

**ANNUAL REPORT
AND RESOURCE
ACCOUNTS**

2009-10



OFFICE OF RAIL REGULATION



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2009-10

Presented to Parliament in pursuance of section 74 of the Railways Act 1993 and section 6 of chapter 20 of the Government Resources and Accounts Act 2000.

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FORMAL REPORT TO THE SECRETARY OF STATE AND SCOTTISH MINISTERS

To the Secretary of State for Transport and the Scottish Ministers.

I enclose the report of the Office of Rail Regulation (ORR) for the year ending 31 March 2010 as required by section 74(1) of the Railways Act 1993 and the Scotland Act 1998 (Transfer of Functions to Scottish Ministers etc) Order 1999.

I confirm that during the period ORR:

- Made no references to the Competition Commission; and
- Received no general directions under section 69(2) of the Railways Act 1993.

Anna Walker

Anna Walker
Chair, Office of Rail Regulation
June 2010

THE ROLE OF ORR

We are the independent safety and economic regulator of Britain's railways.

We are a non-ministerial government department with around 300 staff and an annual budget of around £31 million overseeing a sector whose turnover is £18bn. Around 58% of our costs relate to our safety roles, 37% on economic regulation with balance on our roles with HS1 and the channel tunnel.

As national safety authority we regulate health and safety for the entire mainline rail network in Britain as well as London Underground, light rail, trams and the heritage sector.

As economic regulator we have a range of functions for the mainline railway, in particular setting Network Rail's funding and outputs as the monopoly operator of the network, and enforcing delivery and ensuring fair access to that network. We are a competition authority for all railways and related supply markets and have powers to enforce some consumer law for railways.

The private sector delivers services for passengers and freight users on Britain's mainline railway as well as supplying equipment and expertise. Network Rail, a private sector not-for-dividend company, owns and operates the national rail infrastructure. Other parts of the railway, outside the mainline sector, are structured in a different way, but all face commercial pressures and incentives, and rely on effective partnership between different

companies and organisations to secure delivery. Governments and other public sector transport funders also play major roles, due to the importance of the railways to the economy and society and the significant subsidy paid to them.

Regulation plays a key role in making this complex structure work.

In essence we:

- **Provide assurance** to taxpayers, users of the railways, governments and funders, rail industry companies and employees; and
- **Facilitate improvement** in the working of the structures and processes of the industry so the railways better meet the needs of these stakeholders.

We do this by:

- Monitoring and, where necessary, enforcing delivery across the industry of its regulatory obligations – safety, performance, efficiency and investment – and encouraging further improvement to meet the needs of customers and improve value;
- Carrying out periodic reviews of the mainline railway to set Network Rail's outputs and funding; and
- Using our powers concerning access to railway facilities (track, stations and depots), industry codes and cooperation arrangements, licenses and competition law, and keeping under review the framework for relationships within which the different parts of the industry work together.

We do not set or enforce the terms of franchises under which governments buy passenger services from the private sector.

CHAIR'S FOREWORD

This is my first annual report as Chair of the Office of Rail Regulation and I would like to begin by paying tribute to my predecessor Chris Bolt who stood down earlier this year after five distinguished years at ORR.



Since succeeding Chris in July 2009, I have had the opportunity to meet with a wide range of individuals, groups and organisations across the rail sector and have been impressed by their commitment to running a safe and effective railway for the benefit of its customers.

This commitment, allied to continuing investment, is delivering real results:

- Punctuality is at its highest ever levels
- Safety continues to improve
- Passenger numbers continue to increase

Despite continued improvement in safety across the industry, three tragic workforce fatalities in the past year remind us that the sector must improve further and can never afford to be complacent.

This success in attracting greater numbers of passengers and improved punctuality will need to be sustained against a backdrop of extremely difficult economic conditions and in the face of ever-rising expectations from rail users. Continued modernisation and enhancement of our national rail network is crucial to the social and economic development of the country. But the rail industry more generally, and Network Rail in particular, needs to become ever-more efficient and ensure that they deliver value for money in order to maintain confidence in future investment.

To this end I welcome the fact that the industry has been working collaboratively together over the past year to inform thinking ahead of the next periodic review process that will begin this autumn.

Network Rail holds a privileged position as the network's monopoly manager. We have set it a tough but achievable efficiency challenge for the current control period that will mean that it must manage its assets far more effectively and make fundamental changes to the way that it operates. It has embarked on an ambitious transformation programme over the past year. We very much support what the company is trying to achieve – but will expect to see clear evidence of these changes driving a real difference in the coming year.

One of our key strategic aims is to ensure that passengers and freight customers benefit fully from improved safety, performance, efficiency and capacity. I was therefore delighted to see the results from the latest passenger survey carried out by Passenger Focus show that 83 percent are satisfied with punctuality and reliability and their overall journeys.

I very firmly believe that the success of the rail industry can only be judged through the eyes of their customers – be they regular commuters, occasional passengers, freight users or train operators. I want to ensure that the ORR puts the customer in all these varied forms at the heart of how we see the world and our place in it. We have made a good start in this respect over the past year – but there is further to go.

Finally, I would like to pay tribute to Jane May who has been one of our non-executive directors for the past six years. Jane has made a hugely significant contribution and on behalf of the Office of Rail Regulation I wish her the very best for the future.



Anna Walker
Chair,

Office of Rail Regulation
June 2010

KEY ACHIEVEMENTS IN 2009-10

This report covers the 2009-10 reporting year and describes our achievements in delivering the objectives we set out in our strategy for 2009-14 and in our business plan for the year.



Both our corporate strategy and business plan subdivided our work into seven key themes, from focusing on the needs of passenger and freight customers, to striving for excellence in health and safety performance across Britain's railways. It also set out our aim to continuously improve our own effectiveness and efficiency as industry regulator.

In this report we set out progress against our objectives under each of the seven themes and highlight what we have achieved against the specific outcomes we set for ourselves in our business plan for the past year.

Overall, I am pleased to report that we have delivered on what we set out to do in our business plan, managing the risks along the way and outperforming the budget set for us by our board (which included a significant efficiency challenge).

I WOULD PARTICULARLY HIGHLIGHT OUR WORK:

- with Network Rail to ensure that it produced a credible delivery plan that sets out how it will deliver the improvements required by the 2008 periodic review
- to ensure mechanisms were in place to ensure early improvements were made in train service performance and in reducing the disruption caused by engineering work
- with a number of large railway companies on measuring their safety culture so that they have appropriate arrangements in place
- in conducting a review of access policy and setting actions to implement the findings
- in carrying out an investigation that led to the Association of Train Operating Companies (ATOC) publishing a code of conduct on the provision of real-time train information

These achievements provide a sound foundation on which to build as we move into the second year of delivering our corporate strategy. But clearly there is much more to do if we are to play our part in promoting safety and value in Britain's railways.

My senior team and I would like to thank our colleagues for all that they have achieved in 2009-10. I have every confidence that we will rise to the challenges that our board have set us for the coming year.



Bill Emery

Chief executive,

Office of Rail Regulation

June 2010

FOCUS ON PASSENGER AND FREIGHT CUSTOMERS NOW AND IN THE FUTURE

Our goal for 2009-14 is that passengers and freight customers benefit fully from improved safety, performance, efficiency and capacity.

We said that we would test our success in 2009-10 by whether the following outcomes are achieved:

- the industry has in place credible plans for the delivery of the improved performance (including the disruption caused by engineering work) safety and capacity specified in the 2008 periodic review, and the first year commitments are delivered;
- passenger satisfaction measured by the Passenger Focus survey continues to improve; and
- effective measures are in place for assessing and recording freight customer satisfaction

OVERVIEW OF OUR ACTIVITY DURING THE PAST YEAR:

We concluded our assessment of Network Rail's enhancements delivery plan for CP4. This was formally accepted in September, some months later than scheduled, because the original plan did not meet our requirements. The agreed plan provided a clear baseline against which to measure progress and agree changes throughout the control period.

We delivered on our commitment to provide more effective commentaries on industry performance and published quarterly assessments of Network Rail's performance, highlighting progress and areas of concern as appropriate.

We remained alert to blockages to better performance and intervened where necessary. For example, following a complaint from Virgin Trains in April about performance of the infrastructure on the West Coast Mainline we oversaw the development of a joint performance improvement plan between Virgin Trains and Network Rail.

We took forward our planned consumer programme which looked at issues relating to the provision of information on tickets and fares, planned disruption and replacement bus services and the advertising of discounted fares. The results of this work fed into guidance on our approach to consumer law enforcement which we published on 31 March.

We have helped the Department for Transport to analyse the potential impact of the Passenger Rights and Obligations Regulation and to develop implementation plans. The Department is taking forward our proposals in a number of areas, including enforcement via existing means wherever possible and avoiding overlapping roles on personal security. We await the Department's decision on scope in light of its full impact assessment, having set out a case in favour of full implementation in passengers' interests.

As part of the above work we have reviewed the National Conditions of Carriage and provided advice on how to rebalance the proposed new contract in passengers' favour, improving its fairness and clarity. We have proposed a new introduction summarising passengers' rights and responsibilities and have encouraged both the Department and ATOC to test accessibility in retail mystery shopping. We are encouraging the industry to progress the implementation of the new contract as quickly as possible.

Our market studies programme and review of our approach to reviewing markets both helped us to ensure that our regulation remains responsive to market developments, promoting healthy markets that deliver for passengers and freight customers. For example, in November we published our study into freight wagon authorisations with the aim of helping freight customers benefit from a fully competitive and innovative rail-freight industry unhampered by possible barriers to the introduction of new wagons onto the network.

As part of this programme we carried out the first in a series of freight end-customer surveys designed to assess freight customer satisfaction trends over the course of our corporate strategy and to ensure that our approach remains consistent with end-user needs.

In June we initiated an investigation under the Competition Act into the provision of real time train information. This resulted in ATOC publishing a code of conduct on how it would make this information available to third parties in future, with the purpose of bringing new, innovative real time train information products and services to market to the benefit of passengers.

PROGRESS MADE

- The results from the latest national passenger survey carried out by Passenger Focus show that 83 percent of passengers are satisfied with punctuality/reliability and their overall journeys. These are the highest levels of satisfaction ever recorded since the survey started in Autumn 1998
- Passenger harm was reduced by 13% (although the total harm to the workforce increased by 3%)
- We established a baseline against which to assess freight customer satisfaction trends over the course of our corporate strategy
- For much of the year operational performance in terms of punctuality and delays was good and the industry was well ahead of the improvement trajectory set in PR08. But the exceptionally severe weather in December and January caused performance to slump
- Performance on the West Coast Mainline has stabilised but further work is still necessary to deal with the underlying causes
- Levels of disruption to passengers and freight services from planned engineering work fell during the year. Whilst some less disruptive working methods have been introduced, this improvement also reflects relatively low levels of engineering work due to the deferral of activity
- Disruption from engineering overruns reduced by around 20% compared with the previous year. This follows enforcement action taken by us against Network Rail in spring 2008
- Our commissioned freight value of time work has given us a more informed understanding of the value to users of improving rail freight services. This will help to inform our decisions both on competing applications for scarce capacity and investment priorities

NEXT STEPS

During the coming year we will:

- continue to monitor Network Rail's progress in delivering its plan so that passengers and freight users continue to benefit from enhancements to the network
- hold Network Rail to account for delivering improvements to stations and implementing plans for making station upgrades easier
- carry out a study into the potential for railfreight to identify the key drivers of growth and the main blockages and to shape our regulatory response accordingly
- undertake a review of ticket retail, including looking at complexity and whether this leads to passenger detriment
- continue to press for the production of high quality and accurate data about the industry's performance and customers' concerns, publishing data where we believe there is a need to increase transparency and incentivise improvements
- publish and act on the findings of our freight user survey

EXCELLENCE IN HEALTH AND SAFETY CULTURE AND RISK CONTROL

**Our goal for 2009-14
is that all parts of the
railways have excellent
health and safety culture
and risk control processes.**

We said that we would test our success in 2009-10 by whether the following outcomes are achieved:

- there is commitment in the industry to measure and improve safety culture;
- a plan is in place and progress is made on improving the mainline railway rule book;
- workforce safety shows an improving trend across the industry; and
- there is a decrease in collisions with vehicles at level crossings.

OVERVIEW OF OUR ACTIVITY DURING THE YEAR

We developed our approach to measuring safety culture and held a workshop for the industry and other interested parties to promote the technique and the benefits of addressing safety culture as a part of the overall risk management system.

We assisted the Railway Safety Standards Board (RSSB) working group tasked with reviewing the mainline industry rule book and the first modules were delivered as planned.

We have seen a reduction in the level of workforce safety risk. However, three workers were killed in tragic incidents during the year, two of them involving working at height during construction activities. We remain concerned about the level of major injuries that are occurring: this demonstrates the need for a renewed drive for continuous improvement in risk control.

We used evidence from our audits and inspections to validate a new safety management system maturity model. This is an important part of our drive to challenge the industry to achieve excellence in health and safety risk control.

Throughout the year we carried out a programme of audits on key areas of significant risk (such as safety verification and management of infrastructure projects).

Our investigations were focused on those incidents that were most likely to require enforcement and on ensuring that the industry addressed relevant issues raised in Rail Accident Investigation Branch (RAIB) reports. This included a programme of work to ensure that Network Rail was taking forward the actions relating to Grayrigg.

We carried out a number of investigations following fatal incidents at a number of locations including the deaths of a car passenger at Moreton-on-Lugg level crossing in Herefordshire and the deaths of a track worker at Whitehall Junction, Leeds and two contractors in Scotland.

In December we published a statement outlining a range of initiatives aimed at reducing the risk of accidents at level crossings. This included our intention to inspect all automatic open level crossings and continuing support of the Law Commission review of level crossing legislation.

By the end of the year we completed inspection audits of London Underground's safety management system, the performance of heritage railways against agreed benchmarks, and completed work on enhanced safety verification guidance for tramways.

PROGRESS MADE

- An encouraging number of large railway companies have started to measure safety culture
- The first tranche of work with the industry to improve the mainline industry rule book has been completed
- The overall trend for workforce safety has improved (despite regrettable fatalities in Leeds and on the Forth and Tay bridges)
- There has been an overall decrease in collisions with vehicles at level crossings

NEXT STEPS

During the coming year we will:

- promote the concept of excellence in health and safety culture and risk control
- carry out inspections and audits of safety management systems, focussing on maintenance and construction activity
- work to achieve effective co-operation within the mainline industry to make sure that system safety issues are recognised and addressed
- continue to focus on level crossing risk and ensure that all those involved contribute effectively to controlling and further reducing the risk
- target investigation resource as appropriate
- use our influence and, where appropriate, our powers to make sure that dutyholders and the industry as a whole address common threads including occupational health, competence and emerging European issues

EXCELLENCE IN ASSET MANAGEMENT

Our goal for 2009-14 is that by 2014 whole-life asset management in the rail industry matches that of best practice comparators.

We said that we would test our success in 2009-10 by whether the following outcomes are achieved:

- there is improvement, evidenced by our reporters, in Network Rail's commitment to, and performance in, sustainable whole-life asset management;
- Network Rail has plans in place to deliver the efficiency savings assumed in the periodic review; and
- cross-industry planning activity effectively incorporates the development of a robust and coherent industry technical strategy.

OVERVIEW OF OUR ACTIVITY DURING THE YEAR

We worked with Network Rail as it developed its plan for articulating how it will deliver sustainable and efficient asset management during CP4. Network Rail submitted its revised asset policies to us in January and we continued to push them to demonstrate their robustness and sustainability.

We took forward work to improve our benchmarking of Network Rail's maintenance and renewals efficiency. This included extending the dataset available to us to include data from a number of other countries including Norway, Sweden, Italy, France, the Netherlands and Germany. We published a report on this work in March.

In advance of the next periodic review, we developed our proposed approach to measuring efficiency including internal benchmarking within Network Rail, regional and international benchmarking.

In December, the Department for Transport announced a joint study with ORR to look at options for improving value for money across the whole rail sector. The study, which will report at the end of the current financial year, is looking at all aspects of the rail sector and will make recommendations to help the railway industry expand capacity and become more cost-efficient to benefit passengers and provide better value for the taxpayer. The study is building upon our benchmarking of Network Rail against railways across the world.

PROGRESS MADE

- We have continued to monitor the state of Network Rail's asset management capabilities including through our assessment of their asset policies and plans. Whilst the company is making progress, this is relatively slow and we are concerned that it has much more to do to achieve excellence in this area
- The overall reliability of Network Rail's assets continued to improve, despite the adverse impact of exceptionally heavy snow during the winter months. This has been a major contributor to the reduction in delay minutes attributable to Network Rail
- Our work to assess Network Rail's efficiency is continuing and will be affected by the ongoing assessment of its asset policies. Our initial view is that, over the past year, Network Rail has not made significant progress against the efficiency improvements in our PRO8 determination
- Network Rail agreed with the government to develop an implementation plan for the progressive introduction of European interoperability standards on the UK infrastructure, speed and extent being determined by the existence of a robust business case

NEXT STEPS

During the coming year we will:

- complete our assessment of Network Rail's asset management policies
- carry out best practice reviews and benchmarking studies to inform planning for CP5 and preparing for the 2013 periodic review
- review the asset management plans of High Speed 1 and monitor delivery
- continue to monitor, benchmark and publish assessments of Network Rail's efficiency
- continue to support the work of our joint value for money study with the Department for Transport

IMPROVED INDUSTRY PLANNING AND TIMELY AND EFFICIENT DELIVERY OF MAJOR PROJECTS

Our goal for 2009-14 is that committed improvements to the railways are delivered in a timely and efficient way, and credible plans are in place to meet the longer term challenges the industry faces.

We said that we would test our success in 2009-10 by whether the following outcomes are achieved:

- Network Rail's delivery plan sets out credible plans for the projects in the 2009-14 enhancement programme. Key project milestones for 2009-10 are met. If not, suitable action is taken to ensure the programme remains on course to deliver the outputs;
- the national rail industry is working together to identify, and inform a debate, on the key choices for the longer term;
- the industry puts in place arrangements for major cross-industry projects, ensuring effective governance and encouraging maximum cooperation; and
- there is continued improvement in safety performance on railways where major capital programmes are being delivered (including both the mainline railway and the London Underground).

OVERVIEW OF OUR ACTIVITY DURING THE YEAR

We ensured, through our oversight of Network Rail's delivery plan that its obligations to deliver the enhancement programme were made clear so that its funders and customers could plan their business effectively. This involved setting up a comprehensive programme of monitoring based on key regulatory milestones. We used independent reporters where appropriate, in addition to maintaining regular liaison with Network Rail and stakeholders, to spot problems early.

We also reviewed Network Rail's capability to deliver the enhancements programme as a whole and are working with the company to make sure that it implements recommendations from our independent reporters. We established a change control mechanism to allow some flexibility in the programme where it is appropriate to do so.

We continued to facilitate the development of further schemes (eg Edinburgh-Glasgow improvements) the extension of electrification and third party enhancement schemes.

We began to discuss with the industry how best to incentivise and develop better cross-industry partnership working in the delivery of projects.

We took forward various pieces of work to inform the regulatory framework for the next periodic review, including a review of the HLOS process with the Department for Transport and Transport Scotland to look at how we can maximise industry involvement.

In October we published a letter setting out our overall approach and timeline for the next periodic review. The letter built on recommendations of a review of the PRO8 process and highlighted key issues for Network Rail and the broader industry to focus on in preparation for the review.

PROGRESS MADE

- The delivery of what is a large enhancement programme continues to be a considerable challenge for Network Rail. There have been some notable successes over the past year – with the Glasgow-Kilmarnock project delivered on time and good progress made on integrating works on the Western route (particularly around Reading)
- Many enhancement projects are still in the development phase. Whilst progress on some may appear to be slow, in some cases this is down to a desire on the part of Network Rail to get the detailed planning right in order to save time in implementation. In other instances (eg Airdrie-Bathgate) we intervened to improve the likelihood of projects being delivered on time
- Construction on the Thameslink programme progressed reasonably well over the past year. However, for the final *key output two* projected costs exceed budget. Network Rail is working on revised plans to reduce these costs
- Network Rail, passenger and freight operators agreed to produce joint views on planning ahead for the railway in CP5 and beyond
- We assessed a number of new projects throughout the year, including the *Evergreen 3* programme. Agreement was reached between Chiltern Railways, Network Rail and Department for Transport to proceed with this programme of major route improvements
- We approved a new suite of investment template agreements produced by Network Rail following work to review these during the year.



NEXT STEPS

During the coming year we will:

- continue to monitor Network Rail's efficiency and financial performance, including risks to the delivery of enhancement projects
- complete a review of major cross-industry projects and continue with our work to identify and tackle misaligned incentives and poor processes
- prepare for PR13, including publishing a consultation document on the key objectives and strategic issues

EFFICIENT USE OF CAPACITY ON THE MAINLINE NETWORK

Our goal for 2009-14 is that the mainline industry has in place arrangements to achieve the best use of capacity on the network.

We said that we would test our success in 2009-10 by whether the following outcomes are achieved:

- there is better linkage between the access, timetabling, franchising and route utilisation strategy process, and plans are in place for further improvement; and
- the industry has begun to deliver on its implementation strategy for the European Rail Traffic Management System (ERTMS).

OVERVIEW OF OUR ACTIVITY DURING THE YEAR

We commenced our review of the policy issues relating to track access and capacity allocation processes, including a review of open access policy and the economic data and models underpinning access decisions. We expect that it will take two to three years to address all of the issues. An industry consultation began in January on the first pieces of work (centring on the effects of competition, how we consider applications for new competing services, how we compare the benefits of freight and passenger services and how we assess the trade off between performance, capacity and journey times). We expect to publish our final conclusions in July.

We continued to process all casework on applications and appeals within published timescales. This included issuing determinations for several high profile access applications, including the East Coast mainline, Evergreen 3, North London Line and Arriva Trains Wales

We contributed to the ongoing review of the rail industry's planning and timetable development process and identified changes to the network code to facilitate industry objectives.

In October we took on a new responsibility for the regulatory regime for High Speed One. We published a regulatory statement setting out our approach.

We undertook a consultation on the future of the Stations Code. After careful consideration we concluded that the industry should no longer work towards adoption of the Code. Instead, we have asked Network Rail to work with the industry to develop proposals for reforming the current stations contractual regime. Network Rail has until early October 2010 to submit its proposals to us.

During the year we have also produced two wide-ranging General Approvals that are designed to make it simpler for the industry to manage its contractual arrangements for access to stations and depots.

PROGRESS MADE

- Whilst not yet completed, the first stage of the access policy review should be concluded by July 2010
- Similarly, the access planning review is not yet completed although, following consultation, the industry expect to do so by June 2010 when work will start to implement the necessary changes ahead of the December 2011 timetable change
- The ERTMS pilot has been delayed with Network Rail proposing a significant change in strategy for the roll out. We are continuing to push Network Rail to produce a business case for the revised strategy
- We have made good progress in formalising our regulatory approach to HS1 and are receiving regular performance reports and have reviewed HS1's asset management strategy and plans
- We plan to issue our wide-ranging General Approvals by June 2010, together with updated template agreements and comprehensive guidance

NEXT STEPS

During the coming year we will:

- continue to take forward our review of access policy
- carry out a comprehensive review of capacity allocation to assess market-based approaches to allocating capacity, including a review of access charges, to inform our consultation on the objectives and key issues for PR13
- produce a stations and depots criteria and procedures document in order to make our regulatory approach transparent
- undertake a review of the use of the wide-ranging General Approvals for station and depot access
- work with the industry to reform the station access contractual regime
- initiate discussions with Network Rail and train operators about the effectiveness of a range of contractual provisions and whether they could be more timely and effective
- establish and monitor the regulatory framework for High Speed 1
- co-operate with other regulatory bodies in order to promote the introduction of new international passenger and freight services using the Channel Tunnel

DEVELOPMENT BY THE INDUSTRY OF THE CAPABILITIES OF ITS PEOPLE

Our goal for 2009-14 is that all parts of the industry put in place arrangements so that they have and can sustain the skills and competence needed to meet the challenges of 2009-14 and beyond.

We said that we would test our success in 2009-10 by whether the following outcomes are achieved:

- the industry has made significant progress to put in place long term resource and skills plans;
- there is industry commitment to better monitoring of occupational health; and
- there is industry commitment to systematic competence management systems, in particular for frontline supervisors.

OVERVIEW OF OUR ACTIVITIES DURING THE YEAR

We published our expectations of duty-holder competence management systems

We worked with RSSB and other training organisations to establish an overview of selected duty holder competence management systems and to identify weaknesses

We initiated a project to improve the monitoring of occupational health with internal and external workshops to gain commitment and raise awareness in the industry

We continued to monitor Network Rail's capability – including planning and project management - to deliver the projects that are required in 2009-14 and in the future.

We continued to encourage and support training for the heritage sector to develop competence in change management and systems.

PROGRESS MADE

- The industry has demonstrated a commitment to systematic competence management systems and has produced guidance on rail resource management training which is particularly relevant to frontline supervisors
- A report on Network Rail's capability by one of our independent reporters was published and is driving improvements in the company
- An audit of driver management in National Express produced an action plan which is now being implemented

NEXT STEPS

During the coming year we will:

- ensure that industry planning activity includes plans to meet long-term industry human resource needs
- carry out proactive inspection of train driver maintenance route knowledge, competence of controllers of sites safety and Network Rail competence arrangements for maintenance delivery unit managers
- carry out a series of audit inspections of the competence management systems of selected duty holders
- ensure the industry is effectively monitoring occupational health and sharing best practice
- carry out two audits on two major duty holders to assess their occupational health management activities
- complete a *constructing better health* concept with selected players in the industry

HIGH QUALITY DATA AND INFORMATION FOR KEY DECISIONS

Our goal for 2009-14 is that data produced by the industry is better turned into information so that all parties can make effective and consistent use of it, and the industry's management systems are more robust and meet international standards.

We said that we would test our success in 2009-10 by whether the following outcomes are achieved:

- we, Network Rail and the industry have plans in place to address key gaps in the availability of data, particularly for industry planning and the likely requirements of the next periodic review; and
- statistics produced by ORR meet the standards required for national statistics accreditation.

OVERVIEW OF OUR ACTIVITIES DURING THE YEAR

We continued to publish reliable and timely statistics, meeting all statutory requirements. This included annual safety statistics, National Rail Trends, our annual report to the European Rail Agency and most data requirements to Eurostat.

We reviewed all areas of our data collection and analysis, closing down all activities that were no longer necessary.

We agreed data provision standards with all parties with whom we work and agreed memoranda of understanding with them.

We successfully procured and commissioned a new online data warehouse which went live on schedule in March. We also introduced an online mechanism for RIDDOR reportable incidents linked to the warehouse, making reporting easier, faster and more accurate.

PROGRESS MADE

- We have introduced tighter processes for the production and publication of statistics to meet national statistics accreditation standards; we are awaiting formal assessment by the UK Statistics Authority
- Our new data warehouse is in place, together with agreed data quality protocols with all our data suppliers. These have enabled efficiency savings in ORR, higher quality published statistics and quicker data analysis to support our decision making

NEXT STEPS

During the coming year we will:

- ensure the availability of robust data to inform PR13
- investigate the scope for further internal and external benchmarking of Network Rail and industry key performance indicators
- carry out a review of the data we publish to ensure it aligns with stakeholder requirements
- exploit the functionality of our new data warehouse to deliver an online data portal



EFFECTIVE AND EFFICIENT DELIVERY OF OUR STRATEGY



ACHIEVING EXCELLENCE

We re-structured our organisation from April 2009 to enable us to better support the delivery of our corporate strategy. Some of the key changes we introduced included:

- continuing to exploit the synergies between our roles by:
 - optimising our specialist resources by merging them to make the best use of expertise across all our functions;
 - restructuring our information and intelligence and monitoring teams; and
 - restructuring our inspectorate to align with the main duty holder groups – Network Rail, train operators, metros, trams and heritage.
- further enhancement of our health and safety model by adopting a more structured audit-based approach;
- continuing to transfer areas of work to the industry where it was considered appropriate to do so;
- continuously improving our processes making them more efficient;
- further improvement of our engagement with stakeholders; and
- continuing focus on being ever more efficient with our resources.

It is clear that new structures do not by themselves change an organisation. We therefore embarked on a programme of work entitled “achieving excellence” to develop our people and further improve our effectiveness, performance and efficiency. There are three key strands to the programme – creating a high performing organisation; developing stronger relationships with our external stakeholders and improving our corporate governance. The first two elements of the programme are summarised below and will be further implemented to transform our organisation during 2010-11. Corporate governance is covered in the next section.

CREATING A HIGH PERFORMING ORGANISATION

In delivering this strand of the programme, we are seeking to build a culture which further enables our staff to give of their best in achieving our goals. This is key to taking us forward as an organisation by empowering our people and enabling us to be an excellent employer.

To this end, we continue to invest in the management of our people and building their performance, skills and abilities (including starting work to implement a comprehensive new learning and development programme and a new reward and incentives approach).

In October 2009 we participated in the civil service people survey and are using the results to inform further improvements to how we run the organisation.

In January and February 2009 we underwent a triennial Investors in People assessment.

ENGAGING WITH OUR STAKEHOLDERS

In developing our corporate strategy we recognised that we needed to improve how we engage and communicate with our many external stakeholders. This is important in terms of ensuring that we have effective channels of two-way communication, are open and accessible to our stakeholders and clearly understand their views.

In order to inform this strand of the programme, we carried out a comprehensive survey of our key stakeholders during the course of last year to check their perceptions of us as an independent regulator, the way that we carry out our remit and what they want to see from us in future. The results of the survey can be found on our website at <http://www.rail-reg.gov.uk/upload/pdf/stakeholder-survey-findings-2009.pdf>.

In summary, whilst we are viewed as being very effective in fulfilling what are widely seen as valued and necessary roles for the industry as a whole, there are some who feel that we are sometimes slow to respond to emerging issues, can appear over-analytical in our approach and are not doing enough to hold Network Rail to account.

We used the findings from the survey to inform both our business plan for 2010-11 and improvements to our external communication and engagement.

RISK MANAGEMENT

Effective risk management remains a key component of our planning and delivery processes. During 2009-10, we further strengthened our processes, building on two Board workshops focusing on risk identification and assessment and on risk control strategies. We also introduced a new and more focused set of risk management structures and documentation.

BETTER REGULATION

We are firmly committed to making our regulation of Britain's railways both focused and effective and to benchmark ourselves against regulatory best practice and better regulation principles.

During the course of last year we introduced an impact assessment process to improve our assessment of the options we consider, including assessment of new and changed policies.

We are required by legislation to keep our functions under review and ensure that in exercising them that we do not impose or maintain unnecessary burdens. In the past year, we have reviewed the process by which we finalised the periodic review determinations and Network Rail's network licence, and our criteria and procedures for approval of track access agreements.

During the latter part of 2009-10, and building on feedback from our stakeholder survey we:

- began a review of how we consult the rail industry. Moving forward our intention is to ensure that our consultations are targeted to deliver real value and benefit, and that our processes are as easy to engage with as possible. In addition to this, we will improve the clarity of our written advice and guidance.
- continued to improve our approach on the dissemination of the rail data and statistics we collect in order to better meet the requirements of those who use such data and further improve transparency.
- continued to strengthen our partnership working with other regulatory bodies in order to avoid duplication and share best practice (as part of our new external engagement strategy).

HUMAN RESOURCES

The table below shows the profile of ORR employees as at 31 March 2010

| Grade | Total* | Male | Female | White | Ethnic minority | Not Known | Disabled |
|---------|--------|------|--------|-------|-----------------|-----------|----------|
| SCS | 16 | 12 | 4 | 16 | 0 | 0 | 0 |
| Grade A | 22 | 18 | 4 | 22 | 0 | 0 | 2 |
| Grade B | 36 | 28 | 8 | 24 | 0 | 12 | 1 |
| Grade C | 90 | 73 | 17 | 55 | 3 | 32 | 4 |
| Grade D | 38 | 25 | 13 | 25 | 8 | 5 | 2 |
| Grade E | 30 | 17 | 13 | 21 | 9 | 0 | 2 |
| Grade F | 40 | 13 | 27 | 17 | 12 | 11 | 4 |
| Grade G | 32 | 18 | 14 | 13 | 13 | 6 | 2 |
| Total | 304 | 204 | 100 | 193 | 45 | 66 | 17 |

[Note: * excludes chairman and non-executives]

Equal opportunities

We are committed to a policy of equal opportunities. Recruitment is carried out on the basis of fair and open competition and selection on merit in accordance with the recruitment code laid down by the Civil Service Commissioners. Our aim is to be fair to everyone and to ensure that no eligible job applicant or employee receives less favourable treatment on the grounds of gender, ethnicity, disability, sexual orientation, age, religious belief, or any other irrelevant factor. Our equality and diversity policy is available to all employees on our intranet.

Recruitment

The table below shows the number of appointments made through external recruitment during the year (figures exclude the Chair and non-executive directors).

| Grade | Total | Male | Female | White | Ethnic minority | Disabled |
|---------|-------|------|--------|-------|-----------------|----------|
| SCS | 1 | 1 | 0 | 1 | 0 | 0 |
| Grade A | 5 | 5 | 0 | 5 | 0 | 0 |
| Grade B | 1 | 1 | 0 | 1 | 0 | 0 |
| Grade C | 5 | 5 | 0 | 5 | 0 | 0 |
| Grade D | 2 | 1 | 1 | 1 | 1 | 0 |
| Grade E | 3 | 2 | 1 | 2 | 1 | 0 |
| Grade F | 3 | 3 | 0 | 2 | 1 | 0 |
| Grade G | 9 | 4 | 5 | 7 | 2 | 0 |
| Total | 29 | 22 | 7 | 24 | 5 | 0 |

BUSINESS PLANNING AND FINANCE

ORR is a non-ministerial government department funded almost entirely through a licence fee and railway safety levy charged to railway service providers. The totals of expenditure and income have to be planned through the Treasury and accounted for to Parliament. The chief executive is the Accounting Officer for these funds.

The resource accounts for the financial year 2009-10 have been prepared on an accruals basis, which means that expenditure and income have been accounted for in the periods in which they occurred, irrespective of when any cash was received or paid.

As mentioned above, ORR is funded almost entirely by the rail industry – broadly train operating companies and Network Rail. We work within a defined budget, and invoice for

the safety levy and licence fee to meet our costs. If we receive income which is in excess of what we have spent in the year, we carry this forward to a future year. The effect of this is that future charges for the safety and licence fees can be reduced.

In 2009-10 we spent £29.629m. We levied £31.048m for safety, licence fees and miscellaneous services and added £0.894m income accrued from the previous year. This left a balance of £1.421m to carry forward as accrued income to next year.

Most of our costs were salaries – 66% in 2009-10. A further 6% was spent on consultancy fees, including the purchase of legal services. The remainder of our expenditure (28%) was on other non-pay related costs, including non-cash costs such as depreciation of our fixed assets and making provision for future years' expenditure.

| Income | 2009-10 | 2008-09 |
|--|----------------|----------------|
| Deferred/(accrued) income from prior year | (894) | 377 |
| Licence fees, safety levy and miscellaneous income received | 31,942 | 31,035 |
| Total income | 31,048 | 31,412 |
| Expenditure | 2009-10 | 2008-09 |
| Staff costs | 19,910 | 20,645 |
| Other costs | 9,719 | 11,673 |
| (Less) add income (deferred)/accrued to future year | (1,421) | 894 |
| Net operating deficit (as voted by Parliament) | 2 | 12 |
| Reconciliation between resource outturn and resource budget outturn | | |
| Net resource outturn | 2 | 12 |
| Net operating costs | 2 | 12 |
| Resource budget outturn | 3 | 3 |

| | Budget | Actual | Variance |
|--|---------------|---------------|-----------------|
| Expenditure against strategic themes | £000 | £000 | £000 |
| Focus on passengers and freight customers now and in the future | 3,447 | 3,362 | 85 |
| Excellence in health and safety culture and risk control | 15,979 | 15,345 | 634 |
| Excellence in asset management | 2,507 | 1,972 | 535 |
| Improved industry planning and timely and efficient delivery of major projects | 4,700 | 4,338 | 362 |
| Efficient use of capacity on the mainline network | 2,193 | 2,293 | (100) |
| Development by the industry of the capabilities of its people | 915 | 785 | 130 |
| High quality data and information for key decisions | 1,591 | 1,534 | 57 |
| Total | 31,332 | 29,629 | 1,703 |

Resource management

During the year our director's group reviewed the management accounts each month, receiving information on key areas of spend, budgets and forecasts. A summary of the management accounts was presented each month to the Board. Meetings were also held between budget holders and the finance team on a regular basis where the results were discussed at a more detailed level.

Economy measures

We continue to monitor our economy and efficiency performance indicators and have further refined them. Examples are provided in the table below. We also continue to meet with other regulators to compare data and share best practice in monitoring performance.

| | 2008-09 | 2009-10 | 2010-11 | Variance 2008-09 to 2009-10 | Variance 2009-10 to 2010-11 |
|--|---------------|---------------|---------------|--------------------------------------|--------------------------------------|
| Economy measures | actual | actual | budget | | |
| Total expenditure £m | 32.9 | 29.6 | 31.5 | -3.3 | 1.9 |
| Permanent staff numbers | 332 | 301.7 | 299.4 | -30.3 | -2.3 |
| Accommodation costs/person (£000) | 7.8 | 8.4 | 9.2 | 0.6 | 0.8 |
| Accommodation costs/total costs (%) | 7.9 | 8.6 | 8.8 | 0.6 | 0.2 |
| Support costs/total costs (%) | 18.3 | 20.7 | 18.8 | 2.4 | -1.9 |
| Support staff number/total staff number (%) | 17.2 | 18.2 | 14.6 | 1.0 | -3.7 |
| Consultancy cost/total costs (%) | 6.6 | 6 | 8.8 | -0.1 | 2.3 |
| Average staff cost/ head (£000) | 63.1 | 64.0 | 67.0 | 0.8 | 3.0 |
| Staff turnover (%) | 10.8 | 8.6 | | -2.2 | |
| Sickness absence (%) | 3.3 | 2.5 | | -0.8 | |

Prompt payment initiative

We are committed to the prompt payment of our suppliers and seek to pay all valid invoices within 30 days of receipt. During 2009-10, 97.5% of invoices were paid within the target timescales.

Since January 2009 our aim has been to conform to the Prime Minister's initiative to pay all valid invoices within 10 days of invoice date. We have paid 63% of invoices within this target timeframe (allowing 2 days for postage).

Accommodation strategy

We are implementing a strategy that will rationalise our accommodation. This will reduce the number of our offices from 21 to 6 (five regional plus our London headquarters) by 2012.

Facilities management

Our facilities team manage and supply a multi-site operation across our offices. We have maintained a good relationship with our landlords in London, the Civil Aviation Authority, and the Health and Safety Executive for the majority of our regional offices.

Health and safety

We have organisational arrangements in place to ensure compliance with our health and safety policy at different levels within ORR. The health and safety policy statement describes our responsibilities and objectives and is available to all employees.

Information systems

Systems resilience and data security remain high priorities and further work was undertaken during the year to enhance and test our business continuity and information systems disaster recovery capabilities. We also took forward the implementation of recommendations from Cabinet Office on the protection of sensitive data including data encryption of all portable computer equipment.

Information management

We have an agreed information management strategy, setting out our vision of managing our information efficiently and intelligently as a combined safety and economic regulator.

We have experienced no information risk incidents sufficiently significant for the Information Commissioner to be informed.

Sustainable development

We continue to implement our corporate sustainability initiative and, wherever possible, adhere to government guidelines, working with our suppliers to select the most suitable options for the supply of energy, services and consumables. Improvements over the past year have included:

- replacement of ageing computing equipment with the latest energy star-rated models
- reductions in overall energy usage at our headquarters location
- rationalisation and removal of redundant equipment, and
- a reduction in paper usage by one third following the introduction of a new document printing solution

Customer correspondence

We have a dedicated customer correspondence team which handles all public correspondence, Parliamentary Questions, MP correspondence and Freedom of Information requests.

| | 2008-09 | 2009-10 |
|---|-----------------|-----------------|
| Parliamentary Questions – response within 24 hours | 26 met (100%) | 32 met (100%) |
| Freedom of Information – response within 20 working days | 176 met (85%) | 218 met (92%) |
| General enquiries – 90% response within 20 working days | 2,242 met (94%) | 1,768 met (93%) |

CORPORATE GOVERNANCE

ORR was established on 5 July 2004 under the Railways and Transport Safety Act 2003. We are an independent statutory body led by a Board consisting of seven non-executive directors (including the Chair) and five executive directors. The Board held 11 meetings in 2009-10 (including meetings in Edinburgh and Birmingham) and one awayday.

The Board has three standing committees; audit, remuneration and safety regulation. It also has a periodic review committee that meets as appropriate to oversee the programme. The Board, its meetings and committee meetings are governed by the Board's rules of procedure. The Board and standing committees also review their performance annually. The review in 2009-10 took account of our new corporate strategy and confirmed that the existing arrangements were appropriate to ensure that we continue to exercise efficient and robust decision making.

The Board's rules of procedure include strict guidelines on conflicts of interest. A register of Board members' interests is published on our website and members declare interests on agenda items at the start of every Board and committee meeting. On the rare occasion where there is a conflict of interest the relevant member withdraws from the meeting during discussion of the relevant item and this is recorded in the minutes. The Secretary of State for Transport makes appointments to the Board for a fixed term of up to five years but can only remove individual members for incapacity or misbehaviour under section 1(3) of the Railways Act 1993.

Audit committee

The audit committee's role is to advise the accounting officer and the Board on the adequacy of the internal controls, corporate governance, risk management and audit arrangements. The committee, which is chaired by a non-executive and has an independent member, assesses its effectiveness in the light of this role every year.

Remuneration committee

The remuneration committee's role relates to the pay and performance of ORR's senior civil service staff. It consists of non-executive members of the Board.

Safety regulation committee

The safety regulation committee's role is to develop, maintain, review and update ORR's health and safety regulatory strategy and the overall adequacy of arrangements to meet ORR's statutory duties. It consists of a mix of non-executive and executive members.

Periodic review committee

The role of the periodic review committee is to oversee and provide guidance on the delivery of the programme of work associated with ORR's periodic review of Network Rail's revenue requirement for the next five-year control period. It is chaired by the chief executive and consists of non-executive and executive members.

THE BOARD

Non-executive directors

Chris Bolt,
served as chairman until 4 July 2009

Anna Walker,
chair
from 5 July 2009 to 4 July 2014

Peter Bucks,
non executive director
5 July 2004 – 31 March 2010 and reappointed
to 4 July 2014

Jane May,
non-executive director
5 July 2004 – 31 March 2010

Richard Goldson,
non-executive director
2 October 2006 – 31 March 2010
and reappointed to 31 March 2011

Chris Elliott,
non-executive director,
1 July 2007 to 31 March 2011

Tracey Barlow,
non-executive director,
1 February 2010 to 31 January 2015

Steve Walker,
non-executive director,
1 February 2010 to 31 January 2015

Mike Lloyd,
non-executive director,
1 March 2010 to 28 February 2015

Executive directors

Bill Emery,
chief executive,
19 September 2005 and reappointed from
19 September 2008 to 18 September 2010

Michael Beswick,
executive director rail policy,
20 March 2006 to 19 March 2011

Michael Lee,
executive director railway planning and
performance,
15 January 2007 to 14 January 2012

John Thomas,
executive director railway markets
and economics,
15 January 2007 to 14 January 2012

Ian Prosser,
executive director railway safety,
26 September 2008 to 25 September 2013

Senior team

Juliet Lazarus,
director legal services

Ken Young,
director external affairs

Lynda Rollason,
director corporate services

AUDITORS

Our accounts are audited by the Comptroller and Auditor General. The audit opinion and report of the Comptroller and Auditor General is included with the statement of accounts. The notional cost of providing external services was £44,500.

Internal audit services are provided by RSM Tenon who delivered a full programme of audit reports focused around the risks identified in the high level and directorate risk registers. Positive audit opinions (either adequate or substantial assurance) were received in respect of all of the completed audit reports. All of the management recommendations have been implemented or are in the course of implementation.

RESOURCE ACCOUNTS

These accounts cover the operation of the Office of Rail Regulation (ORR) for the period 1 April 2009 to 31 March 2010. They have been prepared on an accrual basis in accordance with International Financial Reporting Standards (IFRS), the Government Resources and Accounts Act 2000 and HM Treasury's 2009-10 Financial Reporting Manual.

Where appropriate, 2008-09 figures have been restated using IFRS; however, where this has not been done, a reconciliation to IFRS figures has been given.

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INTRODUCTION

The Office of Rail Regulation was established by the Railways and Transport and Safety Act 2003 to replace the Office of the Rail Regulator. It is a non-ministerial department, funded through licence fees and safety levies, the value of which are set by ORR. Our functions were broadened by the Railways Act 2005, which established us as the combined safety and economic regulator for the railway industry.

We are independent of, but work closely with, the Department for Transport, (including the Rail Accident Investigation Branch), the Health and Safety Executive and the Rail Safety and Standards Board.

These accounts cover the operation of the Office of Rail Regulation (ORR) for the period 1 April 2009 to 31 March 2010. They have been prepared on an accrual basis in accordance with International Financial Reporting Standards, the Government Resources and Accounts Act 2000 and HM Treasury's Financial Reporting Manual.

In so far as the Accounting Officer is aware, there is no relevant audit information of which our auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that our auditors are aware of that information.

REMUNERATION REPORT

REMUNERATION COMMITTEE

The Remuneration Committee's role relates to the pay and performance of ORR senior civil service (SCS) staff, and, since 20 October 2009, it also has a strategic oversight of the approach to remuneration, performance reward and other terms and conditions of all staff. It consists of non-executive members of the Board. For 2009-10 these were Richard Goldson (committee chairman), Peter Bucks and Chris Bolt (until 4 July 2009), Anna Walker (from 5 July 2009 onwards).

The committee's role is to review the remuneration packages of ORR's senior civil servants; to keep under review the criteria for allocating individuals to performance tranches and awarding bonuses; to make recommendations to the Board on pay decisions for senior civil servants; to recommend to the Board broad pay policy in relation to all aspects of executive remuneration and to monitor the operation of the pay system. Our civil servant pay strategy accords with parameters set by the Cabinet Office for the Senior Civil Service following recommendations by the Senior Salaries Review Body. Further information about the work of the Review Body can be found at www.ome.uk.com.

The Committee met on 19 May and 18 June 2009 to consider Senior Civil Servants' pay strategy and remuneration and its recommendations were agreed by the Board on 22 June 2009. The Committee also reviewed this year's SCS pay round and considered other non-SCS remuneration matters at its meeting in December 2009.

SERVICE CONTRACTS

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made.

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

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

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

The arrangements for early termination of contracts of senior civil servants are made in accordance with the service contract of the relevant individual. Each contract provides for a payment in lieu of notice on early termination based on the provisions of the Civil Service Compensation Scheme. No executives received early termination payments in 2009-10 (2008-09: one executive £25,620).

Each senior civil servant participated in a bonus scheme (using the annual Cabinet Office guidance 'Managing Performance within the Senior Civil Service'), which takes into account the recommendations of the Senior Salaries Review Body and is subject to Government approval. The bonus is based on the individual's performance. Bonus payments are non-consolidated and non-pensionable.

The remuneration of the Chairman and non-executive directors is set by the Secretary of State for Transport. Remuneration of non-executive Board members is by payment of salaries and they have no entitlement to performance related pay or pension benefits, with the exception of the Chairman who is entitled to pension benefits.

SALARY AND PENSION ENTITLEMENTS

The following sections provide details of the remuneration and pension interests of the most senior managers of the ORR during 2009-10, and has been subject to external audit.

Remuneration

| | 2009-10 | | 2008-09 | |
|---|----------------|---------------------------------------|----------------|---------------------------------------|
| | Salary £000 | Benefits in kind (to nearest £100) | Salary £000 | Benefits in kind (to nearest £100) |
| Bill Emery <i>Chief Executive</i> | 175-180 | - | 175-180 | - |
| John Thomas * <i>Director, Railway Markets and Economics</i> | 120-125 | 600 | 115-120 | 600 |
| Juliet Lazarus*** <i>Director, Legal Services</i> | 90-95 | - | 90-95 | - |
| Linda Williams** (to 25 Sept 08) <i>Director, Railway Inspectorate</i> | - | - | 55-60 | 1800 |
| Ian Prosser (from 4 August 08) <i>Director, Railway Safety</i> | 125-130 | - | 75-80 | - |
| Michael Beswick <i>Director, Rail Policy</i> | 120-125 | - | 120-125 | - |
| Ken Young (from 4 May 09)**** <i>Director, External Affairs</i> | 70-75 | - | - | - |
| Michael Lee <i>Director, Railway Planning and Performance</i> | 110-115 | - | 115-120 | - |
| Sarah Straight (to 1 April 08) <i>Director, Safety and Economic Policy Development</i> | - | - | 0-5 | - |
| Lynda Rollason* <i>Director, Corporate Services</i> | 115-120 | 600 | 110-115 | 300 |

Notes

* Benefits in kind comprise subsidised gym membership

** Benefits in kind comprise travel benefits

*** The full-year basic equivalent salary for Juliet Lazarus, (who works part-time hours) is in the range £120,000 to £125,000

**** The full-year basic equivalent salary for Ken Young is in the range £80,000 - £85,000

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation.

'Pension entitlement/allowances' relates to an allowance paid to senior staff who have chosen to take extra salary to invest in a pension scheme of their own choice rather than participate in a Civil Service pension. No senior managers exercised this option. Pension benefits are shown on page 48.

CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Some employees, including the Director, Rail Policy and the Director, Railway Planning and Performance, are covered by the provisions of the Railway Pension Scheme (RPS), which is contributory and funded. The scheme is a defined benefit scheme with obligations met by the RPS trustees. Details of the RPS scheme statements and other financial information can be found in the Annual Report and Accounts of Railway Pensions Trustee Company Limited (www.railwaypensions.co.uk).

The former Rail Regulators' and former Chairman's pensions are by analogy with the Principal Civil Service Pension Scheme. During 2009-10 this scheme had one member in employment, (the former Chairman, up to 4 July) (2008-09: one member). The accruing cost of providing for the member's future benefits, which is based on actuarial advice, is charged to the Operating Cost Statement. A provision for the expected future liabilities for the Rail Regulators' and Chairman's Pension Scheme is disclosed as a liability on the Statement of Financial Position.

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

PENSION BENEFITS

| | Accrued pension at age 60 as at 31/3/10 and related lump sum £000 | Real increase/ (decrease) in pension and related lump sum at age 60 £000 | CETV at 31/3/10 £000 | CETV at 31/3/09 £000 | Real increase/ (decrease) in CETV £000 |
|---|---|--|----------------------------|----------------------------|--|
| Bill Emery (a) <i>Chief Executive</i> | 55-60 (pension) 170-175 (lump sum) | 2.5-5.0 (pension) 10-15 (lump sum) | 1,331 | 1,156 | 97 |
| John Thomas (b/c) <i>Director, Railway Markets and Economics</i> | 15-20 (pension) | 2.5-5.0 (pension) | 180 | 145 | 22 |
| Juliet Lazarus (c) <i>Director, Legal Services</i> | 5-10 (pension) | 0-2.5 (pension) | 114 | 86 | 19 |
| Linda Williams (a) <i>Director, Railway Inspectorate (to 25 September 2008)</i> | - | - | - | 932 | - |
| Ian Prosser (e) <i>Director, Railway Safety</i> | 2.5-5.0 (pension) | 2.5-5.0 (pension) | 56 | 21 | 30 |
| Michael Beswick (d) <i>Director, Rail Policy</i> | 55-60 (pension) 45-50 (lump sum) | 2.5-5.0 (pension) 2.5-5.0 (lump sum) | 1,124 | 1,082 | 42 |
| Ken Young (e) <i>Director, External Affairs</i> | 0-2.5 (pension) | 0-2.5 (pension) | 19 | - | 17 |
| Michael Lee (d) <i>Director, Railway Planning and Performance</i> | 55-60 (pension) 50-55 (lump sum) | 2.5-5.0 (pension) 2.5-5.0 (lump sum) | 921 | 906 | 15 |
| Sarah Straight (a) <i>Director, Safety and Economic Policy Development (to 1 April 2008)</i> | - | - | - | 730 | - |
| Lynda Rollason (a) <i>Director, Corporate Services</i> | 10-15 (pension) 35-40 (lump sum) | 0-2.5 (pension) 2.5-5.0 (lump sum) | 236 | 196 | 27 |

Notes

(a) opted to join Classic, (b) opted to join Classic plus, (c) Premium, (d) member of the Railway Pension Scheme from date of appointment, (e) Nuvos

NON-EXECUTIVE DIRECTORS

Other Non-executive Directors received the following salaries:

| | Period of Office | 2009-10 | 2008-09 |
|---------------------|------------------------------------|----------------|----------------|
| | | £ | £ |
| Anna Walker* | 5 July 2009 to 4 July 2014 | 94,758 | - |
| Chris Bolt ** | 5 July 2004 to 4 July 2009 | 29,186 | 110,273 |
| Peter Bucks | 5 July 2004 to 31 March 2014 | 21,776 | 21,619 |
| Jane May | 5 July 2004 to 31 March 2010 | 21,776 | 21,619 |
| Jim O'Sullivan | 1 April 2005 to 31 March 2009 | - | 21,619 |
| Dr. Chris Elliott | 1 July 2007 to 31 March 2011 | 21,776 | 21,619 |
| Richard Goldson OBE | 2 October 2006 to 31 March 2011 | 21,776 | 21,619 |
| Tracey Barlow*** | 2 February 2010 to 31 January 2015 | 3,629 | - |
| Steve Walker*** | 2 February 2010 to 31 January 2015 | 3,629 | - |
| Mike Lloyd*** | 1 March 2010 to 28 February 2015 | 1,815 | - |

Notes

*The full year equivalent is £120,000

**The full year equivalent is £111,928

***The full year equivalent is £21,776

Chris Bolt's accrued benefits at pension age as at 4th July 2009 is in the range £5k - £10k, with a real increase of £0-2.5k. The CETV at 4th July 2009 is £164k (31 March 2009: £152k), with a real increase of £9k.

During the year, Peter Bucks' term of office was extended for an additional four years, and Richard Goldson's for one further year.

The CETV figures at 31/03/09 may be different from the closing figures in the 2008-09 accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

In addition to the amounts shown above, Non-executive Directors are also entitled to receive reimbursement of expenses incurred in relation to their duties. Details are available on the ORR website, (www.rail-reg.gov.uk).



Bill Emery

Accounting Officer

21 May 2010

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of ORR and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Chief Executive as ORR's Accounting Officer with responsibility for preparing ORR's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing these resource accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by the Treasury and, in particular, to:

- observe all relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts, and
- prepare the financial statements on a going concern basis.

The relevant responsibilities of the Accounting Officer (including his responsibility for the propriety and regularity of public finances for which an Accounting Officer is answerable, for the keeping of proper records and for safeguarding ORR's assets) are set out in 'Managing Public Money' published by the Treasury.

STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Office of Rail Regulation's ("ORR's") policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

ORR's policies aims and objectives support:

- the obligations laid down in, or arising from, the Railways Act 1993 as amended by the Transport Act 2000, the Railways and Transport Safety Act 2003, the Railways Act 2005 and the Health and Safety at Work etc. Act 1974; and
- the concurrent powers held with the Office of Fair Trading to investigate competition cases under the Competition Act 1998, as amended, and under the Enterprise Act 2002.

I am a member of the ORR Board and report on internal control matters to the Board at each of its meetings

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of ORR's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in ORR for the year ended 31 March 2010 and up to the date of the approval of the annual reports and accounts, and accords with Treasury guidance.

CAPACITY TO HANDLE RISK

The business planning and corporate governance team in the corporate services directorate has lead responsibility for managing and driving forward the risk management process and for ensuring that risk management is effectively implemented and embedded in ORR's processes. The team has put forward formal papers to the ORR Board, the Audit Committee and the executive directors' group and has facilitated discussions on risk at directorate and team level. All Audit Committee meetings during the year were quorate.

At a senior level, leadership is given to the risk management process through Board reviews and through the Audit Committee's scrutiny programme. The ORR Board considered formal papers on risk in January and November 2009. The Audit Committee continued to scrutinise the risk management framework and took formal papers on risk management at each of its quarterly meetings (May, September and December 2009, and March 2010.)

RISK REVIEW WORKSHOPS

In June and July 2009 the Board and senior management team attended two risk management workshops. The aim of the workshops was to use a “zero-based” approach to identify and assess ORR’s main risks and to allocate these to director level risk owners, who would develop and present control strategies for each one. Feedback from participants and from the external facilitator suggested that ORR was successful in achieving the aim. In summary, the workshops agreed:

- a refreshed set of high level risks and controls;
- a revised process for keeping risk under review at ORR; and
- a revised format for our risk registers.

The assessment of risks and the identification of appropriate controls forms a key part of the business planning process. Each directorate is required to consider these aspects and include them in the working level planning documentation.

THE RISK AND CONTROL FRAMEWORK

ORR’s risk management strategy sets out the key features of the risk management framework and provides guidance for staff on their role in the process. The risk management strategy was kept under review during the reporting year and further refined to ensure that it remained consistent with the developing policies and procedures.

ORR has a two-tier risk management structure comprising:

- a high level risk register; and
- directorate risk registers.

All the risk registers are available to staff on ORR’s intranet.

The *high level risk register* is a concise statement of the most significant risks facing ORR. It identifies risk owners (at director or deputy director level) and control actions along with progress and next steps on these. There are currently 12 high level risks centring around safety, industry performance, stakeholder relations, the impact of external environmental changes (both political and economic) and our own organisational effectiveness. Of these the most significant are the risks for ORR arising from:

- central government or European policy changes;
- financial pressures on the industry (notably the train operating companies);
- organisational culture and engagement;
- external perceptions.

During the year the risk score in relation to one of the three safety-related risks was reduced, reflecting the implementation of a new audit-based approach to health and safety inspection and a move by the industry towards the more widespread adoption of a safety culture. Conversely, the score for the organisational culture and engagement risk *increased*, as ORR embarked on a change management programme designed to transform the organisational culture and equip it with the skills and expertise necessary to deliver the challenging agenda set out in the corporate strategy.

The *directorate risk registers* incorporate programme and project risk registers by reference and provide the principal focus for risk management at working level. Each of the six directorates is required to maintain a directorate risk register and to review this regularly as part of its routine management processes. The directorate risk registers are submitted to the Audit Committee in rotation and the relevant director or deputy director is required to attend the meeting to account for the effectiveness of the directorate review processes.

The July workshop agreed a new format which is used for the high level and directorate risk registers. Risk is described more rigorously than previously, using a “context, event, consequences” sequence, and each risk is scored at the inherent (i.e. uncontrolled) level, as well as at the current and target levels. A “risk control strategy” box specifies the approach to controlling the risk – seeking to reduce probability, business impact or both, and the control actions tables are designed to present an action plan approach to risk control, with key delivery dates specified. Finally the register also specifies success measures and the current position against these.

During the last quarter, ORR undertook an assurance mapping exercise. This linked severity of risk to the relative importance of each control action in managing that risk and a clear statement of the evidence required to demonstrate the effectiveness of the control action. Whilst this work is not yet completed, ORR believes that this more disciplined approach will allow assurance resources (notably internal audit) to be prioritised more effectively so that more rigorous assurance can be obtained in respect of the most important control actions addressing the most significant risks.

Whilst there were no significant control failures during the year, steps were taken to further strengthen ORR’s operating procedures in areas where the need for improvement had become apparent. For example, the prosecutions procedure was reviewed and documented in the light of an unsuccessful prosecution arising from a railway worker death in March 2004, as were procedures governing a range of HR functions.

INFORMATION ASSURANCE

We have an information management strategy which sets out how we will manage our information more efficiently and intelligently as a combined safety and economic regulator. The implementation of this strategy is managed through the information management programme, which includes an area of work on information assurance.

We maintain a risk register on information risk and have formed an information security forum (chaired by our Senior Information Risk Owner) to oversee our compliance with our government information assurance requirements, to monitor breaches in information security and recommend follow-up actions, and to provide a central management point for matters relating to information assurance. Our staff have also completed the National School of Government’s ‘protecting information’ e-learning course, which provides a best practice comprehensive guide to why information is important, the risk to its safety and what staff can do to protect it. New staff are also asked to undertake this training.

We have experienced no information risk incidents which are sufficiently significant for the Information Commissioner to be informed.

REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. Executive directors have provided a statement of assurance for their areas of responsibility at the end of the 2009-10 financial year.

Some of the key features of the system are as follows:

- monthly Board and weekly directors' group meetings to review strategic plans and to manage policy, resource and operational requirements;
- Board and directors' group (DG) papers cover risk explicitly and templates are amended accordingly;
- every DG includes a short risk "tour de table". The presumption is that any significant developments will be brought up here and responsibility for this rests with the risk owner;
- our "rapporteurs" highlight risks to the achievement of the strategic themes in their periodic presentations to DG and the Board;
- regular (normally quarterly) Audit Committee meetings, which include an independent member as well as internal and external auditors. These meetings provided informed advice on the adequacy of internal controls, corporate governance, risk management and audit arrangements;
- independent internal audit, provided by RSM Tenon, which operates to criteria defined in Government Internal Audit Standards and reports to, and agrees forward plans with the audit committee;
- a team within the corporate services directorate dedicated to the development and implementation of corporate governance within the Office of Rail Regulation;
- a budget manager training manual, procurement manual and a financial procedures manual;
- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board, and with regular monthly and annual accounts with actual performance compared to budget;
- a scheduled monthly session at the directors' group meeting to monitor and review a range of financial matters, including performance against forecast budget and any procurement issues;
- consultations with industry stakeholders on the contents of the corporate strategy and draft budget and licence fees/safety levy; and
- individual performance agreements for each staff member which align with the ORR's objectives through each directorate and ensure that its affairs are conducted with efficiency, economy and effectiveness.

The detailed internal control arrangements within ORR are kept under review by its Audit Committee and Board, as appropriate.

Furthermore, at least annually, RSM Tenon provides me with a report on internal audit activity for ORR. This independent report for 2009-10 provided a positive opinion on the adequacy and effectiveness of ORR's system of internal controls.



Bill Emery
Accounting Officer

21 May 2010

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Office of Rail Regulation for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

OPINION ON REGULARITY

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the 'Key achievements in 2009-10' and 'Effective and efficient delivery of our strategy' sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

26 May 2010

STATEMENT OF PARLIAMENTARY SUPPLY

SUMMARY OF RESOURCE OUTTURN 2009-10

| Request for Resources | Estimate | | | Outturn | | | 2009-10 | 2008-09 |
|---|-------------------|--------|-----------|-------------------|--------|-----------|---|-------------------|
| | Gross Expenditure | A in A | Net Total | Gross Expenditure | A in A | Net Total | Net Total outturn compared with Estimate: | Outturn |
| | £000 | £000 | £000 | £000 | £000 | £000 | saving/ (excess) £000 | Net Total £000 |
| 1. To create a better railway for passengers and freight, and better value for public funding authorities, through independent, fair and effective regulation (Note 3) | 33,855 | 33,852 | 3 | 29,629 | 29,627 | 2 | 1 | 2 |
| Total resources (note 4) | 33,855 | 33,852 | 3 | 29,629 | 29,627 | 2 | 1 | 2 |
| Non-operating cost A in A | - | - | - | - | - | - | - | - |

The 2008-09 Statement of Parliamentary Supply cannot be restated on an IFRS basis as it must reflect the funding voted by Parliament. It therefore remains on an a UK GAAP basis. A reconciliation to the IFRS based 2008-09 accounts is given below

| | Note | £000 |
|--|------|-----------|
| Summary of resource outturn as at 31 March 2009 under UK GAAP | | 2 |
| Staff costs under UK GAAP | | 20,635 |
| Staff costs under IFRS (IAS 19) | 8 | 20,645 |
| Summary of resource outturn as at 31 March 2009 under IFRS | | 12 |

NET CASH REQUIREMENT 2009-10

| | | | | 2009-10 £000 | 2008-09 £000 |
|----------------------|------|----------|---------|--|-----------------|
| | Note | Estimate | Outturn | Net total outturn compared with estimate: saving/(excess) | Outturn: |
| Net cash requirement | 5 | 2 | - | 2 | 1,000 |

SUMMARY OF INCOME PAYABLE TO THE CONSOLIDATED FUND

(In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)).

| | | | Forecast 2009-10 £000 | | Outturn 2009-10 £000 | |
|-------|------|--------|--------------------------|--------|-------------------------|--|
| | Note | Income | Receipts | Income | Receipts | |
| Total | 6 | 333 | 333 | 2,102 | <i>2,102</i> | |

OPERATING COST STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

| | | Staff Costs | Other Costs | 2009-10 Income | 2008-09 |
|------------------------------|-------------|------------------------|------------------------|---------------------------|----------------|
| | Note | £000 | £000 | £000 | £000 |
| Administration Costs: | | | | | |
| Staff Costs | 8 | 19,910 | | | 20,645 |
| Other administration costs | 9 | | 9,719 | | 11,673 |
| Operating income | 10 | | | (29,627) | (32,306) |
| Totals | | 19,910 | 9,719 | (29,627) | 12 |
| Operating Cost | 4 | | | 2 | 12 |

All income and expenditure is derived from continuing operations

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

| | Note | £000 | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|---|------|--------------|--------------------------|--------------------------|-------------------------|
| Non-current assets: | | | | | |
| Property, plant and equipment | 11 | 2,899 | | 3,343 | 3,745 |
| Intangible assets | 12 | 586 | | 249 | 262 |
| Total non-current assets | | | 3,485 | 3,592 | 4,007 |
| Current assets: | | | | | |
| Trade and other receivables | 13 | 1,276 | | 1,711 | 730 |
| Cash | 14 | 2,102 | | 296 | 3,784 |
| Total current assets | | 3,378 | | 2,007 | 4,514 |
| Total assets | | | 6,863 | 5,599 | 8,521 |
| Current liabilities: | | | | | |
| Trade and other payables (amounts falling due within one year) | 15 | (8,059) | | (3,669) | (9,237) |
| Total current liabilities | | | (8,059) | (3,669) | (9,237) |
| Total non-current assets less current liabilities | | | (1,196) | 1,930 | (716) |
| Non-current liabilities: | | | | | |
| Provisions | 16 | (1,819) | | (2,762) | (755) |
| Other payables >1 year | 15 | (48) | | (74) | (291) |
| Pension liabilities | 16 | (487) | | (428) | (393) |
| Total non-current liabilities | | | (2,354) | (3,264) | (1,439) |
| Assets less liabilities | | | (3,550) | (1,334) | (2,155) |
| Taxpayers' equity: | | | | | |
| General fund | | | (3,858) | (1,642) | (2,635) |
| Revaluation reserve | | | 308 | 308 | 480 |
| Total taxpayers' equity | | | (3,550) | (1,334) | (2,155) |

The balances for 1 April 2008 and 31 March 2009 have been restated to comply with International Financial Reporting Standards



Bill Emery
Accounting Officer
21 May 2010

STATEMENT OF CASH FLOWS

FOR YEAR ENDED 31 MARCH 2010

| | | 2009-10 | 2008-09 |
|---|-------|--------------|----------------|
| | Note | £000 | £000 |
| Net cash (outflow)/inflow from operating activities | 17(a) | 2,630 | (115) |
| Capital expenditure and financial investment | 17(b) | (528) | (589) |
| Payments of amounts due to the Consolidated Fund | 17(e) | (296) | (3,784) |
| Financing | 17(d) | - | 1,000 |
| (Decrease)/increase in cash in the period | | 1,806 | (3,488) |

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

| | Note | General Fund £000 | Revaluation Reserve £000 | Total Reserves £000 |
|--|------|-------------------------|--------------------------------|---------------------------|
| Balance at 31 March 2008 under UK GAAP | | (1,414) | 480 | (934) |
| Effect of changes under IFRS | 2 | (1,221) | - | (1,221) |
| Restated balance at 1 April 2008 | | (2,635) | 480 | (2,155) |
| Changes in taxpayers' equity for 2008-09 | | | | |
| Actuarial gain relating to pension provision | 16 | 16 | - | 16 |
| Arising on revaluation during the year (net) | | - | 87 | 87 |
| Non-cash charges | | | | |
| Cost of capital credit | 9 | (17) | - | (17) |
| Auditors' remuneration | 9 | 43 | - | 43 |
| Transfers between reserves | | 259 | (259) | - |
| Operating Cost for the year | 3 | (12) | - | (12) |
| Total recognised income and expense for 2008-09 | | 289 | (172) | 117 |
| Net Parliamentary Funding – drawn down | | 1,000 | - | 1,000 |
| Excess cash surrenderable to the Consolidated Fund | | (296) | - | (296) |
| Balance at 31 March 2009 | | (1,642) | 308 | (1,334) |
| Changes in taxpayers' equity for 2009-10 | | | | |
| Actuarial (loss) relating to pension provision | 16 | (75) | - | (75) |
| Arising on revaluation during the year (net) | | - | - | - |
| Non-cash charges | | | | |
| Cost of capital credit | 9 | (81) | - | (81) |
| Auditors' remuneration | 9 | 44 | - | 44 |
| Transfers between reserves | | - | - | - |
| Operating Cost for the year | | (2) | - | (2) |
| Total recognised income and expense for 2009-10 | | (114) | - | (114) |
| Net Parliamentary Funding – drawn down | | - | - | - |
| Excess cash surrenderable to the Consolidated Fund | 5 | (2,102) | - | (2,102) |
| Balance at 31 March 2010 | | (3,858) | 308 | (3,550) |

STATEMENT OF OPERATING COSTS BY DEPARTMENTAL STRATEGIC OBJECTIVES

FOR THE YEAR ENDED 31 MARCH 2010

| | 2009-10 | | | 2008-09 | | |
|---|---------------|----------------|-------------|---------------|----------------|-------------|
| | Gross £000 | Income £000 | Net £000 | Gross £000 | Income £000 | Net £000 |
| Aim: | | | | | | |
| ORR applies independent, fair and effective regulation to enable the railway to be safe, well maintained and efficient and to ensure that it provides value for money for users and for its funders | | | | | | |
| Strategic themes | | | | | | |
| Theme 1 – Focus on passenger and freight customers now and in the future | 3,362 | 3,362 | - | 3,331 | 3,330 | 1 |
| Theme 2 – Excellence in health and safety culture and risk control | 15,345 | 15,344 | 1 | 16,859 | 16,852 | 7 |
| Theme 3 – Excellence in asset management | 1,972 | 1,972 | - | 1,998 | 1,998 | - |
| Theme 4 – Improved industry planning and timely and efficient delivery of major projects | 4,338 | 4,337 | 1 | 5,131 | 5,129 | 2 |
| Theme 5 – Efficient use of capacity on the mainline network | 2,293 | 2,293 | - | 2,961 | 2,960 | 1 |
| Theme 6 – Development by the industry of the capabilities of its people | 785 | 785 | - | 877 | 877 | - |
| Theme 7 – High quality data and information for key decisions | 1,534 | 1,534 | - | 1,161 | 1,160 | 1 |
| | 29,629 | 29,627 | 2 | 32,318 | 32,306 | 12 |

The figures for 2008-09 have been restated to comply with International Financial Reporting Standards

An explanation of the methodology for allocating costs to objectives is given in note 1.15.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ORR for the purpose of giving a true and fair view has been selected. The particular policies adopted by the ORR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under UK GAAP, the FRoM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Departmental Strategic Objective and supporting notes analyse the Department's income and expenditure by the objectives agreed by its Board in consultation with licence fee payers.

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Tangible non-current assets

These comprise fitting out costs; furniture, office and telecommunications equipments and computers. The minimum level for capitalisation of a tangible fixed asset is £5,000. The grouping of assets below the threshold has been restricted to IT and fit out costs.

Tangible non-current assets are carried at valuation in existing use. Depreciated historic cost is used as a proxy for current value as annual revaluations would not create a material difference to the carrying value of the assets.

1.3 Depreciation

Depreciation is provided at rates calculated to write-off the valuation of tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

| | |
|--|--|
| Fitting out costs | up to 15 years (limited to period of remaining lease) |
| Furniture, Office & Telecom Equipment | 5 - 10 years |
| Information Technology & Purchased software licences | 3 - 5 years |
| Motor Vehicles | 3 years |

1.4 Intangible assets

Purchased computer software licences and software development costs are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. Software licences are amortised over the shorter of the term of the licence and the useful economic life. The useful economic life for software is normally 3 years. Depreciated historic cost is used as a proxy for current value as annual revaluations would not create a material difference to the carrying value of the assets.

1.5 Operating income

Operating income is income which relates directly to ORR's operating activities. It comprises licence fees, concession fees (HS1), safety levies and safety related income. It includes not only income appropriated-in-aid of the Estimate but also income payable to the Consolidated Fund, which in accordance with FReM is treated as operating income. The operating income is stated net of VAT.

Since all costs are recovered via the licence fees or safety levy and these are invoiced based on estimated costs, any over recovery is treated as deferred income within Current Liabilities, and any under recovery is treated as accrued income within Current Assets.

1.6 Administration expenditure

In the Operating Cost Statement administration costs reflect the costs of running ORR. These include both administration costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administration costs in determining the outturn against the administration cost limit, and that operating income which is not.

1.7 Capital charge

A charge, reflecting the cost of capital utilised by ORR, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- (a) cash balances with the Government Banking Service, where the charge is nil;
- (b) liabilities for amounts to be surrendered to the Consolidated Fund, where the credit is nil.

1.8 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

1.9 Pensions

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

In addition, eight present employees are covered by the provisions of the Railways Pension Scheme (RPS) which is contributory and funded. The scheme is a defined benefit scheme with the obligations met by the trustees. The benefits of the British Rail section are ultimately guaranteed by the Secretary of State. The amount paid in respect of these pensions is shown under staff costs in the Operating Cost Statement.

Past Rail Regulators have separate pension arrangements that are broadly analogous with the PCSPS. Like the PCSPS, the pension arrangements are defined benefits and unfunded schemes. A provision to meet ORR's liability for future payment is included in these accounts. The provision is based on actuarial valuations carried out by the Government Actuary's Department. The amounts paid and provided under these pension arrangements are included in the Operating Cost Statement and shown in Note 16.

1.10 Leases

Operating leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable which fairly reflects the usage. Future payments, disclosed at Note 19, "Commitments under leases", are not discounted.

Finance leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. Interest charges due under finance leases are charged to the Operating Cost Statement. Future payments, disclosed at Note 19, "Commitments under leases", are not discounted.

1.11 Provisions

ORR provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent). However, the new rules under IFRS state that the discount rate applied to the provision for voluntary early retirements should be discounted at the pension rate and not at the 2.2% provisions rate. The provisions for past Rail Regulators' pension commitments have also been assessed using a discount rate of 1.8 per cent net of price inflation (2008-09: 2.5%).

1.12 Value Added Tax (VAT)

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

1.13 Going concern

The statement of financial position at 31 March 2010 shows a negative Taxpayers Equity of £3.55 million. This reflects the inclusion of liabilities falling due in 2009-10, including the repayment of excess cash to the Treasury's Consolidated Fund. Any liabilities in excess of cash receivable in year are financed mainly by drawings from the UK Consolidated Fund. Such drawings are from grants of Supply approved annually by Parliament, to meet ORR's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that needed. All unspent cash, including those derived from ORR's income, are surrenderable to the Fund.

In common with other government departments, the future financing of ORR's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2010-11 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.14 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS37 are stated at the amounts reported to Parliament.

1.15 Statement of Operating Costs by Strategic Objectives

The Statement of Operating Costs by Strategic Objectives has been prepared from the underlying books and records. Where possible costs have been directly attributed to each strategic theme. Overhead costs have been attributed in proportion to direct costs.

2. FIRST-TIME ADOPTION OF IFRS

With effect from 1 April 2009, ORR is required to report its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The transition date chosen for the adoption of IFRS is 1 April 2008. The table below presents the impact of transition to IFRS.

a) Impact of adoption of IFRS on Taxpayers' Equity at 1 April 2008

The following is a summary of the IFRS measurement and presentation adjustments as they affected net assets at 1 April 2008 (the date of adoption of IFRS) and 31 March 2009, which arise as a consequence of applying IFRS measurement principles as compared with UK GAAP.

| | General Fund £000 | Revaluation Reserve £000 | Total Reserves £000 |
|--|----------------------|--------------------------------|---------------------------|
| Taxpayers' equity at 31 March 2008 under UK GAAP | (1,414) | 480 | (934) |
| Adjustments for: | | | |
| Staff accrued untaken paid leave and accrued bonus payments (IAS 19) | (1,221) | - | (1,221) |
| Taxpayers' equity at 1 April 2008 under IFRS | (2,635) | 480 | (2,155) |
| | | | |
| Taxpayers' equity at 31 March 2009 under UK GAAP | (411) | 308 | (103) |
| Adjustments for: | | | |
| Staff accrued untaken paid leave and accrued bonus payments (IAS 19) | (1,231) | - | (1,231) |
| Taxpayers' equity at 31 March 2009 under IFRS | (1,642) | 308 | (1,334) |

b) Impact of adoption of IFRS on Net Operating Cost at 31 March 2009

The following is a summary of the IFRS measurement and presentation adjustments as they affected the net operating cost at 31 March 2009, which arise as a consequence of applying IFRS measurement principles as compared with UK GAAP.

| | £000 |
|---|-----------|
| Net operating cost for 2008-09 under UK GAAP | 2 |
| Adjustments for Staff accrued untaken paid leave and accrued bonus payments (IAS19) | 10 |
| Net operating cost for 2008-09 under IFRS | 12 |

c) Impact of adoption of IFRS on cash flows at 31 March 2009

The adoption of IFRS has no impact on the cash position of ORR. No reconciliation is therefore required for prior year cashflow.

d) IFRS measurement adjustments

Accrual for untaken paid leave and accrued bonus payments

Accruals are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can reasonably be estimated. The accrual has been recognised for the estimated ultimate liability that is expected to be realised.

3. ANALYSIS OF NET RESOURCE OUTTURN BY FUNCTION

| | 2009-10 | | | | 2008-09 | | |
|--|----------------------------------|---------------|---------------|----------|--|----------|-----------------------|
| | £000 | | | | £000 | | |
| | | | Outturn | Estimate | Net Total Outturn compared with Estimate | | Prior year outturn |
| Admin | Gross resource Expenditure | A in A | Net Total | Estimate | | | |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Request for resources 1: | | | | | | | |
| To create a better railway for passengers and freight, and better value for public funding authorities, through independent, fair and effective regulation | | | | | | | |
| A. Administration, associated capital other expenditure | | | | | | | |
| | 11,054 | 11,054 | 11,053 | 1 | 1 | - | 5 |
| B. Rail Safety Regulation | | | | | | | |
| | 18,575 | 18,575 | 18,574 | 1 | 2 | 1 | 7 |
| Resource Outturn | 29,629 | 29,629 | 29,627 | 2 | 3 | 1 | 12 |



4. RECONCILIATION OF OUTTURN TO OPERATING COST AND AGAINST ADMINISTRATION BUDGET

(a) Reconciliation of net resource outturn to Operating Cost

| | | 2009-10 | | 2008-09 | |
|-----------------------|------|----------|--------------------|----------------|-------------------|
| | | £000 | | £000 | |
| | | Outturn | Supply | Outturn | Net total Outturn |
| | Note | Estimate | Compared with | compared with | Estimate: Cost |
| | | | Estimate: (Saving) | Estimate: Cost | |
| Net Resource Outturn | 3 | 2 | 3 | (1) | 9 |
| Operating Cost | | 2 | 3 | (1) | 9 |

(b) Outturn against final Administration Budget

| | 2009-10 | | 2008-09 | |
|--|----------|----------|----------|----------|
| | Budget | Outturn | Budget | Outturn |
| | £000 | £000 | £000 | £000 |
| Gross Administration Budget | 33,855 | 29,629 | 36,795 | 32,318 |
| Income allowable against the Administration Budget | (33,852) | (29,627) | (36,792) | (32,306) |
| Net outturn against final Administration Budget | 3 | 2 | 3 | 12 |

5. RECONCILIATION OF RESOURCES TO CASH REQUIREMENT

| | Note | Estimate £000 | Outturn £000 | Net total Outturn compared with Estimate: saving/(excess) £000 |
|--|-------|------------------|-----------------|--|
| Resource Outturn | 3 | 3 | 2 | 1 |
| Capital | | | | |
| Acquisition of property, plant and equipment | 11,12 | 750 | 692 | 58 |
| Non Operating A-in-A | | | | |
| Proceeds of fixed asset disposals | | - | - | - |
| Accruals adjustments | | | | |
| Non-cash item IFRS adjustment (IAS19) | | - | 1,231 | (1,231) |
| Non-cash items (staff costs) | 8 | (38) | (9) | (29) |
| Non-cash items (other administration costs) | 9 | (991) | (1,018) | 27 |
| Changes in working capital other than cash | | - | (4,224) | 4,224 |
| Use of provision/adjustment to provision | 16 | (55) | 1,173 | (1,228) |
| Use of provision - by analogy pension | | - | 51 | (51) |
| Excess cash receipts surrenderable to the Consolidated Fund | 6 | 333 | 2,102 | (1,769) |
| Net cash requirement | | 2 | - | 2 |

6. ANALYSIS OF INCOME PAYABLE TO THE CONSOLIDATED FUND

In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

| | Note | £000 Income | Forecast 2009-10 £000 Receipts | £000 Income | Outturn 2009-10 £000 Receipts |
|---|------|----------------|---|----------------|--|
| Excess cash surrenderable to the Consolidated Fund | 14 | 333 | 333 | 2,102 | 2,102 |
| Other amounts collectable on behalf of the Consolidated Fund | | - | - | - | - |
| Total income payable to the Consolidated Fund | | 333 | 333 | 2,102 | 2,102 |

7. RECONCILIATION OF INCOME RECORDED WITHIN THE OPERATING COST STATEMENT TO OPERATING INCOME PAYABLE TO THE CONSOLIDATED FUND

| | Note | 2009-10 £000 | 2008-09 £000 |
|---|------|-----------------|-----------------|
| Operating income | 10 | 29,627 | 32,306 |
| Income authorised to be appropriated-in-aid | | (29,627) | (32,306) |
| Operating income payable to the Consolidated Fund | | - | - |

8. STAFF NUMBERS AND RELATED COSTS

Staff costs comprise:

| | £000 | £000 | 2009-10 £000 | 2008-09 £000 |
|--|---------------|-------------------------------|-----------------|-----------------|
| | Total | Permanently employed staff | Others | Total |
| Wages and salaries | 15,512 | 14,930 | 582 | 15,959 |
| Social security costs | 1,405 | 1,381 | 24 | 1,377 |
| Other pension costs | 2,984 | 2,984 | | 3,309 |
| Sub Total | 19,901 | 19,295 | 606 | 20,645 |
| Less recoveries in respect of outward secondments | - | - | - | (32) |
| Total | 19,901 | 19,295 | 606 | 20,613 |
| Non cash items: By analogy pension current service costs | 9 | 9 | - | 32 |
| Total net costs* | 19,910 | 19,304 | 606 | 20,645 |

* of the total no charge has been made to capital

2008-2009 figures have been restated to comply with International Financial Reporting Standards

Included in the figure for other pension costs are employer's contributions of £2,886,934 payable to the PCSPS (2008-09: £3,150,548) at one of four rates in the range 16.7% to 24.3 per cent (2008-09: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11 the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Thus, the contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,903.23 were paid to partnership pension providers (2008-09: £2,379.17). Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £739.19, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the date of the Statement of Financial Position were £926.04.

The (PCSPS) is an unfunded multi-employer defined benefit scheme and ORR is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007.

Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The Railway Pension Scheme (RPS) is a funded multi-employer defined benefit scheme administered by Railway Pensions Trustee Company Limited. This is a defined benefit scheme which prepares its own scheme statements. Details of the RPS pensions statements can be found in the Annual Report and Accounts of the RPS at (www.railwaypensions.co.uk). Employer contributions of £99,136 were paid to the trustees of the RPS in 2009-10 at a rate of 2.374 times the individual member's contributions, on the basis of actuarial valuations (2008-09: £137,138). ORR matches some of the BRASS2 contributions (an AVC scheme) made by the members. In 2009-10, matching contributions of £4,908 were made (2008-09: £4,908).

With regard to the accrued pension costs for the former Chairman and past Rail Regulators, notional contributions of £9,000 as advised by the Government Actuary have been charged to the Operating Cost Statement, (2008-09: £32,000). The liability at 31 March 2010 is estimated at £487,000 (31 March 2009: £428,000).

Average number of persons employed

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

| Theme | Total | Permanent staff | 2009-10 | | 2008-09 | |
|--|------------|-----------------|-----------|--------|---------|------------|
| | | | Others | Number | Others | Number |
| Theme 1 – Focus on passenger and freight customers now and in the future | 37 | 35 | 2 | | | 35 |
| Theme 2 – Excellence in health and safety culture and risk control | 166 | 159 | 7 | | | 192 |
| Theme 3 – Excellence in asset management | 22 | 21 | 1 | | | 23 |
| Theme 4 – Improved industry planning and timely and efficient delivery of major projects | 42 | 40 | 2 | | | 52 |
| Theme 5 – Efficient use of capacity on the mainline network | 25 | 24 | 1 | | | 26 |
| Theme 6 – Development by the industry of the capabilities of its people | 8 | 8 | 0 | | | 10 |
| Theme 7 – High quality data and information for key decisions | 16 | 15 | 1 | | | 15 |
| Total | 316 | 302 | 14 | | | 353 |

9. OTHER ADMINISTRATION COSTS

| | 2009-10 £000 | 2008-09 £000 |
|---|-----------------|-----------------|
| Rentals under operating leases | | |
| Hire of Office Equipment | 1 | 45 |
| Other Operating Leases | 897 | 899 |
| | 898 | 944 |
| Non-cash items | | |
| Depreciation | 684 | 775 |
| Amortisation | 115 | 106 |
| Cost of Capital Credit | (81) | (17) |
| Interest charges in respect of by-analogy pension scheme | 26 | 22 |
| Diminution and write down in value of property, plant and equipment | - | 168 |
| Auditors' remuneration and expenses* | 44 | 43 |
| | 788 | 1,097 |
| Provisions: | | |
| Provision for early retirement/restructuring costs (see also Note 16) | 214 | 2,123 |
| Provision for dilapidations and other leasehold liabilities | 16 | 35 |
| Provision for tax on benefits in kind | - | 5 |
| | 230 | 2,163 |
| Other | | |
| Travel and subsistence | 845 | 990 |
| Hospitality | 84 | 49 |
| Consultancies | 1,917 | 2,145 |
| IT and Telecommunications | 1,341 | 1,263 |
| Landlord service charges and rates | 839 | 791 |
| Printing and stationery | 299 | 373 |
| Recruitment and training | 748 | 476 |
| Staff-related costs | 141 | 127 |
| Building-related costs | 767 | 801 |
| External services | 795 | 416 |
| Other | 27 | 38 |
| | 7,803 | 7,469 |
| | 9,719 | 11,673 |

* There was no auditor remuneration for non-audit work

10. INCOME

| | | | 2009-10 | 2008-09 |
|---|------|--------------|----------------|----------------|
| | | Note | £000 | £000 |
| Licence fees | RfR1 | | 12,057 | 12,340 |
| (Less): Income deferred to future year | RfR1 | 15 (a)/13(a) | (1,051) | (50) |
| Safety Levy and related safety income | RfR1 | | 18,831 | 18,789 |
| Plus (less): Income accrued (deferred) to future year | RfR1 | 15(a)/13(a) | (370) | 944 |
| Miscellaneous income | RfR1 | | 160 | 283 |
| | | | 29,627 | 32,306 |



11. PROPERTY, PLANT AND EQUIPMENT

| | Fitting out costs £000 | Furniture, Office Equipment and Telecoms £000 | Information Technology £000 | Total £000 |
|--|------------------------------|---|-----------------------------------|---------------|
| Cost or valuation | | | | |
| At 1 April 2009 | 3,258 | 957 | 1,786 | 6,001 |
| Additions | 113 | 94 | 33 | 240 |
| Revaluations | | | | |
| At 31 March 2010 | 3,371 | 1,051 | 1,819 | 6,241 |
| Depreciation | | | | |
| At 1 April 2009 | 688 | 563 | 1,407 | 2,658 |
| Charged in year | 236 | 161 | 287 | 684 |
| Revaluations | - | - | - | - |
| At 31 March 2010 | 924 | 724 | 1,694 | 3,342 |
| Net book value at 31 March 2010 | 2,447 | 327 | 125 | 2,899 |
| Net book value at 31 March 2009 | 2,570 | 394 | 379 | 3,343 |
| Cost or valuation | | | | |
| At 1 April 2008 | 3,001 | 878 | 1,810 | 5,689 |
| Additions | 176 | 55 | 177 | 408 |
| Revaluations | 81 | 24 | (201) | (96) |
| At 31 March 2009 | 3,258 | 957 | 1,786 | 6,001 |
| Depreciation | | | | |
| At 1 April 2008 | 449 | 399 | 1,096 | 1,944 |
| Charged in year | 206 | 142 | 532 | 880 |
| Revaluations | 33 | 23 | (221) | (166) |
| At 31 March 2009 | 688 | 563 | 1,407 | 2,658 |
| Net book value at 31 March 2009 | 2,570 | 394 | 379 | 3,343 |
| Net book value at 1 April 2008 | 2,552 | 479 | 714 | 3,745 |
| Asset financing | | | | |
| Owned | 2,447 | 249 | 125 | 2,821 |
| Finance leased | - | 78 | - | 78 |
| Net book value at 31 March 2010 | 2,447 | 327 | 125 | 2,899 |
| Owned | 2,570 | 394 | 379 | 3,343 |
| Finance leased | - | - | - | - |
| Net book value at 31 March 2009 | 2,570 | 394 | 379 | 3,343 |
| Owned | 2,552 | 479 | 714 | 3,745 |
| Finance leased | - | - | - | - |
| Net book value at 1 April 2008 | 2,552 | 479 | 714 | 3,745 |



Analysis of property, plant and equipment

The net book value of property, plant and equipment comprises

| | Fitting out costs £000 | Furniture, Office Equipment and Telecoms £000 | Information Technology £000 | Total £000 |
|------------------|---------------------------------------|--|--|-----------------------|
| At 31 March 2010 | 2,447 | 327 | 125 | 2,899 |
| At 1 April 2009 | 2,570 | 394 | 379 | 3,343 |
| At 1 April 2008 | 2,552 | 479 | 714 | 3,745 |

12. INTANGIBLE ASSETS

Intangible assets comprise software licences and software development costs

| | Total £000 |
|--|-----------------------|
| Cost or valuation | |
| At 1 April 2009 | 727 |
| Additions | 452 |
| Disposals: actual cost | - |
| Revaluation | - |
| At 31 March 2010 | 1,179 |
| Amortisation | |
| At 1 April 2009 | 478 |
| Charged in year | 115 |
| Disposals: depreciation on cost | - |
| Revaluation | - |
| At 31 March 2010 | 593 |
| Net book value at 31 March 2010 | 586 |
| Net book value at 31 March 2009 | 249 |
| Cost or valuation | |
| At 1 April 2008 | 653 |
| Additions | 139 |
| Disposals: actual cost | - |
| Revaluation | (65) |
| At 31 March 2009 | 727 |
| Amortisation | |
| At 1 April 2008 | 391 |
| Charged in year | 138 |
| Disposals: depreciation on cost | - |
| Revaluation | (51) |
| At 31 March 2009 | 478 |
| Net book value at 31 March 2009 | 249 |
| Net book value at 31 March 2008 | 262 |

Analysis of intangible assets

The net book value of intangible assets comprises

| | |
|--------------------|------------|
| As at 1 April 2010 | 586 |
| As at 1 April 2009 | 249 |
| As at 1 April 2008 | 262 |

13. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

13(a) Analysis by type

| | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|---|-----------------------------------|-----------------------------------|----------------------------------|
| Amounts falling due within one year: | | | |
| Trade receivables | 60 | 171 | 234 |
| Staff receivables | 101 | 102 | 100 |
| Prepayments and accrued income | 944 | 414 | 279 |
| Accrued income (licence fees and safety levy – net) | - | 894 | - |
| HM Revenue and Customs (VAT) | 152 | 110 | 105 |
| Amounts falling due after more than one year | | | |
| Staff receivables | 15 | 20 | 12 |
| Prepayments and accrued income | 4 | - | - |
| Total at 31 March 2010 | 1,276 | 1,711 | 730 |

Included in staff debtors are season ticket loans for 72 employees totalling £88,735.42 (2008-09: £93,191 for 88 employees) and £25,053 relating to other advances made to 46 employees (2008-09: £28,342).

13(b) Intra-Government Balances

| | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|---|-----------------------------------|-----------------------------------|----------------------------------|
| Balances with other central government bodies | 180 | 222 | 264 |
| Balances with bodies external to government | 1,096 | 1,489 | 466 |
| Total at 31 March 2010 | 1,276 | 1,711 | 730 |

14. CASH AND CASH EQUIVALENTS

| | £000 |
|---------------------------------|--------------|
| Balance at 1 April 2008 | 3,784 |
| Net change in cash balance | (3,488) |
| Balance at 31 March 2009 | 296 |
| Net change in cash balance | 1,806 |
| Balance at 31 March 2010 | 2,102 |

| | 2009-10 £000 | 2008-09 £000 |
|-----------------------------|-----------------|-----------------|
| Balance at 1 April | 296 | 3,784 |
| Net change in cash balances | 1,806 | (3,488) |
| Balance at 31 March | 2,102 | 296 |

The following balances at 31 March were held at:

| | | |
|-----------------------------------|--------------|------------|
| Government Banking Service | 2,048 | 270 |
| Commercial banks and cash in hand | 54 | 26 |
| Balance at 31 March | 2,102 | 296 |

The balance at 31 March comprised excess cash surrenderable to the Consolidated Fund

| | | |
|--|-------|-----|
| | 2,102 | 296 |
|--|-------|-----|

ORR migrated from banking at the Office of HM Paymaster General in January 2010 to a new Government Banking Service. This consisted of the Royal Bank of Scotland and Citibank. The Paymaster accounts will remain open until all government bodies have migrated, at some time during 2010-11.

15. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

15(a) Analysis by type

| | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|---|--------------------------|--------------------------|-------------------------|
| Amounts falling due within one year | | | |
| Trade payables | 301 | - | 912 |
| Other payables | 761 | 761 | 724 |
| Accruals | 2,988 | 2,612 | 3,440 |
| Deferred income | 1,421 | - | 377 |
| Balance of Intergovernmental Commission levy payable to Consolidated fund | 486 | - | - |
| Excess cash surrenderable to the Consolidated Fund Received | 2,102 | 296 | 3,784 |
| Total current liabilities at 31 March | 8,059 | 3,669 | 9,237 |
| Amounts falling due after more than one year | 48 | 74 | 291 |

15(b) Intra-Government Balances

| | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|---|--------------------------|--------------------------|-------------------------|
| Balances with other central government bodies | 2,802 | 296 | 5,501 |
| Balances with bodies external to government | 5,305 | 3,447 | 4,027 |
| Total current liabilities at 31 March | 8,107 | 3,743 | 9,528 |

16. PROVISIONS FOR LIABILITIES AND CHARGES

| | Early retirement/ restructuring £000 | Accommodation £000 | Taxable benefits in kind £000 | Total £000 |
|---------------------------------|---|-----------------------|--|---------------|
| Balance at 1 April 2008 | 422 | 321 | 12 | 755 |
| Provided in year | 2,123 | 35 | 5 | 2,163 |
| Provisions utilised in the year | (151) | - | (5) | (156) |
| Balance at 1 April 2009 | 2,394 | 356 | 12 | 2,762 |
| Provided in the year | 214 | 16 | - | 230 |
| Provisions utilised in the year | (1,161) | - | (12) | (1,173) |
| Balance at 31 March 2010 | 1,447 | 372 | - | 1,819 |

The provision for early retirement was established to provide for future retirement benefits of staff who have retired early or may be required to retire early or be made redundant. Included in the provision is an amount of £318,000 in respect of the 'Smarter Government Proposals' for reducing the number of Senior Civil Servant posts. The provision for accommodation has been established in order to satisfy the obligation to return our offices to their original condition.

The provision for future payment of taxable benefits in kind has been closed, as payments will in future be made in the year that they are due and will be included in running costs.

Details for by-analogy defined benefit pension schemes

| Class | As at 31 March 2010 £000 | As at 31 March 2009 £000 | As at 31 March 2008 £000 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Actives | - | 186 | 133 |
| Deferreds | 185 | 127 | 138 |
| Pensioners | 302 | 115 | 122 |
| Total Present Value of the Scheme Liabilities | 487 | 428 | 393 |

| Liability calculation | As at 31 March 2010 £000 | As at 31 March 2009 £000 | As at 31 March 2008 £000 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Present value of scheme at 1 April | 428 | 393 | 370 |
| Current service cost (net of employee contribution) | 9 | 32 | 34 |
| Employee contribution | 1 | 4 | 4 |
| Interest costs | 25 | 22 | 18 |
| Actuarial (gains)/losses | 75 | (16) | (26) |
| Benefits paid | (51) | (7) | (7) |
| Balance at 31 March | 487 | 428 | 393 |

Former Rail Regulators benefit from a defined benefit pension scheme by-analogy with the PCSPS. An actuarial valuation was carried out on the scheme by the Government Actuary's Department (GAD) at 31 March 2010. In 2009-10 ORR contributed £9k in respect of the active member, and £25k in respect of interest costs. The current Chairman has no pension arrangements with ORR.

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

Relevant financial assumptions made by the actuary are as follows:

| | As at 31 March 2010 % per annum | As at 31 March 2009 % per annum |
|--|--|--|
| Inflation | 2.75 | 2.75 |
| Rate of increase in salaries | 4.29 | 4.29 |
| Rate of increase for pensions in payment and deferred pensions | 2.75 | 2.75 |
| Rate used to discount scheme liabilities | 4.60 | 6.04 |

History of experience losses/(gains)

| | Year Ending 31/03/2010 | Year Ending 31/03/2009 | Year Ending 31/03/2008 | Year Ending 31/03/2007 | Year Ending 31/03/2006 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Experience loss/(gain) arising on the scheme liabilities | | | | | |
| Amount (£'000) | (30) | 2 | 1 | 0 | (1) |
| Percentage of scheme liabilities at end of year | -6.1% | 0.5% | 0.2% | 0.0% | -0.4% |

Estimate of contributions expected to be paid into the scheme over the year 1 April 2010 to 31 March 2011

As there are no active members in the scheme the estimated contributions for 2010-2011 are nil.

Under IAS 19 employers are required to disclose any other material actuarial assumptions used for the assessment. Accordingly the life expectancies shown below illustrate the longevity assumption used for the assessment.

Life expectancy at retirement

| Current pensioners | As at 31 March 2010 | | As at 31 March 2009 | |
|--------------------|---------------------|---------------|---------------------|---------------|
| | Men (years) | Women (years) | Men (years) | Women (years) |
| Exact Age | | | | |
| 60 | 29.1 | 32.3 | 28.6 | 31.8 |
| 65 | 23.9 | 27.1 | 23.5 | 26.7 |

| Future pensioners | As at 31 March 2009 | | As at 31 March 2009 | |
|-------------------|---------------------|---------------|---------------------|---------------|
| | Men (years) | Women (years) | Men (years) | Women (years) |
| Exact Age | | | | |
| 60 | 30.6 | 33.8 | 30 | 33 |
| 65 | 26.0 | 29.1 | 26 | 29 |

Cumulative amount of actuarial gains and losses

The cumulative actuarial loss for the year to date amounts to £144,000 (31 March 2009: £69,000)

Present value of scheme liabilities

| | Value at 31/03/2010 £000 | Value at 31/03/2009 £000 | Value at 31/03/2008 £000 | Value at 31/03/2007 £000 | Value at 31/03/2006 £000 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Liability in respect of | | | | | |
| Active members | - | 186 | 133 | 102 | 51 |
| Deferred pensioners | 185 | 127 | 138 | 145 | 108 |
| Current pensioners | 302 | 115 | 122 | 123 | 106 |
| Total present value of scheme liabilities | 487 | 428 | 393 | 370 | 265 |

17. NOTES TO THE CASH FLOW STATEMENT

17(a) Reconciliation of operating cost to operating cash flows

| | Note | 2009-10 £000 | 2008-09 £000 |
|--|------|-----------------|-----------------|
| Operating Cost | 4 | 2 | 12 |
| Adjustment for IFRS (IAS19) | | 1,231 | - |
| Adjustments for non-cash transactions | 8,9 | (1,027) | (3,291) |
| (Decrease) increase in trade and other receivables | | (435) | 981 |
| (Increase) decrease in trade and other payables | | (3,625) | 2,257 |
| Use of provisions | 16 | 1,173 | 156 |
| Use of provision – by analogy pension | | 51 | - |
| Net cash (inflow)/outflow from operating activities | | (2,630) | 115 |

17(b) Analysis of capital expenditure and financial investment

| | 2009-10 £000 | 2008-09 £000 |
|---|-----------------|-----------------|
| Property plant and equipment additions | 208 | 448 |
| Intangible fixed asset additions | 320 | 141 |
| Proceeds of disposal of fixed assets | - | - |
| Net cash outflow from investing activities | 528 | 589 |

17(c) Analysis of capital expenditure and financial investment by Request for Resources

All capital expenditure and financial investment relate to Request for Resources 1.

17(d) Analysis of financing

| | 2009-10 £000 | 2008-09 £000 |
|--|-----------------|-----------------|
| From the Consolidated Fund (Supply) – current year | - | 1,000 |
| Advances from the Contingencies Fund | 10,000 | 10,000 |
| Repayments to the Contingencies Fund | (10,000) | (10,000) |
| Net financing | - | 1,000 |

17(e) Reconciliation of Net Cash Requirement to increase in cash

| | Note | 2009-10 £000 | 2008-09 £000 |
|---|-------|-----------------|-----------------|
| Net cash requirement | 5 | - | (1,000) |
| From the Consolidated Fund (Supply) – current year | 17(d) | - | 1,000 |
| Amounts due to the Consolidated Fund – received in a prior year and paid over | 14 | (296) | (3,784) |
| Amounts due to the Consolidated Fund received and not paid over | 14 | 2,102 | 296 |
| (Decrease)/Increase in cash | | 1,806 | (3,488) |

18. CAPITAL COMMITMENTS

There are no contracted commitments at 31 March 2010 and no provision has been made (31 March 2009: nil).

19. COMMITMENTS UNDER LEASES

19.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

| | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|---|-----------------------------------|-----------------------------------|----------------------------------|
| Obligations under operating leases comprise: | | | |
| Land | | | |
| Not Later than one year | - | - | - |
| Later than one year and not later than five years | - | - | - |
| Later than five years | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| | - | - | - |
| Buildings | | | |
| Not Later than one year | 940 | 940 | 929 |
| Later than one year and not later than five years | 3,761 | 3,761 | 3,761 |
| Later than five years | 4,401 | 5,341 | 6,281 |
| | <hr/> | <hr/> | <hr/> |
| | 9,102 | 10,042 | 10,971 |
| Other: | | | |
| Not Later than one year | 1 | 2 | 50 |
| Later than one year and not later than five years | - | 1 | 3 |
| Later than five years | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| | 1 | 3 | 53 |

19.2 Finance leases

Total future minimum lease payments under finance leases are given in the table below

Obligations under finance leases comprise

| | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| Leases other than buildings | | | |
| Not later than one year | 30 | - | - |
| Later than one year and not later than 5 years | 50 | - | - |
| Later than five years | - | - | - |
| Less interest element | (3) | - | - |
| | <hr/> | <hr/> | <hr/> |
| | 77 | - | - |

In 2009-10 an amount of £396 interest was paid in respect of this finance lease.



20. OTHER FINANCIAL COMMITMENTS

The department had not entered into any non-cancellable contracts (which are not finance leases) for any new capital expenditure as at 31 March 2010 (31 March 2009: nil)

21. LOSSES AND SPECIAL PAYMENTS

There were no special payments in excess of £75,000 in either 2008-09 or 2009-10.

22. FINANCIAL INSTRUMENTS

Because of the largely non-trading nature of its activities and its licence fee and safety levy financing structure, ORR does not face significant medium to long-term financial risks.

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size.

The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

Interest rates and foreign currency risks

ORR is not exposed to any significant interest rate or foreign currency risks.

Fair values

There is no material difference between the book values and fair values of ORR's financial assets and liabilities as at 31 March 2010.

23. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

There were no reportable contingent liabilities at 31 March 2010 (31 March 2009: nil).

24. RELATED PARTY TRANSACTIONS

There have been a small number of transactions with other government departments and other central government bodies.

Additionally during the year £117,511 (2008-09: £160,707) of income was received from the Office of the Public Private Partnership Arbiter in respect of services provided by ORR. There was no outstanding balance at year end (2008-09: nil). The Office of the PPP Arbiter is a related party as Chris Bolt, ORR's former Chairman, holds the position of PPP Arbiter.

No other board members, key managerial staff or other related parties have undertaken any material transactions with ORR during the year.

25. EVENTS AFTER THE REPORTING PERIOD

There have been no reportable events between the reporting period and the date the accounts were certified, the authorised for issue date. The financial statements do not reflect events after this date.

APPENDIX 1: REGULATORY ACTIVITY

Summary of enforcement notices issued 2004-5 to 2009-10

| | Improvement notices | Prohibition notices | Total |
|---------|---------------------|---------------------|-------|
| 2004-5 | 13 | 5 | 18 |
| 2005-6 | 16 | 6 | 22 |
| 2006-7 | 23 | 5 | 28 |
| 2007-8 | 16 | 6 | 22 |
| 2008-9 | 29 | 4 | 33 |
| 2009-10 | 25 | 13 | 38 |

Summary of complaints received 2004-5 to 2009-10

| | |
|---------|-----|
| 2004-5 | 647 |
| 2005-6 | 593 |
| 2006-7 | 644 |
| 2007-8 | 510 |
| 2008-9 | 531 |
| 2009-10 | 375 |

Summary of prosecutions heard 2004-5 to 2009-10

| | Prosecutions heard | Total fines | Total costs |
|---------|--------------------|-------------|-------------|
| 2004-5 | 20 | £14,392,600 | £866,441 |
| 2005-6 | 2 | £23,000 | £3,507 |
| 2006-7 | 5 | £943,000 | £132,770 |
| 2007-8 | 2 | £35,000 | £13,536 |
| 2008-9 | 11 | £1,456,000 | £131,543 |
| 2009-10 | 1 | £70,000 | £25,000 |

Permissioning activity 2009-10

| | |
|--|-----------|
| Level Crossing Orders issued | 25 |
| ROTS approvals issued | 16 |
| Mainline | |
| Safety certificates issued – Part A | 14 |
| – Part B | 13 |
| Safety Authorisations issued | 7 |
| Revocations | 1 |
| Non-mainline | |
| Safety Certificates issued | 5 |
| Safety Authorisations issued | 4 |
| Interoperability Authorisations issued | 2 |

Licences granted

| Licence holder | Date | Passenger | Non-passenger | Station | Light maintenance depot | Network |
|----------------------------|-------------------|-----------|---------------|---------|-------------------------|---------|
| Amey Fleet Services Ltd | 28 April 2009 | | ✓ | | | |
| GB Railfreight Ltd | 23 June 2009 | ◆ | | | | |
| Southern Railway Ltd | 11 September 2009 | ◆ | | ✓ | ✓ | |
| East Coast Mainline Co Ltd | 26 October 2009 | | | ✓ | ✓ | |
| DB Regio Tyne & Wear Ltd | 24 March 2010 | ✓ | | ✓ | | |

Licence exemptions granted

| Exemption holder | Date | Non- | | | Light | |
|---|-------------------|-----------|-----------|---------|-------------------|---------|
| | | Passenger | passenger | Station | maintenance depot | Network |
| John G Russell (Transport) Limited | 22 April 2009 | ✓ | ✓ | | ✓ | ✓ |
| Story Rail Limited | 6 May 2009 | | ✓ | | | |
| Associated British Ports (Hams Hall) | 3 June 2009 | | ✓ | | ✓ | ✓ |
| Associated British Ports | 3 June 2009 | | | | | ✓ |
| Swindon and Cricklade Railway | 16 June 2009 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Aspin Foundations Limited | 18 June 2009 | | ✓ | | | |
| Trackrail UK Limited. | 18 June 2009 | | ✓ | | | |
| A P Webb (Plant Hire) Limited. | 3 July 2009 | | ✓ | | | |
| TRAC International Limited | 3 July 2009 | | ✓ | | | |
| Homegrown Timber (Rail) Limited | 21 July 2009 | | ✓ | | | |
| Scottish Woodlands Limited | 21 July 2009 | | ✓ | | | |
| QTS Group Ltd | 21 July 2009 | | ✓ | | | |
| GBL & Sons Limited | 30 July 2009 | | ✓ | | | |
| Clough Smith Rail Ltd | 19 August 2009 | | ✓ | | | |
| TRAC Engineering Limited. | 19 August 2009 | | ✓ | | | |
| Balfour Beatty Group Limited | 21 August 2009 | ✓ | ✓ | | | ✓ |
| Cambrian Transport Limited | 26 August 2009 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cleartrack (Salcey Evl) Ltd | 27 August 2009 | | | | | ✓ |
| Durham County Council trading as Locomotion: The National Railway Museum at Shildon | 4 September 2009 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Amey Fleet Services Limited | 16 September 2009 | ✓ | ✓ | | ✓ | ✓ |
| Amey Rail Limited | 14 September 2009 | | ✓ | | | |
| Aberdeen Harbour Board | 15 October 2009 | | | | | ✓ |
| V.G. Clements Limited | 10 December 2009 | | ✓ | | | |
| Hydrex Equipment (UK) Limited | 16 December 2009 | | ✓ | | | |
| Birse Rail Limited | 12 February 2010 | | ✓ | | | |
| Total Solutions (Southern) Ltd | 2 March 2010 | | ✓ | | | |

Licences revoked

| Licence holder | Date revoked | Passenger | Non-passenger | Station | Light maintenance depot | Network |
|--|------------------|-----------|---------------|---------|-------------------------|---------|
| Société Nationale des Chemins de Fer Français (SNCF) | 28 April 2009 | | ◆ | | | |
| Associated British Ports | 3 June 2009 | | | | | ✓ |
| Freight Europe Limited | 22 July 2009 | | ◆ | | | |
| ProRail Limited | 1 September 2009 | | | | ✓ | |
| Advenza Freight Limited | 3 November 2009 | ◆ | ◆ | | | |
| Advenza Freight Limited | 1 December 2009 | | ✓ | | | |
| NXEC Trains Limited | 17 December 2009 | ◆ | ✓ | | ✓ | |
| NXEC Trains Limited | 24 December 2009 | | | ✓ | | |
| West Coast Trains Limited | 18 January 2010 | | | | ✓ | |
| New Southern Railway Limited | 3 February 2010 | ◆ | | ✓ | ✓ | |

Licence exemptions revoked

| Exemption holder | Date revoked | Passenger | Non-passenger | Station | Light maintenance depot | Network |
|--|------------------|-----------|---------------|---------|-------------------------|---------|
| Associated British Ports | 3 June 2009 | | ✓ | | ✓ | |
| S & C R Limited | 16 June 2009 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hythe Realisations Limited (Formerly Elec-Track Installations Limited) | 2 July 2009 | | ✓ | | | |
| Locomotion: National Railway Museum at Shildon | 4 September 2009 | ✓ | ✓ | ✓ | ✓ | ✓ |

◆ = European licence and/or a GB statement of national regulatory provision

✓ = Railways Act licence/licence exemption

Access contracts

| 1 April 2009- 31 March 2010 | Track | Connection | Stations | Depot |
|---|--------------|-------------------|-----------------|--------------|
| New contracts directed under section 18 of the Railways Act 1993 | 5 | 44 | 40 | 17 |
| New contracts directed under section 17 of the Railways Act 1993 | 2 | 0 | 0 | 0 |
| New contracts entered into under general approval | 5 | 2 | 0 | 0 |
| Amendments to existing agreements approved under section 22 of the Railways Act 1993 | 123 | 3 | 56 | 1 |
| Amendments to existing agreements directed under section 22A of the Railways Act 1993 | 7 | 0 | 0 | 0 |
| Amendments to existing agreements approved by general approval | 26 | 0 | 158 | 23 |

APPENDIX 2: BOARD AND COMMITTEE MEMBER ATTENDANCE RECORDS 2009-10

Board meeting attendance 2009-10

| Board member | April | May | June | July | September | October | November | January | February | March | Total/ possible |
|-----------------------------|-------|-----|------|------|-----------|---------|----------|---------|----------|-------|--------------------|
| Chris Bolt (Chair) | X | X | X | | | | | | | | 3/3 |
| Anna Walker (Chair) | | | | X | X | X | X | X | X | X | 7/7 |
| Tracey Barlow (NED) | | | | | | | | | X | X | 2/2 |
| Michael Beswick (Executive) | X | X | X | X | X | X | X | X | X | X | 10/10 |
| Peter Bucks (NED) | X | X | X | X | X | X | X | X | X | X | 10/10 |
| Bill Emery (CEO) | X | X | X | X | X | X | X | X | X | X | 10/10 |
| Chris Elliott (NED) | X | X | | X | X | X | X | | X | | 8/10 |
| Richard Goldson (NED) | X | X | X | X | X | X | X | X | X | X | 10/10 |
| Michael Lee (Executive) | X | X | X | X | X | X | X | X | X | X | 10/10 |
| Mike Lloyd (NED) | | | | | | | | | | X | 1/1 |
| Jane May (NED) | X | X | X | X | X | X | X | | X | X | 9/10 |
| John Thomas (Executive) | X | X | X | X | X | X | X | X | X | X | 10/10 |
| Ian Prosser (Executive) | X | X | X | X | X | X | X | X | X | X | 10/10 |
| Steve Walker (NED) | | | | | | | | | X | X | 2/2 |

Audit committee attendance 2009-10

| Committee member | June | September | December | March | Total/ possible |
|--|------|-----------|----------|-------|--------------------|
| Peter Bucks (Committee chair and NED) | X | X | X | X | 4/4 |
| Jane May (NED) | X | X | X | X | 4/4 |
| Jeremy Chittleburgh (Independent member) | X | X | X | X | 4/4 |

Remuneration committee attendance 2009-10

| Committee member | May | July | Dec | Total/ possible |
|---|-----|------|-----|--------------------|
| Richard Goldson (Committee chair and NED) | X | X | X | 3/3 |
| Chris Bolt (NED) | X | X | X | 3/3 |
| Peter Bucks (NED) | X | X | X | 3/3 |

Safety regulation committee attendance 2009-10

| Committee member | April | July | October | January | Total/ possible |
|------------------|-------|------|---------|---------|--------------------|
| Chris Bolt | X | | | | 1/1 |
| Anna Walker | | X | X | X | 3/3 |
| Michael Beswick | | | X | X | 2/2 |
| Chris Elliott | X | X | X | | 3/4 |
| Jane May | X | X | X | X | 4/4 |
| Bill Emery | | X | X | X | 3/4 |
| Michael Lee | | X | X | | 2/4 |
| Ian Prosser | X | X | X | X | 4/4 |
| Juliet Lazarus | | X | X | | 2/4 |
| David Morris | X | X | X | X | 4/4 |
| Allan Spence | X | | X | X | 3/4 |
| Caroline Wake | X | | X | X | 3/4 |

Periodic review committee

The periodic review committee did not meet in 2009-10.





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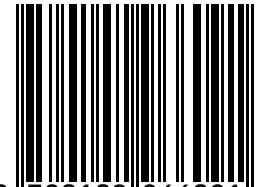
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