



Department  
for Transport

# Railways Act 2005 Statement

## High Level Output Specification



# **Railways Act 2005 Statement: High Level Output Specification**

Presented to Parliament pursuant to the Railways Act 2005

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## **Introduction**

1. This Statement fulfils the requirements of Schedule 4A of the Railways Act 1993 (as amended by Schedule 4 of the Railways Act 2005) by setting out for the Office of Rail and Road (ORR) what the Secretary of State wants to be achieved through the operations, maintenance and renewal of railway infrastructure activities (OMR) in England and Wales during the review period commencing 1 April 2024 and finishing on 31 March 2029: the High-Level Output Specification (HLOS) for Control Period 7 (CP7). The current Control Period is Control Period 6 (CP6), running from April 2019 to March 2024.
2. This HLOS is accompanied by a Statement of Funds Available (SoFA), which sets out the public resources available to pursue the objectives set out in this document in the manner set out herein.
3. This HLOS does not set out objectives for infrastructure enhancement, nor does the SoFA cover its funding. Whilst the Government remains fully committed to the delivery of a programme of investment in enhancing rail infrastructure, decisions relating to the funding and objectives for enhancements are made through the Spending Review process and the Rail Network Enhancements Pipeline.
4. Underpinning this HLOS is a recognition both of the good progress made to date by Network Rail in delivering the plans developed for CP6 and of delivering this alongside a challenging efficiency programme and the COVID-19 pandemic.
5. The HLOS sets out the Secretary of State's high-level desired objectives. In conducting the review, it is for the independent regulator, the ORR, to consider how best to achieve these principles following close engagement with Network Rail and other stakeholders to allocate funding, with due regard to all of its rights and obligations.

## **Broader context and overall approach**

6. The Government has provided unprecedented levels of support to the railway during the COVID-19 pandemic. This supported services that were critical for key workers and for our society. The Government strongly supports the recovery of our railway and considers that there remains an urgent need for continued modernisation and significant efficiency improvements to bear down on the cost of the railway, thus increasing value for money for the taxpayer, whilst delivering for passengers and freight customers. The railways are a key part of the Government's plan for economic growth, underpinned by the investment in the operations, maintenance, and renewal of railway infrastructure that this HLOS and SoFA represent. The Secretary of State considers it critical that the ORR, in conducting the Access Charges review, facilitates the realisation of a more integrated, inclusive and efficient railway, which better delivers for passengers, freight customers, taxpayers, and the environment.
7. Over CP7, the objectives set out in this HLOS are intended to directly and indirectly facilitate and advance the objectives Government has set the railway for the purposes of developing a long-term strategy for rail: contributing to long-term

economic growth; levelling up and connectivity; delivering environmental sustainability; meeting customers' needs; and delivering financial sustainability. The Secretary of State expects Network Rail to provide satisfactory evidence that its plans for CP7 are sufficiently focussed on delivering these wider objectives, as well as giving due regard to the implications for inclusion and accessibility. Network Rail must, in planning for and delivering on the funding settlement for CP7, continue to work closely with the Department for Transport, particularly in the context of the Department for Transport's strategic objectives of growing and levelling up the economy; improving transport for the user; and reducing environmental impacts.

8. Whilst the objectives set out in this document are tied to the funding envelope set out in the SoFA, consideration of the overall long-term asset sustainability of the rail network is an issue that the Secretary of State expects to constitute a central part of Network Rail's planning for CP7.
9. He also expects that Network Rail's plans continue to be underpinned by a strong evidence base and analysis, and that the plans ensure a strong and effective analytical capability within Network Rail in CP7, which collaborate effectively with Government and train operators to ensure coherence with overall industry capability. This strong analytical function must help drive the best possible outcomes, not just for the railway, but for the overall capability of the transport network, of which rail is a part, including a clear view of what matters to the customers of the railway and the potential impact of decisions on inclusion and accessibility.
10. The Secretary of State, in light of the challenging fiscal environment, considers it essential that Network Rail plays a full role in supporting the financial sustainability of the railway. This is to ensure that the railway can support economic growth and appropriate provision of services to communities, whilst considering the potential impact that it may have on local government objectives and on inclusion and accessibility. Network Rail must work to ensure that due regard is had to any disadvantaged groups that hold one or more of the protected characteristics as set out in the public sector equalities duty. He expects that Network Rail's plans for CP7 will show an approach to its asset management strategy that supports key revenue-generative flows, whilst ensuring that flows with services that typically see a higher subsidy requirement continue to receive an appropriate level of service.
11. He expects to see a clear and effective stakeholder engagement process between Network Rail and its customers and stakeholders, including Transport for Wales, during the business planning process, with a strong focus on this continuing through CP7. This should include a proactive approach by Network Rail to the annual business planning process by train operating companies contracted to the Department for Transport and an effective framework for responding to the outcomes of the process, ensuring an aligned approach over CP7. He recognises that this will require a degree of flexibility and structured change control to enable effective outcomes. He particularly expects there to be evidence of Network Rail and train operating companies working effectively together (including in the context of the annual business planning process from train operators contracted to the Department for Transport and planning processes of other funders) to identify system-wide opportunities to improve whole-system outcomes at lower cost. These

must be reflected in the final business plans and the framework for CP7, with demonstrable alignment between operator and infrastructure business plans. In doing so Network Rail must safeguard the interests of stakeholders and customers.

## **Objectives**

12. The Secretary of State considers maintaining safety to be a continued priority and expects that safety must be considered by Network Rail as essential for customers of the railway, the public and for rail workers. Within that context, he expects Network Rail to achieve the below objectives as far as possible within the context of the SoFA and in CP7, with a particular regard for securing reliability and supporting already committed capital programmes for CP7. He considers it important that Network Rail supports the recovery of the railway, including rail revenues to support financial sustainability, particularly by effectively deploying funding to support services where there is high revenue potential in doing so. He expects a resolute focus on value for money and a strong contribution by rail to national and local growth priorities, including by enabling regeneration, progress on housing objectives and productivity.

## **Safety and security**

13. The Secretary of State considers the safe operation of the railway to be a continued priority in CP7. He recognises the strong standard of safety achieved across the rail industry and is clear that this must continue, retaining improvements made by Network Rail in previous Control Periods, including on suicide and trespass prevention, which is a priority for the Secretary of State. He expects the industry to continue to focus on addressing the priority areas identified by Network Rail through its risk assessment processes, the ORR through its inspection and investigation activities, and the safety learning identified by the Rail Accident Investigation Branch. Safety is not a devolved matter, and this expectation applies across the railway network of Great Britain.
14. The Secretary of State also expects that the rail industry will have due regard to all relevant security threats, including crime, terrorism, natural disasters (including the impacts of climate change), physical and cyber security and will take steps through design and operation to counter these.
15. The Secretary of State recognises that level crossings are a substantive contributor to the railway's overall risk and expects Network Rail to make progress in CP7 on improving user safety on level crossings that require renewal works (including addressing signage on user-worked level crossings), so far as is reasonably practicable. The Secretary of State also recognises that any progress on providing alternatives to level crossings must be achieved within the constraints of the funding envelope. He expects Network Rail to work with other relevant authorities on finding alternative solutions to level crossings, where this is the most appropriate way forward.
16. The Secretary of State also wishes to see a continued strong and effective focus on supporting trackworker safety in CP7, building on Network Rail's considerable efforts on this issue, with Network Rail continuing to be required to comply with its duties under health and safety regulation. To achieve this, he expects Network

Rail, wherever possible and appropriate, to conduct workforce modernisation to enable greater safety for those working on the railway, making best use of technology to also reduce risk.

### **Efficiency and financial sustainability**

17. The Secretary of State expects, as a crucial underpinning for this Statement, a strong, sustained, and effective approach to the delivery of greater cost efficiency in CP7, building on the success Network Rail has achieved in CP6 through stretching yet realistic approaches. He considers that the PR23 process is a vital opportunity to further embed a strong culture of efficiency and innovation in the railway over CP7 and beyond.
18. To that end he expects clear evidence of an improvement in productivity and year-on-year efficiencies. He expects an ambitious yet realistic approach, with clear evidence of benchmarking by Network Rail Region to drive efficiencies and a better understanding of costs. He also expects clear evidence of the use of broader initiatives to ensure accelerated delivery and more efficiency delivery, to drive improvement, as well as close, effective collaboration with the supply chain to drive efficiencies. He expects the use of ambitious yet realistic approaches where the achievement of further efficiencies is no longer appropriate, throughout all of these including considerations for making progress on climate change adaptation and decarbonisation within delivery. The Secretary of State is clear that Network Rail should continue to take measures to properly scope the cost of projects before commencement to support efficient delivery.
19. The Secretary of State recognises that efficiencies gained over preceding Control Periods will have been “baselined” and should not be tracked as efficiency gains during CP7. To that end, the Secretary of State expects that Network Rail will retain those benefits through CP7 and maximise the opportunities to seek meaningful efficiencies and productivity gains, both through rail reform and industry cooperation, as well as through business-as-usual efficiency gains. In doing so, he is clear the actions should not be actions which simply move costs or impose other adverse financial consequences onto other parties. The Secretary of State wishes for Network Rail to take a robust approach to commercial practices in contracting and delivering work, including ensuring that liability for cost and overrun sits with the appropriate party.

### **Performance, reliability and use of the network**

20. Punctuality and reliability are of the highest priority for rail passengers and rail freight customers. Industry must ensure that a strong and resolute focus is maintained on these issues. The Secretary of State expects that in seeking to achieve financial sustainability Network Rail should take steps to minimise the impact of disruption, particularly sustained disruption, and therefore support needed development in urban centres through protecting the attractiveness of rail as a mode of transport.
21. Network Rail must through its devolved route structures work closely with train operators, freight operators, the ORR, and representatives of the customers of the railway to determine appropriate performance metrics and ambitious yet

realistic targets for each part of the network, which represent value for money and which align with train operator plans.

22. The Secretary of State considers that effective system operation is essential to support a high performing network. He expects to see an efficient approach to system operation, including strong train service planning expertise; more accurate and timely performance modelling to support an allocation of network capacity that best underpins reliability and to enable more informed decision making relating to timetable specification; and more accurate performance measurement techniques to support continuous operational performance improvements. He expects there to continue to be a strong and effective timetabling capability for executing changes without disrupting customers.
23. The Secretary of State understands that the cornerstone of effective performance, within Network Rail's remit, is effective asset management and incident response; and Network Rail's management of signalling and control room decision making. He expects Network Rail's plans to fully reflect these factors, including the need for an approach to asset management which particularly reflects those assets that have the greatest impact on how the railway performs for its customers.
24. The Secretary of State expects that Network Rail must consider the needs and expectations of current and potential users, including inclusion and accessibility needs, as a core element of its plans for CP7 and of its management of the rail network, including the contribution that rail makes as a constituent part of end-to-end journeys. Network Rail should actively engage with Local Transport Authorities, in a manner that is appropriately joined up with train operator activity, to ensure that its planned activities in CP7 suitably inform and consider the local vision as set out in their Local Transport Plans. The Government is due to publish revised guidance to Local Authorities prior to the commencement of CP7. Ensuring appropriate cross-modal integration and a holistic approach to transport planning will be a core theme of the revised guidance and the Secretary of State expects Network Rail's support in this matter, as well as considering the role the infrastructure it manages has in continuing to support objectives relating to the provision of housing and supporting regeneration.

#### *Freight growth and development*

25. The Secretary of State strongly supports the development of rail freight and wishes to see its growth during CP7 in order to secure environmental and economic benefits. He fully expects Network Rail, working closely with freight operators and customers, to develop clear plans to support growth in line with operators' reasonable demand requirements, in the context of the finances available. A key element of supporting this growth is the reliability of services, within funding constraints, and effective capacity allocation.
26. He expects these plans to set a stretching yet realistic target for Network Rail to facilitate rail freight growth over the Control Period, whilst recognising it is for operators to run additional services and to ensure effective use of the capacity that is made available to them. He expects Network Rail to transparently be held to account for achieving growth.

27. The Secretary of State fully expects that the final business plans maintain freight reliability and support the contribution to national supply chain resilience that the network provides into the future. He expects that the final business plans include specific descriptions of how the activities included will benefit freight customers, including the outcomes that are expected to be achieved.

### **Resilience and reducing environmental impacts**

28. The Secretary of State is clear that our railway infrastructure must be as resilient as reasonably possible to the effects of climate change and extreme weather, with the focus of climate change adaptation works to include increasing resilience to significant rainfall, high winds, erosion, sea level rise and heat events, in order to support a safe railway. The Secretary of State also expects Network Rail to continue to work to improve the climate change resilience of the network in line with the Mair and Slingo recommendations, doing so in the context of any funding constraints and any prohibitive deliverability issues. This will not only support the safety of customers and staff but also the reliability of the railway.

29. Beyond remedial work to address the resilience of asset classes such as earthworks and water management systems that have a clear vulnerability to extreme weather, the Secretary of State also expects Network Rail's plans to clearly set out how it will ensure network resilience is either maintained or improved during CP7, to an extent that is reasonable within the funding constraints. Key to doing this will be ensuring that assessments of the resilience to all possible types of extreme weather events across all asset classes are carried out for each Region.

30. Network Rail must also demonstrate its development of plans for climate change adaptation for CP7 through updating its Regional Weather Resilience and Climate Change Adaptation Plans and developing long-term strategies to influence future investment in the railway. The Secretary of State expects a collaborative approach across relevant sectors and stakeholders to address these issues.

31. The Secretary of State expects that Network Rail will make progress on the goals of moving towards a low-emissions railway and pursuing decarbonisation objectives, alongside optimising the social value of rail infrastructure to as great an extent as is reasonably possible. This includes the consistent measurement and management of whole life carbon for all schemes (construction, renovation and maintenance) according to industry standards and guidance. Schemes are expected to set and monitor reductions targets against baselines, enlisting a range of decarbonisation mechanisms at all stages of the project lifecycle, prioritised according to the Institute of Environmental Management and Assessment's Greenhouse Gas Management Hierarchy. This includes driving carbon reductions by decreasing the volume of materials, adopting low-carbon technologies and finding efficiencies in operation.

32. Network Rail is expected to conserve and enhance biodiversity in line with the Environment Act 2021 including the current Government Environmental Improvement Plan and environmental targets. This should also include through employing best practice in asset management and working with local landowners

to deliver enhancements to biodiversity. These aims should support the aim of increasing the resilience and safety of the rail network and the resilience of UK connectivity. Consideration of nature-based solutions should be given, in line with their potential for achieving biodiversity and resilience improvements. Due regard must also be paid to the requirements set out in the Rail Environment Policy Statement<sup>1</sup>.

33. Beyond this, Network Rail will continue to make progress against cross-cutting government sustainability and broader environmental targets and obligations, including contributing to the achievement of Net Zero by 2050, the Greening Government Commitments and the improvement of air quality.

### **Supporting growth, levelling up and deployment of technology**

34. Continued adoption of digital signalling will improve asset sustainability; deliver increased capacity, safety and reliability; and provide greater value for money. As set out in the Long-Term Deployment Plan, the Secretary of State agrees that replacing conventional signalling with digital signalling at the point of renewal represents the most cost-effective way to transition to a European Train Control System (ETCS)-controlled railway. This principle should therefore be applied to signalling renewals in CP7, alongside planning for cab fitment commensurate with overall progress on expected ETCS rollout as planned by Network Rail, enabling a fully joined-up approach to implementing the expansion of digital signalling. The infrastructure manager should also prepare for the continued roll-out of digital signalling in future Control Periods by progressing design and cab fitment work where possible and appropriate. Across this activity in particular, the Secretary of State wishes to see a strong and robust efficiency challenge to reduce costs and maximise value for money for the taxpayer.

35. Continued effective research and development, and adoption of technology is essential to securing competition and innovation within rail. To that end the Secretary of State expects that Network Rail will progress research, development, and innovation plans, which deliver against the objectives in this HLOS, and improve efficiency and value for money of Network Rail's activity, including in how new technology can best support safety, workforce reform and modernisation. Research, development and innovation plans must be supported by robust monitoring and evaluation approaches. He expects clear plans for showing evidence of and reporting on progress against these plans throughout CP7. He also expects Network Rail's plans to be fully joined up and to form a coherent whole together with those of other parties in the sector, particularly the Rail Safety and Standards Board, to ensure an aligned approach which delivers the greatest possible benefits from the available resources. He also expects the plans to reflect broad engagement with academic and industry partners, including effective engagement with the Transport Research and Innovation Board and the Department for Transport's Chief Scientific Adviser.

36. The Secretary of State recognises that the private sector rail supply chain is key to achieving the objectives of the HLOS and has an important role in supporting

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<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/100216/6/rail-environment-policy-statement.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/100216/6/rail-environment-policy-statement.pdf)

wider Government policy priorities. A resilient and productive rail supply chain that invests in skills and innovation will help reduce the overall cost of rail; maintain high standards of safety and contribute to aims including decarbonisation, reducing wider impacts on the environment and helping to achieve a more circular economy; grow exports; and maximise the social value of public investment. The Secretary of State therefore expects clear evidence of Network Rail working collaboratively with its supply chain and to exercise its role as an effective and engaged client, demonstrating a commitment to being 'open for business'.

37. The Secretary of State expects in particular to see clear evidence of a strong and effective commercial contracting approach from Network Rail which secures value for money for the taxpayer and supports innovation to deliver better outcomes at lower cost. This includes committing to ensuring that at least one third of outsourcing spend, directly and indirectly, be through small and medium sized enterprises. He also expects to see evidence of Network Rail continuing to seek to deploy the latest safe technologies, materials and approaches to deliver its planned outcomes.
38. The Secretary of State expects that the approaches that will be deployed promote appropriate pipeline visibility, facilitating investment in skills and employment, in line with levelling up objectives. He therefore fully expects a clear approach to promoting pipeline visibility and consideration of local growth priorities to be included in the final business plans. Furthermore, the Secretary of State is clear that the benefits of pipeline visibility go hand in hand with a reliable timeline for when projects go to market and stability within the visible pipeline to avoid disruption to the supply chain; and the Secretary of State expects that Network Rail will plan on this basis in the lead-in to and during CP7.

### **Financial management and risk**

39. The Secretary of State expects Network Rail to continue to ensure an approach to managing risk for its operations, maintenance, and renewals activity that will seek to avoid both the interruption of its high priority projects and the disruption of projects which would, if disrupted, lead to a loss of efficiency and poorer value for money for the taxpayer overall. Network Rail should also explore alternative strategies that may be employed in financial management, such as in managing underspend via the deployment of flexible lower cost, high value and high priority projects.
40. The Secretary of State expects that Network Rail and the ORR will take a collaborative approach to managing the risk of delivery within the funding envelope which should be agreed and regularly reviewed as part of the business planning cycle. He also expects the ORR to take an ongoing and prominent role in scrutinising Network Rail's performance on projects throughout their duration.







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