in the SoFA which was not anticipated when Network Rail Scotland developed its interim Strategic Business Plan. Network Rail Scotland has agreed to fund the additional £44 million required for structures from this previously unallocated funding.

As Network Rail Scotland is proposing to conduct fewer renewals than in CP6, we do not generally expect any additional deliverability challenges in CP7. We also consider that the profile of renewals spend over CP7 is smoother than in the CP6 plan. This profile should provide more stability for the supply chain. This is important because in its SBP, Network Rail Scotland highlighted feedback from the supply chain that closer alignment and focus on creating job stability are key enablers to drive the best outcomes for Scotland.

We were satisfied with the level of assurance Network Rail Scotland provided in its SBP on deliverability, which stated that from its engagement with the market, there is sufficient interest and competent resources in the supply chain to deliver its core renewals plans.

Environmental sustainability and weather resilience

We expect Network Rail Scotland to contribute to sustainability and broader environmental targets by moving towards a low emissions railway and conserving and enhancing biodiversity in a manner which is consistent with its legal duties and relevant Scottish Government environmental targets. The Scottish Ministers' HLOS includes a requirement that Network Rail Scotland and other stakeholders help achieve the Scottish Government's

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legal requirement of net zero emissions by 2045, working with Scottish Rail Holdings, ScotRail Trains Ltd and other stakeholders to achieve this. The HLOS cites growing patronage on Scottish rail services and growth in the use of rail freight as the greatest contributions that the rail industry in Scotland can make.

Network Rail Scotland plans to spend approximately £500 million on weather resilience and climate change initiatives during CP7. We expect a 21.2 percentage points reduction in carbon scope 1 and 2 emissions and a 4.0 percentage points increase in biodiversity units delivered over CP7.

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

Health and safety

Key messages

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

It has demonstrated it has suitable tools to understand and manage the change in its risk profile.

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

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

In our draft determination we raised concerns that Network Rail Scotland had not demonstrated it had put in place sufficient mitigations to manage the increase in risk posed from some core assets. We stressed the importance of Network Rail Scotland continuing to assess and manage its risk exposure throughout CP7.

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

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

We are satisfied that Network Rail Scotland has addressed the main health and safety challenges we identified in our draft determination. Network Rail Scotland must continue to assess and manage its risk exposure throughout CP7. We will also monitor risk exposure during CP7 through our monitoring and inspection so that passengers and railway employees benefit from the expected improvements.

More broadly, we are also requiring Network Rail to be clear on its delivery of priority programmes for safety management, these include for example Route Services' infrastructure monitoring programme, the electrical safety delivery programme (ESD) and competence assurance. These areas are fundamental to Network Rail managing its network safely and complying with its legal obligations.

We require the delivery plan to provide credible plans for achieving the activities proposed.

Delivering efficiencies and managing risks

Key messages

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

We will hold Network Rail to account for delivery of £410 million of efficiencies in Scotland in CP7.

Network Rail Scotland will hold £225 million of risk funding from the start of CP7.

Delivering efficiencies

We expect Network Rail Scotland to maximise the value of the available funding during CP7 by delivering safety, performance and asset sustainability as efficiently as possible, but its efficiency target must also be deliverable. It is proposing to deliver £410 million of efficiencies during CP7 (£361 million of efficiencies delivered by Network Rail Scotland, and £49 million of efficiencies from National Functions). Our assessment, including evidence from CP6, is that this will be a challenging target, and efficiencies will be a key area in our monitoring and holding to account of Network Rail Scotland in CP7. This is important for delivering best value for rail users, funders and taxpayers.

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Managing risks

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

Our final determination also takes account of changes in financial assumptions since publishing our draft determination. The changes include further increases in forecast general CPI inflation and input prices, although we find that Network Rail Scotland's latest forecast for input prices is not reasonable. Therefore, while we accept the impact of rising general inflation on the planned expenditure, we have not accepted the full extent of input price inflation contained in Network Rail Scotland's response to our draft determination. There was also the correction of some income that was double counted in Network Rail's forecast and Network Rail Scotland has increased its challenge on headwinds.

Confirmation of how the fixed track access charge and network grant funding are affected by inflation and changes to variable track access charges was provided by Transport Scotland late in the process. This change reduces the funding for Network Rail Scotland. It has also caused some uncertainty for Network Rail Scotland, but clarity on the funding from Transport Scotland was needed to help us complete our final determination. This ensures that Network Rail Scotland can prepare its delivery plan with regulatory certainty.

Network Rail Scotland may be particularly exposed to financial risk during CP7 because of its stretching efficiency target. Our assessment is that £225 million of funding for risk can be identified and should be reasonable if governed effectively.

To support the effective governance of risk funding, we have worked with Network Rail Scotland and Transport Scotland to develop strong governance arrangements for risk and financial reporting, learning lessons where possible from CP6. The principles are still to be agreed but when that happens, we will update our Managing Change Policy to reflect them. We expect to do this shortly.

Charges and incentives

Key messages

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

Performance incentives will be adaptable to changes in circumstances during the control period.

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

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

Charges for passenger operators

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

Open access operators providing interurban services will continue to contribute to Network Rail's fixed cost recovery through an infrastructure cost charge (ICC), which we are holding constant in real terms at £5 per train mile. In Scotland, this charge is only expected to apply to Lumo during CP7. Any new open access service operating in interurban markets would benefit from a phasing in period before they were liable for the full ICC of £5 per train mile.

Performance incentives for passenger operators

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

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

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

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Given the difficulties in accurately forecasting industry conditions in Great Britain, we commit to resetting contractual performance benchmarks and payment rates in advance of year three of CP7. When we recalibrate the payment rates we will review the evidence on the passenger impact of disruption as well as whether any unintended consequences have arisen from the lowering of Network Rail payment rates.

This reset will not affect the Scotland train performance measure set at 92.5% for each year of CP7 but it may impact On Time and Cancellation baselines, and therefore contractual performance benchmarks (which are based on these measures).

Charges for freight operators

We will continue to cap track access charges for freight operators. Not introducing charges that reflect the costs directly incurred in full until CP8 is anticipated to save freight operators £1.3 million in Scotland (£33 million in Great Britain) over the duration of the control period compared with setting cost-based rates.

Nevertheless, charges paid by freight operators to use the network will continue to increase on the trajectory set during PR18. While the legal framework requires that ultimately charges be fully cost reflective, this will not be until the next control period, CP8. Continuing to cap freight access charges on the trajectory set in PR18 is consistent with the freight growth target set for the new control period (CP7).

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

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

Performance incentives for freight

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

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

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

Delivering on the Scottish Ministers' HLOS requirements

Throughout the periodic review, Network Rail Scotland has worked closely with both Transport Scotland and ORR to address how the Scottish Ministers' HLOS requirements will be monitored during CP7. In total there are more than 80 HLOS requirements and Network Rail Scotland has outlined how it will deliver on each. Our final determination sets out the HLOS obligations on Network Rail Scotland in the form of requirements under the licence. Network Rail Scotland must deliver each requirement to the greatest extent reasonably practicable, having regard to all relevant circumstances.

We will hold Network Rail to account for delivery of these requirements throughout the control period. We will continue to discuss our approach to monitoring these requirements with Network Rail Scotland and Transport Scotland and will decide on this before the start of CP7. A summary of Network Rail Scotland's proposals for delivery of each HLOS requirement and our assessment of these is set out in Annex C.

Network Rail's expenditure in CP7

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

A summary of key expenditure areas for CP7 compared with CP6 is set out in Table 1.1 following, with further details in Annex A.

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Table 1.1 Network Rail's CP7 expenditure in Scotland (post ORR adjustments)

£m (2023-24 prices)	CP6	CP7	% change
Operations*	387	473	22%
Support	526	480	-9%
Maintenance	1,053	1,135	8%
Renewals	2,462	2,147	-13%
Industry costs, rates	170	204	20%
Electricity for Traction (EC4T)	247	468	89%
Adjustment to OSMR expenditure**	n/a	-111	n/a
Risk provision***	0	225	n/a
Total expenditure	4,846	5,021	4%
Total expenditure less EC4T	4,598	4,553	-1%

*This includes Network Rail Scotland's total Operations expenditure of £423 million plus £50 million for the Scotland targeted performance fund.

**Higher input prices affect the settlement for Network Rail Scotland, but ORR's analysis still allows for a Scotland targeted performance fund of £50 million and an increase of £61 million for risk (enabling a total risk fund of £225 million).

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

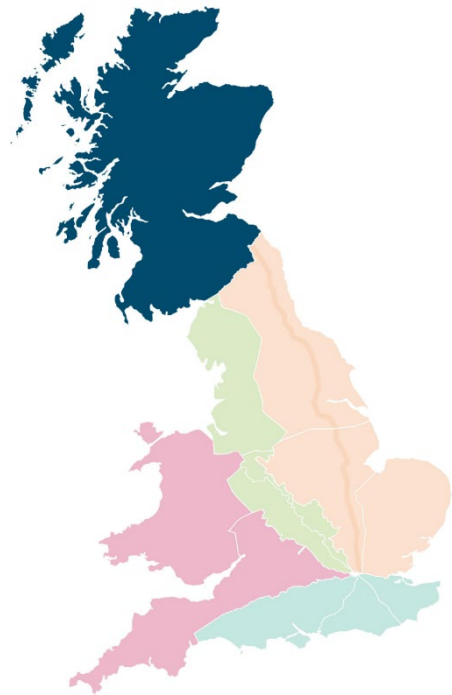
Next steps

We will now implement our final determination by amending operators' track and station access contracts to give effect to new access charges and incentive benchmarks and rates. We expect to issue review notices to all affected parties by December 2023. Subject to Network Rail's acceptance and train operators' rights to terminate their contracts, the changes will be implemented on 1 April 2024.

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

1. Introduction

- 1.1 Network Rail Scotland manages Scotland's rail infrastructure from the Borders to Wick and Thurso in the far North East of Scotland. Network Rail Scotland manages a diverse network including busy intercity lines between Scotland's eight cities, as well as less-travelled and more remote lines in the highlands.
- 1.2 Passenger rail services in Scotland are operated primarily by ScotRail Trains Limited (ScotRail), the publicly owned passenger operator in Scotland.
- 1.3 Other passenger operators running cross-border services into and out of Scotland include Caledonian Sleeper Limited, London North Eastern Railway (LNER), Avanti West Coast (AWC), Lumo, CrossCountry and TransPennine Express (TPE).
- 1.4 Several freight operators also run rail services within Scotland and between Scotland and England. Focus on the development of freight in Scotland is a key contributor to delivery of the Scottish Ministers' net zero ambitions for Scotland.
- 1.5 PR23 determines what Network Rail is expected to deliver with respect to its operation, support, maintenance and renewal (OSMR) of the network during CP7 and how the available funding should be used to support this.
- 1.6 Our [PR23 draft determination](#) assessed the key elements of Network Rail Scotland's CP7 plan. This assessment can be found in the PR23 draft determination settlement document for Network Rail Scotland and supporting documents on health and safety, outcomes, and sustainable and efficient costs.
- 1.7 Our draft determination settlement document was based on Network Rail Scotland's 'interim' Strategic Business Plan (SBP), which was shared with ORR on 24 February 2023, and a limited amount of supporting information shared with us after that date. That plan was considered 'interim' by Network Rail Scotland due to



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the short time it had to finalise its plans after publication of the Scottish Ministers' HLOS and SoFA.

- 1.8 Our final determination is based on [Network Rail Scotland's final SBP](#), which was published on 27 July 2023. This final SBP fully allocated the funding made available in the Scottish Ministers' SoFA and addressed some concerns raised by ORR and Network Rail's internal assurance processes around prioritisation of spend on assets.
- 1.9 Our final determination follows the draft determination published on 15 June 2023. We invited comments from stakeholders on our draft determination until 31 August. During this consultation period Network Rail considered our proposals for:
- how the available funding should be used, what should be delivered in return (including on train performance) and how we will hold Network Rail to account for delivery of the outcomes specified in PR23;
 - changes to the charges and incentives framework (including the proposed infrastructure charges, incentive rates and performance benchmarks that will feature in track access contracts); and
 - settlement decisions for Scotland, the England & Wales regions (Eastern, North West & Central, Southern, Wales & Western) and the System Operator (SO).
- 1.10 Network Rail provided formal representations on our proposals on 31 August. Accordingly, our final determination is based on:
- the proposals in the final SBP and any changes Network Rail Scotland has confirmed through its formal response to our draft determination and subsequent engagement;
 - any new evidence that Network Rail considered we should take account of for our final determination, including any evidence that it did not provide in sufficient time for consideration ahead of our draft determination and which remains relevant; and
 - the views stakeholders provided in response to the consultation on our draft determination.
- 1.11 Our assessments of the information and evidence provided for our draft and now final determinations have sought to ensure that Network Rail Scotland's CP7 plan:

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

1.12 We will now implement our final determination. Implementation is the process through which we amend operators' track and station access contracts to give effect to new access charges and incentive benchmarks and rates determined through the periodic review. We expect to issue our review notices in December 2023 and, subject to Network Rail's acceptance, issue notices of agreement and review notices ahead of 1 April 2024.

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

Structure of this document

1.14 In the following chapters of this document, we provide our decisions for Network Rail Scotland from our PR23 final determination in the following areas:

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

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- access charges and incentives;
- financial framework;
- managing change; and
- holding to account including delivering the Scottish Ministers' HLOS requirements and stakeholder engagement.

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

1.16 This document also includes three annexes. Annex A presents the income and expenditure Network Rail Scotland proposes for CP7 in Scotland. Annex B sets out our final success measure trajectories for Scotland in CP7. Annex C demonstrates how Network Rail will deliver on the Scottish Ministers' HLOS.

2. Outcomes with a focus on train performance

Outcomes framework

- 2.1 Our CP7 outcomes framework sets the requirements that Network Rail Scotland must deliver for the funding it receives. It will also be one of our key tools for monitoring and reporting on Network Rail Scotland's compliance with its licence, as set out in our [PR23 final determination: policy position on holding to account](#) for CP7.
- 2.2 We consulted and subsequently concluded on the CP7 outcomes framework in 2022. This framework includes a focused set of top-tier 'success measures' that will become the headline indicators we will use publicly to hold Network Rail Scotland to account throughout CP7.
- 2.3 As set out in Table 2.1 below, our final determination includes 'baseline trajectories' for each success measure. The baseline trajectories quantify the performance levels that we expect Network Rail Scotland to deliver, in line with the Scottish Ministers' HLOS and available funding.

Table 2.1 Success measures – CP7 outcomes framework

Outcome area	Success measures
Train performance: passenger	Scotland train performance measure Cancellations
Train performance: freight	Freight Cancellations
Freight growth	Freight net tonne kilometres moved
Asset sustainability	Composite Sustainability Index (CSI)
Environmental sustainability	Carbon emissions scope 1 and 2 Biodiversity Units
Efficiency and financial performance	Financial Performance Measure (FPM) Efficiency (£)

- 2.4 In this section we summarise our final decisions for train performance and other success measures related to other HLOS requirements (e.g. freight growth) for CP7.

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- 2.5 We summarise our final decisions for the Composite Sustainability Index (CSI), efficiency and financial performance success measures alongside our decisions on asset sustainability and cost efficiency below.
- 2.6 We provide more information on our final decisions in our [PR23 final determination: supporting document – outcomes](#). In the supporting document we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination. Our final success measure trajectories for each year of CP7 are set out in Annex B.

Scotland train performance measure

- 2.7 The Scottish Ministers' HLOS includes a focus on performance and requires Network Rail Scotland to maintain the network in such a manner as to enable ScotRail to achieve a Public Performance Measure (PPM) target of 92.5% in each year of CP7. This measure represents the percentage of trains arriving at their final destination within five minutes of the scheduled time. The Scottish Government considers it appropriate to allow Network Rail and ScotRail a specific derogation from the 92.5% target for trains where delays are caused by the need for speed restrictions during periods of severe weather, or trains that have been delayed allowing for connections from other late running trains or ferries.
- 2.8 Our draft determination included the train performance measure specified in the HLOS in the outcomes framework in recognition of its importance to the Scottish Ministers. To clearly distinguish this measure from (non-adjusted) ScotRail PPM, we refer to it as the 'Scotland train performance measure'.
- 2.9 In our draft determination, we set the baseline trajectory for this measure at 92.5% for each year of CP7, consistent with the requirement in the Scottish Ministers' HLOS.
- 2.10 In its response to our draft determination, Network Rail Scotland explained that while it supports working towards the 92.5% flat trajectory, based on its own analysis it cannot commit to delivering this until the end of year 4 of CP7. It said that climate change and extreme weather are two considerable challenges. In its SBP, Network Rail Scotland was also clear that delivery of 92.5% would need to be supported by investment in the ScotRail rolling stock fleet.
- 2.11 In its response to our draft determination, Transport Scotland said that it was not prepared to see a diminution of the 92.5% adjusted PPM that is referenced in the Scottish Ministers' HLOS, and that it was unequivocal in the requirement that 92.5% is the regulatory and measurable target from year 1 of CP7.

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- 2.12 We recognise that there are some significant risks to the delivery of 92.5% in each year of CP7. This is because it is stretching in comparison to historical levels of performance. Network Rail Scotland is also currently forecasting 89.8% for ScotRail PPM at CP6 exit (2023-24), or 90.3% using the new Scotland train performance measure.
- 2.13 Delivery of 92.5% will require both Network Rail Scotland and ScotRail to deliver specific interventions to achieve improvements. This was recognised in the HLOS, which sets out that the outputs of the network will be maintained in such a manner as to enable ScotRail to meet the Scotland train performance measure target of 92.5% for every year of CP7.
- 2.14 In its response, Network Rail Scotland set out its analysis of its planned CP7 initiatives to drive improvements in the Scotland train performance measure. These include installation of a traffic management system (in this case, Luminate). Such systems are integrated with signalling, and support more efficient running of services during periods of disruption. The initiatives also include increased spend on clearing vegetation, improving resilience between Edinburgh and Glasgow (£10 million investment in three earthwork sites in the Croy area), and other targeted improvements aimed at improving reliability of infrastructure during autumn and to deter trespass incidents. Network Rail Scotland assigned a quantitative benefit for each of these initiatives to the Scotland train performance measure. If delivered, together with ScotRail traincrew improvements, and taking account of CP7 asset deterioration, Network Rail Scotland's analysis shows that, by the end of year 4, it could achieve 92.1% and suggests that 0.4% resulting from improvement in ScotRail fleet could deliver the required 92.5%.
- 2.15 We expect Network Rail Scotland to deliver its contribution to the 92.5% Scotland train performance measure to the greatest extent reasonably practicable, having regard to all relevant circumstances from year 1 in CP7. This will be our main focus of passenger train performance monitoring in Scotland. We will hold Network Rail Scotland to account for delivery of the above initiatives that support achievement of this measure.

Scotland targeted performance fund

- 2.16 In our draft determination we proposed a targeted train performance fund for Scotland. We proposed this fund would be split between asset renewals and operational interventions. Based on Network Rail Scotland's interim plan we calculated that approximately £100 million could be available for the fund. However, we anticipated that this amount would change as Network Rail

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Scotland's plans evolved and as assumptions on available funding changed (e.g. due to updated inflation forecasts).

- 2.17 In response to our draft determination, Network Rail Scotland supported the principle of a targeted performance fund but said it did not have sufficient funding due to other cost pressures and the need to maintain an acceptable risk fund. Conversely, in its response to our draft determination, Transport Scotland strongly supported the targeted performance fund proposal. ScotRail also supported the targeted performance fund and said that the total funding should be set by ORR in its final determination.
- 2.18 Our final determination sets a Scotland targeted performance fund for CP7. We expect that the fund will realise financial or operational benefits for Network Rail in delivering the Scottish Ministers' HLOS performance target. Considering inflationary pressures since the draft determination, as discussed elsewhere in this document, and taking into account other requirements in Network Rail Scotland's plan, we set the level of funding for CP7 at £50 million.
- 2.19 Network Rail Scotland is responsible for designing and implementing the governance arrangements for this fund. The governance arrangements must be compliant with all applicable legislation and the Network Licence. Network Rail Scotland shared its draft governance proposal with ORR and Transport Scotland ahead of our final determination. We expect Network Rail Scotland to work with ORR, Transport Scotland and other relevant stakeholders on finalising the governance arrangements ahead of the start of CP7.

Other success measures related to performance for passengers and freight

- 2.20 As stated above, the Scotland train performance measure will be the primary focus of our passenger train performance monitoring in Scotland. We have downgraded the On Time measure in our outcomes framework from a success to a supporting measure in Scotland. This is in response to concerns raised by Transport Scotland that this measure is not aligned with Scottish Ministers' HLOS requirements. We have retained regional On Time as a supporting measure for Scotland as a forecast is required to set benchmarks in the Schedule 8 incentive regime on a consistent basis with the approach taken for the England & Wales regions.
- 2.21 We have retained 'Passenger Cancellations' and 'Freight Cancellations' as top-tier success measures in the CP7 outcomes framework. We set out our decisions on Passenger Cancellations and Freight Cancellations baseline trajectories below.

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- 2.22 In our draft determination we did not consider Network Rail Scotland's Passenger Cancellations forecasts to be sufficiently ambitious, especially when compared to historic performance. In the draft determination we set a more challenging (flat) trajectory for this measure of 2.3% for each year of CP7. In its response to our draft determination, Network Rail Scotland accepted our trajectory for years 1 and 2 and provided ranges for years 3 to 5. We have accepted Network Rail Scotland's proposed baseline trajectory for years 1 and 2. We have set our indicative baseline trajectory for years 3 to 5 at the bottom (most challenging) end of Network Rail Scotland's proposed ranges. The approach we have taken to set baseline trajectories for Cancellations in Scotland is the same as our approach in England & Wales.
- 2.23 The punctuality and reliability of freight services is important to freight operators and their customers. It is also a key enabler for growth in rail freight in Scotland. We will use Freight Cancellations as a success measure in CP7, with Freight Cancellations and Lateness (FCaL) as a supporting measure.
- 2.24 In our draft determination, we set more challenging baseline trajectories for Freight Cancellations than Network Rail Scotland's forecasts. We have calculated our final baseline trajectories for Network Rail Scotland using the same approach we have taken to set baseline trajectories in England & Wales. This uses a four-year historical average which Network Rail used as a baseline in its own calculations for some regions in England & Wales. Our decision is to set a flat trajectory for Freight Cancellations in Scotland of 1.4% for each year of the control period.
- 2.25 In our draft determination we stated that, in line with the Scottish Ministers' HLOS, we expect Network Rail to deliver FCaL performance of 5.5% or less in each year of the control period. In its draft determination response, Network Rail Scotland told us that it can only commit to meeting the 5.5% FCaL target from year 2 of CP7. It told us that this is because of a lag in the realisation of benefits from performance improvement programmes. It also told us that it would be appropriate to use FCaL as Scotland's Tier 1 outcomes success measure rather than Freight Cancellations. It said this is because its primary objective is to deliver trains successfully through improvements across all three of the failure types that comprise FCaL (delay event failures, service failures and freight cancellations). Network Rail Scotland believes being held to account on Freight Cancellations as an additional Tier 1 measure would place undue emphasis on this failure type.
- 2.26 We remain committed to Freight Cancellations being a Tier 1 success measure for Network Rail Scotland. Previous feedback we have received has highlighted the importance and impact of freight cancellations on the industry. However, we also

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recognise that we cannot lose focus on delays caused to freight services. As a result, our monitoring in this area will use our supporting measures (FCaL and Arrivals to 15 (A2F)) to ensure that levels of delays to freight services are tracked alongside cancellations. We will hold Network Rail to account for delays it causes to freight operators and their customers in line with our holding to account policy.

- 2.27 We expect Network Rail Scotland to deliver FCaL performance of 5.5% or less in each year of CP7. This is the Scottish Ministers' HLOS requirement and we expect Network Rail Scotland to align its forecast with this requirement for its delivery plan and to provide a plan as to how it will deliver this target. The obligation on Network Rail Scotland is to achieve this target to the greatest extent reasonably practicable having regard to all circumstances. Given this is a Scottish Ministers' HLOS requirement, we will place due focus on FCaL performance in Scotland as part of our monitoring and holding Network Rail to account.
- 2.28 In the Scottish Ministers' HLOS, Network Rail Scotland is required to maintain the network in such a manner as to enable the operators of the Caledonian Sleeper to meet its Right Time targets and/or any other performance measures defined for Sleeper services prior to the start of CP7. As set out in Annex C, Network Rail Scotland has assumed retention of the Right Time target of 80% throughout CP7.

Freight growth in Scotland

- 2.29 In our draft determination we agreed with Network Rail Scotland's freight growth (in freight net tonne kilometres moved) forecast of 8.7% by the end of CP7.
- 2.30 Network Rail Scotland's final SBP reiterates its commitment to increase net tonne kilometres moved by 8.7%, in collaboration with the freight sector. In its response to our draft determination Transport Scotland supported our position that 8.7% was deliverable within the SoFA.
- 2.31 It is important that the freight growth target is supported by a robust plan of action and that future freight growth plans account for any lessons from Network Rail Scotland's CP6 freight growth plans. We will hold Network Rail Scotland to account for this commitment throughout CP7 in line with the Scottish Ministers' HLOS requirement.

Environmental sustainability

- 2.32 To support the Scottish Ministers' net zero objectives, we are setting baseline trajectories for Network Rail Scotland's environmental sustainability measures that are sufficiently challenging in CP7.

Reducing carbon emissions

- 2.33 Scope 1 emissions are all direct emissions from the activities of Network Rail Scotland or activities under its control including fuel (oil, gas) combustion on site such as gas boilers for heating and fuel for fleet vehicles. Scope 2 emissions are all indirect emissions arising from the generation of electricity purchased and used by Network Rail Scotland.
- 2.34 Our baseline trajectories for carbon scope emissions 1 and 2 remain the same as those set in our draft determination, a reduction of 21.2 percentage points during CP7 relative to a 2018-19 baseline. Network Rail Scotland agreed with these trajectories in its response to our draft determination. These will be set as a minimum requirement.
- 2.35 Network Rail Scotland’s response to the draft determination identified funding for offsetting additional emissions above its SBP forecast target to make it ‘carbon neutral’ by the end of CP7. We will continue to challenge Network Rail Scotland firstly to exhaust options for carbon emission reductions through better practices and designs, and where this is not possible, we expect Network Rail to pursue options for carbon offsetting within its own estate and supply chain (carbon ‘insetting’) before considering offsetting through external bodies.
- 2.36 The Scottish Ministers’ HLOS includes a direct reference to carbon scope 3 emissions reporting. Scope 3 emissions are all other indirect emissions from sources that the infrastructure manager does not own or control, including business travel, production and supply of goods, products and materials in the supply chain, waste and water.
- 2.37 Since our draft determination, we have engaged further with Network Rail Scotland on its plans to monitor carbon scope 3 emissions during CP7. Recognising the importance placed on this issue in the Scotland HLOS, we will retain carbon scope 3 emissions as a supporting measure for Network Rail Scotland. We expect Network Rail Scotland to report scope 3 emissions, with a baseline and forecast for the control period set out in its final delivery plan, and for reporting against this measure to commence at the start of the control period. We also include “whole life infrastructure” carbon emissions as a supporting measure in Scotland. This measure captures all scope 3 emissions associated with infrastructure design, construction, maintenance and end of life. We expect Network Rail Scotland to report whole life (infrastructure) carbon emissions, alongside the other Network Rail regions. We expect Network Rail Scotland to

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develop a baseline and target for whole life (infrastructure) carbon emissions for the remaining years of CP7 in its year 2 delivery plan.

Biodiversity

- 2.38 The biodiversity measure is a habitat-based approach used to assess an area's value to wildlife. It uses habitat classification, condition and strategic importance to calculate a biodiversity unit value.
- 2.39 We did not think the biodiversity forecasts Network Rail Scotland included in its interim SBP were sufficiently challenging. We proposed a more challenging Biodiversity trajectory of 4.0 percentage points for Network Rail Scotland in our draft determination. In its response, Network Rail Scotland recognised the Biodiversity trajectory of 4.0 percentage points was an aspirational target but expressed concerns about its deliverability in each year of CP7. We are aware that Network Rail has worked with stakeholders to develop the biodiversity units metric which has been the foundation of its "state of nature" reporting for Scotland. We therefore expect Network Rail Scotland to undertake work during CP7 to deliver a target of 4.0 percentage points improvement in biodiversity units by the end of the control period.

Accessibility of stations

- 2.40 In our draft determination, we said that we would provide further comment on the Network Rail Scotland accessibility commitments in its final SBP. In section 2.6 of its final SBP, and in line with the rest of the GB network, Network Rail Scotland has outlined that it will continue with necessary staff training and improvements to 'Turn Up and Go' passenger assistance.
- 2.41 Network Rail Scotland has also committed to regularly reviewing wayfindings at its managed stations (so that passengers, including those with disabilities, are able to find their way around quickly and safely).
- 2.42 Network Rail Scotland also commits to developing an Accessibility Strategy that considers the passenger rail experience with the goal of eliminating barriers within and around its stations. We have engaged with Network Rail Scotland on the development of its strategy. We expect this strategy to be in place for the start of CP7.
- 2.43 Network Rail Scotland has also confirmed that where required, the fitment of platform edge tactile paving will take place at all stations in Scotland by April 2025, consistent with the rest of the GB network.

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- 2.44 Network Rail Scotland has also confirmed that it will embed Diversity Impact Assessments into decision making to ensure that the effect of infrastructure projects on disabled passengers is taken into account and complies with legal and regulatory requirements.
- 2.45 We are working with Network Rail to develop a proportionate framework for regular reporting to ORR on the condition of station lifts. This will include information on the frequency and duration of outages and will help us to monitor the effectiveness of Network Rail's management, and the progress on its plans to improve performance. This will also help us to understand how Network Rail prioritises resources in this area. We expect to have this reporting framework in place for CP7.

3. Asset performance and sustainability

3.1 Network Rail Scotland intends to spend approximately £2.15 billion on asset renewals during CP7, which includes allocation of renewals for National Functions. This is approximately 13% less than in CP6. Expenditure on core renewals is planned to be £1.97 billion, which is 13% less than in CP6. Core renewals covers track, off-track, signalling, level crossings, earthworks, drainage, buildings, electrification and fixed plant, and telecommunications. The difference between expenditure on total renewals and core renewals is due to expenditure on items such as National Functions projects and other capital spend, e.g., facilities and plant such as on-track machines and fleet support.

Table 3.1 Changes in Network Rail Scotland’s proposed OSMR expenditure during CP7 in comparison to CP6

£ million (2023-24 prices)	CP7 direct expenditure	CP7 allocated expenditure	CP7 total expenditure	Change in total expenditure compared to CP6 (%)
Operations	473	0	473	22%
Support	117	363	480	-9%
Maintenance	1,075	60	1,135	8%
Renewals	1,975	172	2,147	-13%
Of which core renewals	1,921	50	1,970	-13%
Industry costs, rates	0	204	204	20%
Electricity for Traction	0	468	468	89%
Adjustment to OSMR	-111	0	-111	n/a
Risk provisions	225	0	225	n/a
Total expenditure	3,754	1,267	5,021	4%
Total expenditure less EC4T	3,754	798	4,553	-1%

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**Notes: Direct expenditure is incurred by Network Rail Scotland for the activities it delivers. Allocated expenditure is incurred by National Functions for activities that support Network Rail Scotland's outputs.*

Higher forecast input prices affect the settlement for Scotland, but on ORR's analysis, this still allows for a Scotland targeted performance fund of £50 million and a risk fund of £225 million for Scotland.

- 3.2 As set out in our draft determination, we understand that to meet the cost challenge and stay within the funding envelope for CP7 it was necessary for Network Rail Scotland to plan for lower levels of renewals in CP7. We agree with Network Rail Scotland's assessment that this will impact on asset sustainability, with a decline in the Composite Sustainability Index (CSI). However, any consequential impact on Service Affecting Failures (i.e. train performance) is difficult to quantify.
- 3.3 We are satisfied that the constrained funding does not need to result in undue concerns for the safety of assets or for performance during CP7, if risks are fully assessed and managed. We discuss below the assurances that Network Rail Scotland has provided on managing the risk profile that arises from conducting fewer renewals in comparison to CP6.
- 3.4 In the draft determination, we highlighted concerns about the condition of Network Rail Scotland's structures assets. We said that additional funding should be focused on these assets in CP7, to reduce the risk of safety or performance implications from their anticipated deterioration. Network Rail Scotland has also responded positively to our draft determination and proposed an additional £44 million spend on structures in CP7; only slightly below the £50 million we set out in the draft determination, and we are satisfied suitable mitigations are in place.
- 3.5 Network Rail's Composite Sustainability Index (CSI), which measures the percentage change in asset remaining life, is our headline success measure of asset sustainability for each region in CP7. Ahead of our final determination we worked with Network Rail to understand the potential impact on CSI of our proposed additional expenditure on core renewals. Network Rail Scotland is forecasting a modest decline in CSI during CP7. This reflects that it is planning to undertake fewer renewals of core assets in comparison to CP6, due to constrained funding. It is expecting an overall reduction in CSI of 2.1 percentage points, compared to a larger forecast reduction of 3.4 percentage points at the time of our draft determination. This reflects, in large part, Network Rail Scotland's increased expenditure on core renewals following our draft determination. We have set a reduction of 2.1 percentage points as our final baseline for CSI.
- 3.6 Looking beyond CP7, longer-term forecasts presented in Network Rail Scotland's SBP show asset condition is expected to decline over CP7 and future control

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periods. Greater expenditure would be required in future control periods to arrest this decline. The required funding is defined by that necessary to return asset performance to end of CP6 (March 2024) levels. This is referred to as 'steady state'. To return to steady state in Scotland would take until at least CP12 (2049-2054) and cost between an additional £1.0 billion to £1.5 billion over CP7 levels of funding, phased over the subsequent four control periods, based upon current asset strategies and outcome requirements.

- 3.7 Network Rail accepted our £10 million challenge on the amount of National Functions expenditure allocated to Scotland. Since our draft determination, we have further challenged the costs of National Functions and consider that they can be reduced by a further £15 million. We provide further detail on these changes in our [PR23 final determination: supporting document on sustainable and efficient costs](#) document.
- 3.8 As shown in Table 3.2 below, approximately 8% of Great Britain-wide national functions costs (less EC4T) are allocated to Scotland, this represents 18% of Network Rail Scotland's expenditure (less EC4T).

Table 3.2 Proposed CP7 Allocated Expenditure in Scotland post ORR adjustments

£ million (2023-24 prices)	CP6		CP7						
	2023-24	CP6 total	2024-25	2025-26	2026-27	2027-28	2028-29	CP7 total	% vs CP6
Operations	0	0	0	0	0	0	0	0	n/a
Support	76	407	72	73	73	73	73	363	-11%
Maintenance	0	0	11	12	12	12	13	60	n/a
Renewals	43	223	39	37	35	32	29	172	-23%
Industry costs, rates	36	170	38	38	42	42	43	204	20%
Electricity for Traction (EC4T)	76	247	101	91	90	92	94	468	89%
Adjustment to OSMR expenditure	n/a	n/a	0	0	0	0	0	0	n/a
Risk provision	0	0	0	0	0	0	0	0	n/a
Gross revenue requirement	231	1,048	261	251	252	252	251	1,267	21%
Gross revenue requirement less EC4T	155	800	161	159	162	160	156	798	0%
Gross revenue requirement less EC4T as a % of GB	9%	10%	9%	8%	8%	8%	8%	8%	n/a

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- 3.9 We have discussed the treatment of central European Train Control System (ETCS) costs with Network Rail Scotland, Transport Scotland and DfT. We have decided that Network Rail Scotland will be charged where it benefits from the expenditure. As Network Rail Scotland is not proposing to carry out infrastructure renewals using ETCS in CP7, it will therefore only contribute to funding some enabling projects (£10 million), and Research, Development & Innovation (RD&I) projects (in total £10 million), that benefit the whole network. Network Rail Scotland will not contribute to other central costs that Network Rail incurs for digital signalling deployment, unless and until it agrees to the adoption of ETCS in its Signalling Scotland's Future Strategy for signalling. These costs will be logged and will be allocated to Network Rail Scotland in the future.
- 3.10 For High Output plant and activity such as Project Reach (a project that aims to use the rail corridor as a route for cabling as explained in our [PR23 final determination: supporting document on sustainable and efficient costs](#)), these costs are not allocated to Network Rail Scotland, as it is not planning on using High Output in CP7. There are also no Project Reach costs allocated to Scotland in CP7 as Transport Scotland has stated during PR23 discussions that it does not intend to fund the project (which is not an HLOS requirement).
- 3.11 Network Rail Scotland is taking a bespoke approach to procurement for CP7. Several of its key frameworks cross over from CP6 to CP7, with frameworks already in place across key asset disciplines. Track will continue under the Rail Systems Alliance Scotland, and the collaborative partnership with Siemens will deliver major signalling work. Network Rail Scotland is at an invitation to tender stage for two key new frameworks for CP7, the Civil Engineering Collaborative Framework and Minor Signalling, Power and Communication Collaborative Framework. Both new frameworks will be in place by March 2024 to support mobilisation and commencement by May 2024.
- 3.12 Network Rail Scotland's procurement strategy for CP7 seeks to support Scottish Ministers' priorities and strengthen its 'one team' approach. This approach demonstrates learning from previous control periods, and continuity within frameworks for the start of CP7 should provide Network Rail Scotland with the opportunity to further develop its one-team approach and efficient working practices.
- 3.13 We provide more detail on CP7 operating models as well as the areas of focus for our holding to account in CP7 in this area in our [PR23 final determination: supporting document – sustainable and efficient costs](#) document.

4. Health and safety

- 4.1 In this section we summarise our decisions regarding health and safety. We provide more information on our conclusions in the [PR23 final determination: supporting document on health and safety](#). In the supporting document we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination.
- 4.2 Our draft determination identified that Network Rail Scotland had not demonstrated sufficient mitigations to manage the increase in risk posed from a limited set of core assets. We recommended that Network Rail mitigate the vulnerabilities we identified by increasing its expenditure on core renewals. We consider that the additional core renewals Network Rail Scotland has committed to in its response to our draft determination (described in the section above on asset performance and sustainability) will address the main vulnerabilities identified in our draft determination.
- 4.3 Although Network Rail's updated proposals commit to additional expenditure on core renewals, the constrained funding means Network Rail will conduct fewer renewals and more maintenance during CP7 in comparison to CP6. Consequently, in our draft determination we asked Network Rail to provide further evidence to demonstrate:
- how it will manage the change in risk profile that arises from conducting fewer renewals in comparison to CP6, accounting for any increase in core renewals that it plans to take forward (compared to its interim SBP);
 - that its proposed maintenance plans are sufficient to support the increased demand on its maintenance function; and
 - that it will deliver the necessary efficiencies within the resources available and sustain the necessary capability to maintain the assets.
- 4.4 Network Rail Scotland has engaged constructively with us since our draft determination was published. We have seen a significant maturing of its plans and have greater confidence in them than at the time of its initial SBP. In its response to our draft determination, Network Rail Scotland described how it is using a structured framework which can be used to review current and future plans and determine whether these include adequate risk controls. Network Rail Scotland has demonstrated how applying this framework has resulted in changes and

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improvements to its original CP7 plans. It has also used the framework to conduct a national assessment of the asset groups most affected by the reduction in renewals during CP7. We are satisfied that this approach addresses the concerns expressed in our draft determination and that it has the potential to identify the best means to safely manage risks so far as is reasonably practicable.

- 4.5 Network Rail Scotland has also demonstrated that its maintenance plans are sufficient to support the increased demand on its maintenance function during CP7. Network Rail Scotland involved its maintenance function in decision making, so that plans are aligned and deliverable. The success of Network Rail Scotland's proposed approach is reliant on implementing its 'Modernising Maintenance' programme without losing knowledge, capability and expertise in many asset safety areas and safety-specific advisory roles. We are supportive of this programme and have received assurance from the Technical Authority and Network Rail Scotland that it will be embedded for the start of CP7.
- 4.6 In summary, we are satisfied that Network Rail Scotland has addressed the actions we identified in our draft determination. Network Rail must continue to assess and manage its risk exposure throughout CP7. We will also monitor risk exposure during CP7 through our monitoring and inspection work. We require the delivery plan to provide credible plans for achieving the activities proposed.
- 4.7 In our draft determination, we also asked that Network Rail Scotland provide further information on its proposals regarding earthworks and drainage to demonstrate how it is implementing the action plans developed following the Carmont investigations. In its response to our draft determination, Network Rail Scotland provided clear commitments to implementing those plans. For example, it provided clear plans to increase and improve earthworks and drainage resource, as well as dedicated weather response expertise in its control rooms. We are satisfied that Network Rail Scotland's response in this area responds to the concerns raised in our draft determination.
- 4.8 In our draft determination, we also set out that Network Rail Scotland:
- had not provided sufficient evidence of funded activity to ensure that improvements on track worker safety are delivered through CP7;
 - had made limited reference to occupational health and did not yet demonstrate that funds and activity will be sufficient to achieve compliance;
 - had limited information on arrangements to achieve compliance with requirements on fatigue in its interim SBP; and

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- had provided limited detail on the scope of changes to level crossing safety risk as local conditions and usage changes, in addition to managing risk from asset condition and age.

4.9 In its response to our draft determination, Network Rail Scotland has provided further information and specific commitments in each of these areas. We are satisfied that Network Rail Scotland's response in each of these areas responds to the concerns raised in our draft determination.

4.10 More broadly, we are also requiring Network Rail to be clear on its delivery of priority programmes for safety management. These include Route Services' infrastructure monitoring programme, the electrical safety delivery programme (ESD) and competence assurance. These areas are fundamental to Network Rail managing its network safely and complying with its legal obligations.

5. Cost efficiency, inflation and input prices

- 5.1 We support Network Rail Scotland's objectives to deliver against the Scottish Ministers' net cost challenge by driving down costs. We consider that Network Rail Scotland's efficiency targets are stretching, but also achievable. There are risks to setting an efficiency target that may not be deliverable, for example that Network Rail Scotland could find itself short of funding in CP7 and be unable to deliver other aspects of its plans.

Cost efficiency

- 5.2 In our draft determination we explained that Network Rail Scotland's regional efficiencies target of £380 million appeared challenging, particularly as lower levels of renewals are planned for CP7; a significant proportion of efficiencies are traditionally delivered from renewals. Network Rail Scotland stated in its interim SBP that £186 million of its efficiencies would come from "transformational" initiatives, but provided little evidence of how these would be delivered. We also explained that although Network Rail had set out high-level plans for how it will deliver some of the efficiency improvements which would be required in CP7, we did not have sufficient information to fully assess its plans at that stage.
- 5.3 Since publication of our draft determination, Network Rail Scotland has provided further information on its transformational efficiencies. In its final SBP it stated that around £180 million of its CP7 efficiency target required initiatives of a more transformative nature, typically impacting more than one functional area and requiring a programme management approach to coordinate and implement the business changes that enable benefits. We welcome this further information. However, we consider that there remains substantial uncertainty around the nature of these efficiencies and how they can be delivered. We expect Network Rail Scotland to provide greater clarity as part of its delivery plan. As with other aspects of Network Rail's efficiencies we will continue to report on these matters through our [Annual Efficiency and Finance Assessments](#).
- 5.4 Network Rail Scotland's response to our draft determination includes a revised efficiency trajectory. Firstly, the overall level of efficiency has been reduced by £19 million to £410 million (£361 million of efficiencies delivered by Network Rail Scotland, and £49 million of efficiencies allocated from national functions) due to the reclassification of some business improvements from efficiency to income

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generating schemes. Secondly, net of this adjustment, while the level of efficiency for Scotland has not changed, the profile of savings has been modified to move some efficiencies to later in CP7. The reprofiled Scotland efficiency trajectory addresses the concern raised in our draft determination.

- 5.5 Taking account of Network Rail Scotland's revised trajectory and our own further [analysis](#), we have concluded that Network Rail Scotland should deliver £410 million of efficiencies (£361 million for regional OSMR, and £49 million of efficiencies allocated from national functions) for Scotland. We note that the efficiency target for Scotland is more challenging than for England & Wales. This adds to the risks for Network Rail Scotland, as explained further in the Risk chapter of our [PR23 final determination: supporting document on sustainable and efficient costs](#).
- 5.6 The Financial Performance Measure (or FPM) will compare Network Rail Scotland's income and expenditure to its CP7 delivery plan. The efficiency improvements that Network Rail Scotland is expected to achieve will be embedded in the financial assumptions in its CP7 delivery plan. FPM adjusts for the amount of work done and excludes income and expenditure that is not controllable by the region.
- 5.7 Network Rail Scotland has included an FPM forecast of zero for every year of CP7, consistent with other regions. This means it would match the assumptions in its delivery plan for income and controllable costs after making adjustments for delivery, i.e. neither outperform or underperform financially. We agree this is the appropriate baseline to measure FPM against during CP7 and are setting this as the FPM baseline trajectory.

Inflation and input prices

- 5.8 Network Rail Scotland's overall CP7 spend has reduced from £4.8 billion in our draft determination to £4.6 billion in the final determination, a reduction of £0.2 billion. This is largely explained by higher inflation which reduces the value of the CP7 settlement in real terms. Network Rail's latest forecast, which is based on the May 2023 Bank of England CPI forecast, has increased general inflation costs from the SBP by approximately £107 million in Scotland which we have accepted. There is also lower income following a clarification of the inflation assumptions in the SoFA (£76 million lower as explained in chapter 7) and the correction of income that was double counted in the SBP.
- 5.9 Network Rail has supplied additional information on input prices – which are cost increases beyond general inflation as measured by CPI. Network Rail proposed an

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additional £52 million cost increase on its input prices due to a ‘lagged inflation’ effect taking Network Rail’s total input price inflation to £214 million compared to £162 million at SBP.

- 5.10 We recognise the impact of CPI inflation in our final determination, but our analysis (described in our [PR23 final determination: supporting document on sustainable and efficient costs document](#)) does not support the scale of input price inflation Network Rail estimated in its response to the draft determination. As in England & Wales, we consider input prices have been overstated in Scotland and although we are revising our view, we consider that input prices are unlikely to exceed £120 million in CP7. This is a £30 million increase from our position at draft determination which assumed £90 million of input price inflation.
- 5.11 We also recognise the impact on risk from inflation and input price effects and take account of this in the chapter on risk funding below.
- 5.12 Network Rail Scotland’s latest forecast shows a reduction in headwinds to £34 million in Scotland, compared with £82 million in the SBP. We are satisfied this revised forecast for CP7 is reasonable.

6. Other sources of income

- 6.1 Other income refers to income that Network Rail Scotland receives from sources other than track access charges and network grant. This largely comprises income from Network Rail Scotland's properties and from other smaller activities such as stations and depots, leasing stations and facility charges. It is important for Network Rail Scotland to generate an efficient level of other income as this reduces the level of funding that the company requires from track access charges and network grants.
- 6.2 We provide more information on our assessment and draft determination proposals in the [PR23 final determination: supporting document on other income](#). In the supporting document we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination.
- 6.3 Network Rail is forecasting £250 million of other income in Scotland. In our draft determination we considered that Network Rail Scotland's forecast for property income was not reasonable and we set a property income challenge of £10 million. In its response, Network Rail Scotland has identified £19 million in opportunities to generate revenue from increased income growth in its existing portfolio as well as land disposal and the development of sites. We have accepted Network Rail Scotland's forecast of £19 million of property income in CP7.

7. Financial risk

- 7.1 Network Rail Scotland's risk provision arrangements differ from those in its regions in England & Wales in that its risk fund is funded by the Scottish Ministers and as such is ring-fenced to Scotland. Network Rail Scotland does not have the same flexibility as Network Rail in the England & Wales regions to draw down on a centrally held risk fund.
- 7.2 A reasonable risk provision will help Network Rail Scotland to manage unforeseen risks and avoid it having to cancel planned renewals to free up funding. In Network Rail Scotland's interim SBP it proposed a much lower risk provision (£206 million in 2023-24 prices) than it had in CP6 (£329 million in cash prices).
- 7.3 In our draft determination, we proposed to increase Network Rail's risk provision by using part of the £221 million of unallocated funding. We considered that risk funding could be increased by up to £100 million, dependent on other factors such as general inflation and input prices. In its response to our draft determination, Network Rail Scotland accepted the need to increase the risk funding provision and proposed a risk fund of £287 million. However, this assumed no targeted performance fund.
- 7.4 Network Rail Scotland subsequently revised its risk provision figure down to just under £250 million, largely after the correction of some income that was double counted in its forecast and there was an increase in risk funding after it challenged itself on headwinds. However, this was before the clarification of the inflation assumptions in the SoFA provided by Transport Scotland in October 2023. This change reduces the funding for Network Rail Scotland by a further £76 million, and as a result it will need to reduce its planned net expenditure by £76 million.
- 7.5 Our final determination provides for a risk provision in CP7 of £225 million, after considering:
- (a) the latest general inflation forecast (which we have accepted in full); and
 - (b) our view on input prices (where we consider Network Rail Scotland's latest forecast on input prices of £214 million excluding EC4T is not reasonable).
- 7.6 This is described further in our cost efficiency, inflation and input prices chapter above. We consider that this would allow for a reasonable risk fund if governed effectively. We provide more information in the risk chapter of our [PR23 final determination: supporting document on sustainable and efficient costs document](#).

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- 7.7 Building on lessons during CP6, Network Rail Scotland has worked to improve its governance over how risk funding is spent. We expect this to continue into CP7 and be complemented by our policy approach, as set out in our [PR23 final determination: policy position on the financial framework](#), to increase scrutiny and transparency around Network Rail Scotland's risk provisions. For example, we have discussed principles for the governance of risk funding with Network Rail Scotland and Transport Scotland. In its response to our draft determination, Transport Scotland emphasised the importance of having effective governance for risk provision in place, a point which is also recognised by the Scottish Ministers. Ahead of publishing its delivery plan, we expect Network Rail Scotland to work with us and Transport Scotland on developing strong governance arrangements for risk and financial reporting.
- 7.8 Given the increased complexity of the financial risks that Network Rail Scotland is likely to have to manage in CP7, we intend to increase our scrutiny of and transparency around its management of financial risks in CP7. For example, Network Rail Scotland has agreed to developing governance principles to improve the visibility of how it is using its risk fund, for Transport Scotland and other key stakeholders. Along with other financial reporting, this is an important element of providing assurance that Network Rail Scotland's governance will build on the lessons learnt from CP6 and that the use of risk funding in CP7 will be appropriately overseen.
- 7.9 We will update our Managing Change Policy to reflect the risk funding principles on governance and use of risk funding that we have discussed with Network Rail Scotland and Transport Scotland. We expect the principles to set restrictions on what risk funding can be used for, how it is incorporated into Network Rail Scotland's plan, and how Network Rail Scotland should engage with funders and stakeholders and report on how it is used.

8. Access charges and incentives

Access charges

- 8.1 In this section we summarise our decisions regarding access charges. Our full set of final decisions for Network Rail’s access charges is set out in our [PR23 Final Determination: policy position on access charges](#) document. In this document we also provide a detailed summary and analysis of stakeholder responses, and an explanation of changes from our draft determination.
- 8.2 Around one third of Network Rail Scotland’s income comes from regulated access charges. As part of PR23, we determine the specific charges that train operators will pay to Network Rail Scotland for the use of its track and stations during CP7.
- 8.3 We concluded on the structure of Network Rail’s charges in autumn 2022. We confirmed that we would largely retain the existing charging framework in its current form, while making a limited number of changes to simplify this framework. This framework applies across the national rail network, in both Scotland and England & Wales.
- 8.4 Our final determination concludes on the outstanding issues related to access charges which we summarise below, first for passenger operators and then for freight operators.

Table 8.1 Access changes: passenger operators

Policy position	Description
Variable usage charge (VUC) rates for passenger operators will remain fully cost-reflective	Our draft determination indicated that VUC rates for passenger operators would rise on average by 7% between CP6 and CP7. The updated recalibration indicates that they will now rise on average by 3% to account for a lag in reflecting actual inflation in CP6 charges. Thereafter, they remain flat in real terms.
The infrastructure cost charge (ICC) for open access operators providing inter-	The ICC ensures open access operators continue to contribute to Network Rail’s fixed cost recovery through an infrastructure cost charge. A charge of £5 per train mile is based on our assessment of what level of ICC interurban services can bear, and consideration of our wider statutory duties. Holding this

Policy position	Description
urban services will be held constant in real terms at £5 per train mile	charge broadly constant in real terms also provides a stable long-term signal about the cost of operating. It also supports greater access on relevant parts of the network without discouraging prospective new services elsewhere.
We introduce an ICC for open access services to major airports at a rate of £5 per train mile	Our draft determination explained that we were considering an ICC for open access services to major airports and that we would consult on our proposals. Our final determination confirms our decision to include an airport services market segment. We have concluded on an ICC rate of £5 per train mile using a methodology consistent with the approach for inter-urban services. At present this would not apply to any operator in Scotland as there are no Open Access operators serving a qualifying airport service market segment.

Table 8.2 Access charges: freight operators

Policy position	Description
Variable usage charge (VUC) rates will continue to be capped below cost-reflective rates for freight and charter operators	<p>We will keep increases in the VUC rates for freight and charter operators on the trajectory that was set in PR18. This approach is consistent with the way that freight growth projections have been developed for CP7, while ensuring that rates move closer towards being fully reflective of the costs of the use of the network (as required by relevant legislation). The average annual increase in freight charges will be 3.3% in real terms.</p> <p>Full cost reflectivity would result in freight operators paying approximately £33 million more in VUC payments over the course of CP7 than in CP6. We estimate that approximately £1.3 million of this £33.1 million difference relates to income for Scotland.</p>
Existing ICCs for commodities will reduce or be held constant in CP7	The ICC for electricity supply industry coal, iron ore and spent nuclear fuel will reduce in CP7. The ICC for biomass will be maintained in real terms. Our draft determination did not include a proposed ICC rate for spent nuclear fuel because Network Rail was still calibrating its fixed cost model. Network Rail’s subsequent assessment resulted in a significant increase in fixed avoidable costs for this commodity. This significant increase was not consulted on in our draft determination and its accuracy and justification have not been tested with industry. Therefore, for CP7 we cap the ICC for spent nuclear fuel at the level

Policy position	Description
	indicated in our draft determination, which is about half the rate for the final year of CP6.
8.5	Our full set of final decisions for Network Rail’s access charges is set out in our PR23 final determination: policy position on access charges . In that document we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination.
8.6	In July and August 2023, Network Rail published draft price lists for access charges, using updated assumptions following some decisions which affect the level of charges, e.g. in respect of Network Rail’s proposed spending on maintenance and renewals during CP7. Network Rail will now update its price lists and publish final versions consistent with our conclusions in our final determination in December 2023.

Incentives

- 8.7 Network Rail’s possessions and performance regimes (Schedules 4 and 8 respectively) compensate train operators for financial impacts arising from planned and unplanned service disruption. Schedule 4 places incentives on Network Rail to plan possessions efficiently to minimise disruption, and Schedule 8 places incentives on Network Rail and train operators to limit the disruption they cause and therefore to improve network performance.
- 8.8 As part of PR23, we have been reviewing the framework for these regimes. In October 2022, we published our [Schedules 4 and 8 conclusions](#) on the framework for the regime in CP7, which also included a consultation on outstanding matters. Overall, we have concluded that the frameworks for Schedules 4 and 8 should not significantly change in PR23, as set out in our October 2022 conclusions document.
- 8.9 The final determination presents our conclusions on outstanding matters and provides updates on recalibration. This can be found in [PR23 final determination: policy position on the Schedules 4 and 8 incentive regimes](#) document. In that document we also provide a detailed summary and our analysis of stakeholder responses, and an explanation of changes from our draft determination. Our key policy considerations are set out below in Table 9.3.

Table 8.3 Incentives

Policy position	Description
We are updating Schedule 8 benchmarks and payment rates for all passenger and freight operators	Schedule 8 benchmarks and payment rates will reflect updated evidence on performance and revenues. In the freight sector, our final determination recognises that there is uncertainty in whether freight operators will be able to consistently return performance to levels seen in the regime’s recalibration period. We will therefore implement an adjustment to the freight operator benchmark so that it is set midway between the PR18 and PR23 recalibrated levels.
We commit to resetting passenger Schedule 8 benchmarks and payment rates in advance of year 3 of CP7	The reset is consistent with our approach to train performance success measures. The approach recognises the difficulties in accurately forecasting whole industry train performance due to the misalignment of the business planning cycles for Network Rail and the publicly contracted train operators and factors such as changes in passenger demand following the COVID-19 pandemic.
We will implement a transition in the reduction to lower Network Rail Schedule 8 payment rates (to an average reduction of approximately 45%)	Our draft determination indicated that we expected Network Rail payment rates to be significantly lower in CP7. In response to industry concerns about the size of the reduction in the draft results, our final determination introduces a transitional adjustment to lower payment rates. This approach recognises that there are margins of error in the estimation methodology and avoids introducing unintended consequences by implementing the full reduction in payment rates in a single step. We will look again at evidence and effects observed over the initial periods of CP7 when undertaking our mid-control period reset of passenger performance trajectories and the incentive regime.
We will allow for the removal of Schedule 8 payments between Great British Railways and its	The removal of Schedule 8 payments between Great British Railways (GBR) and its future operators will be allowed if GBR is formed and there is a sufficiently robust incentive framework in place (such as powers to hold GBR to account for whole-industry performance). This will not apply to operators funded by the Scottish government but, if legislative amendments remove the requirement for a performance scheme from these

Policy position	Description
contracted operators	operators, GBR and each Transport Scotland operator could seek to jointly agree to include the switch-off mechanism. This would be subject to ORR's approval, and we would need to ensure that strong incentives were in place.
We have allowed train operators to opt out of Schedule 4	We presented operators with this option in August 2023. Operators which opt out will not pay an access charge supplement and will not receive Schedule 4 compensation. We intend to enhance our monitoring and reporting on Network Rail's performance on network availability so that it is adequately incentivised to manage possessions effectively.

8.10 Since May 2023 parameters from the recalibrations have been released and approved in a phased way. This process will conclude in November 2023.

Impact on freight operators

8.11 Our final determination policies balance the Scottish Ministers' objective to grow freight over CP7 with our statutory duties, including to: promote improvements in service; use of the network; enable railway users to plan their businesses with a reasonable degree of assurance; and have regard to the funds available to the Scottish Ministers.

8.12 We will continue to cap charges for freight operators, meaning that they will continue to benefit from subsidised access to the network during CP7 (with charges continuing on the trajectory set in CP6). While the regulatory framework requires that charges are ultimately cost-reflective, this will not be until the next control period, CP8. The freight growth target for CP7 is consistent with the VUCs set in our determination.

8.13 We recognise the increase in freight variable usage charges will impact on freight operators by around £1.2 million in Scotland (Great Britain £42 million) but compared to the increase in charges that would have been required to achieve cost recovery, our policy saves operators £1.3 million in Scotland (Great Britain £33 million).

8.14 We have also taken a proportionate and incremental approach to the freight performance regime, updating the relevant benchmarks and thresholds based on the latest evidence. The incentive regimes are intended to be financially neutral on expectation in respect of performance benchmarks, so we have aimed to re-set

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the regime to make it financially neutral in CP7. We have adjusted the freight operator benchmark due to uncertainty about whether freight operators would be able to achieve performance at the level of the recalibrated draft benchmark.

9. Financial framework

- 9.1 In December 2022, we consulted on Network Rail's CP7 financial framework. We reviewed the responses which were broadly supportive of our proposed approach and in our draft determination, we decided to retain most features of the existing CP6 financial framework.
- 9.2 The section covers our key decisions for Network Rail Scotland's financial framework in CP7. More detailed information relating to all our decisions on Network Rail's CP7 financial framework can be found in our [PR23 final determination: policy position on the financial framework](#) document.
- 9.3 Network Rail Scotland recovers a proportion of its fixed costs through direct network grants from Transport Scotland, which is in lieu of fixed track access charges (FTACs) paid by passenger operators on concession style agreements. We have obtained confirmation of the level of network grant payments from Transport Scotland. It intends to carry the same levels of FTAC (45%) and network grant (55%) into CP7 as it has used in CP6. We are discussing with Network Rail and Transport Scotland the profile of the payments. Network Rail Scotland's Schedule of Fixed Charges will be set to be consistent with this and the expenditure profile. Network Rail Scotland has provided us with its proposed profile of network grant payments, and we expect to agree the position in November 2023. Written confirmation of finalised network grant documentation (including payment amounts) should be submitted to ORR by December 2023.
- 9.4 Our draft determination indicated that we would seek to strengthen Network Rail Scotland's protection against any unexpected shortfall in network grant funding compared to the provisional amounts set in our determination. We consulted on this in July in our [consultation on changes to model access contracts](#). Specifically, we proposed to amend the existing network grant dilution provisions in Schedule 7 of operators' track access contracts. Amended grant dilution provisions, which reduce timescales from three months to one month, will be included in our December review notices.
- 9.5 This would shorten the delay between any shortfall in grant funding occurring and an increase in FTAC payments. Our final determination confirms this decision. Our financial framework policy position document explains why we consider this would be achievable within one month. It also explains that the industry would in practice have more than one month's notice of a grant dilution event. We also confirm that,

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if a grant dilution event is necessary at the beginning of CP7, we will make industry aware of this three months in advance of the start of the control period.

- 9.6 While cost of capital and cost of debt are not necessarily components of our PR23 determination of revenue requirements for CP7, the values and our approach to them are relevant for some contractual purposes such as calculating facility charges payable by third parties who have promoted enhancements financed by the governments through Network Rail.
- 9.7 Since our draft determination we have adjusted the weighted average cost of capital (WACC) values proposed for CP7 in our draft determination to take account of any material changes in capital markets ahead of our final determination. Our view is that the real, i.e. CPI inflation adjusted, pre-tax WACC for Network Rail Scotland is 3.98% in CP7 and that the real pre-tax cost of debt for Network Rail Scotland is 2.33%. In CP6 these values were 4.15% and 2.45% respectively (in CPI real terms).
- 9.8 Network Rail Scotland's business comprises large capital expenditure programmes as well as the operation and maintenance of the network for a five-year period in return for relatively fixed funding. During CP6 the UK Government allowed for a degree of budgetary flexibility within the five-year period. This allowed some funding to be rolled over from one year into another.
- 9.9 Transport Scotland's response to our draft determination stated that its proposed approach (for budgetary flexibility in CP7) reflects the full devolution of funding from HM Treasury to Scottish Government and that this means that no definitive commitment can be made other than to attempt to manage a similar level of flexibility between financial years (which is currently 10% budgetary flexibility between years). Since our draft determination, discussions have been ongoing between Transport Scotland and the UK Government on this issue. Transport Scotland has advised that for CP7 there will not be a similar budgetary mechanism with HM Treasury. However, the Scottish Exchequer has been provided with some additional general reserve flexibilities to manage funding between years across all Scottish government areas. Transport Scotland has advised us that this should be sufficient to accommodate any normal operational timing differences, but stressed the importance of early and accurate forecasting to inform this position and for Network Rail Scotland to raise any exceptional issues as soon as they arise. As we have done in CP6, we will continue to support Transport Scotland's use of Network Rail's forecasts, through our monitoring of Network Rail in CP7.

10. Managing change

- 10.1 Together with our Holding to Account Policy, as well as our regular monitoring and reporting of Network Rail Scotland's delivery against its agreed plans, our managing change policy is an integral part of how we ensure a robust regulatory framework. The policy allows for appropriate changes to be made in a transparent manner, providing us with an early sight of the proposed changes and an opportunity to understand the implications of them, and facilitating engagement and collaboration with stakeholders and funders.
- 10.2 In July 2022 we consulted on our PR23 policy framework, which included the future of the Managing Change Policy. Stakeholders were broadly supportive of continuing to use our managing change policy and we consulted in our draft determination on an improved and updated policy for CP7.
- 10.3 Transport Scotland broadly supported the policy but asked for further assurances around the notification of relevant changes ahead of these being made by Network Rail Scotland. To give confidence and assurance around financial changes in CP7, we have introduced a new approach to managing changes to risk funding that strengthens the governance in this area (see Table 10.1 below).
- 10.4 We set out our final CP7 managing change policy in full in our [PR23 final determination: policy position – managing change](#) document.
- 10.5 Having considered feedback from funders and stakeholders, we have sought to introduce further clarifications into the policy. The overall approach remains largely as we consulted on in June 2023, with the addition of the new approach to managing changes to risk funding (explained further in the table below). In our [PR23 final determination: policy position - Stakeholder views for Managing Change and Holding to Account](#) document we provide a summary of stakeholder responses and an explanation of changes from the draft determination.
- 10.6 Our final policy for CP7 includes three significant changes in comparison to the current policy which is in effect during CP6, as described in Table 11.1.

Table 10.1 Managing change policy position

Policy Position	Description
Consolidating the levels of change and renaming them	<p>In the CP6 policy, there are four ‘levels’ of change, which we have consolidated to three levels in the updated policy:</p> <p>Notified changes will be less significant changes. Network Rail must notify ORR after the change has been made via a periodic submission change log. This is equivalent to the existing level one change in the current policy.</p> <p>Consulted changes will be more significant changes. Network Rail must notify us before making the change. This will allow us to publish an opinion and notify funders. This merges level two and level three changes in the current policy.</p> <p>Exceptional changes are consulted changes which risk undermining the settlements for Network Rail’s business units. This allows us to add conditions or direct Network Rail not to make the change. This is consistent with the current policy.</p> <p>We have also added a new category of change relating to risk (see below).</p>
Change control process for measures in the CP7 outcomes framework	<p>The managing change policy will apply to changes to: headline success measure baseline trajectories; definitions or calculation methodology of headline success measures; addition or removal of headline success measures; supporting measure forecasts, definitions or calculation methodologies; and addition or removal of a supporting measure.</p> <p>Changes to supporting measure forecasts will be classified as notified changes. All other changes will be consulted or exceptional changes.</p> <p>We only expect to make changes to success measure baseline trajectories where there is a material change of circumstances. This will be for those changes which are unforeseen in Network Rail’s forecasts or the baseline trajectories set in our determination, are likely to be outside Network Rail’s control, and will lead to a sustained change in expectations for the relevant success measure in future years.</p>
A new approach to manage changes to risk funding	<p>Since we consulted in June, ORR, Network Rail and Transport Scotland have discussed new principles around how risk funding should be managed in CP7. Since we</p>

Policy Position

Description

consulted in June, ORR, Network Rail and Transport Scotland have discussed principles around how risk funding should be managed in CP7.

As set out above, we will incorporate those principles into the managing change policy once confirmed. We expect to do this shortly. This will avoid overlap and duplication and provides a strong governance framework for risk funding.

Risk funding changes are now designated as a separate category of Relevant Change, and do not follow the processes for Notified, Consulted or Exceptional changes.

11. Holding Network Rail to account

- 11.1 Our Holding to Account Policy sets out how we hold Network Rail Scotland accountable for delivery of the commitments in our PR23 final determination and the obligations in its network licence. The policy also explains how we will monitor performance, escalate and investigate potential issues and, where necessary, take enforcement action. In doing so we seek to secure the best possible outcomes for passengers, freight customers and taxpayers across the network.
- 11.2 Our [PR23 final determination: policy position on holding to account](#) is published as a separate document. In our [PR23 final determination: Stakeholder views on Managing Change and Holding to Account](#) we provide a combined view of our final position and a summary of responses for both policies.
- 11.3 We consulted on a draft CP7 holding to account Policy in April 2023. This sets out our intention not to make significant changes to the underlying principles, tools and approach to the existing policy, reflecting that we consider them fit for purpose in the current context.
- 11.4 Stakeholders were broadly supportive of our consultation proposals, and therefore we have not made material changes to our draft policy as we consider it is appropriate. However, we have provided further clarity in the final policy where stakeholders have requested it.
- 11.5 Transport Scotland was content with the draft policy and provided specific comments on how this relates to monitoring Network Rail Scotland's performance. It also asked whether the Scottish Ministers' HLOS requirements are enforceable under the licence. Our Holding to Account Policy confirms (paragraph 4.25) that each of the HLOS requirements is individually enforceable under the network licence subject to the 'reasonable practicability' test. Further details on how we will monitor and hold Network Rail Scotland to account for its performance are set out in our final policy, as well as in the Scotland train performance section of this document.

Delivering the Scottish Ministers' HLOS requirements

- 11.6 The Scottish Ministers published a detailed HLOS for Scotland on 3 February 2023. Throughout this periodic review we have worked closely with Network Rail Scotland to understand exactly how it intends to deliver each of the HLOS

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requirements. In Annex C we evaluate how the plans deliver on the HLOS requirements.

- 11.7 We are required by the Railways Act 1993 to decide whether the HLOS can be afforded with the funding made available to Network Rail Scotland in the SoFA. In CP7, the funding the Scottish Ministers have made available in the SoFA is for Network Rail Scotland's operations, maintenance and renewal activity only (i.e. not for enhancements projects, which will be funded separately and are not part of our assessment).
- 11.8 We consider that Network Rail Scotland's business plan for CP7 is affordable in the context of the Scottish Ministers' HLOS and SoFA. We have discussed elsewhere in this document where we think Network Rail Scotland's plan needs to be revised. However, we do not expect that its total expenditure requirement would exceed the funding in the SoFA, and we consider £225 million would be a reasonable risk fund if governed effectively providing for sufficient assurance of deliverability. We therefore consider that the Scottish Ministers' HLOS is affordable. Annex A summarises Network Rail's income and expenditure for CP7.
- 11.9 There are risks to delivery including Scotland's train performance measure as explained in Chapter 2 of this document. A further risk to delivery relates to the Scottish Passenger Vehicle Gauge HLOS requirement. We are content that this does not create an affordability issue as the HLOS explains that the requirement "...should exclude any vehicle or route that would drive disproportionate cost" (HLOS paragraph 4.18) and that the requirement is "...achieved and maintained throughout the Scottish rail network on a timescale consistent with available funding" (HLOS paragraph 4.19).
- 11.10 Our final determination for Scotland requires Network Rail to deliver all the Scottish Ministers' HLOS requirements set out in Annex C. As explained in this document, each is individually enforceable against Network Rail's licence. We will consider where Network Rail Scotland is partly reliant on external parties to deliver each requirement. Where this is the case, Network Rail will need to be clear on its own planned contribution.

Stakeholder engagement

- 11.11 In our draft determination we set out that we expected to see improvements in Network Rail Scotland's approach to stakeholder engagement and that we would assess this further through our final determination.

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11.12 In its response to the draft determination, Network Rail Scotland submitted supplementary evidence detailing a summary of engagement which has taken place prior to, and after, publishing its SBP. It also sets out its plans for future engagement up until the CP7 delivery plan. The additional evidence included specific areas we highlighted that were missing (e.g. evidence of a stakeholder mapping process). We welcome that Network Rail Scotland has acted on our request to assure us of its engagement. It will be important that Network Rail Scotland continues to evidence engagement in future plans.

Annex A: Network Rail Scotland's income and expenditure

Table A.1 Network Rail Scotland's Proposed CP7 Income and Expenditure

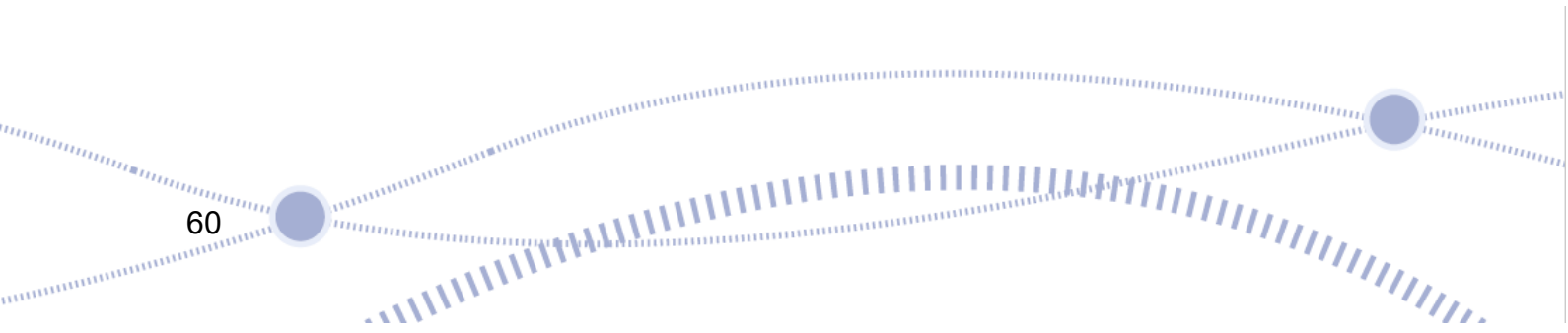
£ million (2023-24 prices)	CP6		CP7						
	2023-24	CP6 total	2024-25	2025-26	2026-27	2027-28	2028-29	CP7 total	% vs CP6
Operations	77	387	93	94	94	95	95	473	22%
Support	112	526	97	97	96	96	95	480	-9%
Maintenance	203	1,053	232	227	226	225	224	1,135	8%
Renewals	461	2,462	463	446	427	397	414	2,147	-13%
Industry costs, rates	36	170	38	38	42	42	43	204	20%
Electricity for Traction (EC4T)	76	247	101	91	90	92	94	468	89%
<i>Adjustment to OSMR expenditure*</i>	<i>n/a</i>	<i>n/a</i>	-22	-22	-22	-22	-22	-111	<i>n/a</i>
Risk provision	0	0	23	34	45	56	67	225	n/a
Gross revenue requirement	965	4,846	1,025	1,006	999	981	1,010	5,021	4%
Other income	-50	-220	-47	-47	-47	-57	-51	-250	13%
Net revenue requirement	915	4,625	977	959	951	924	959	4,771	3%
Fixed Track Access	-366	-1,713	-345	-345	-345	-345	-345	-1,726	1%
Variable Charges	-63	-316	-68	-69	-69	-69	-69	-343	9%
Electricity for Traction (EC4T)	-76	-245	-101	-91	-90	-92	-94	-468	91%
Schedule 4 and 8	33	246	23	21	20	19	20	103	-58%
Schedule 4 access charge supplement	-33	-100	-21	-19	-19	-18	-19	-96	-4%
Network grant	-410	-2,494	-466	-455	-449	-419	-452	-2,240	-10%
Total regulated income	-914	-4,622	-978	-959	-951	-924	-959	-4,771	3%

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£ million (2023-24 prices)	CP6		CP7						
	2023-24	CP6 total	2024-25	2025-26	2026-27	2027-28	2028-29	CP7 total	% vs CP6

Gross revenue requirement less EC4T	889	4,598	924	915	908	889	916	4,553	-1%
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* ORR’s adjustments (of £111m) to Network Rail’s planned OSMR expenditure in Scotland mean that a £50 million performance fund (within operations) and an increase in Network Rail Scotland’s risk fund by £61 million (enabling a total risk fund of £225 million) are both possible.



Annex B: Success measures

Figure B.1 ORR success measures baseline trajectories for Network Rail Scotland in CP7

	CP6 exit forecast	2024-25 (year 1)	2025-26 (year 2)	2026-27 (year 3)	2027-28 (year 4)	2028-29 (year 5)
Scotland train performance measure	90.3%	92.5%	92.5%	92.5%	92.5%	92.5%
Cancellations	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%
Freight cancellations	2.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Composite Sustainability Index (CSI)	n/a	Measured only at CP7 exit. CP7 Difference in CSI from CP6 exit to CP7 exit.				-2.1pp
Financial Performance Measure (FPM)	n/a	0	0	0	0	0
Efficiency (£ million, 2023-24 prices)	n/a	32	72	89	103	114
Cumulative Efficiency (£ million, 2023-24 prices)	341	32	104	193	296	410
Carbon emissions scope 1 and 2	n/a	-4.4pp	-8.6pp	-12.8pp	-17.0pp	-21.2pp
Biodiversity units	n/a	0.0pp	1.0pp	2.0pp	3.0pp	4.0pp
Freight growth (Freight net tonne kilometres moved)	n/a	3.8%	4.3%	5.7%	8.7%	8.7%

Annex C: Delivering the Scottish Ministers' HLOS requirements

- C.1 Scottish Ministers published a detailed [HLOS](#) for Network Rail Scotland on 3 February 2023. Throughout PR23 we have worked with Transport Scotland to better understand these requirements, and with Network Rail to understand how it intends to deliver them.
- C.2 In our final determination we have set out the obligations, in the form of reasonable requirements under the licence, on Network Rail. Network Rail must deliver each requirement to the greatest extent reasonably practicable, having regard to all relevant circumstances. If Network Rail fails to do this, we will consider whether this constitutes a licence breach.
- C.3 In monitoring Network Rail's delivery of these requirements, we will consider where Network Rail is partly reliant on external parties to deliver the requirement and hence Network Rail will need to be clear on its own planned contribution. If it considers the accountability specified is no longer appropriate at any point during CP7 Network Rail must advise us, and propose an alternative accountability for our approval, in accordance with ORR's managing change policy.
- C.4 In CP6 Network Rail developed an HLOS tracker to monitor progress against the requirements set out in our final determination. We expect it to use a similar approach in CP7, ensuring the tracker (or equivalent) is jointly agreed with ORR and Transport Scotland. This will allow ORR to monitor Network Rail's delivery of each of these requirements. Network Rail will be required to keep the HLOS tracker (or equivalent) up to date.
- C.5 To align with our approach to monitoring Network Rail's performance in CP6, where our preference is for early resolution of issues, throughout CP7 Network Rail must be transparent about risks that may materialise to the delivery of any of these requirements.
- C.6 We set out below (Table C.1) each of the Scottish Ministers' CP7 HLOS requirements, Network Rail Scotland's proposals for delivery of the HLOS requirements (as set out in its final SBP), our decision and which part of Network Rail is accountable for delivering the requirement. To aid future monitoring of these requirements we have classified each requirement as either business as

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usual or a specific measurable requirement in the 'our decision' column. We will hold Network Rail to account for delivery of the commitments it makes below (column 'Network Rail's proposals for delivery of the requirement') unless 'our decision' states otherwise.

Table C.1 Summary of Network Rail Scotland’s proposals for delivery of each HLOS requirement and our decision

No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
Working together				
1	Network Rail must explore further where focussed management and collaboration can enable swift, user focussed decision making within the Scotland Route and, where appropriate, challenge can be brought to the cost and strategic alignment of central Network Rail functions. (HLOS paragraph 3.2).	Network Rail Scotland will: <ul style="list-style-type: none"> • Create Scotland-specific central function business plans, with shared ownership of objectives. These will include an executive Senior Responsible Officer and named business owner for each central function. • Establish a quarterly governance forum with central functions to track and collaboratively manage outcomes, outputs, costs, efficiencies, and other benefits. • Enhance the financial reporting of central functions costs and benefits. • Develop joint business cases for central functions' 'enhancement' investments and efficiency initiatives. 	This requirement will form part of Network Rail’s business as usual CP7 delivery.	Network Rail Scotland and National Functions.
2	To demonstrate at all levels, but in particular in its leadership, a clear understanding of the priorities of the Scottish Ministers and how this translates into railway outcomes	Network Rail Scotland will: <ul style="list-style-type: none"> • Create Scotland-specific functional business plans, with shared ownership of objectives. These will include an executive Senior 	This requirement will form part of Network Rail’s business as usual CP7 delivery.	Network Rail Scotland and the System Operator.

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
	<p>and outputs. This applies not only at Scotland Route level, but also at a central level for Freight and National Passenger Operations and Systems Operator functions. (HLOS paragraph 3.4).</p>	<p>Responsible Officer and named business owner for each function.</p> <ul style="list-style-type: none"> Establish quarterly governance forum to track and collaboratively manage outcomes, outputs, costs, efficiencies, and other benefits. Develop a reporting system that can help Transport Scotland to understand how well Network Rail is delivering against the priorities of the Scottish Ministers. 		
3	<p>To provide information at a sufficient level during CP7 on renewals to demonstrate planned versus actual, including the quantum involved, duration and value. This will include clear specification of the original planned type of work (i.e. full renewal, partial renewal, or refurbishment) to track any changes from the original plan versus actual undertaken. Clear explanation on any changes from the original plan and what impact this will have on the rail network, any funding implications within the year, the control period and beyond as well as any potential impact across</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> Continue to deliver the same reporting as CP6, for example rolling forecast updates, periodic forecasting and reporting of effective volumes, and a quarterly update on the top 10 renewals by asset type. The reports are generated by finance and approved by the Director of Engineering and Asset Management. 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
	aligned enhancement projects and wider strategic outputs. (HLOS paragraph 3.4).			
4	To establish and operate (with ScotRail Trains Ltd) a joint Scotland-based timetabling team to deliver all activity on the Scottish Network. The team should be operational by the start of CP7 and co-located, with one management structure responsible for the delivery of the timetable product, with a demonstratable understanding of Scotland’s geography, economy, and network operating characteristics. (HLOS paragraph 3.4).	<p>Network Rail Scotland will, within the framework of Network Rail’s Licence and the Network Code and building on progress made in control period 6, work with the System Operator Planning team, the ScotRail Train Planning team, and all other relevant train and freight operating colleagues to develop proposals to deliver more efficient and integrated timetabling for Scotland’s Railway.</p> <p>Scotland’s Railway and the System Operator led a joint industry workshop on 23 August 2023 to listen to views of operators across Scotland on how we could deliver the requirement in accordance with the Network Rail licence and Network Code. The output of this workshop will be shared with Transport Scotland and ORR at the earliest opportunity.</p> <p>It assumes that this requirement sits with Network Rail Board due to the System Operator accountabilities.</p>	<p>After publication of the draft determination, Network Rail Scotland held two industry workshops to discuss this requirement. We attended as observers.</p> <p>At the workshops, operators voiced concerns around impartiality, disjointed decision making and inefficiencies. Some of these points were reiterated in responses to our draft determination.</p> <p>Taking account of these views, Network Rail Scotland provided more information to us on how it intends to deliver on this requirement during CP7. Network Rail Scotland intends to consult on its proposal to deliver on this requirement with the rail industry in Scotland, including Transport Scotland.</p> <p>Network Rail Scotland explained that any further changes it</p>	Network Rail Scotland and the System Operator.

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
			<p>makes through CP7 must be of benefit to its customers and more efficient than the current approach.</p> <p>It is important that Network Rail maintains sufficient dedicated resources to deliver timetabling activity on the Scottish network, and that these resources are familiar with its geographical, market and operating characteristics. But it is also important that any future changes are consistent with the framework set out under Network Rail’s Licence and the Network Code. We are satisfied that these proposals are consistent with those obligations and will involve the System Operator.</p> <p>Subject to any changes required as a result of stakeholder feedback on Network Rail Scotland’s proposal, this requirement will form part of Network Rail’s business as usual CP7 delivery.</p>	

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
5	To continue to participate in and foster an Interchange Programme with opportunities for staff in the constituent parties of Scotland’s Railway to broaden knowledge and understanding and stimulate greater operational integration through, e.g., staff exchanges, shadowing, and secondment opportunities. (HLOS paragraph 3.4).	Network Rail Scotland will achieve this requirement through the deployment of its initiative across Scotland’s Railway, piloted initially with ScotRail - <i>‘Scotland’s Railway Academy - Together in the Making’</i> . This strategy contains several initiatives aimed at driving improved collaboration and whole system learning. The programme is cost neutral as the principal is that each organisation would continue paying the salary of their respective staff during the exchange.	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
6	To collaborate with Scottish Rail Holdings and ScotRail Trains Ltd on taking forward the outputs from the Scottish Government’s National Rail Conversation. (HLOS paragraph 3.4).	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Engage with Transport Scotland as it takes forward the Scottish Government’s National Conversation on Rail. • As outputs of the consultation emerge and actions are crystallised according to stakeholder and Scottish Government preferences, Network Rail and ScotRail will work closely with Transport Scotland to help deliver these outputs where that is sought. • Depending on the cost, time and skill required as the finalised National Conversation outputs emerge (they 	<p>We expect Network Rail Scotland to engage Scottish Rail Holdings and ScotRail Trains Ltd and this will form part of Network Rail Scotland’s business as usual CP7 delivery.</p> <p>We note Network Rail Scotland’s concerns about the outputs of the Scottish Government’s National Rail Conversation being undefined.</p>	Network Rail Scotland.

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
		cannot be known at present) Network Rail Scotland and ScotRail may reasonably expect additional strategic communications and possibly other resources to be funded at Transport Scotland's discretion in order to deliver effectively on our collaboration commitment.		
7	<p>Continue to take full cognisance of its equality duties and obligations when taking forward maintenance and renewal projects to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, and where this aim has the meaning of:</p> <ul style="list-style-type: none"> - Removing or minimising disadvantages affecting people due to their protected characteristics; - Taking steps to meet the needs of people with certain protected characteristics where these are different from the needs of other people; - Encouraging people with certain protected characteristics to 	<p>Network Rail Scotland:</p> <ul style="list-style-type: none"> • Assumes that this refers to public/passenger interface works only. • Advancement of equality is undertaken where reasonably practicable and that this statement does not negate legacy arrangements. • The use of the term ‘full’ implies that all interventions can facilitate a change. This would not be the case for most refurbishment and repair activities. It will continue to make reasonable adjustments in line with the policies when undertaking renewals work. There is very little scope for advancement of equality during routine maintenance work. The SBP does not include any specific funding for enhancement 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
	<p>participate in public life or in other activities where their participation is disproportionately low.</p> <p>(HLOS paragraph 3.4).</p>	<p>beyond what is reasonably practicable to undertake during planned interventions.</p>		
Maintaining Network Capacity and Capability				
8	<p>The Scottish Ministers require that the capability of the network will be operated and maintained as a minimum throughout CP7 at a level which will satisfy all of the track access rights of all passengers, freight, and charter operators in place at the date of the publication of this HLOS and any rights secured, or in the course of being secured, between then and the 31 March 2024. In particular, the network must be operated at a level which is fully consistent with the commitments specified in the agreements or franchise contracts between the Scottish Ministers and Scottish Rail Holdings and ScotRail Trains Ltd and Caledonian Sleeper and the industry “network change” process. This requirement will allow the rail to support the target set by</p>	<p>Network Rail Scotland has told us that, to support the Scottish Ministers’ target to reduce car kilometres travelled by 20% by 2030, it will wherever possible operate the network in a manner that satisfies the track access rights of all passenger, freight and charter operators. For those instances of disruption, due to emergency or planned works, it will work with the operators in a consultative manner to ensure that suitable alternative plans are put in place throughout these periods of disruption to deliver contingencies that are comparable to the contractual obligations.</p> <p>It assumes accountability of this item sits with Network Rail Board due to cross-regional deliverability requirements.</p>	<p>This requirement is a continuation of work Network Rail Scotland is already undertaking in CP6.</p> <p>More information is available in our PR23 final determination: settlement document for the System Operator.</p>	<p>Network Rail Scotland and System Operator.</p>

No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
	Scottish Ministers to reduce car kilometres travelled by 20% by 2030. (HLOS paragraph 3.6).			
Performance				
9	<p>Scottish Ministers require that the outputs of the network will be maintained in such a manner as to enable ScotRail Trains Ltd to meet a Public Performance Measure (PPM) target of 92.5% for every year of CP7. The 92.5% PPM target is considered pragmatic and appropriate. However, it is recognised that performance targets can, in some circumstances, create perverse incentives which act against the interest of passengers. Therefore, the Scottish Government considers it appropriate to allow Network Rail and ScotRail Trains Ltd a specific derogation from the 92.5% target for trains where delays are caused by the need for speed restrictions during periods of severe weather, or trains have been delayed in order to permit connections from other late running trains or ferries. (HLOS</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> • Achievability of PPM in CP7 is dependent on both the CP6 exit figure and a whole system approach to Scotland's Railway. We are currently forecasting to meet 92.5% in year 4. This outcome does not meet current HLOS expectations of 92.5% PPM every year. Earlier delivery of the performance target would require urgent, sustained and significant investment in the ScotRail rolling stock fleet. • It will continue to work in collaboration with ScotRail Trains to understand the basis on which it is able to collectively deliver our PPM target earlier than the "medium" trajectory of year 4. • It seeks agreement with Transport Scotland on the terms of the proposed derogations and method of calculation. 	<p>This requirement is discussed in more detail earlier in this document.</p> <p>This requirement is both a measurable output and a success measure for CP7.</p> <p>It is essential that the terms and calculation of the derogation are agreed in advance of CP7, and we will discuss this further with Network Rail Scotland and Transport Scotland.</p>	<p>Network Rail Scotland.</p>

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
	paragraph 3.7 and 3.8).			
10	The network should also be maintained in such a manner as to enable the operators of the Caledonian Sleeper to meet their Right Time targets and / or any other performance requirements defined for Sleeper services between the publication of this HLOS and the start of CP7. (HLOS paragraph 3.9).	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> • Transport Scotland confirmed they have no plans to imminently change the existing metric (Right Time). • Because of this they are assuming that the Caledonian Sleeper will retain its existing metric (Right Time) and its existing target (80%), as per the CP6 HLOS. Therefore, it is assuming no change to the metric or target from the change to public ownership, and any amendments will be via the managing change process for CP7. • It should be noted that any "other performance requirements defined for Sleeper services" would be subject to feasibility and affordability. • It commits to working with its industry partners with the aim of sustaining current levels of performance for Caledonian Sleeper throughout CP7. • It assumes accountability of this item sits with Network Rail Board due to cross-regional deliverability 	<p>Network Rail Scotland is required to maintain the network in such a manner as to enable the operators of the Caledonian Sleeper to meet its Right Time targets and/or any other performance measures defined for Sleeper services prior to the start of CP7.</p> <p>Network Rail Scotland has assumed retention of the Right Time target of 80%.</p> <p>This requirement is a measurable output for CP7.</p>	Network Rail Scotland and System Operator.

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
		requirements.		
11	Scottish Ministers also require that the outputs of the network will be maintained in such a way as to recognise the performance requirements of other operators on the Scottish network. (HLOS paragraph 3.10).	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Commit to measure and report on its CP6 cross-border KPIs. • Cross border operators have their own bespoke metric (Border Presentation Index - BPI) and its operators have indicated they wish to continue with this metric as it is a targeted measure of Scotland's influence on cross border operations. • It plans to deliver a Time-to-3 BPI score of no less than 1.00 in both directions, which is a commitment to sustaining the performance of services northbound from presentation to destination and a commitment to deliver cross border operators to the border within the path (i.e. less than 3 minutes late). 	This requirement is a measurable output for CP7.	Network Rail Scotland.
12	Network Rail is required to provide a consistently high level of performance for the benefit of freight users in CP7, building on what is expected to be achieved by the end of CP6, with Network Rail providing capability to ensure that	<p>In its response to the draft determination, Network Rail Scotland updated its proposed FCaL trajectory.</p> <p>While it acknowledged ORR’s position on the FCaL trajectory in line with the HLOS requirement, it did not consider that performance of 5.5% was</p>	<p>This requirement is discussed in more detail earlier in this settlement document.</p> <p>As set out above, we expect Network Rail Scotland to deliver FCaL performance of 5.5% or</p>	Network Rail Scotland and System Operator.

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	<p>the Freight Cancellations and Lateness (FCaL) measurement for freight trains on Scotland’s railway does not exceed 5.5%. (HLOS paragraph 3.11).</p>	<p>deliverable until Year 2 of CP7, as there will be a lag in the realisation of benefits from performance improvement programmes.</p> <p>Network Rail Scotland also set out that its trajectory will be achievable under the assumption that there is no further industrial action in CP7, there are no unexpected external events disrupting the railway, and that maintenance and renewals volumes are delivered as planned.</p>	<p>less in each year of CP7.</p> <p>The obligation on Network Rail Scotland is to achieve this target to the greatest extent reasonably practicable having regard to all circumstances.</p> <p>This requirement is a measurable output for CP7.</p>	
13	<p>Scottish Ministers expect that the management teams in Network Rail will work in partnership with Scottish Rail Holdings, ScotRail Trains Ltd., Caledonian Sleeper and other stakeholders to meet performance requirements throughout the control period, ensuring processes and procedures represent best current practice, are fully aligned across parties and are regularly reviewed and refreshed. Network Rail is required, in particular, to take steps to minimise unnecessary railway closures through overrunning</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Continue to use the standard "<i>Delivering Work Within Possessions</i>" to discharge this requirement where it is safe and reasonably practicable to do so. On a case-by-case basis, decisions on possession overruns will be made based on safety implications but it will endeavour to minimise the impact of disruption as much as reasonably practicable. • Monitor and action possession overrun trends through our Plan-Delivery-Review process and will 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	possessions. (HLOS paragraph 3.12).	<p>continue to do this throughout CP7 to continue learning and improving.</p> <ul style="list-style-type: none"> Continue to use its Performance Management System to ensure processes and procedures are aligned across all parties. These are regularly reviewed. 		
14	<p>Scottish Ministers would expect that the significant investment, which is taking place during CP6 on projects, e.g., Carstairs modernisation, the Argyle line improvement works, and electricity feeder stations upgrades will, among other things, support the delivery of the performance specification. In addition, the Scottish Ministers would expect that Network Rail will maximise the performance benefits of investment through demonstrable best industry practice in the maintenance and renewal of the rail network and operational and engineering management. (HLOS paragraph 3.13).</p>	<p>Network Rail Scotland will continue to deliver projects to enhance and build network resilience.</p>	<p>We consider that is a statement of best practice and Network Rail has said that it will use best endeavours to deliver against this.</p>	<p>Network Rail Scotland.</p>
15	<p>In support of performance, during CP7, Network Rail is required to</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> While this is expressed as a 	<p>This requirement will form part of Network Rail Scotland’s</p>	<p>Network Rail Scotland.</p>

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	<p>review, monitor and update processes and procedures in line with evolving best practice, with the expectation that instances of disruption will decline during the course of the control period. (HLOS paragraph 3.14).</p>	<p>requirement, it considers this to be continuation of the work it is delivering in CP6 and not a new output.</p> <ul style="list-style-type: none"> • Continuous improvement and evolving best practice are core parts of its performance strategy. The strategy will continue to target performance issues and risks using the Whole System Approach. This approach will be supported by a suite of KPIs which are bespoke to the issues that uniquely affect Scotland's Railway as a whole, in conjunction with relevant operators, with the clear aim to reduce instances of delay. It will use measures such as Service Affecting Failures, which is a Network Rail measure for infrastructure asset reliability. • The strategy will be regularly monitored, reviewed, and influenced by the Alliance Board, with a supporting governance structure that holds its deliverers to account for their activities. • Daily, Weekly, Periodic and Annual reporting will enable maximum 	<p>business as usual CP7 delivery.</p>	

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
		<p>insight of Train Performance for its senior leadership, Transport Scotland and the ORR.</p>		
16	<p>In support of performance, during CP7, Network Rail is required to ensure train connectivity, during unperturbed periods, between services and other modes, such as bus or tram. Such connectivity must result in timetables demonstrating good connections from one service to another with a focus on the needs of passengers. (HLOS paragraph 3.14).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Discharge this requirement by continuing the timetable development process as per CP6 processes, working alongside System Operator colleagues to ensure minimal conflicts in its timetables. • Work with Transport Scotland prior to the commencement of CP7 to understand the opportunities for alignment with other transport modes. It is not clear if bus/tram companies have the same obligation – if not, any engagement on this could be difficult and un-deliverable for Network Rail Scotland. Misalignment across transport industry timetabling processes should also be taken into consideration. 	<p>This requirement will form part of Network Rail’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland and the System Operator.</p>

No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
Maintaining and improving journey times				
17	<p>Rail travel, especially on Scotland’s increasingly electrified rail network, offers passengers and business a highly attractive mode of transport which is quick and efficient but also has low or net zero emissions. To retain those advantages over other modes (including the growing electric car market), the rail network must continue to modernise and in Scotland will be required to deliver competitive journey times. (HLOS paragraph 3.15).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Work with its train and freight operating partners to contribute to the delivery of market-led competitive journey times, balancing resilience, performance, connectivity and journey times across the whole rail business in Scotland. How it plans to do this will be included in the plan requested by Scottish Ministers in HLOS requirement 18 below. • It has assumed the plan will not include changes to train operating procedures such as Driver Only Operation. It has assumed it will deliver this requirement using existing resources. Opportunities to improve journey time may arise which would require additional investment, it will discuss these with Transport Scotland. 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>
18	<p>Scottish Ministers require Network Rail to take full advantage of maintenance and renewal works and timetable development processes to enable ScotRail</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Work with all train and freight operating colleagues in Scotland to develop an industry plan by 31 March 2024 to improve average journey 	<p>Since our draft determination Network Rail Scotland has made further progress on this requirement and remains committed to the development</p>	<p>Network Rail Scotland.</p>

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No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
	<p>Trains Ltd. to achieve improved journey times. This should be based on a decrease in the average minutes per mile measured across all ScotRail services in the current timetable (as January 2023). Maintaining safety, Scottish Ministers expect that Network Rail will work with Scottish Rail Holdings and ScotRail Trains Ltd. on a plan to deliver this outcome, to be in place for the start of control period 7. (HLOS paragraph 3.16).</p>	<p>times. The industry plan will highlight Scotland's Railway contribution to reducing journey times. It will use January 2023 (i.e. the December 2022 timetable) as its baseline position and will articulate its process, workstreams and how it will measure progress.</p> <ul style="list-style-type: none"> • It has assumed it will deliver this requirement using existing resources. Opportunities to improve journey time may arise which would require additional investment, it will discuss these with Transport Scotland. • It has assumed this obligation sits with Network Rail Board due to accountabilities on other teams in Network Rail. 	<p>of a plan by 31 March 2024 to improve journey times.</p> <p>Network Rail Scotland intends to consult on its proposal to deliver on this requirement with the rail industry in Scotland, including Transport Scotland.</p> <p>This requirement is a measurable output for CP7.</p>	
19	<p>In addition, during CP7, Network Rail will work with Scottish Rail Holdings and ScotRail Trains Ltd. to develop a plan safely to achieve improved journey times based on a “mile a minute” target on ScotRail Trains Ltd. Intercity services by 2030. (HLOS paragraph 3.17).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Work with all train and freight operating companies in Scotland to develop an industry plan which reduces intercity journey times for all passenger operators. The delivery of this plan will be part OMR and part enhancement. It will develop the plan prior to CP7. 	<p>Since our draft determination Network Rail Scotland has made further progress on this requirement and remains committed to the development of a plan to achieve improved journey times based on a ‘mile a minute’ target on ScotRail Trains Ltd Intercity services by 2030.</p>	<p>Network Rail Scotland.</p>

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		<ul style="list-style-type: none"> Work with the rail business in Scotland to develop a plan for the intercity market with a target of "a mile a minute" by 2030. It should be highlighted that whilst some progress can be made using existing resources, achieving the target by 2030 is predicted on funding for the Highland Mainline (HML) Enhancement project and the full Aberdeen to Central Belt programme (including infrastructure enhancement and traction change), both currently being developed to Outline Business Case. It has assumed this obligation sits with Network Rail Board due to accountabilities on other teams in Network Rail. 	<p>As set out in Network Rail Scotland’s SBP, while some progress can be made through OSMR achieving the target by 2030, it is predicated on funding for the Highland Mainline Enhancement project and Aberdeen to Central belt enhancement programme (including infrastructure enhancement and rolling stock changes).</p> <p>Network Rail Scotland intends to consult on its proposal to deliver on this requirement with the rail industry in Scotland, including Transport Scotland.</p> <p>This requirement is a measurable output for CP7.</p>	
Customer Satisfaction				
20	<p>Scottish Ministers require that Network Rail is measured, as appropriate, against the same National Rail Passenger Survey (NRPS) targets as ScotRail Trains Ltd. and the Caledonian Sleeper Guest Satisfaction Survey thus:</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> Work is well underway that will see the introduction of a new survey which will supersede both NRPS and Wavelength which means ScotRail and other operators will be unable to provide the NRPS measurement. It will however 	<p>This requirement is a measurable output for CP7.</p>	<p>Network Rail Scotland.</p>

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	<ul style="list-style-type: none"> • contribute efficiently and effectively to NRPS targets for the whole Scottish rail network, in particular: <ul style="list-style-type: none"> ○ ‘Overall satisfaction’; and ○ ‘How well the Train Operating Company dealt with disruption’. <p>(HLOS paragraph 3.19).</p>	<p>provide passenger satisfaction metrics through the new industry wide survey.</p> <p>The survey will provide regular, robust and consistent customer experience data to the rail industry including TOCs, GBRTT, Transport Focus, DfT, Transport Scotland, Network Rail, Devolved Administrations, the public and other key stakeholders. And will be used to measure and monitor how customers rate their end-to-end rail travel experience. The survey will be continuous in nature, with four-weekly reporting at an aggregate level and will provide appropriate sample sizes allowing more granular understanding of passenger satisfaction. In addition to this it will also track and report social insights for our managed stations using the Wordnerds Topic algorithm.</p> <p>Both sets of customer insight will then allow it to identify areas of satisfaction and detractors and use reasonable endeavours to work with the relevant stakeholders to identify those key areas where attention is required to improve its customer experience.</p>		
21	To work with the wider rail industry to continue to deliver an agreed	Network Rail Scotland will:	This requirement will form part of Network Rail Scotland’s	Network Rail

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	measurable improvement to the customer experience by the end of CP7 through improved, and more consistent Customer Information Systems (CIS). (HLOS paragraph 3.19).	<ul style="list-style-type: none"> Use reasonable endeavours to continue to work with ScotRail and other operators to improve its Customer Information Systems. Utilising the "Passenger information at railway stations study" commissioned by Transport Focus, an exercise was undertaken to support the establishment of the preferred Scotland's Railway CIS offering. The programme of works forms part of its ongoing telecoms renewals in line with its strategic business plan and the project has a target completion date of 2025. 	business as usual CP7 delivery.	Scotland.
Growing Passenger Numbers and Revenue				
22	Network Rail must take all reasonable steps to work with Scottish Rail Holdings, ScotRail Trains Ltd., Caledonian Sleeper and all rail passenger operators in Scotland to secure year on year growth in rail patronage and, through that growth in patronage, year on year growth in real terms revenue from passengers in Control Period 7, in line with requirements within the ScotRail Trains Ltd. policy compendium, other targets set by the Scottish	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> Use reasonable endeavours to work with ScotRail and other operators to support patronage and revenue growth by carrying out geographical research to better understand its customers and their needs and identifying the optimum way to plan its disruptive access events. <p>By better understanding the impact on its customers and the financial impact of our access strategies, it will:</p> <ul style="list-style-type: none"> support the identification of required 	This requirement is a measurable output for CP7.	Network Rail Scotland.

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	<p>Ministers and initiatives as agreed between the parties. (HLOS paragraph 3.20).</p>	<p>control measures for its disruptive access proposals when considering its impact on passengers, lineside neighbours and local communities; and</p> <ul style="list-style-type: none"> ○ establish the required stakeholder and passenger engagement earlier on in the project life cycle. <p>Working with its TOCs, an assessment of 2022 has commenced, and a data set is being developed to help it better understand the optimum time for disruptive works across the year. This will incorporate significant key events when it is likely to see an increase in patronage demand to ensure it takes account of this in its planning approach.</p> <p>Network Rail has purchased payment card data to enable a better understanding of the public that it is serving in terms of why people travel, what and where they are spending their money. The aim is to help understand travel patterns, and ultimately to identify opportunities to drive modal shift to rail and increase revenue through tailored rail offerings. It can also be used to monitor and evaluate interventions such as new stations, timetable changes, or trends over time supporting industry continuous improvement.</p>		

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23	<p>Network Rail must take all reasonable steps to contribute to the work to improve service quality and revenue protection across Scotland’s Railway, and in particular, at the Major Stations for which Network Rail is directly responsible. It is proposed that Network Rail Major Stations should be added to the Service Quality inspections conducted by Transport Scotland. (HLOS paragraph 3.21).</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> • The Service Quality Incentive Regime (SQUIRE) monitors and measures the quality of customer service and provisions provided by ScotRail. The application of SQUIRE across all of Scotland is a distinctive feature of ScotRail and is widely recognised as delivering a positive and proactive impact on service standards. It recognises the value in having a consistent quality regime programme across all of Scotland’s Railway and has already engaged with the SQUIRE team, onboarded and had a number of audits carried out across both its managed stations to understand the output of these and required action workload. • It will use reasonable endeavours to work with its teams to permanently onboard on to the regime across its managed stations under the existing agreement that there will be no financial penalty implications. It will utilise the audits to identify those key areas where attention is required and work with its maintenance, property colleagues, ScotRail and other 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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		<p>operators to resolve highlighted issues where practicably possible.</p> <ul style="list-style-type: none"> It continues to assume that the addition of Edinburgh Waverley and Glasgow Central to the SQUIRE regime is at no cost to Network Rail Scotland. 		
24	<p>Progress against the above, and Network Rail’s contribution to it, should be measured throughout the control period against agreed targets using specified and pre-determined indicators to be agreed prior to the commencement of CP7. (HLOS paragraph 3.22).</p>	<p>Please see requirements 22 and 23.</p>	<p>Please see requirements 22 and 23.</p>	<p>Network Rail Scotland.</p>
<p>Growing Rail Freight to Support our Environment and Economy</p>				
25	<p>Network Rail must demonstrate throughout CP7 that it is using all levers at its disposal to make rail freight attractive to business across Scotland, including simplifying its processes to attract third party investment and facilitate easier access to the railway. (HLOS paragraph 3.24).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> Continue to lead Freight Joint Board with associated workstreams. It will use reasonable endeavours to demonstrate how it is making rail freight attractive to business across Scotland. 	<p>This requirement will form part of Network Rail’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland and the System Operator.</p>
26	<p>Network Rail must also safely</p>	<p>Network Rail Scotland will:</p>	<p>This requirement is a</p>	<p>Network Rail</p>

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	<p>deliver an increase in the average speed of freight trains through good operational practices, including timetabling exercises and programmes, and through collaboration with passenger and freight operators and customers. (HLOS paragraph 3.4).</p>	<ul style="list-style-type: none"> • Use reasonable endeavours to continue existing workstreams established in CP6 to increase the average speed of freight trains, reporting progress via Freight Joint Board, recognising the trade-off between capacity/journey time/resilience/passenger operator requirements. • It assumes that this requirement sits with Network Rail board due to the System operator accountabilities. 	<p>measurable output for CP7.</p>	<p>Scotland and the System Operator.</p>
27	<p>Network Rail should continue to deliver the objectives identified in Scotland’s Industry Rail Freight Growth Plan published in March 2019: encouraging customer confidence, developing growth, doing things differently and looking for simpler solutions. (HLOS paragraph 3.4).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Use reasonable endeavours to deliver this requirement and the longer – term rail freight growth strategy (see requirement number 30). 	<p>This requirement will form part of Network Rail’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland and the System Operator.</p>
28	<p>New market opportunities are developing, such as express logistics, and Network Rail must demonstrate to potential new customers the reliable and sustainable logistics solution that rail can provide. (HLOS paragraph</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Continue to work with the industry to deliver Scotland’s Industry Rail Freight Growth Plan published in March 2019 and longer – term rail freight growth strategy (see number 	<p>This requirement will form part of Network Rail’s business as usual CP7 delivery.</p>	<p>Network Rail and the System Operator.</p>

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	3.25).	30). <ul style="list-style-type: none"> By leading Freight Joint Board, it will continue the collaborative work undertaken in CP6 to enable new business trials for customers to build their confidence in using rail. 		
29	To facilitate net growth in CP7 of 8.7% net tonne kilometres in rail freight on the Scottish network in conjunction with industry stakeholders. This growth is to be achieved on the existing capability of the rail network without further enhancements. Freight variable track access charges are calibrated to fund the total long run avoidable costs of each additional freight train, therefore, this growth target on the existing network should not trigger additional funding requirements from the Scottish Government. (HLOS paragraph 3.26).	Network Rail Scotland will: <ul style="list-style-type: none"> Use reasonable endeavours to contribute to the delivery of the freight growth target, details of which were shared with the ORR and Transport Scotland on 10 November 2022, and the freight outcomes forecast it shared on 7 March 2023. 	This requirement is discussed in more detail earlier in this settlement document. This requirement is a measurable output for CP7.	Network Rail Scotland and System Operator.
30	To develop collaboratively and consult on a longer-term rail freight growth strategy by halfway point of CP7. (HLOS paragraph 3.26).	Network Rail Scotland will deliver this requirement. It has assumed it will be delivered within our existing capability, included in the SBP.	This requirement will form part of Network Rail’s business as usual CP7 delivery.	Network Rail Scotland and System Operator.

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31	To aim to achieve a higher rail freight growth rate, based on experience of successful collaboration within the freight sector, with an expectation that a higher growth rate, closer to 10% may reasonably be achievable. (HLOS paragraph 3.26).	Network Rail Scotland has told us that this additional 1.3% growth (on top of the target of 8.7% net tonne kilometres) has not been quantified as achievable without additional funding. It would depend on the type of traffic and line of route. It will use reasonable endeavours to collaborate with the industry to deliver more than 8.7% net tonne kilometres of growth by the end of CP7.	The funding in Network Rail’s final SBP is to deliver 8.7% growth. Additional growth beyond this may, depending on the type of interventions targeted, require additional funding during CP7. This requirement is a measurable output for CP7.	Network Rail Scotland and System Operator.
Charter Trains and Railway Heritage				
32	Network Rail, working with Scottish Rail Holdings and ScotRail Trains Ltd., is required to produce a strategy by 31 March 2024 to promote and facilitate charter train operations in Scotland. The strategy should lay out the objectives and approach to build the profile of Scotland’s railway heritage to deliver social, cultural or economic value and the measures by which that value will be evaluated and publicly reported. (HLOS paragraph 3.27).	Network Rail Scotland will: <ul style="list-style-type: none"> • Work with all train and freight operators in Scotland to develop an industry strategy by 31 March 2024 to promote and facilitate charter train operations in Scotland. <p>It has assumed it will develop this strategy using existing resources, however the delivery of the outputs of the strategy have not been assumed in or Strategic Business Plan.</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

No.	Network Rail requirement for CP7	Network Rail’s proposals for delivery of the requirement	Our decision	Accountability
33	<p>Network Rail is required to ensure that structure clearance is maintained on routes that Charter and Heritage Operators vehicle types are authorised to run on, removing the need for annual reapplication for authority to run vehicles on routes they were previously authorised to run over. (HLOS paragraph 3.28).</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> Scotland’s Railway is reviewing the charter vehicles which have exercised movements during CP6 from a structure gauge and a structures/ earthworks/ track perspective, linking our developing Charter Strategy (see requirement number 32) for how it will promote and facilitate charter operations in Scotland. It will develop a proposal about how we can improve rail industry efficiency, from a market-led perspective, which it will share with industry partners, Transport Scotland and ORR at the earliest opportunity. Its assumption in its SBP is that clearance is maintained to existing provision as at CP6 exit. It has not included provision for reinstatement of capability to cater for historic access rights or to provide for structure clearance to legacy standards. 	<p>In its SBP Network Rail Scotland has committed to maintaining existing provision as at CP6 exit or restored to the best capability provided during CP6, if that has been allowed to deteriorate.</p> <p>Network Rail Scotland is developing a Charter and Heritage Strategy (see requirement number 32) for how it will promote and facilitate charter train operations in Scotland.</p> <p>Through this strategy, Network Rail Scotland has committed to working with the industry to understand how to simplify the annual reapplication process for authority to run vehicles to reduce industry costs.</p>	<p>Network Rail Scotland.</p>
Cross-Border Routes				
34	<p>Scottish Ministers require Network</p>	<p>Network Rail Scotland will:</p>	<p>This requirement will form part</p>	<p>Network Rail</p>

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	<p>Rail to ensure that at least one cross-border route is available for passenger and freight services at all times other than in unforeseen or exceptional circumstances. Where that is not possible, Scottish Ministers should be notified in advance and would expect to be assured that all options had been thoroughly investigated. (HLOS paragraph 3.30).</p>	<p>Work with System Operator on a planned basis, to ensure that planned works are included in the Engineering Access Statement deconfliction map to maintain availability of least one cross-border route for passengers and freight at all times other than in unforeseen or exceptional circumstances.</p> <p>The processes in place will manage this requirement on a planned basis when one route requires to be closed for engineering works and assurance will be managed through the engineering access statement process and access liaison meetings.</p> <p>On an unplanned basis it is possible that both routes are closed, either both through an unplanned event such as infrastructure or weather issues or when one route is closed on a planned basis for engineering works and the other by an unplanned event.</p> <p>While Network Rail Scotland understands the wish of the Scottish Ministers to be notified in advance it is not possible to notify stakeholders in advance of an unplanned closure, but it does understand the importance or timely communications to the Scottish</p>	<p>of Network Rail’s business as usual CP7 delivery.</p>	<p>Scotland and the System Operator.</p>

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		<p>Ministers, stakeholders and as these issues develop and the impact on passengers and courasers.</p> <p>In a situation like this, it would initiate a multi organisation review with all affected train and freight operators to discuss the most appropriate response and advise the Scottish Ministers of the outcome, option consideration, decisions and reasons for it.</p>		
Lifeline Services for Rural and Remote Communities				
35	<p>Network Rail is required to identify and agree with operators and Transport Scotland those rural routes that require lifeline services which require enhanced protection and recovery where reasonably and economically practicable during times of planned and unplanned disruption. Where planned disruption is taking place, Network Rail will engage with other transport mode operators to ensure no concurrent corridor disruption is taking place. Network Rail shall confirm proposals with ORR prior to</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Provide Transport Scotland Rail Directorate with the Annual Integrated Access Box Plan which will allow them to consult planned rail closures with other directorates in Transport Scotland, as per the CP6 process, to ensure that there is no concurrent corridor disruption taking place. Through the passenger handling forum, for planned disruptive events, Network Rail will engage with operators to understand the demand for alternative 	<p>Subject to the level of protection to be provided being consistent with CP6 levels, this requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	<p>finalising and sharing with all affected parties by 31 March 2024 and review, consult and update, as appropriate, through CP7. (HLOS paragraphs 3.31 & 3.32)</p>	<p>arrangements.</p> <ul style="list-style-type: none"> During times of unplanned disruption, Scotland's Railway will, to their best endeavours and where safe and reasonably practicable, aid the recovery of these routes to allow passengers and freight access at the safest opportunity. It will continue to discharge this requirement on a case-by-case basis, as we do in CP6. <p>The level of protection to be provided will be consistent with CP6 levels. No additional funding has been included in CP7 to increase this level.</p>		
<p>Net zero, climate change, resilience and adaptations</p>				
36	<p>More frequent and extreme weather conditions caused by climate change will impact Scotland’s Railway’s ability to run the railway safely and on time. Not only should the railway infrastructure be more robust to the impacts of climate change, Network Rail must also play its role in reducing rail’s overall carbon emissions through the outcomes in Scotland’s Railway’s Sustainability Strategy. The strategy aims to</p>	<p>Network Rail Scotland has told us that it interprets this requirement as an overarching introduction to the more detailed sustainability requirements detailed elsewhere in the HLOS, delivering Scotland's Railway's Sustainability Strategy.</p>	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	make a positive impact to the lives of passengers and Scotland’s economy while minimising any negative impact on the natural environment. (HLOS paragraph 3.35).			
37	Scottish Ministers require Network Rail to continue to improve data accuracy on carbon emissions, in particular Scope 3 data, to enable continuous carbon emissions reductions, which is normalised to cover passenger and freight volumes and set against the baseline of 31 March 2019. The metric must be developed with regard to Scottish Government environmental legislation and working in collaboration with Transport Scotland, Scottish Rail Holdings, ScotRail Trains Ltd and other stakeholders and be in place by 31 March 2024. (HLOS paragraph 3.36).	<p>Network Rail Scotland has told us that this statement is interpreted as a requirement to deliver a metric to report, and continually improve the integrity of data, for the purpose of monitoring emissions for Scotland’s Railway. Data accuracy itself will not be assessed against a metric.</p> <p>It will develop a metric to report emissions across all scopes in accordance with Network Rail’s established Scope 1, 2 and 3 boundaries which it can share and will be agreed with Transport Scotland and other stakeholders and will continue its existing work to improve data accuracy.</p> <p>Scope 3 data improvement presents a minor change to SBP. It will seek to contain this cost increase within the funding envelope.</p>	<p>This requirement is discussed in more detail earlier in this settlement document.</p> <p>This requirement is a measurable output for CP7.</p>	Network Rail Scotland.
38	Continue to deliver a sustainability strategy which makes progress towards net zero including the Scottish Government interim and subsequent climate change targets	Network Rail Scotland has interpreted this as a requirement that the Scotland’s Railway Sustainability Strategy aligns with Scottish Government Net Zero targets.	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	(2030 and 2045 respectively). (HLOS paragraph 3.37).	It will continue its existing work to deliver carbon reductions as part of a strategy for CP7. During CP7 it will work with Transport Scotland and other stakeholders to update its sustainability strategy, aligned to Scottish Government net zero targets, in line with the funding available.		
39	Develop and deliver a metric which must continually deliver energy and carbon reduction activities to reduce Scope 1 and 2 emissions against the baseline of 31 March 2019. (HLOS paragraph 3.37).	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Deliver a metric to report energy and Scope 1 and 2 carbon emissions. It notes that the requirement states the metric must continually deliver reduction. However, a metric will not deliver continual reductions in itself. <p>It should be noted that decarbonising Scope 1 emissions may actually increase energy (electricity) consumption as it moves to an electric vehicle road fleet.</p>	<p>This requirement is discussed in more detail earlier in this settlement document.</p> <p>This requirement is a measurable output for CP7.</p>	Network Rail Scotland.
40	Continue towards creating a railway for Scotland that maximises the benefit of planned renewals and improves resilience in the face of the risks and impacts associated with climate change, through targeted physical climate change adaptation works on assets, continual improvements to climate risk assessment processes	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Approach to improving the resilience of its railway against changes in climate is outlined in its Climate Ready Plan 2024-29. This includes: <ul style="list-style-type: none"> ○ improvements to the resilience of its assets during planned renewal works achieved where funding and design constraints permit (e.g. 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p> <p>This should take account of the System Operator’s Weather Risk Task Force (WRTF).</p>	Network Rail Scotland.

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	and development of a longer-term adaptation strategy. (HLOS paragraph 3.37).	<p>increasing capacity of a culvert to handle larger volumes of water);</p> <ul style="list-style-type: none"> ○ improvements to climate risk assessment processes, and development of a longer-term adaptation strategy are funded as part of the CP7 Climate Ready Plan 'Intelligence' workstream; and ○ additional shorter-term weather resilience activities are being delivered as part of the Weather Risk Taskforce and funded through asset team capex and ringfenced opex. 		
41	Work in partnership with Scottish Rail Holdings, ScotRail Trains Ltd. and other external stakeholders to deliver its net zero, climate change adaptation and sustainability objectives while contributing to related Scottish Government objectives included in National Transport Strategy 2 (NTS2). (HLOS paragraph 3.37).	<p>Network Rail Scotland has interpreted this requirement to work collaboratively with Scottish Rail Holdings, ScotRail Trains Ltd and its other external stakeholders in delivering Scotland's Railway's updated sustainability strategy, in line with the level of funding available.</p> <p>This level of multi-agency decision making/partnership working currently takes place through the Sustainability Board and this will continue through CP7.</p> <p>It has a robust governance structure in place to engage with stakeholders, hold it to account and contribute to sustainability</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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		decision making.		
42	To deliver its business in a sustainable manner, contributing to financial efficiencies, reducing its impact on the environment, and making environmental improvements where appropriate. (HLOS paragraph 3.37).	Network Rail Scotland has told us that this is not a formal output but an overarching ethos, supported by the more detailed HLOS sustainability requirements detailed above. It will continue to target sustainability improvements through its revised sustainability strategy, aligned to available funding.	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
43	To evolve its Weather Resilience and Climate Change Adaptation (WRCCA) strategy to set out the main threats and proposed mitigations associated with changes in weather patterns. (HLOS paragraph 3.37).	Network Rail Scotland will evolve its Weather Resilience and Climate Change Adaptation strategy in line with the requirement (linked to requirement number 40).	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
44	In conjunction with the Rail Safety and Standards Board, undertake a detailed and systematic risk assessment of the planned mitigating controls, including operational responses, that relate to environmental-related failures of earthworks, drainage or structures and revise these, if required, to address any areas of weakness identified by the risk assessment.	Network Rail Scotland has assumed that this HLOS requirement aligns with the Railway Accident Investigation Branch (RAIB) Carmont recommendation 10. Network Rail Scotland has confirmed that this work is now broadly complete in terms of specific research projects and awaits ORR view which will determine if recommendation should close. The Railway Safety and Standards Board	Assessment of the delivery of this requirement is dependent on the outcome of ongoing work related to the Carmont RAIB recommendations. If additional work is required then this may require additional funding, but this will not be determined until a later date. From discussions with Transport	Network Rail Scotland.

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	(HLOS paragraph 3.37).	<p>(RSSB) work has now concluded that imposing speed restrictions, triggered by decision support tools such as Convective Alerting Tool, reduced the overall systematic risk. Audits have been carried out in integrated control which have determined that the operational support processes and tools were well used and understood.</p> <p>Additional work was undertaken by RSSB on behalf of Scotland’s Railway which reviewed the whole system risk reduction associated with derailments. This work concluded that blend of mitigations including additional support in control, earthwork failure detection devices and imposing speed restrictions lead to an overall risk reduction of circa 5%.</p> <p>Further work to develop and use a decision support tool (PRIMA) which will recommend speeds dependant on weather duration, intensity and linespeed. This work is likely to conclude in 2024.</p>	<p>Scotland, Network Rail Scotland has clarified the expectation that it will deliver major sustainability projects within OSMR funding, although wider sustainability initiatives may be included as part of enhancement projects. This requirement is therefore expected to be deliverable and forms part of Network Rail Scotland’s business as usual CP7 delivery.</p>	
45	<p>Deliver a sustainability strategy without drawing on resource from our enhancements budget or ScotRail Trains Ltd. (HLOS paragraph 3.37).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Work in partnership with its stakeholders as per requirement number 41. <p>Transport Scotland has clarified this to mean</p>	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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		<p>that major sustainability projects should be funded through OMR, rather than enhancements budgets. It does not mean that Scotland Railway-wide sustainability initiatives – such as keeping materials in circulation for longer – cannot be included in our enhancement projects, but that stand alone initiatives such as the transition to electric road vehicles cannot be funded by enhancements.</p>		
46	<p>In developing metrics for the delivery of the sustainability strategy, Scottish Ministers require Network Rail to improve data maturity by increasing the range of carbon emissions data reported to include Scope 3. Metrics must be developed aligned to the Scottish Government’s environmental legislation and agreed with input from Transport Scotland, Scottish Rail Holdings, ScotRail Trains Ltd. and the ORR. Agreed targets will be set in advance of and measured throughout CP7. (HLOS paragraphs 3.38 and 3.39).</p>	<p>Network Rail Scotland has told us this directly links to requirement number 37. By delivering requirement number 37 (the development of the metric) it will enable delivery of this requirement (data maturity).</p>	<p>This requirement is a measurable output for CP7.</p>	<p>Network Rail Scotland.</p>
<p>Financial Sustainability – Meeting the Net Cost Challenge of Scotland’s Rail Sector.</p>				

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47	[Take account of the following as a priority for investment] maintaining safety, including a programme of works to make provision for weather resilience. (HLOS paragraph 3.41).	<p>Network Rail Scotland has:</p> <ul style="list-style-type: none"> • Captured investment prioritisation as part of the development of SBP workbank mix. Safety, including provision for weather resilience during planned interventions, has formed part of this prioritisation of investment. • Changes will be highlighted via its governance process. Re-prioritisation that results in deferral of work will be risk assessed and recorded using the deferred renewal process set out in company standard NR/L2/HAM/02201 management of the risk arising from deferred renewals. Its approach to weather resilience and climate change adaptation will also be published in its final CP7 Weather Resilience and Climate Change Adaptation Plan. 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
48	[Take account of the following as a priority for investment] maintaining performance at an acceptable level of 92.5% PPM (with allowances from severe weather speed restrictions and maintaining connections between trains) consistent with that specified for ScotRail Trains Ltd. (HLOS	<p>Network Rail Scotland has:</p> <ul style="list-style-type: none"> • Set out in the CP7 strategic business plan which includes quantified improvements schemes, risks, key assumptions, benefits calculations and forecasts for CP7. • Scotland's Railways Joint Performance Strategy, underpinned 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	paragraph 4.41).	by joint targets for Network Rail and ScotRail, will set out what action is required in each year to deliver on its targets.		
49	[Take account of the following as a priority for investment] delivering efficiency to improve the net cost and thus financial sustainability of the whole Scottish rail system over time, noting this includes the impact of decisions on passenger and freight train revenue and operating costs. (HLOS paragraph 3.41).	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Use reasonable endeavours to: <ul style="list-style-type: none"> ○ develop a 'whole industry' business plan; ○ develop and maintain a 'whole industry' financial model; ○ establish a decision impact assessment methodology to support access planning; ○ develop joint efficiency business cases with a shared pipeline of initiatives; and ○ develop a shared benefits methodology that recognises the costs of each contributor and incentivises all parties fairly. 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
50	Where Network Rail plans to make investments which impact on the SoFA but are not directly and explicitly linked to the delivery of the requirements in this document, then Network Rail should seek the	<p>Network Rail Scotland has told us:</p> <ul style="list-style-type: none"> • How this is implemented / carried out procedurally as part of CP7 is not a decision Scotland's Railway can make independently, in all cases, as some 	Network Rail Scotland should comply with the conditions of the Network grant letter, agreed between it and Transport Scotland.	Network Rail Scotland.

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	approval of the Scottish Ministers. (HLOS paragraph 3.42).	<p>investments will be taken as part of wider decisions taken for Network Rail as a whole. In addition, not all activities may be inferred within the HLOS requirements.</p> <ul style="list-style-type: none"> For clarity, it currently interprets this requirement as not applicable to investments that have a funding source outwith the CP7 SoFA. 		
51	<p>[Take account of the following principles in the approach to delivering HLOS requirements] the deployment of rail investment funds should support inclusive and sustainable economic growth in Scotland, including through the creation of secure rail industry employment within Scotland. The Scottish Government is persuaded that efficient delivery is optimised by steady work-banks, avoiding peaks and troughs in activity. Steady activity allows and requires the allocation and provision of resources based in Scotland. (HLOS paragraph 3.43).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> Require support from Scottish Government to help stabilise work-banks by providing clear and stable priorities and early investment decisions; and working collaboratively to support development on rolling programme of steady workbanks. This level of consistency will help support supplier investment in skills and equipment, thereby improving productivity, building and sustaining capability and ultimately boosting economic growth in Scotland. For renewals projects under the OMR budget Network Rail’s Integrated Planning Office (IPO) will work with 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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		<p>Delivery and Asset teams to plan its rail corridor investments to smooth the work-bank across CP7 and create opportunities to deliver the steady state workbanks, avoiding peaks and troughs of demand that drive inefficiency and job uncertainty. Any opportunities to align with enhancements will also be considered.</p>		
52	<p>[Take account of the following principles in the approach to delivering HLOS requirements] deriving maximum utility from the existing network through whole industry measures that can make best use of existing railway assets and protect revenue, fully exploiting timetable/service-based opportunities, and rolling stock options. (HLOS paragraph 3.43).</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Use reasonable endeavours to work with ScotRail, other operators, freight operators, Transport Scotland and Scottish Rail Holdings to gather market insights (reference requirement number 22) to enable whole industry evidence-based decisions. 	<p>This requirement will form part of Network Rail’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland and System Operator.</p>
53	<p>[Take account of the following principles in the approach to delivering HLOS requirements] focusing efficient and affordable investment in infrastructure, in the right location and at the right time centred around maximising the efficiency on all works through a</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> • To drive costs down it requires Scottish Government support to help stabilise workbanks and provide clear and stable priorities and early investment decision priorities. • Delivery of this requirement 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	<p>whole system approach to limit the impact on passengers and freight customers and drive down costs. (HLOS paragraph 3.43).</p>	<p>statement talks to the work it is doing through the Integrated Planning Office (IPO) and Access Development Programmes. Along with the interface with DEAM organisation relating to Corridor Planning renewals focus. This aligns with the joint focus it is putting into better alignment between its Assessment Management and Delivery organisations.</p> <ul style="list-style-type: none"> • The Access Development Programme comprises representatives from Access Planning Team, the Integrated Planning Office, and the Passenger Experience Team. The programme will define the process by which disruptive access and proposals made to industry on the optimum solution to be deployed. • The Integrated Planning Office (IPO) looks to address the requirements for disruptive access in a 3-to-7 year horizon supplementing the current Engineering Access Process which looks 18 to 24 months out. • The IPO will consider the integration of Enhancements and Renewals 		

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		workbanks and consider access requirements on a line of route, or Corridor Planning basis, to generate maximum benefit.		
54	[Take account of the following principles in the approach to delivering HLOS requirements] building on the successful development of team capability in CP6, maintain an expert whole-industry project client and sponsor capability in Scotland to manage effectively and efficiently all stages of investment, development and delivery of activity on the Scottish network, working with Transport Scotland in joint teams to deliver more efficient whole-life costs. (HLOS paragraph 3.43).	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> Maintain an expert whole-industry project client and sponsor capability and has assumed the existing capability in its plan for CP7, including a headcount efficiency challenge. 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
55	[Take account of the following principles in the approach to delivering HLOS requirements] working together with ScotRail Trains Ltd. (and cross-border passenger and freight operators as appropriate), to develop a whole industry financial view for each route that takes into account, for example, the cost of the operation	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> Build on established work between Network Rail and ScotRail Trains Ltd. It will use reasonable endeavours to establish a 'whole industry P&L' (profit & loss statements at route level) that reflects the costs and revenues by: <ul style="list-style-type: none"> widening the work to include 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	<p>and maintenance of the network assets and the revenues realised from the operation of services on those assets. (HLOS paragraph 3.43).</p>	<p>other operators;</p> <ul style="list-style-type: none"> • establishing a secure data platform for the sharing of financial and related information; • developing and maintaining a 'whole industry' financial model; and • agreeing a consistent set of principles and activity drivers that can be applied to the treatment of costs and revenues in assigning those to routes. <p>It should be noted that this will require both Network Rail and train operators to share financial data that may be deemed commercially sensitive.</p>		
56	<p>[Take account of the following principles in the approach to delivering HLOS requirements] maintaining and enhancing a contracting strategy that recognises the value of using local products and providers in delivering greater sustainability and seeks to create a cluster of rail capability in Scotland, while noting that Network Rail enjoys a national buying power to effect economies</p>	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • In its CP7 procurement exercise comply with applicable Procurement legislation. It will focus on procuring Scotland based supply chain partners where practical to do so; and aim to secure products from local suppliers to reduce purchase and transportation costs, and actively reduce its carbon footprint and support the circular economy. The 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	<p>of scale and that certain specialised rail products cannot be sourced in Scotland (or the UK). (HLOS paragraph 3.43).</p>	<p>HLOS acknowledges there will be products or services that may be more specialised; or can be more efficiently delivered via its national supply chain (which can aggregate demand by pulling national volume demand together to leverage the market).</p> <ul style="list-style-type: none"> • The Fair Work convention referred to, will be included in its new CP7 Regional Frameworks, and it is already embedded in some of its CP6 Frameworks. It will also have a new suite of Key Results Areas (KRAs) for CP7 that will monitor progress and report on the sustainability improvements that practices like "Fair Work" can drive into its supply chain. • The Scottish Government already also lead on the "Rail Cluster", and it will continue to work collaboratively to support promotion of this group via forums such as the Strategic Rail Forum. 		
57	<p>[Take account of the following principles in the approach to delivering HLOS requirements] development of working practices which take account of the adoption</p>	<p>Network Rail Scotland has told us that the definition of 'railway staff' in this context applies to those individuals employed directly by Network Rail in Scotland. The Scottish Government fair work principles</p>	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	<p>of improvements in efficiency and safety. Scottish Ministers expect Network Rail to follow the Scottish Government’s Fair Work principles of an effective voice, fulfilment, opportunity, respect and security when implementing those changes which impact the conditions of railway staff. (HLOS paragraph 3.43).</p>	<p>essentially align with employment law expectations, and where they outstrip are in line with its current organisational policies.</p> <p>It is already a living wage employer and the other elements referred to are all captured under either its people policies or our Scotland’s Railway People Strategy – ‘You in the Making’. No issues with aligning with these Scottish Government principles were to exceed its current policies Network Rail reserves the right to reflect upon this and determine the appropriate approach for Scotland’s Railway in conjunction with trade union partners.</p>		
58	<p>[Take account of the following principles in the approach to delivering HLOS requirements] maximising benefits resulting from on-site activities, such as sharing possessions, access, on-site costs, compounds etc. (e.g. using renewals disruptive access for efficient decarbonisation, gauging works). (HLOS paragraph 3.43).</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> • The Integrated Planning Office (IPO) will consider the integration of Enhancements and Renewals workbanks. The access requirements will be considered on a line of route or Corridor Planning basis. • It will focus on integrating access across our workbanks to drive maximum benefits that focus on removing duplication of costs where practical to do so, to drive efficiency across the supply chain. (Note HLOS reference 3.43 highlights the Network 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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		Rail leads across the access planning directorates).		
59	[Take account of the following principles in the approach to delivering HLOS requirements] improve transparency on the types of work, quantum, and costs of renewals work. Network Rail to capture, track and monitor this information on an ongoing basis to support review of planned versus actual and enable the ability for comparison against wider Rail industry benchmarked Unit Costs (UK, Europe etc). (HLOS paragraph 3.43).	<p>Network Rail Scotland has told us that: CP6 has seen improvements in transparency around cost data and more benchmarking with e.g; Europe on some major Rolling Programmes.</p> <p>Work will continue in CP7 to collect, explain and normalise and report on cost data.</p> <p>It will meet to discuss any specific requirements that require designed into the benchmark reporting or to understand if the current approach requires to be expanded.</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
Facilitating Efficient Electrification				
60	Electric passenger and freight trains offers zero emission transport which cost less to purchase and operate, are more reliable and faster and attract more passengers than existing diesel or alternative technology trains. This is reflected in the Scottish Ministers’ published Rail Decarbonisation Action Plan. Therefore, it is essential that	Network Rail Scotland will continue to work with Transport Scotland and the rail industry in Scotland to efficiently deliver electrification works, noting that decision making on the enhancement portfolio is based on Transport Scotland’s Rail Enhancements & Capital Investment Strategy, not the periodic review process.	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	<p>Network Rail builds on the successful progress in CP6 to drive down the cost of railway electrification works in Scotland. (HLOS paragraph 3.45).</p>			
61	<p>Network Rail must continue to deliver and further develop the efficient electrification technical specification agreed across Team Scotland during CP7. (HLOS paragraph 3.46).</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> • Throughout the RPD to date a number of innovations have been adopted and formed part of design and construction plans to deliver efficient electrification for Scotland. Examples include; Voltage controlled clearances, changes to wire grading rules, templated design and standardised requirements etc. As items are progressed the standards are being updated accordingly, with input from all of its required stakeholders, including RSSB. This work will continue under a continuous improvement programme with Scotland's Railway under the RPD Technical Steering Group, which encompasses inputs from the Scottish rail industry (and wider). • As a learning organisation that continues to seek out examples of best practice from other Infrastructure Managers across Europe. In addition, 	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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		<p>it will be supporting innovation of new technology, sponsoring systems which may provide competitive alternatives to current GB applications. Reducing the net cost and challenging processes will continue to be the very purpose of the steering group agenda, supported by RSSB.</p> <ul style="list-style-type: none"> The innovation clause within the energy National Technical Specification Notices could also provide an opportunity for further efficiencies in the system design and construction, to date this has not been fully explored but will form part of the ongoing agenda of the steering group. 		
62	[Electrification technical specification must] fully support the Scotland investment strategy, including the Decarbonisation Action Plan; be compliant with UK law and make appropriate use of (including sensible value for money derogations from) current rail National Technical Specification Notices (NTSNs) for interoperability; be updated and	To deliver this requirement Network Rail Scotland has told us that we should refer to requirement number 61.	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	amended as appropriate throughout CP7. (HLOS paragraph 3.46).			
63	Network Rail working with other stakeholders such as the Rail Safety and Standards Board and Transport Scotland must facilitate alternative, lower net system cost, innovative, technical solutions and, as appropriate, improvements to or deviations and/or derogations from standards to ensure an increasing number of financially viable choices is available (i.e. to the funder). (HLOS reference 3.47).	<p>To deliver this requirement Network Rail Scotland has told us that we should refer to requirement number 61.</p> <p>It will use reasonable endeavours to deviate from technical standards as appropriate subject to technical approval and safety validation.</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
Approach to Asset Management, Knowledge and Assurance				
64	In its approach to Asset management, the Scottish Ministers require Network Rail to adopt a strategy in control period 7, including policies as well as operational practice, which is focussed on safety, reliability, resilience, sustainability, and value for money. The asset management strategy should also clearly reflect the specific needs of the network in Scotland and its users and should	<p>Network Rail Scotland:</p> <ul style="list-style-type: none"> • Interprets this requirement being delivered by its Asset Management Framework which it will update and evolve incrementally as required. It develops an annual Route Asset Management Plan (RAMP) detailing its delivery plan each year of the control period. • In the SBP it has set out our Value Framework approach alongside 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	be fully aligned to the Scottish Ministers’ priorities. (HLOS reference 4.1).	summarised Asset Class Strategies. <ul style="list-style-type: none"> • Its Value Framework reflects Scottish Ministers’ priorities as articulated in the HLOS. If these priorities change, it would be happy to discuss with Scottish Ministers any implications this may have on its plan. 		
65	Asset management and investment must be underpinned by accurate asset data, including gauge information, which is consistently maintained at an A2 standard as a minimum and appropriate Network Capability statements to allow customers to make informed business decisions. (HLOS reference 4.2).	Network Rail Scotland interprets this as continuing to deliver its existing CP6 A2 data quality reporting. It currently reports asset data against the A2 data quality metric for a number of categories which it will continue in CP7. It has not accounted for any additional categories not currently reported against.	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
66	In line with the wider objectives of the Scottish Ministers, Network Rail should collaborate with the public sector in Scotland on opportunities, where possible and agreeable with all parties, to facilitate the use of existing railway assets to support our digital connectivity agenda and the enhanced rollout of broadband and mobile telecommunications	Network Rail Scotland will: <ul style="list-style-type: none"> • Continue to create and enable opportunities for improved connectively innovations using the railway estate. Working in conjunction with the opportunity presented by SRH and ScotRail it shall be exploring consolidating telecom systems across the Scottish industry and improving Wi-Fi bandwidth and station security 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	<p>coverage for the benefit of passengers, communities and businesses. (HLOS reference 4.3).</p>	<p>services - currently trailing stations Wi-Fi options at Anderson stations etc. Another initiative being trialled for wider delivery in CP7 involves working as a co-operative with lineside neighbours and local authorities to create an 'internet of things' data sandpit to inform its operations and improve local decision making. This system uses its telecoms mast infrastructure to support local data networks to gather information from its neighbour's estates, sharing data such as localised weather information to better inform all co-operative partners. Data security and cyber responsibilities will always be a critical legislative consideration in any of innovation involving data sharing.</p> <ul style="list-style-type: none"> • Under Signalling Scotland’s Future, ‘Connecting Scotland’ is a key pillar to the line of route analysis and business cases to be produced and further innovations and opportunities will be a key factor in determining how it creates an environment for model shift and provide improved facilities in line with other investments. 		

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Relationship between Operation, Maintenance and Renewals and Enhancements				
67	It is imperative that any works proposed on the rail network are considered as a ‘Whole System Approach’. Therefore, Scottish Ministers require Network Rail to consider the sequencing of enhancement schemes alongside existing renewal and maintenance programmes to ensure maximum efficiency, whilst minimising disruption to passengers and freight. (HLOS paragraph 4.4).	<p>Network Rail Scotland’s Investment Pipeline (SIP) describes its integrated plans for enhancements / renewals and rolling stock changes in the short / medium and long-term (through to 2045).</p> <p>The SIP includes its latest view of how best to deliver the Decarbonisation Action Plan (DAP), Strategic Transport Projects Review 2 rail projects and other Scottish Government rail policy outcomes.</p> <p>The SIP is refreshed and published quarterly and reviewed at Pipeline Programme Board (PPB) every period.</p> <p>This provides regular opportunities for Scotland’s Railway to assess the timing and phasing of all works (at both a network and corridor basis), and the implications in terms of delivery efficiency and disruption to customers.</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
68	[Key areas and how Scottish Ministers will expect Network Rail Scotland to act on OMR/Enhancements are] process - identifying any/all alignments so as to gain efficiencies, maximise benefits, and maximise value for	Part of refreshing Network Rail Scotland’s Investment Pipeline (SIP), asset management strategies and workbanks are regularly reviewed with the Director of Engineering and Asset Management’s team, to identify and align potential synergy opportunities between renewals and	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	taxpayer money. (HOLS paragraph 4.5).	<p>enhancements.</p> <p>PACE 1 development is undertaken to provide clarity on renewals and enhancement requirements and inform funding decisions. Works are scheduled in the SIP to optimise delivery efficiencies and corridor level outcomes.</p>		
69	[Key areas and how Scottish Ministers will expect Network Rail Scotland to act on OMR/Enhancements are] management - scheduling the project timings to meet ministerial / safety/regulatory requirements. (HOLS paragraph 4.5).	<p>Network Rail Scotland on the basis of its interpretation of HLOS has established an Access Development Programme to define an integrate approach to enhancement, renewal and maintenance activities. The Access Development Programme will set out processes for management and reporting of access plans on a line of route basis aligning enhancement, renewal and maintenance activities through the standard Engineering Access Statement (EAS) process, to minimise disruption to passenger and freight and maximise productivity. A stable workbank, through certainty of enhancement funding, is a key driver in delivering the benefits of this approach.</p>	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>
70	[Key areas and how Scottish Ministers will expect Network Rail Scotland to act on OMR/Enhancements are] monitoring and reporting -	<p>Network Rail Scotland will continue to mature a reporting approach that combines multiple appropriate reporting measures – including (but potentially not limited to) financial information (including unit costs),</p>	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	demonstrating in a transparent manner that plans are delivered and benefits realised. (HOLS paragraph 4.5).	outputs, volumes and risks and benefits – that can help Transport Scotland to understand how Scotland's Railway is delivering value for money.		
71	Network Rail’s asset management, maintenance and renewal plans must improve against CP6 by using smart and new technological monitoring equipment along with revised standards to ensure renewal and maintenance balance is struck making them more affordable. The desired outcome should lead to a critical programme of renewals and better-informed renewal timelines aligned with enhancement works to maximise funding availability. (HLOS paragraph 4.6).	<p>Network Rail Scotland has told us that Scotland's Railway intend to implement technology within CP7 which is detailed in its final SBP. This technology might not specifically include "monitoring equipment", nor be limited to it, but does cover a range of initiatives. Any benefit from delivery in CP7 would be captured under the formal efficiency reporting process.</p> <p>This requirement needs a baseline position agreed and what parameters are required to be improved if it is intended for this to be measured.</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
Signalling Strategy for Scotland				
72	The ORR’s final determination for control period 6 specified that Network Rail should prepare a suitable fully-developed signalling strategy by March 2024 for Scottish Ministers. (HLOS paragraph 4.11).	<p>Network Rail Scotland has told us that Signalling Scotland's Future is an industry framework that has been created to establish the appropriate train control strategy for each of Scotland's Strategic lines of route.</p> <p>The output will deliver proportional business cases, per line of route, for the type of train</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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		<p>control solution, considering numerous factors to inform the investment strategy, namely; social economic profile, economic growth of the line of route, rolling stock procurement strategies, asset condition constraints, major enhancement investments, renewal investments and the concept of operations for Scotland (Conops).</p> <p>This process will be governed by the Industry Steering Group, established in 2022, made up of Transport Scotland, Network Rail Scotland and ScotRail Trains Ltd. Regular updates to RBIG will occur throughout the development process with a first milestone of the strategy to be available in March 2024.</p>		
73	<p>An integrated industry team, working in partnership, with representation from Network Rail, ScotRail Trains Ltd, ORR and Transport Scotland produced the Signalling Scotland’s Future document which provides a framework to develop each route’s specific signalling, and sets out how to deliver an approach best suited to Scotland’s Railway. Network Rail will continue to facilitate, lead and develop the</p>	<p>Network Rail Scotland has told us to refer to its response for requirement number 72.</p>	<p>This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	<p>approach. Scottish Ministers require that Signalling Scotland’s Future should be used to develop the Scottish signalling strategy by March 2024, which should comprise a programme of signalling plans for each line of route in Scotland, that will maintain safety and operational performance, reduce whole railway system net cost, provide efficiency through integration with enhancement investments, avoid the high unit cost and premature obsolescence issues of recent approaches and at the same time deliver maximum benefits to passenger and freight customers.</p> <p>Until those line of route plans have been produced to the satisfaction of Scottish Ministers, signalling investment should be limited to that necessary to maintain safety and operational performance and to signalling schemes necessary to facilitate enhancement investments, especially decarbonisation through electrification, which will be specified and funded separately.</p>			

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	(HLOS paragraph 4.12 and 4.13).			
Infrastructure Gauge Maintenance and Assurance				
74	<p>The Scottish Ministers have fully funded Network Rail to maintain existing asset capability in CP6 and in previous control periods. Therefore, Network Rail is required to maintain the Structural Clearance CP6 baseline capability throughout CP7 and to restore any structural clearance which has been allowed to deteriorate. (HLOS paragraph 4.17).</p>	<p>Network Rail Scotland working with the regional gauging engineer will monitor and maintain the CP6 baseline position for structural clearance. It assumes this is only related to structural clearance since the beginning of CP6, and restoration of any previous clearance capability that existed prior to CP6 is excluded. The regional gauging engineer has put in place an updated maintaining gauge process, which puts structure and assurance around persevering gauge capacity on Scotland’s Railway.</p> <p>Where it establishes any deterioration against the CP6 baseline, a suitable intervention programme will be instigated that aligns with condition-led asset renewals.</p>	<p>Subject to this requirement only being in relation to structural clearance since the beginning of CP6, Network Rail is required to maintain the Structural Clearance CP6 baseline capability throughout CP7.</p>	<p>Network Rail Scotland.</p>
75	<p>The Scottish Ministers require that freight gauge capability should be maintained to at least the capability in the most recently published issue of the Sectional Appendix 11, or the special authorisation issued by Network Rail on a RT3973 form to run a larger vehicle or heavier</p>	<p>Network Rail Scotland will monitor and maintain freight gauge capability against the most recent publication of the sectional appendix by the regional gauging engineer.</p>	<p>Freight gauge capability should be monitored and maintained against the most recent publication of the sectional appendix, and RT3973 forms effective from the time of publication of the CP7 HLOS.</p> <p>This requirement will form part</p>	<p>Network Rail Scotland.</p>

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	axle load on a specific Scottish route, whichever is most capable at the time of publication of this HLOS. (HLOS paragraph 4.21).		of Network Rail Scotland’s business as usual CP7 delivery.	
76	Building on collaborative work between Transport Scotland and Network Rail in CP6, a Scottish Passenger Vehicle Gauge requirement and a programme to remove the remaining barriers to deliver this, requires to be defined by the end of CP6, following issue of a Client Remit in May 2022 by the Scottish Ministers. The requirement is that the Vehicles listed in Appendix 1 of that Remit will be able to run over the whole of the Scottish Rail Network, except where agreement has been reached between Network Rail and Transport Scotland to exclude any vehicles/routes that would drive disproportionate cost. This will remove the current barriers to the efficient network-wide operation of available rolling stock and reduce the cross-industry time and cost of vehicle introductions and cascades. (HLOS paragraph 4.18).	<p>Network Rail Scotland will:</p> <p>Assess all vehicle types in the Client Remit for Scottish Gauge at 149 locations across Scotland’s Railway, (locations identified earlier in CP6 to clear for Scottish Gauge). This was due 28 February 2023.</p> <p>Transport Scotland have funded the assessment of a pilot Scottish Gauge for a selection of vehicle types and gauges, over sections of the North electrics and Fife routes plus the probabilistic gauging assessment of some of these vehicles individually. This was due – 30 April 2023.</p> <p>Transport Scotland and Scotland’s Railway to review output from these studies, particularly for locations common to both, to agree vehicle and gauge types to include in a Scottish Gauge, and how Scottish Gauge should then be progressed. Due – 30 June 2023.</p> <p>It will take cognisance of Licence Condition 20 if proposing exclusion of any vehicles/routes.</p>	<p>In CP6 Network Rail Scotland, working with Transport Scotland, established a strategy based on the client remit from Scottish Ministers (‘Establish a Scottish Gauge’ strategy). One of the key outputs from this is to determine the vehicles to be included in the Scottish Passenger Gauge, taking affordability and value for money into account.</p> <p>Subject to the agreed exclusion of vehicles/routes that would drive disproportionate cost, Network Rail should finalise work on the Scottish Passenger Vehicle Gauge requirement and have a programme to remove the remaining barriers to deliver this in place by the 31 March 2024.</p> <p>All of Network Rail Scotland’s maintenance and renewals activities in CP7 should be</p>	Network Rail Scotland.

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			<p>designed and delivered to comply with the Scottish Passenger Vehicle Gauge and other requirements of the Scottish Gauge Strategy, unless evidence clearly indicates that compliance would lead to disproportionate costs. This is to avoid the need for inefficient additional rework to meet the Gauge Strategy.</p>	
77	<p>The Scottish Ministers require Network Rail to ensure structure clearance for the Scottish Passenger Vehicle Gauge requirement is achieved and maintained throughout the Scottish rail network on a timescale consistent with available funding.</p> <p>For maximum efficiency, it is necessary that the delivery of a Scottish Passenger Vehicle Gauge proceeds in conjunction with the renewals programme, the Rail Decarbonisation Action Plan, the Industry Growth Plan for Rail Freight and the passenger vehicles procurement and deployment strategies, as described in Network</p>	<p>Network Rail Scotland has told us that:</p> <ul style="list-style-type: none"> • Client Remits and Sponsor Instructions for enhancement and renewals projects currently contain gauge requirements for electrification and freight, consistent with the Gauging Strategy. • Client Remits and Sponsor Instructions will be updated with gauge requirements for Scottish Gauge and level boarding, once the vehicle and gauge types to be included in a Scottish gauge are confirmed. • The Scotland Gauging RAM will update the vehicle matrix for all routes in Scotland, to reflect Scottish 	<p>As set out above, in CP6 Network Rail Scotland, working with Transport Scotland, established a strategy based on the client remit from Scottish Ministers (‘Establish a Scottish Gauge’ strategy).</p> <p>One of the key outputs from this is to determine the vehicles to be included in the Scottish Passenger Vehicle Gauge, taking affordability and value for money into account.</p> <p>Noting the agreed presumption regarding the application of the Scottish Passenger Vehicle Gauge unless that would drive disproportionate cost for vehicles</p>	Network Rail Scotland.

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	Rail’s Integrated Gauging Strategy for Scotland’s Railway. (HLOS paragraphs 4.19 and 4.22).	<p>Gauge requirements, in order that all maintenance and asset renewals are specified to both maintain published gauge capabilities and efficiently deliver Scottish Gauge over time.</p> <ul style="list-style-type: none"> It assumes the correlation risk relating to the vehicle procurement sits with Scottish Ministers. 	<p>or routes, Network Rail should have a programme to remove the remaining barriers to deliver this in place by the 31 March 2024 which will set out how the requirement will be achieved and the define the milestones required.</p> <p>This should take account of Network Rail Scotland’s maintenance and renewals programme, the Rail Decarbonisation Action Plan, the Industry Growth Plan for Rail Freight and the passenger vehicles procurement and deployment strategies.</p>	
Infrastructure Readiness for Rolling Stock				
78	The efficient introduction of new rolling stock will require Network Rail to maintain infrastructure asset capability, and to provide assured data about this capability upon which operators will be able to place reliance when specifying, designing and introducing new rolling stock. Data on capability, infrastructure gauge, electro-	<p>This requirement shall be adhered through a collaborative industry process (to be established) to review, update and re-issue of the Train Infrastructure Interface Specification (TIIS) from Scotland’s Railway.</p> <p>This revised multi-disciplinary document shall create a baseline of industry understanding to inform future proposals and shall contain relevant information applicable to the geographical area in where new rolling</p>	Subject to no cost/ scope increases this requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	<p>magnetic compatibility and vehicle–platform interfaces, should be maintained now for the safe operation of existing rolling stock. (HLOS paragraph 4.25).</p>	<p>stock is to be deployed.</p> <p>The asset capability and data will continue to be maintained at present state under “business as usual” activities and in line with published network capability.</p> <p>This information will form part of the TIIS appendices for the given geography along with infrastructure asset management requirements (inclusive of onboard monitoring).</p> <p>Network Rail Scotland assume no cost or scope change to its strategic business plan as this requirement relates to the provision of data that Network Rail holds on capability and configuration existing assets. This does not extend to the provision of new and /or amended data sets.</p>		
79	<p>[In collaboration with Scottish Rail Holdings and ScotRail Trains Ltd, Scottish Ministers require Network Rail to] provide assured data that will facilitate the efficient development of the system requirements and business cases for the replacement of diesel and older electric fleets. (HLOS paragraph 4.26).</p>	<p>Network Rail Scotland has told us to refer to requirements number 78. It assumes this requirement relates to the provision of data that Network Rail holds on capability and configuration existing assets. This does not extend to the provision of new and or amended data sets.</p>	<p>Subject to no cost/ scope increases this requirement This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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80	[In collaboration with Scottish Rail Holdings and ScotRail Trains Ltd, Scottish Ministers require Network Rail to] produce and update a coherent plan to facilitate the introduction of new trains procured for Scotland’s Railway, to ensure that Scotland’s railway infrastructure is ready to operate those trains on arrival. (HLOS paragraph 4.26).	<p>Network Rail Scotland will:</p> <p>Work in collaboration with ScotRail Holdings, ScotRail Trains Ltd and Transport Scotland to develop a fully integrated whole-railway-system plan for the introduction of new train fleets. This will be supported by its work with Transport Scotland to develop the Team Scotland governance so that it provides proper assurance of delivery against this integrated plan. This work is currently in development and is being discharged using existing resources. Management of capital funding of the pipeline of infrastructure enhancements that form a core part of this plan will be aligned and integrated between Scotland’s Railway and Transport Scotland. It will use reasonable endeavours to operate the new trains on arrival.</p>	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
81	[In collaboration with Scottish Rail Holdings and ScotRail Trains Ltd, Scottish Ministers require Network Rail to] work with its suppliers to develop and provide timeous, detailed, route-specific interface specifications with all infrastructure sub-systems and cooperate to develop cost-effective railway system solutions to any technical incompatibility identified. (HLOS	<p>Network Rail Scotland interprets this shall be achieved in two parts.</p> <ol style="list-style-type: none"> 1. through the Train Infrastructure Interface Specification (TIIS) which has been developed to support Train procurement; and 2. via the Signalling Scotland’s Future Line of route strategy – whereby rolling stock life expectancy and procurement is a key input to the 	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.

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	paragraph 4.26).	formation of a line of route plan for train control options (present and future). Technical incompatibilities will be circumstantial to a particular line of route, therefore the business case process under SSF provides the best mechanism to evaluate the industry solutions. Further work is required to clarify what is meant by 'detailed route specific interface specifications as our working assumption is this requirement relates to the provision of data that Network Rail currently holds on capability and configuration existing assets only.		
82	[In collaboration with Scottish Rail Holdings and ScotRail Trains Ltd, Scottish Ministers require Network Rail to] ensure that OMR activities are planned and implemented in a manner that takes advantage of opportunities to reduce the volume and criticality of likely incompatibilities and the workload of train introduction, including for the accessibility of platforms at stations. (HLOS paragraph 4.26).	Network Rail Scotland has told us that there is no specific output for this requirement. It will make reasonable endeavours to assist via the Train Infrastructure Interface Specification and System Review Panel.	This requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
83	[In collaboration with Scottish Rail Holdings and ScotRail Trains Ltd,	Network Rail Scotland will:	This requirement will form part of Network Rail Scotland’s	Network Rail

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	<p>Scottish Ministers require Network Rail to] ensure that the time between acquisition of new trains and deployment to available infrastructure is minimised and that delivery and introduction of new trains is seamless. (HLOS paragraph 4.26).</p>	<ul style="list-style-type: none"> • Work in collaboration with ScotRail Holdings, ScotRail Trains Ltd and Transport Scotland to develop a fully integrated whole-railway-system plan for the introduction of new train fleets. This will be supported by its work with Transport Scotland to develop the Team Scotland governance so that it provides proper assurance of delivery against this integrated plan. • This work is currently in development and is being discharged using existing resources. Management of capital funding of the pipeline of infrastructure enhancements that form a core part of this plan will be aligned and integrated between Scotland's Railway and Transport Scotland. • It will use reasonable endeavours to minimise the time between train acquisition and a seamless deployment of trains. 	<p>business as usual CP7 delivery.</p>	<p>Scotland.</p>
84	<p>[In collaboration with Scottish Rail Holdings and ScotRail Trains Ltd, Scottish Ministers require Network Rail to] cooperate with the specification of infrastructure</p>	<p>Network Rail Scotland will make reasonable endeavours to assist via the Train Infrastructure Interface Specification.</p>	<p>Subject to no cost/ scope increases this requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.</p>	<p>Network Rail Scotland.</p>

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	monitoring equipment to be fitted to the new rolling stock to facilitate the quality, effectiveness and efficiency of infrastructure inspection and maintenance.			
85	[In collaboration with Scottish Rail Holdings and ScotRail Trains Ltd, Scottish Ministers require Network Rail to] cooperate with the development of a depot and stabling capability plan; plan for the introduction of a Connected Driver Advisory Speed System ¹² (CDAS) for the new rolling stock, which takes account of the evolving understanding of the requirements created by different traction technologies. The plan shall address differing power supplies, safety, access, logistics and skills requirements and will be produced in conjunction with industry stakeholders. (HLOS paragraph 4.26).	<p>Network Rail Scotland will:</p> <ul style="list-style-type: none"> • Work in collaboration with ScotRail Trains Ltd, ScotRail Holdings and Transport Scotland to develop a fully integrated whole-railway-system plan for the introduction of new train fleets. This will be supported by its work with Transport Scotland to develop the Team Scotland governance so that it provides proper assurance of delivery against this integrated plan. This work is currently in development and is being discharged using existing resources. Management of capital funding of the pipeline of infrastructure enhancements that form a core part of this plan will be aligned and integrated between Scotland's Railway and Transport Scotland. 	Subject to no cost/ scope increases this requirement will form part of Network Rail Scotland’s business as usual CP7 delivery.	Network Rail Scotland.
Disposal of Railway Assets				
86	Network Rail should ensure that	Network Rail Scotland will continue to	This requirement will form part	Network Rail

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	assets or material that might be suitable for reuse and which are no longer required by Network Rail are donated to or sold at preferential rates to third sector concerns such as charitable organisations, heritage railways or community rail partnerships. The approach taken should be in line with the relevant section of the Scottish Public Finance Manual. (HLOS paragraph 5.1).	adhere to existing policy it already has in place on this regard and comply with its Managing Public Money obligations.	of Network Rail Scotland’s business as usual CP7 delivery.	Scotland.
87	Network Rail shall seek the express approval of the Scottish Ministers for the sale or disposal of disused land which will be a matter of interest to Scottish Ministers, and which requires a longer-term strategic view. (HLOS paragraph 5.2).	<p>Network Rail's licence condition 17 already requires it to consult Transport Scotland for all land considered for sale or disposal. Scotland's Railway does not propose to change the existing process supporting the delivery of the licence condition.</p> <p>Additional levels of approval would negatively impact the efficiency of the process and may impact its ability to generate capital receipts for its unused and underutilised land and property and therefore reduce the net cost of the railway.</p>	<p>Network Rail Scotland is already subject to these conditions.</p> <p>The Network Licence (Condition 17: Land Disposal) requires consultation.</p>	Network Rail Scotland.



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