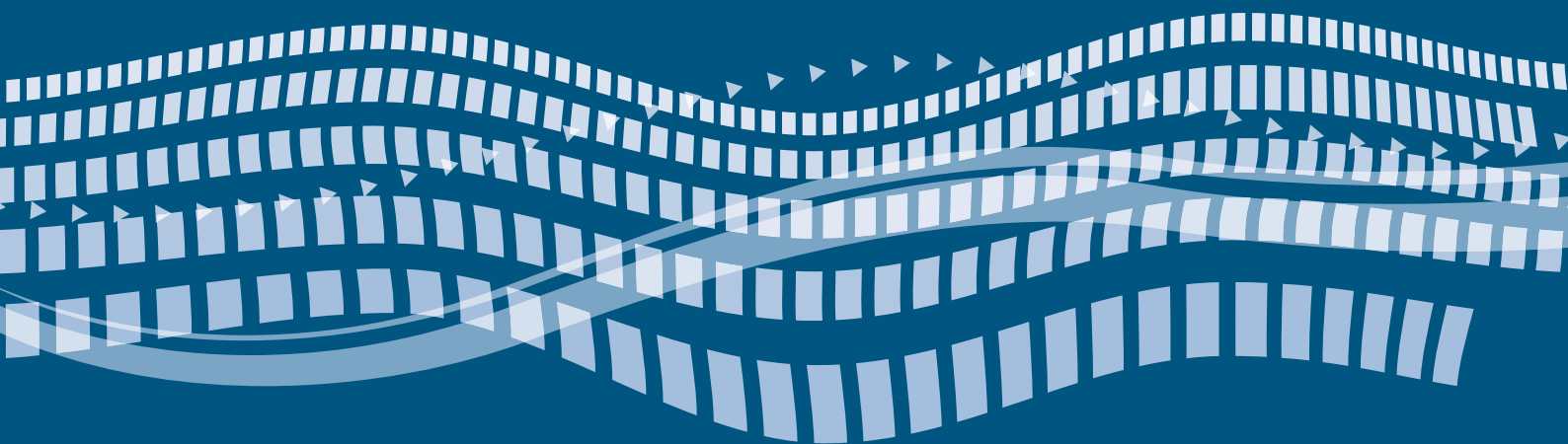


Annual Report and Accounts

2010-11



OFFICE OF RAIL REGULATION





OFFICE OF RAIL REGULATION

ANNUAL REPORT AND ACCOUNTS 2010-11

For the year ended 31 March 2011

Accounts presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000

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

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

Ordered by the House of Commons to be printed 7 June 2011

This is part of a series of Annual Report and Accounts which, along with the Main Estimates 2011-12 and the document *Public Expenditure: Statistical Analyses 2011-12*, present the Government's outturn and planned expenditure for 2011-12.

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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 2011 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
- ▶ Received no general directions under section 69(2) of the Railways Act 1993

Anna Walker

Anna Walker

Chair, Office of Rail Regulation

June 2011

About ORR

As the independent regulator of Britain's railways we play a pivotal role in ensuring the industry delivers a safe, effective and efficient system, focused on the needs of users and responsive to the priorities of funders.

Our work in perspective

ORR is a non-ministerial government department with around 290 staff and an annual budget of around £32 million. Around 58% of our costs relate to our safety roles, and 42% to economic regulation.

We oversee a sector whose annual turnover is £18bn.

Each year on Britain's rail network:

- ▶ Passengers take 1.3 billion journeys
- ▶ Timetabled trains travel 500 million kilometres
- ▶ Around 19 billion tonnes of freight is moved (around 8.5% of the total)
- ▶ Over £5 billion is invested in maintenance and modernisation

Our functions

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.

Our functions as **economic regulator** of the mainline railway include setting Network Rail's funding to enable it to carry out its work efficiently, ensuring that it delivers the agreed outputs whilst improving its own efficiency.

As a **competition and consumer authority** we use our powers to ensure that users and funders of railway services benefit from competitive railway markets and that passengers are treated fairly.

Our approach

We monitor and, where necessary, enforce delivery across the industry of its regulatory obligations – safety, performance, efficiency and investment – and encourage further improvement to meet the needs of customers and improve value.

We carry out periodic reviews of the mainline railway to set Network Rail's outputs and funding and then ensure that these outputs are met.

We use our powers concerning access to railway facilities (track, stations and depots), industry codes and cooperation arrangements, licences, consumer and competition law, and keep 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 or regulate fares.

As the industry seeks to improve its efficiency and value for money we have a vital role in helping to make change happen in ways that benefit end users, balancing the varied interests of the many industry players and ensuring that safety and already planned efficiency and performance improvements are not compromised.

About ORR

How we make a difference

For **passengers** we ensure that the railways are increasingly safe and efficient, and consistently delivering agreed levels of performance.

- ▶ Levels of passenger safety are being sustained
- ▶ Passenger train performance is at 91 percent*
- ▶ Passenger satisfaction is at 84%**

Over the past year we have focused train operators and Network Rail on providing better information to passengers, including during periods of disruption, carried out a review of ticket retailing and continued to ensure that disruption from planned maintenance and renewal work is kept to a minimum.

For **funders** we ensure that the railways deliver committed outputs and improvements whilst improving efficiency.

- ▶ Network Rail has reduced its costs by 30 percent since 2003-04 and is on track to deliver £15 billion in savings by 2017 whilst delivering the largest investment programme ever seen on our railways

Over the past year we have agreed with Network Rail measurable trajectories for getting it to excellence in health and safety, asset management and efficiency, and continued to ensure that Network Rail remains on track to deliver a wide range of enhancement projects and already committed efficiency savings.

* As measured by the Public Performance Measure (PPM)

** National Passenger Survey (Passengerfocus)

For **train operators** we ensure fair access to the rail network at reduced costs.

- ▶ Access approvals and other procedures have been streamlined to significantly reduce the regulatory burden
- ▶ We are ensuring that arrangements are in place to generate timetables which make best use of capacity

Over the past year we have continued to deal in a timely manner with all access applications and appeals whilst undertaking reviews of our access policy and approach to access planning.

For those who work on the railways we ensure that risks are reduced and encourage a safer working culture.

- ▶ Worker safety continues to improve across the industry as a whole, although there was one worker fatality during the past year
- ▶ We continue to take enforcement action where appropriate – issuing 46 enforcement notices and bringing 8 prosecutions during 2010-11

Over the past year we have held Network Rail to account over the non-reporting of minor injuries and worked with a growing number of dutyholders on systematic measurement of their safety culture.



Chair's foreword

Britain's railways are a success story, with significantly higher volumes of passenger and freight traffic being carried on the network than before privatisation. In recent years train service performance (at 91%) and passenger satisfaction (at 84%) have hit record high levels with significant improvements in safety and risk management.

Government is clearly committed to continued investment in the railways as part of its broader strategy to promote economic growth – with announcements in recent months on High Speed 2, further electrification and other enhancements. This continuing commitment presents major opportunities for the sector – and some really major challenges.

The industry's success has come at a high price for passengers and taxpayers, with its costs rising at a faster rate than revenues. This has resulted in the need for increased subsidy from Government and higher fares. Taxpayer funding for the railway has more than doubled since privatisation from £2.3bn in 1993/4 to £5.2bn in 2009/10.

This is not sustainable and the industry must clearly demonstrate that it can deliver better value-for-money in order to justify continuing high investment.

The McNulty Review has provided a clear analysis of why costs are high and a package of recommendations for tackling the underlying causes. As the review rightly highlights, ORR has been challenging Network Rail to reduce its costs for many years – with a target of a 21% reduction by March 2014 on top of savings of around 30% already delivered since 2004-05 (around £15 billion in cash terms). We now need to see the whole industry step up to the mark and set out clearly and credibly how it will deliver greater value for money as part of the current periodic review for 2014-19 and beyond.

As well as looking to the longer term we expect the industry to continue to deliver on its current commitments to passengers, freight users and taxpayers. We continue to hold Network Rail to account for delivering its commitments as part of a tough settlement for the current five-year control period. In the past year this has seen us giving a sustained focus to the delivery of improved performance (for instance on the West Coast Main Line), taking enforcement action over problems arising from the implementation of the Integrated Train Planning System, and challenging the company on its safety culture and risk management.

The railways, like other transport modes, were challenged by the extreme winter weather over the past year. The sector deserves credit for its efforts to keep services running. But it is also right to continue to ask questions about the resilience of the network and of the industry's ability to provide accurate and timely information to passengers.

As the industry gets to grips with all of these major issues, we stand ready to play our part in supporting improved performance, ensuring better alignment of incentives between industry players, and monitoring and enforcing safety and delivery in the best interests of passengers, freight users and taxpayers.

I would like to end by paying tribute to Bill Emery who stands down after six years as chief executive, for his significant contribution to ORR's success as combined economic and safety regulator. I would also like to thank John Thomas who left us earlier this year and to non-executive Board members Richard Goldson and Chris Elliott who both stood down on 31 March 2011.



Anna Walker

*Chair, Office of Rail Regulation
June 2011*



Our key activities and achievements in 2010-11



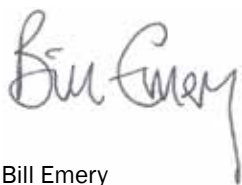
This report covers the 2010-11 financial year and describes our key activities and achievements in delivering the objectives we set out in our strategy for 2009-14 and in our business plan for the year.

We believe that we have made good progress in delivering our strategic objectives over the past two years, although there is further to go under all of our themes. Further detail is set out, theme by theme, in the following section.

Over the past year I would particularly highlight our work:

- ▶ In helping to set a clear direction towards a more efficient rail sector as joint sponsors, with DfT, of Sir Roy McNulty's value for money study and through close involvement in the Secretary of State's review of the industry framework
- ▶ With Network Rail in agreeing a set of clear and objectively measured trajectories that will get it to excellence in terms of health and safety, asset management and efficiency
- ▶ With a growing number of dutyholders on systematic measurement of their safety culture
- ▶ In challenging Network Rail over its under-reporting of minor accidents and focusing the company on improving its safety culture and risk management
- ▶ In completing the first phase of our planned review of our access policy
- ▶ In working collaboratively with the industry to review its approach to access planning, which will allow for the implementation of necessary changes to take place ahead of the December 2011 timetable changes
- ▶ In reaching a speedy decision in October 2010 to impose a £3 million fine on Network Rail following significant disruption to both train operators and passengers as a result of the way in which it implemented a new Integrated Timetable Planning System
- ▶ In focusing train operators and Network Rail on providing better information to passengers, including during periods of disruption, and consulting on a licence condition to underpin their efforts
- ▶ In establishing a forum of consumer experts to help bring greater focus to our regulation
- ▶ In monitoring, implementing and influencing the developments of initiatives to promote continuing improvement in the European safety and economic regulatory framework

This is my final annual report as chief executive as I hand over to my successor Richard Price. I would like to wish him well and take this opportunity to thank colleagues, past and present, in ORR and the wider industry for their help and commitment over the past six years.



Bill Emery

*Chief executive, Office of Rail Regulation
June 2011*

Overview of our activities

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

Over the past year we:

- ▶ Carried out a wide range of inspections and audits of safety management systems, maintenance and construction activity
- ▶ Continued to encourage and require effective co-operation within the mainline industry to ensure that system-wide safety issues were recognised and addressed
- ▶ Continued to focus on level crossing safety risk
- ▶ Continued to focus our investigation resource on those incidents we considered likely to require enforcement action; to provide a proportionate response to complaints received; and, to ensure that the industry addressed the relevant issues raised in RAIB reports

As economic regulator of the mainline railway we set Network Rail's funding to enable it to carry out its work efficiently, ensuring that it delivers the agreed outputs whilst improving its own efficiency.

Over the past year we:

- ▶ Carried out continuous monitoring of all of Network Rail's regulated outputs, including network performance and availability, and delivery of its extensive enhancements programme. We also looked at a number of specific issues such as timetabling, asset information and implementation of new technology
- ▶ Continued to deal with access applications and appeals from train operators, as well as reviewing our access policy and planning
- ▶ Oversaw the establishment of route utilisation strategies across the mainline network to an agreed plan

As a competition and consumer authority we use our powers to ensure that users and funders of railway services benefit from competitive railway markets and that passengers are treated fairly.

Over the past year we:

- ▶ Carried out a study of the railfreight market to look at barriers to growth, and a study of the impact of the ownership of freight sites on the working of the market
- ▶ Undertook a review of ticket retailing focusing on complexity

Focus on passenger and freight customers now and in the future

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

Success measures for 2010-11

- ▶ Passengers and freight users continue to benefit from Network Rail effectively meeting its delivery plan commitments
- ▶ Passengers benefit from significantly better information during times of train service disruption
- ▶ The overall levels of passenger and freight customer satisfaction continue to increase

Outcomes delivered

We have exposed the issues around the leasing of freight facilities and by tackling perceptions which currently exist will be better able to focus industry (and our own) efforts on those areas that need to improve so that competition continues to flourish in the railfreight sector.

Our investigation into a complaint about alleged predatory pricing for the carriage of petroleum products by rail has helped to create greater certainty within the sector as to how we will view pricing decisions during periods of excess capacity.

Our new arrangements to monitor and enforce compliance with new law on rail vehicle accessibility, designed to make improvements for rail passengers with reduced mobility, have been positively received by groups representing the interests of disabled passengers.

There is greater industry focus and commitment to getting information to passengers during times of disruption – although still further to go in terms of delivery against this commitment.

Progress towards our strategic goal

Over the past two years:

- ▶ The overall trend for passenger train punctuality, allowing for seasonal variations, has continued to improve although we continue to monitor it closely
- ▶ Passenger satisfaction, at 84%, has remained at its highest ever levels
- ▶ The levels of disruption to passengers and freight operators from planned engineering work have reduced

Focus on passenger and freight customers now and in the future

Examples of our activity during the past year

Passenger information

We were already working with the industry to improve the provision of information to passengers in the wake of the severe winter weather in early 2010.

With the recurrence of some of these problems in December we sent in an independent reporter to carry out audits of how Network Rail and the train operators were implementing an agreed code of practice. This revealed a mixed picture.

We are now consulting on the introduction of new regulatory powers to clarify and consolidate accountability for passenger information between train operators and Network Rail, with standards subject to independent regulation.

Competition in the freight sector

Rail freight sites are key to the movement of around 100 million tonnes of goods transported by rail each year.

During the year we conducted an in-depth study of rail freight site leasing to see whether current arrangements help to promote a competitive freight market.

The study found that although there is a level of frustration with how the leasing arrangements operate there was not enough evidence to suspect that problems were widespread and competition being distorted to a degree that materially harms end users. However, the way that the system operated could be better and there was at least a perception that the framework could act in favour of the larger players.

We will be consulting on our findings in the coming year and working with the industry to find solutions to the key issues.

Next steps

We will continue to monitor Network Rail's performance, publish regular assessments and hold it to account for meeting its obligations.

We will monitor and review the industry's strategy for providing passenger information (particularly in times of disruption) and seek to ensure that it delivers real improvement.

We are consulting on the transfer of responsibility from the Secretary of State to ORR for monitoring train operators' complaints handling procedures, and for reviewing and approving their disabled peoples' protection policies.

We will also take forward our consumer programme working with the industry to ensure that consumers get the information they need and can understand to buy the right ticket for their journey. We will also look to provide guidance on split ticketing and break of journeys.

As part of our market studies programme we will carry out a review of the Association of Train Operating Companies' (ATOC) Real Time Train Information code of practice, and a review of the role that station ticket offices play in retail in relation to other retail modes.

Excellence in health and safety culture and risk control

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

Success measures for 2010-11

- ▶ Dutyholders are measuring safety culture in a recognised way and acting upon the weaknesses found
- ▶ Our safety culture maturity model has been applied to a number of major duty holders
- ▶ Assurance that the verification systems of Network Rail and London Underground are either fit for purpose or have identified the required improvements
- ▶ Progress is made to plan by the industry on changes to the mainline rule book and the first revised modules are implemented successfully
- ▶ Network Rail's changes to maintenance are implemented without any incidents or deterioration in asset safety and comply with our requirements
- ▶ We successfully complete the review of the Railway Safety Standards Board (RSSB)
- ▶ The overall system risk to passengers continues to decrease as determined by RSSB and London Underground risk models
- ▶ We have a year-on-year reduction to the extent of red zone working undertaken on Network Rail's infrastructure
- ▶ There are no workforce fatalities on the mainline railway, Transport for London or other railways and safety of the railway industry workforce continues to improve
- ▶ There is clear evidence that railway dutyholders are taking steps to improve the management of occupational health
- ▶ Compliance with the Construction, Design and Management Regulations across the industry continues to improve

Outcomes delivered

Many dutyholders are measuring safety culture in a recognised way and acting upon the weaknesses found.

Work to overhaul the industry rule book is progressing well, with the first two phases complete.

We have held Network Rail to account over non-reporting of minor injuries, as the rest of the sector has seen workforce safety improve. As a result, we are pleased that Network Rail have adopted our railway management maturity model and encouraged by the progress being made by their leadership and culture change programme.

We established processes to issue European train driver licences.

Excellence in health and safety culture and risk control

Progress towards our strategic goal

Whilst progress has been encouraging there is still much to do. We continue to have concerns in a number of areas including the industry's management of occupational health and the overall level of health and safety management system maturity.

Examples of our activity during the past year

Network Rail maintenance restructuring

Network Rail's plans to implement a new maintenance structure – known as phase 2b2c – led to significant tension with the trades unions and complaints.

Separately, we inspected the effectiveness of how the change was being managed and were impressed by the rigour of the company's change management arrangements using Network Rail's established methodology.

We challenged some specific aspects of how Network Rail planned to implement the change and received the necessary reassurance of how the associated risks were being managed. Our complex work to test the planned changes was assisted by concerns and intelligence from staff representatives. We studied fatigue risks and reprioritising of maintenance work in particular.

Network Rail delayed the implementation of the new structure and took the opportunity to address the issues we had exposed. The company has said that the end result was significantly improved as a result of our intervention.

Level crossings

Whilst the industry is working hard, level crossings present the most significant underlying risk to train passengers and other members of the public.

Following inspections we wrote to Network Rail setting out key improvements we felt should be made regarding their management of level crossings, and in particular their risk assessment process. We were encouraged by the fresh thinking the company has applied and expect to see this translate into a better risk culture.

We successfully initiated a review, by the Law Commissions of England, Wales and Scotland, of legislation on level crossings as part of their programme of law reform. This is an important review that has the potential to modernise and simplify the way in which risks at level crossings are governed. In November, we submitted our formal response to the consultation on proposals for reform.

We will continue to work closely with all the interested parties as the proposals are developed.

We targeted AOCLs in our inspection programme and note the progress made by Network Rail in better understanding patterns of use and developing a cost-effective barrier solution.

Next steps

As part of a wide-ranging work programme we will:

- ▶ Undertake an evaluation of health and safety management system maturity of all key dutyholders, building on our initial work over the past year
- ▶ Conduct inspections and audits of Network Rail's and train operators' safety management system for managing change
- ▶ Carry out inspections into known areas of poor occupational health and promote excellence
- ▶ Audit and inspect industry management of construction projects

Excellence in asset management

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

Success measures for 2010-11

- ▶ Network Rail has adopted sustainable asset management policies that enable it to meet its output commitments in the short and long term
- ▶ Network Rail can provide train operators and others with substantially complete and accurate information about the capability of its network and is rapidly closing any gaps
- ▶ Plans are in place to develop and promote best practice asset management on a whole-industry basis

Outcomes delivered:

We have agreed with Network Rail a programme of asset management capability improvements.

Network Rail is, for the first time, working to an explicitly defined path to asset management excellence across the whole of its business. We are tracking progress against agreed milestones and deadlines, and monitoring the delivery of the capability improvements as part of the progressive assurance work supporting PR13.

Following cross-industry consultation Network Rail has made commitments to a robust way of meeting the needs of train operators and others for information about gauge capability on the network.

Following pressure from ORR, Network Rail has launched a new approach to managing the introduction of new technology, to encourage innovation and to ensure that the best ideas are implemented rapidly and effectively.

Progress against our strategic goal

- ▶ Network Rail's asset management capabilities are improving
- ▶ The company's asset management policies have been reviewed
- ▶ Delay minutes due to asset failures have decreased
- ▶ We have agreed with Network Rail a trajectory to get them to excellence in asset management based on international benchmarking

Excellence in asset management

Examples of our activity during the past year

Network Rail's general asset management capabilities

As the owner and manager of Britain's rail infrastructure Network Rail's stewardship of its extensive £30 billion asset base is critical to the success of Britain's railways.

We worked closely with Network Rail during the first half of the year to agree a baseline assessment of their existing asset management capabilities, and an improvement trajectory that will take them to 'excellence' measured against industry benchmarks.

Network Rail now have a much clearer understanding of where we expect to see them improve and the standards and trajectory we are now measuring them against during the remaining years of CP4 and through into CP5.

Network Rail's management of civil structures

We asked independent reporters to look at Network Rail's management of over 40,000 civil structures, including bridges, viaducts and tunnels.

The report highlighted a number of concerns, including the absence of formal lifecycle planning and no evidence of a formal comprehensive 'workbank' of all maintenance and renewals needs at route or national level.

As a result of this work Network Rail is working with the independent reporter to produce an action plan to address the issues identified.

Next steps

We will continue to assess and monitor Network Rail's capability and progress against our agreed trajectory alongside continued scrutiny of the company's efficiency.

Our inspections will focus on dutyholders' processes for collecting and monitoring asset data, risk-based maintenance, processes for reducing risk through improved design, and compliance with standards and legal requirements.

We will also take forward further work, including benchmarking, to inform our assessment of Network Rail's efficiency to inform our thinking as part of the PR13 process.

Improved industry planning and timely and efficient delivery of major projects

Our goal for 2009-14: 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.

Success measures for 2010-11

- ▶ The industry produces a high quality 'industry options' document, and Network Rail publishes robust Route Utilisation Strategies in accordance with the agreed programme, as stages in planning and preparing for the next periodic review
- ▶ Improvements are identified and agreed to the way that major cross-industry programmes are managed
- ▶ There is good stakeholder understanding and buy-in of our objectives and plans for the 2013 periodic review

Outcomes delivered:

Whilst Network Rail started the year behind schedule on its enhancements programme we believe that it made reasonable progress to make up ground. Examples included early completion of the new platform zero at Kings Cross, and completion of the track switch at Blackfriars as part of the Thameslink programme.

We saw some good evidence of innovation from Network Rail in its planning of engineering works at Reading over the Christmas period. It worked closely with train operators, passenger representatives and local authorities to minimise disruption to passengers.

But there have been delays to some projects for a range of reasons, including some outside of Network Rail's control, and there were a number that we considered to be at risk of late completion. We told Network Rail that it must agree any necessary changes to its delivery plan with the key stakeholders.

We held a formal review of Network Rail's delivery of the safety and environment fund where the company admitted that progress had been unacceptable. A revised plan was developed and we have been monitoring this fund more closely.

Progress against our strategic goal

- ▶ Delivery of what is a challenging enhancements programme is ongoing, and there have been some notable successes (eg the new Airdrie-Bathgate line) and good progress integrating several major projects on the Western route
- ▶ The industry is working together to produce the Initial Industry Plan, a key input to the next Periodic Review setting out joint views on planning ahead for the railway
- ▶ Many projects will enter the construction phase during the next couple of years. This represents a major delivery challenge for Network Rail and the broader industry

Improved industry planning and timely and efficient delivery of major projects

Examples of our activity during the past year

Implementation of a new integrated timetable planning system

Network Rail has a duty to run an effective timetabling system. The company took the right decision to replace old inefficient systems and processes with a new integrated timetable planning system (ITPS).

However, the manner in which Network Rail implemented the new system during the year caused significant disruption to both train operators and passengers – with delay to the publication of timetables, some services being advertised wrongly and tickets sold for services that were not running.

We concluded that this was a clear breach of Network Rail's licence and imposed a £3 million fine on the company, sending a clear message that the company must focus on the needs of its customers.

Periodic Review (PR13)

In October we announced that we were delaying the start of the next periodic review (PR13) – the process by which we review Network Rail's outputs and the levels of charges operators must pay for access to its network.

The delay was in response to the Government's wish to review the industry structure – including the length and structure of train franchises and structure of Network Rail – and to await the final recommendations of the McNulty rail value for money study.

In the interim we have worked with the industry to ensure that they are developing a coherent long-term plan to inform the PR13 process which fully engages with the findings of the McNulty review.

Next steps

We will continue to scrutinise delivery of enhancement projects and planned outputs and aim to ensure that obligations to rail users, funders and other rail companies are met.

We will monitor progress and provide constructive challenge to the delivery of industry plans, including its input to PR13.

As part of PR13 we will establish the financial framework for setting outputs, access charges and incentives.

Efficient use of capacity on the mainline network

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

Success measures for 2010-11

- ▶ We deliver high quality access decisions which enable train operators to deliver services which respond to users' needs
- ▶ The industry's access planning arrangements work more efficiently and flexibly so as to enable operators to make best use of the network
- ▶ Improved contractual arrangements are put in place for stations, so that passengers can benefit from improvements more quickly and cheaply
- ▶ New access arrangements for High Speed 1 work without difficulty, enabling the introduction of new services in response to demand

Outcomes delivered:

We continued to produce decisions on track, station and depot access applications in line with our statutory duties and published timescales, enabling train operators to obtain fair terms of access for their services.

We implemented significant changes to the contractual timetabling process. These changes have streamlined and greatly clarified what was previously a complex set of documentation, laying the foundation for further reforms required to improve the industry's timetabling capability.

We established the regulatory framework for the High Speed 1 network, which provides for train operators to obtain access rights to operate services on a clear, transparent and non-discriminatory basis.

We issued our conclusions on phase 1 of our access policy review. Amongst other things our revised policy will support better decisions in cases where there are competing applications for the same capacity from passengers and freight operators and where there are trade-offs between performance, journey time and capacity.

We published criteria and procedures, revised templates and wide ranging general approvals for station and depot access contracts. This provides an improved framework for industry parties to put in place these contracts quickly and with minimal regulatory burden.

Efficient use of capacity on the mainline network

Progress against our strategic goal

We have made good progress. In particular, our work on the access policy and planning reviews has supported our success measure to ensure arrangements are in place to generate timetables which make best use of capacity. This work also lays the foundation for further reforms – including improvements to the industry’s timetable planning. The introduction of wide-ranging General Approvals for station and depot access removes the regulatory burden on the industry and the establishment of a clear regulatory framework for High Speed 1 supports the fair and consistent decision making on applications to that network.

Examples of our activity during the past year

Review of access policy

We carried out a review of our access policy to ensure that our approach to decision making on allocating capacity on the network:

- ▶ Enables the industry to optimise the use of the network
- ▶ Remains appropriate for the changing requirements of the railway, its passengers and customers as the network becomes fuller and competition for space increases

Following a consultation we published our conclusions in November setting out a number of changes to our policy (such as no longer approving contractual ‘moderation of competition’ protection) and highlighting further work that will be undertaken in the wake of the final report from the McNulty rail value for money study.

Review of access planning

Working with the industry, we carried out a review of capacity and access planning issues to support best use of capacity.

This included:

- ▶ An overhaul of the contractual timetabling process
- ▶ A review of the relationship between access planning processes and franchising – to ensure that users obtain maximum benefit from the franchising process, including more clarity for franchise bidders

Next steps

We will continue to process and decide all casework and appeals in line with published policies and procedures and within published timescales.

As part of our PR13 consultation and part 2 of our access policy review we will look to address, amongst other things, issues raised through the McNulty review relating to efficient use of capacity.

We will implement improvements to the Network Code relating to the voluntary and compulsory surrender of unused access rights, complete our review of the contractual structure at stations and support Network Rail in work to further improve the industry’s strategic timetable planning.

We will participate in the development of European rail freight corridors to ensure efficient use of capacity.

Development by the industry of the capabilities of its people

Our goal for 2009-14: 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.

Success measures for 2010-11

- ▶ There is industry commitment to the use of systematic competence management systems, particularly for frontline supervisors
- ▶ The culture management system meets the principles in our guidance 'developing and maintaining staff competence'

Outcomes delivered:

- ▶ The industry has produced guidance on rail resource management training
- ▶ Our audits of driver management competence are driving actions and improvements across a number of train operators
- ▶ The industry has secured the necessary backing to establish the National Skills Academy for Railway Engineering (NSARE)

Progress against our strategic goal

There are some encouraging signs within the industry of a shift towards more risk-based competences, but this is not yet consistent and there is further to go across the sector as a whole.

Development by the industry of the capabilities of its people

Examples of our activity during the past year

Driver management in passenger train operators

We have begun a systematic audit of driver management competence across passenger train operators.

The audits look at the full range of risks associated with driver management (eg fatigue, distraction whilst driving) and the systems in place for managing them within each company.

Our approach uses a set of criteria from our Railway Management Maturity Model to highlight areas of good practice as well as shortcomings, with the intention of enabling dutyholders to focus on how they can manage their risks more effectively.

Competence management in the heritage sector

We regulate over 200 heritage railways (including museums and tramways).

We have been working with the Heritage Railway Association to design and deliver a one-day workshop for the sector on competence management tailored specifically for the heritage sector.

The workshop is intended to highlight existing good practice and signpost attendees to sources of information on competence applicable to the heritage sector.

Next steps

We will continue to promote, encourage and support the industry's ability to maintain, develop and improve the competence and cost-effectiveness of its people.

We will continue to inspect and audit various aspects of management competence of various dutyholders, including London Underground, freight operators and the heritage sector.

High quality data and information for key decisions

Our goal for 2009-14: 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.

Success measures for 2010-11:

- ▶ Robust relevant data are available for industry planning and the 2013 periodic review
- ▶ The value of data we publish is increased by providing better web-based access to it

Outcomes delivered:

We have embedded our work on data assurance in the periodic review process through our guidance to industry on the information content of its initial industry plan, and 'progressive assurance' framework for Network Rail's strategic business plan.

Within ORR we have implemented a new data warehouse and introduced tighter processes for the publication of statistics to meet official statistics standards. Data providers are able to upload their data directly into the data warehouse. From May 2011, data users were able to access the data in the warehouse via a new online data portal.

The process for industry reporting of injuries to ORR has been automated.

Progress against our strategic goal

Establishment of our data warehouse and data portal, together with other initiatives, has helped increase the value of the data we publish and has provided a robust system for collecting and disseminating information.

We have conducted joint research with Passenger Focus to further our understanding of passenger data requirements. This included an investigation of the level of disaggregation passengers require and where they would expect to access the data.

High quality data and information for key decisions

Examples of our activity during the past year

Introduction of improved data collection systems

Within ORR we have been bedding in a new 'data warehouse' which pulls together information and data from a number of industry sources. Improved and automated processes have reduced the scope for human error and provided a more robust system for collecting and disseminating information.

We have developed a new 'data portal' that will give stakeholders better web-based access to data in the warehouse. The portal went live in May.

Better information to inform key decisions

As part of the PR13 process we have produced guidance for the industry on the information requirement for their initial strategic business plan. We have also agreed with Network Rail a series of checkpoints to provide progressive assurance that the information underpinning its strategic business plan is fit for purpose.

Next steps

We will continue to ensure our commitments for data publication are met and seek to continuously improve the reliability and relevance of all data, ensuring that ORR remains compliant with the UKSA code of practice.

We will explore the need for a process for ORR endorsement of published industry data and, if appropriate, implement an assessment programme.

We will complete research to aid our understanding of what further information about rail services passengers would like to be able to access.

Effective and efficient delivery of our strategy

Achieving excellence

We have continued to focus on developing our capabilities and effectiveness and ensuring that we reap the benefits of the restructuring carried out in 2009.

Creating a high performing organisation

We have a rolling programme of work aimed at building and supporting 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.

During the year we have reviewed our approaches to performance and reward and competence management.

In October 2010 we again participated in the civil service people survey. The results showed that ORR is one of the most improved organisations in the civil service. Improvements on the previous year were made in a number of areas although there are others where further progress is needed.

Engaging with our stakeholders

We have continued to actively engage with our stakeholders, meeting with them regularly to consult with them on a range of issues, explain our approach to issues and listen to their concerns.

We are establishing a twice-yearly 'pulse' survey to measure perceptions of our effectiveness with key industry stakeholders.

Risk management

Effective risk management remains a key component of our planning and delivery processes. We continue to regularly review and strengthen our processes and improve our 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.

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 a number of important policies and processes resulting in streamlined processes and decisions in a number of areas including contractual timetabling and station and depot access contracts.

Effective and efficient delivery of our strategy

Human resources

The table below shows the profile of ORR employees as at 31 March 2011

| Grade | Total* | Male | Female | White | Ethnic minority | Not Known | Disabled |
|--------------|------------|------------|-----------|------------|-----------------|-----------|-----------|
| SCS | 14 | 10 | 4 | 12 | 1 | 1 | 0 |
| Grade A | 20 | 17 | 3 | 18 | 1 | 1 | 2 |
| Grade B | 37 | 28 | 9 | 26 | 1 | 10 | 1 |
| Grade C | 93 | 77 | 16 | 62 | 6 | 25 | 4 |
| Grade D | 35 | 22 | 13 | 22 | 8 | 5 | 4 |
| Grade E | 24 | 17 | 7 | 18 | 6 | 0 | 1 |
| Grade F | 37 | 10 | 27 | 15 | 13 | 9 | 3 |
| Grade G | 25 | 11 | 14 | 12 | 8 | 5 | 1 |
| Total | 285 | 198 | 87 | 185 | 44 | 56 | 16 |

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 Principles laid down by the Civil Service Commissioner. 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 reassignment, race, disability, pregnancy and maternity, sex and sexual orientation, age, religion or belief, marriage and civil partnership 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.

| Grade | Total | Male | Female | White | Ethnic minority | Not Known | Disabled |
|--------------|----------|----------|----------|----------|-----------------|-----------|----------|
| SCS | 0 | - | - | - | - | - | - |
| Grade A | 0 | - | - | - | - | - | - |
| Grade B | 1 | 1 | 0 | 0 | 0 | 1 | 0 |
| Grade C | 2 | 2 | 0 | 1 | 0 | 1 | 0 |
| Grade D | 1 | 1 | 0 | 1 | 0 | 0 | 0 |
| Grade E | 1 | 1 | 0 | 1 | 0 | 0 | 0 |
| Grade F | 0 | - | - | - | - | - | - |
| Grade G | 1 | 0 | 1 | 1 | 0 | 0 | 0 |
| Total | 6 | 5 | 1 | 4 | 0 | 2 | 0 |

Effective and efficient delivery of our strategy

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 2010-11 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 2010-11 we spent £28.385m. We levied £30.027m for safety, licence fees and miscellaneous services and added £1.421m income accrued from the previous year. This left a balance of £3.065m to carry forward as accrued income to next year.

Most of our costs were salaries – 70% in 2010-11. A further 6% was spent on consultancy fees, including the purchase of legal services. The remainder of our expenditure (24%) 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.

A summary of our expenditure and income over the past two years is shown below.

| Income (£000) | 2010-11 | 2009-10 Restated |
|---|---------------|---------------------|
| Deferred/(accrued) income from prior year | 1,421 | (894) |
| Licence fees, safety levy and miscellaneous income received | 30,027 | 31,942 |
| Total income | 31,448 | 31,048 |

| Expenditure (£000) | 2010-11 | 2009-10 |
|---|----------|-----------|
| Staff costs | 19,901 | 19,910 |
| Other costs | 8,484 | 9,800 |
| Less) add income (deferred)/accrued to future year | (3,065) | (1,421) |
| Net operating deficit (as voted by Parliament) | 2 | 83 |

| Reconciliation between resource outturn and resource budget outturn | 2010-11 | 2009-10 Adjusted |
|---|---------|---------------------|
| Net resource outturn | 2 | 83 |
| Net operating costs | 2 | 83 |
| Resource budget outturn | 487 | 3 |

Effective and efficient delivery of our strategy

| Expenditure by core function | 2010-11 | | | | 2009-10 | |
|------------------------------|----------------|----------------|------------------|---------------|---------------------------|---|
| | Budget £000 | Actual £000 | Variance £000 | Variance % | Actual 2009-10 £000 | Variance 2009-10 to 2010-11 £000 |
| Safety regulation | 19,370 | 17,762 | (1,608) | (8) | 18,624 | (862) |
| Economic regulation | 12,233 | 10,623 | (1,610) | (13) | 11,086 | (463) |
| Total | 31,603 | 28,385 | (3,218) | (10) | 29,710 | (1,325) |

Resource management

During the year our Directors 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.

| Economy measures | 2009-10 (at 2010-11 prices) | 2010-11 actual | 2011-12 budget | Variance 2009-10 to 2010-11 | Variance 2010-11 to 2011-12 |
|---|--------------------------------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| Total expenditure £m | 31.0 | 28.4 | 30.7 | -2.6 | 2.4 |
| Permanent staff numbers | 301.7 | 287.0 | 286.5 | -14.7 | -0.5 |
| Accommodation costs/person (£000) | 8.8 | 6.7 | 9.2 | -2.1 | 2.5 |
| Accommodation costs/total costs (%) | 8.6 | 6.8 | 8.6 | -1.8 | 1.8 |
| Support costs/total costs (%) | 20.7 | 19.3 | 17.5 | -1.5 | -1.7 |
| Support staff number/total staff number (%) | 18.2 | 14.8 | 13.3 | -3.5 | -1.5 |
| Consultancy cost/total costs (%) | 6.47 | 5.65 | 8.0 | -0.8 | 2.4 |
| Average staff cost/ head (£000) | 66.8 | 69.3 | 68.0 | 2.6 | -1.3 |
| Staff turnover (%) | 8.6 | 10.6 | - | 2.0 | - |
| Sickness absence (%) | 1.8 | 1.6 | - | -0.2 | - |

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 2010-11, 97.2% of invoices were paid within 30 days with 33.3% paid within 10 days.

Accommodation strategy

We continue to implement our accommodation strategy that will reduce the number of our offices to six (from 21) by 2012.

Effective and efficient delivery of our strategy

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

We are taking forward the outsourcing of our information systems.

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 adhere, wherever possible, to government guidelines. We are developing a set of targets and measures in line with Treasury guidance and will report against these in future years.

Greenhouse gas emissions (tonnes CO2)

| | | |
|----------------------------|---------------|------------------|
| Electricity | 373.30 | (London office) |
| | 96.50 | (Glasgow Office) |
| Oil | 57.30 | (London office) |
| Gas | 0.23 | (Glasgow office) |
| Total net emissions | 710.48 | |

Customer correspondence

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

| | 2009-10 | 2010-11 |
|--|-----------------|-----------------|
| Parliamentary Questions – response within 24 hours | 32 met (100%) | 7 met (100%) |
| Freedom of Information – response within 20 working days | 219 met (92%) | 176 met (86%) |
| General enquiries – 90% response within 20 working days | 1,768 met (93%) | 1,878 met (96%) |

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 2010-11 (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 2010-11 took account of changes to the Board membership and how effectively the Board was working as a team 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 grounds 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.

Approvals committee

The role of the approvals committee is to approve all consultancy contracts in excess of £20,000 and all external recruitment in line with HM Treasury guidance.

Corporate governance

The Board

Non-executive directors

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

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 28 June 2011

Michael Beswick, executive director rail policy, 20 March 2006 to 19 March 2011 and reappointed until 14 June 2014

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
(left ORR on 7 March 2010)

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

Senior team

Juliet Lazarus, director legal services

Lynda Rollason, director corporate services

Ken Young, director external affairs

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 £41,500.

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 2010 to 31 March 2011. 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 2010-11 Financial Reporting Manual.



Resource accounts

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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 level 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 2010 to 31 March 2011. 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 2010-2011 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 2010-11 these were Richard Goldson (committee chairman), Peter Bucks and Anna Walker.

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 20 April 2010 and 10 May 2010 to consider senior civil servants' pay strategy and remuneration and its recommendations were agreed by the Board on 22 June 2010. The committee also reviewed this year's SCS pay round at its meeting on 4 August 2010 as well as receiving an update on succession planning. At its May, August, October 2010, January and February 2011 meetings the committee discussed non-SCS performance and reward and received updates on the progress of the non-SCS performance and reward project.

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.

Remuneration report

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 depending upon the reason for the termination, based on the provisions of the Civil Service Compensation Scheme. No executives received early termination payments in 2010-11 (2009-10: nil.).

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.

Remuneration report

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior managers of the ORR during 2010-11, and has been subject to external audit.

| | 2010-11 | | | 2009-10 | | |
|---|----------------|---------------------------|---------------------------------------|----------------|---------------------------|---------------------------------------|
| | Salary £000 | Bonus Payments £000 | Benefits in kind (to nearest £100) | Salary £000 | Bonus Payments £000 | Benefits in kind (to nearest £100) |
| Bill Emery**** <i>Chief Executive</i> | 165-170 | - | 200* | 160-165 | 15-20 | - |
| John Thomas (Left ORR on 7th March 11) <i>Director, Railway Markets and Economics</i> | 100-105 | 5-10 | 600* | 105-110 | 10-15 | 600 |
| Juliet Lazarus** <i>Director, Legal services</i> | 85-90 | 0-5 | - | 85-90 | 5-10 | - |
| Ian Prosser <i>Director, Railway Safety</i> | 120-125 | - | - | 120-125 | 5-10 | - |
| Michael Beswick <i>Director, Rail Policy</i> | 115-120 | - | - | 115-120 | 0-5 | - |
| Ken Young*** <i>Director, External Affairs</i> | 80-85 | 0-5 | - | 70-75 | - | - |
| Michael Lee <i>Director, Railway Planning and Performance</i> | 105-110 | - | - | 105-110 | 5-10 | - |
| Lynda Rollason <i>Director, Corporate Services</i> | 105-110 | 5-10 | 500* | 105-110 | 5-10 | 600 |

* Benefits in kind comprise subsidised gym membership

** 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 (09-10) for Ken Young was in the range of £80,000-£85,000

'Salary' includes gross salary; 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.

Bonuses shown separately and not in gross salary above are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09.

'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 7.

****The chief executive will receive a payment of £180k, when he leaves office in June 2011. This payment is reported as an accrual in Note 8 to the accounts. In his capacity as ORR chief executive, he has been vice chair of CERRE (Centre on Regulation in Europe) since March 2010. He receives no remuneration for this work, but his travel and accommodation expenses are met by ORR.

Remuneration report

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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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 <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

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).

Remuneration report

The former Rail Regulators' and former Chairman's pensions are by analogy with the Principal Civil Service Pension Scheme. During 2010-11 there were no members in employment (2009-10 – one member up to 4 July). 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 former 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

Remuneration report

Pension benefits

| | Accrued pension at age 60 as at 31/03/11 and related lump sum £000 | Real increase/ (decrease) in pension and related lump sum at age 60 £000 | CETV at 31/03/11 £000 | CETV at 31/03/10* £000 | Real Increase (decrease) in CETV £000 |
|---|--|--|-----------------------------|------------------------------|--|
| Bill Emery (a) <i>Chief Executive</i> | 55-60 (pension) 175-180 (lump sum) | 0-2.5 (pension) 0-2.5(lump sum) | 1,372 | 1,260 | (5) |
| John Thomas (b/c) <i>Director, Railway Markets and Economics (left ORR 7th March 2011)</i> | 15-20 (pension) | 0-2.5 (pension) | 173 | 149 | 9 |
| Juliet Lazarus (c) <i>Director, Legal services</i> | 10-15 (pension) | 0-2.5 (pension) | 119 | 97 | 10 |
| Ian Prosser (e) <i>Director, Railway Safety</i> | 5-10 (pension) | 2.5-5.0 (pension) | 85 | 49 | 29 |
| Michael Beswick (d) <i>Director, Rail Policy</i> | 55-60 (pension) 50-55 (lump sum) | 2.5-5.0 (pension) 2.5-5.0 (lump sum) | 1,172 | 1,124 | 48 |
| Ken Young (e) <i>Director, External Affairs</i> | 0-5 (pension) | 0-2.5 (pension) | 38 | 17 | 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) | 950 | 921 | 29 |
| Lynda Rollason (a) <i>Director, Corporate Services</i> | 10-15 (pension) 40-45 (lump sum) | 0-2.5 (pension) 2.5-5.0 (lump sum) | 249 | 216 | 14 |

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.

* The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Remuneration report

Non-executive directors

Other Non-executive Directors received the following salaries:

| | Period of Office | 2010-11 | 2009-10 |
|---------------------|------------------------------------|---------|---------|
| | | £ | £ |
| Anna Walker* | 5 July 2009 to 4 July 2014 | 120,000 | 94,758 |
| Chris Bolt** | 5 July 2004 to 4 July 2009 | - | 29,186 |
| Peter Bucks | 5 July 2004 to 4 July 2014 | 21,776 | 21,776 |
| Jane May | 5 July 2004 to 31 March 2010 | - | 21,776 |
| Dr. Chris Elliot | 1 July 2007 to 31 March 2011 | 21,776 | 21,776 |
| Richard Goldson OBE | 2 October 2006 to 31 March 2011 | 21,776 | 21,776 |
| Tracey Barlow*** | 1 February 2010 to 31 January 2015 | 21,776 | 3,629 |
| Steve Walker*** | 1 February 2010 to 31 January 2015 | 21,776 | 3,629 |
| Mike Lloyd*** | 1 March 2010 to 28 February 2015 | 21,776 | 1,815 |

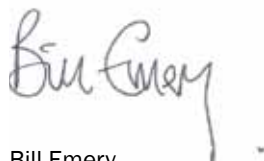
Notes

* The full year equivalent for 09-10 was £120,000

** The full year equivalent for 09-10 was £111,928

*** The full year equivalent for 09-10 was £21,776

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
23 May 2011

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 2011 and up to the date of the approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The business planning and corporate governance team in the corporate services directorate leads on managing and driving forward the risk management process and 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 Board considered papers on risk in May and November 2010. The Audit Committee continued to scrutinise the risk management framework and took papers on risk management at each of its quarterly meetings.

Risk review workshop

On 28 July 2010, the Board and senior managers attended a risk management workshop facilitated by an independent expert. The aims of the workshop were, firstly to use a "zero-based" approach to identify and assess ORR's main risks and secondly, to review ORR's core processes and the risks to them. Feedback from participants and from the facilitator suggested that the workshop was very successful in respect of the first aim, and a refreshed

Statement on internal control

set of high level risks was agreed. On the second aim, it was felt that timing constraints had been a limiting factor and accordingly it would be useful to devote more time to fully assess the robustness of ORR's core processes. This will be a focus for assurance during 2011-12, but for clarity there were no significant process failures during 2010-11.

The assessment of risks and the identification of appropriate controls, forms a key part of the business planning process. Each directorate considers these aspects and includes 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 14 high level risks centring around industry safety, Network Rail performance, changing expectations of ORR and stakeholder relations, as well as ORR's own organisational effectiveness. Of these, the most significant (i.e. highest scoring) risks for the organisation arise from (in descending order):

- ▶ external perceptions;
- ▶ central government or European policy changes;
- ▶ Network Rail performance; and
- ▶ ORR's own organisational culture and engagement.

The high level risk register was kept under regular review and during the year the score in relation to the risk around central policy changes was reduced as further details of the government's transport and financial policies emerged, reducing the level of uncertainty which had been a key feature of this risk. The risk of possible train operating company (TOC) financial failure was also reduced, again reflecting decreasing uncertainty as more TOCs moved towards franchise revenue support arrangements. The score for the organisational culture and engagement risk also decreased reflecting the progress made in implementing ORR's achieving excellence programme through a series of culture change projects. A modest increase in ORR's employee engagement score in the 2010 Civil Service People survey provided evidence of positive progress in this area.

The high level risk register is an active document and it evolved during the year, both as a result of the regular reviews and following the workshop on 28 July. For example, new risks were introduced capturing emerging concerns about new and changing expectations of ORR, the need to ensure the continued independence of the organisation and the impact of central resource constraints. At the same time, the risk around poor data quality

Statement on internal control

was de-escalated to the directorate risk register for the railway planning and performance directorate reflecting the progress made in driving forward improvements in this area during the year.

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.

A standard format is used for the high level and directorate risk registers. Risk is described 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. The target score for each risk represents a statement of ORR’s risk appetite in relation to each risk. A relatively high target score (as for example, for the central resource constraints risk) reflects a decision to tolerate a relatively high level of risk in the relevant area. 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.

Risk owners have the opportunity at regular team and directors’ group meetings, to escalate risk from project and programme to directorate level and from directorate level to high level. For example in September the director of external affairs took the opportunity to escalate a directorate-level risk concerning the performance and integrity of ORR’s external website. Mitigation measures were put in place across the whole organisation tightening up the processes around certification and approval of website content for publication and as a result the residual level of risk was reduced.

There were no significant control failures identified during the year.

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 SIRO) 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.

We follow the requirements of Government’s Security Policy Framework, and submit a report on information assurance annually to Cabinet Office. This year, our compliance has focused on ensuring the compliance of our third party suppliers to information assurance standards, and emphasising the internal role of Information Asset Owners. We also continue to ensure that a good yet risk-appropriate security culture is embedded at ORR. To this end, we have re-issued our security guidance documentation to staff and provide security training.

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

Statement on internal control

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 audit completion report 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 2010-11 financial year.

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

- ▶ monthly Board and directors' group (DG) meetings to review strategic plans and to manage policy, resource and operational requirements;
- ▶ Board and DG papers cover risk explicitly and in accordance with the prescribed templates;
- ▶ every DG includes a short risk update session. The presumption is that any significant developments will be brought up here and responsibility for this rests with the risk owner;
- ▶ our strategic theme "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 the 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 DG 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.

Statement on internal control

Furthermore, at least annually, RSM Tenon provides me with an independent report on internal audit activity for ORR. All internal audit reports in 2010-11 offered a positive assurance opinion, with the exception of one report – on the website – which offered only a partial assurance. This report put forward a number of recommendations all of which are being addressed principally through the development of a website strategy and associated processes for the editing of website content. RSM Tenon's annual report for 2010-11 provided a positive opinion on the adequacy and effectiveness of ORR's system of internal controls. On 1 April 2011, Deloitte took over from RSM Tenon as ORR's internal audit provider. Robust handover provisions were put in place and these have ensured that there has been no shortfall in assurance during the transition.



Bill Emery
Accounting Officer
23 May 2011

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 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity 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, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with 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 read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- ▶ the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

The certificate and report of the Comptroller and Auditor General to the House of Commons

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 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 and the part of the Remuneration Report to be audited 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

25 May 2011

Statement of parliamentary supply

Summary of Resource Outturn 2010-11

| Request for Resources | Estimate | | | Outturn | | | Net Total Outturn compared with Estimate: saving/ (excess) | 2009-10 Outturn |
|---|----------------------|--------|-----------|----------------------|--------|-----------|--|--------------------|
| | Gross Expenditure | A in A | Net Total | Gross Expenditure | A in A | Net Total | | Net Total |
| 1. To create a better railway for passengers and freight, and better value for public funding authorities, through independent, fair and effective regulation | 32,280 | 31,793 | 487 | 28,385 | 28,383 | 2 | 485 | 2 |
| Total Resources | 32,280 | 31,793 | 487 | 28,385 | 28,383 | 2 | 485 | 2 |
| Non-operating cost in A in A | - | - | - | - | - | - | - | - |

The 2009-10 Statement of Parliamentary Supply cannot be restated on a CLOS (Clear Line of Sight) basis as it must reflect the funding voted by Parliament. A reconciliation to the restated based 2009-10 accounts is given below

| | 2009-10 £000 |
|--|-----------------|
| Net Resource Outturn (Statement of Parliamentary Supply) | 2 |
| Removal of the cost of capital credit | 81 |
| Adjusted Net Resource Outturn | 83 |

The notes on pages 60-83 form part of these accounts

Statement of parliamentary supply

Net cash requirement 2010-11

| | | | | 2010-11 £000 | 2009-10 £000 |
|----------------------|------|----------|---------|---|-----------------|
| | Note | Estimate | Outturn | Net total outturn compared with estimate saving/(excess) | Outturn |
| Net Cash Requirement | 4 | 1 | 0 | 1 | 0 |

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 2010-11 £000 | | Outturn 2010-11 £000 |
|-------|------|--------|--------------------------|--------|-------------------------|
| | Note | Income | Receipts | Income | Receipts |
| Total | 5 | - | - | 1,831 | <i>1,831</i> |

The notes on pages 60-83 form part of these accounts

Statement of comprehensive net expenditure

For the year ended 31 March 2011


| | | Staff Costs | Other Costs | 2010-11 Income | 2009-10 Restated |
|--|------|----------------|----------------|-------------------|---------------------|
| | Note | £000 | £000 | £000 | £000 |
| Administration Costs: | | | | | |
| Staff Costs | 7 | 19,901 | | | 19,910 |
| Other administration costs | 8 | | 8,484 | | 9,800 |
| Operating Income | 9 | | | (28,383) | (29,627) |
| Other comprehensive expenditure | | - | - | - | - |
| Totals | | 19,901 | 8,484 | (28,383) | 83 |
| Net Operating Cost for the year ended 31 March 2011 | | | | 2 | 83 |

The notes on pages 60-83 form part of these accounts

Statement of financial position

As at 31 March 2011

| | Note | 31 March 2011 | | 31 March 2010 | |
|---|------|---------------|-----------------|---------------|----------------|
| | | £000 | £000 | £000 | £000 |
| Non-current assets: | | | | | |
| Property, plant and equipment | 10 | 2,386 | | 2,899 | |
| Intangible assets | 11 | 692 | | 586 | |
| Total non-current assets | | | 3,078 | | 3,485 |
| Current assets: | | | | | |
| Trade and other receivables | 12 | 1,678 | | 1,276 | |
| Cash | 13 | 1,831 | | 2,102 | |
| Total current assets | | 3,509 | | 3,378 | |
| Total assets | | | 6,587 | | 6,863 |
| Current liabilities: | | | | | |
| Trade and other payables (amounts falling due within one year) | 14 | (10,065) | | (8,059) | |
| Total Current Liabilities | | | (10,065) | | (8,059) |
| Total non-current assets less liabilities | | | (3,478) | | (1,196) |
| Non-current liabilities | | | | | |
| Provisions | 15 | (1,405) | | (1,819) | |
| Other payables >1 year | 14 | (20) | | (48) | |
| Pension Liabilities | 15 | (421) | | (487) | |
| Total non-current liabilities | | | (1,846) | | (2,354) |
| Assets less liabilities | | | (5,324) | | (3,550) |
| Taxpayers' Equity: | | | | | |
| General Fund | | | (5,632) | | (3,858) |
| Revaluation reserve | | | 308 | | 308 |
| Total taxpayers' equity | | | (5,324) | | (3,550) |



Bill Emery
Accounting Officer
23 May 2011

The notes on pages 60-83 form part of these accounts

Statement of cash flows

For year ended 31 March 2011

| | Note | 2010-11 £000 | 2009-10 £000 |
|--|------|-----------------|-----------------|
| Net cash inflow from operating activities | 16a | 2,217 | 2,630 |
| Capital expenditure and financial investment | 16b | (386) | (528) |
| | | - | - |
| Payments of amounts due to the Consolidated Fund | 16e | (2,102) | (296) |
| Financing | 16d | - | - |
| Net (Decrease)/Increase in cash in the period | | (271) | 1,806 |

The notes on pages 60-83 form part of these accounts

Statement of changes in taxpayers' equity

For the year ended 31 March 2011

| | Note | General Fund £000 | Revaluation Reserve £000 | Total Reserves £000 |
|---|------|----------------------|-----------------------------|------------------------|
| Balance at 31 March 2009 | | (1,642) | 308 | (1,334) |
| Changes in accounting policy – CLOS | | | | |
| Cost of capital credit removed* | | 17 | - | 17 |
| Increase in Operating Cost | | (17) | - | (17) |
| | | (1,642) | 308 | (1,334) |
| Changes in taxpayers equity for 2009-10 | | | | |
| Actuarial loss relating to pension provision | 15 | (75) | - | (75) |
| Non-cash charges | | | | |
| Cost of capital credit 09-10 | 8 | (81) | - | (81) |
| Cost of capital credit 09-10 removed | | 81 | - | 81 |
| Auditors remuneration | 8 | 44 | - | 44 |
| Operating Costs for 09-10 | 2 | (83) | - | (83) |
| Total recognised income and expenditure for 2009-10 | | (114) | - | (114) |
| Net Parliamentary Funding – drawn down | | | | |
| Excess cash surrendered to the Consolidated Fund | | (2,102) | - | (2,102) |
| Restated Balance as at 31 March 2010 | | (3,858) | 308 | (3,550) |
| Changes in taxpayers equity for 2010-11 | | | | |
| Actuarial gain relating to pension provision | 15 | 17 | - | 17 |
| Non-cash charges | | | | |
| Auditors remuneration | 8 | 42 | - | 42 |
| Operating Cost for 10-11 | | (2) | - | (2) |
| Total recognised income and expenditure for 2010-11 | | 57 | - | 57 |
| Net Parliamentary Funding – drawn down | | | | |
| Excess cash surrenderable to the Consolidated Fund | 4 | (1,831) | - | (1,831) |
| Balance as at 31 March 2011 | | (5,632) | 308 | (5,324) |

* See Note 1.7, page 61

The notes on pages 60-83 form part of these accounts

Notes to the accounts

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

1. Statement of accounting policies

The accounts have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ORR for the purpose of giving a true and fair view has been selected. The particular policies adopted by the ORR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

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 (limited to period of remaining lease) | up to 15 years |
| 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 3-5 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.

Notes to the accounts

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

1.7 Capital charge

As a result of the introduction of the Government's 'Clear Line of Sight initiative', cost of capital charges and credits have been removed from the accounts. Comparatives with 2009-10 have therefore been restated.

The removal of the cost of capital credit has the following effect on Resource Outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

| | 2009-10 £000 |
|--|-----------------|
| Net Resource Outturn (Statement of Parliamentary Supply) | 2 |
| Removal of the cost of capital credit | 81 |
| Adjusted Net Resource Outturn | 83 |

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.

Notes to the accounts

In addition, seven 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 15.

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 18, "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 18, "Commitments under leases", are discounted at the rate specified in the lease.

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 2.9 per cent net of price inflation (2009-10: 1.8%).

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. The rate of VAT increased to 20% from January 2011.

1.13 Going Concern

The statement of financial position at 31 March 2011 shows a negative Taxpayers' Equity of £5.324 million. This reflects the inclusion of liabilities falling due in 2010-11, 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 Contingencies Fund. Drawings from the Consolidated Fund are from grants of Supply approved annually by

Notes to the accounts

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 2011-12 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

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 Managing Public Money.

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.

Notes to the accounts

2. Analysis of net resource outturn by function

| | | | | | 2010-11 £000 Outturn | Estimate | Restated 2009-10 £000 |
|---|---------------|--|----------------|-------------------|--|--|-------------------------------|
| | | | | | Net Total Outturn compared with Estimate £000 | Net Total Outturn compared with Estimate £000 | Prior year outturn £000 |
| | Admin £000 | Gross resource Expenditure £000 | A in A £000 | Net Total £000 | | | |
| Request for resources 1: | | | | | | | |
| 1. To create a better railway for passengers and freight, and better value for public funding authorities, through independent, fair and effective regulation | | | | | | | |
| A. Economic regulation, administration, associated capital, other expenditure | | | | | | | |
| | 10,623 | 10,623 | 10,622 | 1 | 338 | 337 | 33 |
| B. Safety Regulation, administration and other expenditure | | | | | | | |
| | 17,762 | 17,762 | 17,761 | 1 | 149 | 148 | 50 |
| Resource Outturn | 28,385 | 28,385 | 28,383 | 2 | 487 | 485 | 83 |

Notes to the accounts

3. Reconciliation of outturn to operating cost and against administration budget

(a) Reconciliation of Net Resource Outturn to Net Operating Cost

| | | | 2010-11 | Restated | |
|----------------------|------|---------|-----------------|--|--|
| | | | £000 | 2009-10 | |
| | | | | £000 | |
| | Note | Outturn | Supply Estimate | Outturn compared with Estimate: (Saving) | Net total outturn compared with Estimate: Cost |
| Net Resource Outturn | 2 | 2 | 487 | (485) | 82 |
| Operating Cost | | 2 | 487 | (485) | 82 |

(b) Outturn against final Administration Budget

| | | 2010-11 | Restated |
|--|--|----------|----------|
| | | Budget | 2009-10 |
| | | £000 | Outturn |
| | | £000 | Budget |
| | | £000 | £000 |
| Gross Administration Budget | | 31,780 | 28,385 |
| Income allowable against the Administration budget | | (31,778) | (28,383) |
| Net outturn against final Administration budget | | 2 | 2 |
| | | | 3 |
| | | | 83 |

Notes to the accounts

4. Reconciliation of resources to cash requirement

| | Note | Estimate £000 | Outturn £000 | Net total Outturn compared with Estimate: saving/(excess) £000 |
|---|-------|------------------|-----------------|--|
| Resource Outturn | | 487 | 2 | 485 |
| Capital: | | | | |
| Acquisition of non-current assets | 10,11 | 350 | 296 | 54 |
| Non Operating A-in-A: | | | | |
| Proceeds of non-current assets disposals | | - | - | - |
| Accruals adjustments: | | | | |
| Non-cash items staff costs | 7 | - | - | - |
| Non-cash items (other admin costs) | 8 | (750) | (709) | (41) |
| Changes in working capital other than cash | | | (1,875) | 1,875 |
| Changes in payables falling due after more than one year | | (46) | 28 | (74) |
| Adjustment to provision | 15 | (540) | (74) | (466) |
| Use of provision | 15 | 550 | 488 | 62 |
| Use of provision - by analogy pension scheme | | (50) | 13 | (63) |
| Excess cash receipts surrenderable to the Consolidated Fund | 5 | - | 1,831 | (1,831) |
| Net Cash Requirement | | 1 | - | 1 |

5. 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 | Forecast 2010-11 £000 | Outturn 2010-11 £000 |
|--|------|----------|-----------------------------|----------------------------|
| | | Income | Receipts | Income |
| Excess cash surrenderable to the Consolidated Fund | | - | - | 1,831 |
| Other amounts collectable on behalf of the Consolidated Fund | | | | <i>1,831</i> |
| Total income payable to the Consolidated Fund | | - | - | 1,831 |

Notes to the accounts

6.1 Reconciliation of income recorded within the operating cost statement to operating income payable to the consolidated fund

| | Note | 2010-11 £000 | 2009-10 £000 |
|---|------|-----------------|-----------------|
| Operating Income | 9 | 28,383 | 29,627 |
| Income authorised to be appropriated-in-aid | | (28,383) | (29,627) |
| Operating income payable to the Consolidated Fund | | - | - |

6.2 Statement of operating costs by departmental segments

| | 2010-11 | | | 2009-10 | | |
|------------------------|---------------------|----------------|-------------|---------------------|----------------|-------------|
| | Expenditure £000 | Income £000 | Net £000 | Expenditure £000 | Income £000 | Net £000 |
| Segment | | | | | | |
| 1. Economic Regulation | 10,623 | 10,622 | 1 | 11,086 | 11,053 | 33 |
| 2. Safety Regulation | 17,762 | 17,761 | 1 | 18,624 | 18,574 | 50 |
| TOTAL | 28,385 | 28,383 | 2 | 29,710 | 29,627 | 83 |

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

Notes to the accounts

7. Staff numbers and related costs

Staff costs comprise:

| | £000 | £000 | 2010-11 £000 | 2009-10 £000 |
|---|-------------------------|---------------|-----------------|-----------------|
| | Permanently Employed | | | |
| | Total | Staff | Others | Total |
| Wages and Salaries | 15,563 | 14,870 | 693 | 15,512 |
| Social Security costs | 1,399 | 1,372 | 27 | 1,405 |
| Other pension costs | 3,000 | 3,000 | - | 2,984 |
| Sub Total | 19,962 | 19,242 | 720 | 19,901 |
| Less recoveries in respect of outward secondments | (61) | (61) | - | - |
| Total | 19,901 | 19,181 | 720 | 19,901 |
| Non cash items: By analogy pension current services costs | - | - | - | 9 |
| Total net costs* | 19,901 | 19,181 | 720 | 19,910 |

*of the total no charge has been made to capital

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but ORR is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

Included in the net figure for other pension costs are employer's contributions of £2,927,496 payable to the PCSPS (2009-10: £2,886,934) at one of four rates in the range 16.7% to 24.3% (2009-10: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership account, a stakeholder pension with an employer contribution. Employers' contributions of £9,741.49 were paid to one or more of the panel of three appointed stakeholder pension providers (2009-10: £5,903.23). 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 £905.92, 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 £891.55.

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 £91,731 were paid to the trustees of the RPS in 2010-11 at a rate of 2.374 times the individual member's contributions, on the basis of actuarial valuations (2009-10: £99,136). ORR matches some of the BRASS2 contributions (an AVC scheme) made by the members. In 2010-11, matching contributions of £4,908 were made (2009-10: £4,908).

With regard to the accrued pension costs for former Chairman and past Rail Regulators, no notional contributions (as advised by the Government Actuary) have been charged to the Operating Cost Statement, (2009-10: £9,000). The liability at 31 March 2011 is estimated at £421,000 (31 March 2010: £487,000).

Notes to the accounts

Average number of persons employed

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

| Segment | Total | Permanent Staff | 2010-11 | 2009-10 |
|------------------------|------------|-----------------|-----------|------------|
| | | | Number | Number |
| | | | Others | Total |
| 1. Economic Regulation | 105 | 98 | 7 | 123 |
| 2. Safety Regulation | 195 | 189 | 6 | 193 |
| Total | 300 | 287 | 13 | 316 |

Notes to the accounts

7.1 Reporting of Civil Service and other compensation schemes – exit packages

Comparatives shown (in brackets) for previous year

| 1 | Exit Package cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|----------|---|-----------------------------------|-----------------------------------|--|
| 2 | <£10,000 | 0 (0) | 0 (0) | 0 (0) |
| 3 | £10,000 - £25,000 | 0 (0) | 0 (1) | 0 (1) |
| 4 | £25,000 - £50,000 | 4 (0) | 0 (3) | 4 (3) |
| 5 | £50,000 - £100,000 | 1 (0) | 0 (13) | 1 (13) |
| 6 | £100,000 - £150,000 | 0 (0) | 0 (0) | 0 (0) |
| 7 | £150,000 - £200,000 | 0 (0) | 2 (2) | 2 (2) |
| 8 | Total number of exit packages by type (total cost) | 5 (0) | 2 (19) | 7 (19) |
| 9 | Total resource exit cost/£ | 243,319 (0) | 333,392 (1,426,331) | 576,711 (1,426,311) |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full either prior to the year of departure or in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Notes to the accounts

8. Other administrative costs

| | 2010-11 £000 | Restated 2009-10 £000 |
|---|-----------------|-----------------------------|
| Rental under operating leases: | | |
| Hire of office equipment | 1 | 1 |
| Other operating leases | 912 | 897 |
| | 913 | 898 |
| Non-cash items: | | |
| Depreciation | 540 | 684 |
| Amortisation | 163 | 115 |
| Cost of capital credit 09-10 | - | (81) |
| Cost of capital credit 09-10 removed * | - | 81 |
| Employers Pension past service costs | (56) | - |
| Interest charges in respect of by analogy pension scheme | 20 | 26 |
| Diminution and write down in the value of property, plant and equipment | - | - |
| Auditors' remuneration and expenses** | 42 | 44 |
| | 709 | 869 |
| Provisions: | | |
| Provision for redundancy costs | 46 | 214 |
| Provision for dilapidations and other leasehold liabilities | 28 | 16 |
| | 74 | 230 |
| Other: | | |
| Travel and subsistence | 789 | 845 |
| Hospitality | 81 | 84 |
| Consultancies | 1,605 | 1,917 |
| IT & Telecoms | 1,337 | 1,341 |
| Landlord service charges & rates | 214 | 839 |
| Severance payment accrual | 180 | - |
| Printing & stationery | 272 | 299 |
| Recruitment & training | 529 | 748 |
| Staff-related (including staff restaurant) | 136 | 141 |
| Building-related | 763 | 767 |
| External services - internal audit, payroll, banking and finance | 256 | 274 |
| External services - other | 612 | 521 |
| Other costs | 14 | 27 |
| | 6,788 | 7,803 |
| | 8,484 | 9,800 |

*See Note 1.7

**There was no auditor remuneration for non-audit work

Notes to the accounts

9. Income

| | | | 2010-11 | 2009-10 |
|--|------|-------|---------------|---------------|
| | | Note | £000 | £000 |
| Licence Fees | RfR1 | | 12,088 | 12,057 |
| (Less): Income deferred to future year | RfR1 | 14(a) | (1,488) | (1,051) |
| Safety Levy and related safety income | RfR1 | | 19,074 | 18,831 |
| (Less): Income deferred to future year | RfR1 | 14(a) | (1,577) | (370) |
| Miscellaneous income | | | 286 | 160 |
| | | | 28,383 | 29,627 |

Notes to the accounts

10. Property, plant and equipment

| | Fitting Out Costs £000 | Furniture, Office Equipment & Telecoms £000 | Information Technology £000 | Total £000 |
|-----------------------------|---------------------------------|--|-----------------------------------|---------------|
| Cost or valuation | | | | |
| At 1 April 2010 | 3,371 | 1,051 | 1,819 | 6,241 |
| Prior year adjustment | | | | |
| Additions | - | 6 | 21 | 27 |
| Revaluations | | | | |
| At 31 March 2011 | 3,371 | 1,057 | 1,840 | 6,268 |
| Depreciation | | | | |
| At 1 April 2010 | 924 | 724 | 1,694 | 3,342 |
| Charged in year | 260 | 181 | 99 | 540 |
| Revaluations | | | | |
| At 31 March 2011 | 1,184 | 905 | 1,793 | 3,882 |
| Net book value as at | | | | |
| 31 March 2011 | 2,187 | 152 | 47 | 2,386 |
| Net book value as at | | | | |
| 31 March 2010 | 2,447 | 327 | 125 | 2,899 |
| Asset financing | | | | |
| Owned | 2,187 | 99 | 47 | 2,333 |
| Finance lease | - | 53 | - | 53 |
| Net book value as at | | | | |
| 31 March 2011 | 2,187 | 152 | 47 | 2,386 |

Analysis of property, plant and equipment

The net book value of property, plant and equipment comprises

| | Fitting Out Costs £000 | Furniture, Office Equipment & Telecoms £000 | Information Technology £000 | Total £000 |
|------------------|---------------------------------|--|-----------------------------------|---------------|
| At 31 March 2011 | 2,187 | 152 | 47 | 2,386 |
| At 31 March 2010 | 2,447 | 327 | 125 | 2,899 |
| At 31 March 2009 | 2,570 | 394 | 379 | 3,343 |

Notes to the accounts

11. Intangible assets

Intangible assets comprise software licences and software development costs

| Cost or valuation | Total £000 |
|--|---------------|
| At 1 April 2010 | 1,179 |
| Additions | 269 |
| Disposals: actual cost | - |
| Revaluation | - |
| At 31 March 2011 | 1,448 |
| Amortisation | |
| At 1 April 2010 | 593 |
| Charged in year | 163 |
| Disposals: depreciation on cost | - |
| Revaluation | - |
| At 31 March 2011 | 756 |
| Net book value at 31 March 2011 | 692 |
| Net book value at 31 March 2010 | 586 |

Notes to the accounts

12. Trade receivables and other current assets

12(a) Analysis by type

| | 31 March 2011 £000 | 31 March 2010 £000 |
|---|--------------------------|--------------------------|
| Amounts falling due within one year | | |
| Trade receivables | 143 | 60 |
| Staff receivables | 102 | 101 |
| Prepayments and accrued income | 1,324 | 944 |
| HM Revenue and Customs (VAT) | 93 | 152 |
| Amounts falling due after more than one year | | |
| Staff receivables | 13 | 15 |
| Prepayments and accrued income | 3 | 4 |
| Total at 31 March 2011 | 1,678 | 1,276 |

Included in staff debtors are season ticket loans for 69 employees totalling £96,811.49 (2009-10 £88,735.42 for 72 employees) and £17,716 relating to other advances made to 46 employees (2009-10: £25,053).

12 (b) Intra-Government Balances

| | 31 March 2011 £000 | 31 March 2010 £000 |
|---|--------------------------|--------------------------|
| Balances with other central government bodies | 1,073 | 180 |
| Balances with bodies external to government | 605 | 1,096 |
| Total at 31 March 2011 | 1,678 | 1,276 |

Notes to the accounts

13. Cash and cash equivalents

| | 2010-2011 | 2009-10 |
|--|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April | 2,102 | 296 |
| Net change in cash balances | (271) | 1806 |
| Balance at 31 March | 1,831 | 2,102 |
| The following balances at 31 March were held at: | | |
| Government Banking Service | 1,799 | 2,048 |
| Commercial banks and cash in hand | 32 | 54 |
| Balance at 31 March | 1,831 | 2,102 |
| The balance at 31 March comprised excess cash surrenderable to the Consolidated Fund | | |
| | 1,831 | 2,102 |

The Paymaster accounts closed in October 2010 as part of the migration of banking services to the Government Banking Services. Outstanding balances were transferred over to the relevant CitiBank account.

Notes to the accounts

14. Trade payables and other current liabilities

14(a) Analysis by type

| | 31 March 2011 £000 | 31 March 2010 £000 |
|---|--------------------------|--------------------------|
| Amounts falling due within one year | | |
| Trade payables | 440 | 301 |
| Other payables | 777 | 761 |
| Accruals | 3,070 | 2,988 |
| Deferred income | 3,065 | 1,421 |
| Balance of Intergovernmental Commission levy payable to the Consolidated fund | 882 | 486 |
| Excess cash surrenderable to the Consolidated Fund Received | 1,831 | 2,102 |
| Total current liabilities at 31 March | 10,065 | 8,059 |
| Amounts falling due after more than one year | 20 | 48 |
| Total trade payables and other current liabilities | 10,085 | 8,107 |

14(b) Intra-government balances

| | 31 March 2011 £000 | 31 March 2010 £000 |
|---|--------------------------|--------------------------|
| Balances with other central government bodies | 3,857 | 2,802 |
| Balances with bodies external to government | 6,228 | 5,305 |
| Total current liabilities at 31 March | 10,085 | 8,107 |

Notes to the accounts

15. Provisions for liabilities and charges

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 £317,000 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.

| | Early retirement/ restructuring £000 | Accommodation £000 | Total £000 |
|---------------------------------|---|-----------------------|---------------|
| Balances at 1 April 2010 | 1,447 | 372 | 1,819 |
| Provided in the year | 46 | 28 | 74 |
| Provisions utilised in the year | (488) | - | (488) |
| Balance at 31 March 2011 | 1,005 | 400 | 1,405 |

Details for by-analogy defined benefit pension schemes

| Class | As at 31 March 2011 £000 | As at 31 March 2010 £000 |
|---|--------------------------------|--------------------------------|
| Actives | - | - |
| Deferred | 152 | 185 |
| Pensioners | 269 | 302 |
| Total Present Value for the Scheme Liabilities | 421 | 487 |

| | As at March 2011 £000 | As at March 2010 £000 |
|---|--------------------------------|--------------------------------|
| Liability calculation | | |
| Present value of scheme at 1 April | 487 | 428 |
| Current service cost (net of employee contribution) | - | 9 |
| Employee Contribution | - | 1 |
| Interest costs | 20 | 25 |
| Actuarial (gains)/losses | (17) | 75 |
| Benefits paid | (13) | (51) |
| Past service cost | (56) | - |
| Balance at 31 March | 421 | 487 |

Notes to the accounts

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 2011. (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.

| | As at 31 March 2011 | As at 31 March 2010 |
|--|------------------------|------------------------|
| | % per annum | % per annum |
| RPI Inflation assumption | - | 2.75 |
| CPI Inflation assumption | 2.65 | 2.00 |
| Rate of increase in salaries | 4.90 | 4.29 |
| Rate of increase for pensions in payment and deferred pensions | 2.65 | 2.75 |
| Rate used to discount scheme liabilities | 5.60 | 4.60 |

History of experience losses/(gains)

| | Year Ending 3/31/2011 | Year Ending 3/31/2010 | Year Ending 3/31/2009 | Year Ending 3/31/2008 | Year Ending 3/31/2007 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Experience loss/(gain) arising on the scheme liabilities | | | | | |
| Amount (£'000) | 11 | (30) | 2 | 1 | 0 |
| Percentage of scheme liabilities at end of year | 2.5% | -6.1% | 0.5% | 0.2% | 0.0% |

Estimate of contributions expected to be paid into the scheme over the year 1 April 2011 to 31 March 2012

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.

Notes to the accounts

Life expectancy at retirement

| Current Pensioners Exact Age | As at 31 March 2011 | | As at 31 March 2010 | |
|---------------------------------|---------------------|---------------|---------------------|---------------|
| | Men (years) | Women (years) | Men (years) | Women (years) |
| 60 | 29.2 | 32.5 | 29.1 | 32.3 |
| 65 | 24.1 | 27.3 | 23.9 | 27.1 |

| Future pensioners Exact Age | As at 31 March 2011 | | As at 31 March 2010 | |
|--------------------------------|---------------------|---------------|---------------------|---------------|
| | Men (years) | Women (years) | Men (years) | Women (years) |
| 60 | 31.1 | 34.6 | 30.6 | 33.8 |
| 65 | 26.5 | 29.9 | 26.0 | 29.1 |

Cumulative amount of actuarial gains and losses.

The cumulative actuarial loss for the year to date amounts to £115,000 (31 March 2010: £144,000)

Present value of scheme liabilities

| | Value at 3/31/2011 £000 | Value at 3/31/2010 £000 | Value at 3/31/2009 £000 | Value at 3/31/2008 £000 | Value at 3/31/2007 £000 |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Liability in respect of | | | | | |
| Active member | - | - | 186 | 133 | 102 |
| Deferred pensioners | 152 | 185 | 127 | 138 | 145 |
| Current pensioners | 269 | 302 | 115 | 122 | 123 |
| Total present value of scheme liabilities | 421 | 487 | 428 | 393 | 370 |

Notes to the accounts

16. Notes to the cash flow statement

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

| | | 2010-11 | Restated 2009-10 |
|--|-------------|----------------|---------------------|
| | <i>Note</i> | <i>£000</i> | <i>£000</i> |
| Operating Cost | 3 | 2 | 83 |
| Adjustment for IFRS (IAS19) | | - | 1,231 |
| Adjustments for non-cash transactions | 7,8 | (783) | (1,108) |
| (Decrease) increase in trade and other receivables | | 402 | (435) |
| (Increase) decrease in trade and other payables | | (2,340) | (3,625) |
| Use of provisions | 15 | 488 | 1,173 |
| Use of provisions - by analogy pension | | 14 | 51 |
| Net cash (inflow)/outflow from operating activities | | (2,217) | (2,630) |

16(b) Analysis of capital expenditure and financial investment

| | 2010-11 | 2009-10 |
|---|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Property plant and equipment additions | 107 | 208 |
| Intangible non-current assets additions | 279 | 320 |
| Net cash outflow from investing activities | 386 | 528 |

16(c) Analysis of capital expenditure and financial investment

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

16(d) Analysis of financing

| | 2010-11 | 2009-10 |
|--------------------------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Advances from the Contingencies Fund | 10,000 | 10,000 |
| Repayments to the Contingencies Fund | (10,000) | (10,000) |
| Net financing | - | - |

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

| | | 2010-11 | 2009-10 |
|---|-------------|--------------|--------------|
| | <i>Note</i> | <i>£000</i> | <i>£000</i> |
| Net cash requirement | 4 | - | - |
| From the Consolidated Fund (Supply) - current year | 16(d) | - | - |
| Amounts due to the Consolidated Fund - received in a prior year and paid over | 13 | (2,102) | (296) |
| Amounts due to the Consolidated Fund - and not paid over | 13 | 1,831 | 2,102 |
| (Decrease)/Increase in cash | | (271) | 1,806 |

Notes to the accounts

17. Capital commitments

There are no contracted commitments at 31 March 2011 and no provision has been made (31 March 2010: nil).

18. Commitments under leases

18.1 Operating leases

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

| | 31 March 2011 £000 | 31 March 2010 £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 | - | - |
| | - | - |
| Buildings | | |
| Not Later than one year | 941 | 940 |
| Later than one year and not later than five years | 3,764 | 3,761 |
| Later than five years | 3,463 | 4,401 |
| | 8,168 | 9,102 |
| Other | | |
| Not later than one year | - | 1 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| | 0 | 1 |

18.2 Finance leases

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

Obligations under finance leases comprise:

| | 31 March 2011 £000 | 31 March 2010 £000 |
|---|--------------------------|--------------------------|
| Leases other than buildings | | |
| Not Later than one year | 32 | 30 |
| Later than one year and not later than five years | 20 | 50 |
| Later than five years | - | - |
| Less interest element | (2) | (3) |
| | 50 | 77 |

In 2010-11 an amount of £1,260 interest was paid in respect of this finance lease (2009-10: £396)

Notes to the accounts

19. 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 2011 (31 March 2010: nil).

20. Losses and special payments

There were no special payments in excess of £75,000 in either 2010-11 or 2009-10.

21. 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 2011.

22. Contingent liabilities disclosed under IAS 37

There were no reportable contingent liabilities at 31 March 2011 (31 March 2010: nil).

23. Related party transactions

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

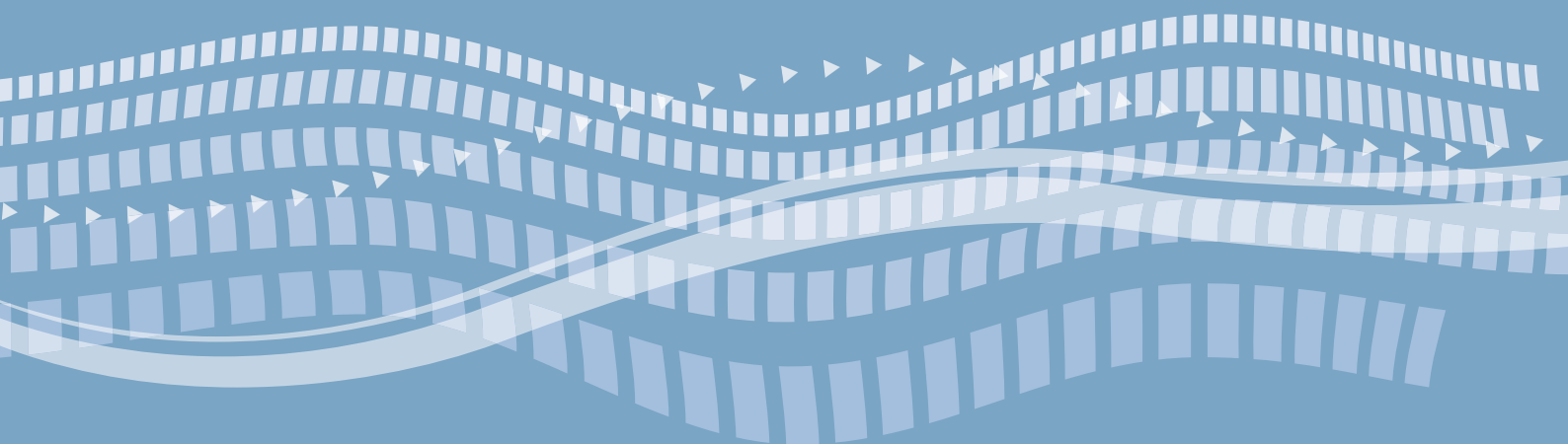
Additionally during the year £62,837.11 (2009-10: £117,511) of income was received from the Office of the Public Private Partnership Arbiter in respect of services provided by ORR. There was no outstanding balance at year end (2009-10: nil). The Office of the PPP Arbiter was a related party up until 15th October 2010.

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

24. Events after the reporting period

There have been no reportable events between the end of 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.

APPENDICES



Appendix 1: regulatory activity

Summary of enforcement notices issued 2004-5 to 2010-11

| | 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 |
| 2010-11 | 34 | 12 | 46 |

Summary of safety complaints received 2004-5 to 2010-11

| | |
|---------|-----|
| 2004-5 | 647 |
| 2005-6 | 593 |
| 2006-7 | 644 |
| 2007-8 | 510 |
| 2008-9 | 531 |
| 2009-10 | 375 |
| 2010-11 | 355 |

Summary of prosecutions heard 2004-5 to 2010-11

| | 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 |
| 2010-11 | 8 | £580,750 | £149,990 |

Permissioning activity 2010-11

| | |
|------------------------------|----|
| Level Crossing Orders issued | 54 |
| ROTS approvals issued | 36 |

Mainline

| | |
|-------------------------------------|---|
| Safety certificates issued – Part A | 2 |
| – Part B | 4 |
| Safety Authorisations issued | 2 |
| Revocations | 1 |

Non-mainline

| | |
|--|----|
| Safety Certificates issued | 1 |
| Safety Authorisations issued | 0 |
| Interoperability Authorisations issued | 23 |

Appendix 1: regulatory activity

Licences granted 1 April 2010 to 31 March 2011

| Exemption holder | Date | Passenger | Non-passenger | Station | Light maintenance depot | Network |
|-------------------------------------|-------------|-----------|---------------|---------|-------------------------|---------|
| Devon and Cornwall Railways Limited | 24 Dec 2010 | | ◆ | | | |
| Stobart Rail Limited | 3 Feb 2011 | | | ✓ | | |

Licences exemptions granted 1 April 2010 to 31 March 2011

| Exemption holder | Date | Passenger | Non-passenger | Station | Light maintenance depot | Network |
|--|-------------|-----------|---------------|---------|-------------------------|---------|
| Weardale Railways CIC | 12 Apr 2010 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Lundy Projects Limited | 21 Apr 2010 | | ✓ | | | |
| Sussex Rail Limited | 11 May 2010 | | ✓ | | | |
| Gloucestershire Warwickshire Steam Railway PLC | 18 May 2010 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Bluebell Railway PLC | 11 Jun 2010 | ✓ | ✓ | ✓ | | ✓ |
| RTS Infrastructure Services Limited | 18 Aug 2010 | | | | ✓ | |
| Keltbray Limited | 27 Sep 2010 | | ✓ | | | |
| Construction Marine Limited | 27 Sep 2010 | | ✓ | | | |
| The Felixstowe Dock and Railway Company | 29 Oct 2010 | | ✓ | | | |
| Lafarge Cement UK PLC | 12 Nov 2010 | ✓ | ✓ | | | ✓ |
| Lafarge Cement UK PLC | 12 Nov 2010 | | ✓ | | | |
| Aggregate Industries UK Limited | 12 Nov 2010 | | ✓ | | | |
| Wensleydale Railway PLC | 15 Nov 2010 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Railcare Limited | 17 Nov 2010 | | ✓ | | | |
| The Felixstowe Dock and Railway Company | 23 Nov 2010 | | | | | ✓ |
| CAT-UK Services Limited | 30 Nov 2010 | ✓ | ✓ | | ✓ | ✓ |
| Wealden Railway Company Limited | 1 Dec 2010 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Wabtech Rail Limited | 10 Dec 2010 | | ✓ | | | |
| Tata Steel UK Limited | 10 Dec 2010 | | ✓ | | | |
| Brush Barclay Limited | 14 Dec 2010 | | ✓ | | | |
| Imerys Minerals Limited | 14 Dec 2010 | | ✓ | | | |
| John G Russell (Transport) Limited | 6 Jan 2011 | | ✓ | | | |
| GB Railfreight Limited | 14 Jan 2011 | | | | ✓ | |
| Peak Rail PLC | 18 Mar 2011 | ✓ | ✓ | ✓ | ✓ | ✓ |

Appendix 1: regulatory activity

Licences revoked

| Licence holder | Date | Passenger | Non-passenger | Station | Light maintenance depot | Network |
|-------------------------|-------------|-----------|---------------|---------|-------------------------|---------|
| Fastline Limited | 27 May 2010 | | ◆ | | | |
| Amey LG Limited | 2 Jul 2010 | | ✓ | | | ✓ |
| Serco Limited | 6 Aug 2010 | | ✓ | | | ✓ |
| Amey Rail Limited | 3 Sep 2010 | | ✓ | | | ✓ |
| Wensleydale Railway PLC | 15 Nov 2010 | ✓ | ✓ | ✓ | ✓ | ✓ |

Licence exemptions revoked

| Exemption holder | Date | Passenger | Non-passenger | Station | Light maintenance depot | Network |
|--|-------------|-----------|---------------|---------|-------------------------|---------|
| Weardale Railways CIC | 12 Apr 2010 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Gloucestershire Warwickshire Steam Railway PLC | 18 May 2010 | ✓ | ✓ | ✓ | ✓ | ✓ |
| TRAC International Limited | 2 Jul 2010 | | ✓ | | | |
| Jarvis Rail Limited | 6 Aug 2010 | | | | ✓ | |
| Gamble Rail Limited | 1 Oct 2010 | | ✓ | | | |
| STVA UK Limited | 10 Dec 2010 | | | | | ✓ |
| GB Railfreight Limited | 14 Jan 2011 | | | | ✓ | |

◆ = European licence

✓ = Railways Act licence/licence exemption

Appendix 1: regulatory activity

Summary of enforcement notices issued 2004-5 to 2010-11

| Access contracts 1 April 2010- 31 March 2011 | Track | Connection | Stations | Depot |
|---|-------|------------|----------|-------|
| New contracts directed under section 18 of the Railways Act 1993 | 2 | 7 | 7 | 8 |
| New contracts directed under section 17 of the Railways Act 1993 | 0 | 5 | 0 | 0 |
| New contracts entered into under general approval | 0 | 0 | 10 | 2 |
| Amendments to existing agreements approved under section 22 of the Railways Act 1993 | 87 | 0 | 36 | 6 |
| Amendments to existing agreements directed under section 22A of the Railways Act 1993 | 0 | 0 | 0 | 0 |
| Amendments to existing agreements approved by general approval | 25 | 0 | 160 | 11 |

Appendix 2: Board and committee member attendance records 2010-11

Board meeting attendance 2010-11

| Board member | Apr | May | Jun | Jul | Additional meeting on 1st Sep | Sep | Oct | Nov | Jan | Feb | Mar | Total/ possible |
|-----------------------------|-----|-----|-----|-----|-------------------------------|-----|-----|-----|-----|-----|-----|-----------------|
| Anna Walker (Chair) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| Tracey Barlow (NED) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| Michael Beswick (Executive) | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 10/11 |
| Peter Bucks (NED) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| Bill Emery (CEO) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| Chris Elliott (NED) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| Richard Goldson (NED) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| Michael Lee (Executive) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | 10/11 |
| Mike Lloyd (NED) | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | 9/11 |
| John Thomas (Executive) | P | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | - | 9/10 |
| Ian Prosser (Executive) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| Steve Walker (NED) | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 10/11 |

Audit committee attendance 2010-11

| Committee member | May | September | December | March | Total possible |
|--|-----|-----------|----------|-------|----------------|
| Tracey Barlow (Committee chair) | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Peter Bucks | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Jeremy Chittleburgh (Independent member) | ✓ | ✓ | ✓ | ✓ | 4/4 |

Appendix 2: Board and committee member attendance records 2010-11

Emuneration committee attendance 2010-11

| Committee member | April | May | Aug | Oct | Jan | Feb | Total possible |
|--------------------------------------|-------|-----|-----|-----|-----|-----|----------------|
| Richard Goldson (Committee chair) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6/6 |
| Anna Walker | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6/6 |
| Peter Bucks | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6/6 |

Safety regulation committee attendance 2010-11

| Committee member | April | Mayr | October | January | Total possible |
|--------------------------------|-------|------|---------|---------|----------------|
| Steve Walker (Committee chair) | ✓ | ✓ | A | ✓ | 4/4 |
| Michael Beswick | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Chris Elliott | A | ✓ | ✓ | ✓ | 3/4 |
| Bill Emery | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Michael Lee | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Ian Prosser | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Juliet Lazarus | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mike Lloyd | A | ✓ | ✓ | ✓ | 3/4 |
| Allan Spence | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Caroline Wake | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Anna Walker | ✓ | ✓ | ✓ | ✓ | 4/4 |

Periodic review committee* attendance 2010-11

| Committee member | January | Total possible |
|------------------------------|---------|----------------|
| Bill Emery (Committee chair) | ✓ | 1/1 |
| Michael Beswick | A | 0/1 |
| Peter Bucks | ✓ | 1/1 |
| Richard Goldson | ✓ | 1/1 |
| Juliet Lazarus | ✓ | 1/1 |
| Michael Lee | ✓ | 1/1 |
| Paul McMahon | ✓ | 1/1 |
| John Thomas | ✓ | 1/1 |
| Mike Lloyd* | ✓ | 1/1 |
| Tracey Barlow* | ✓ | 1/1 |

* All Non-Executive Directors have a standing invitation to attend

Appendix 2: Board and committee member attendance records 2010-11

Approvals committee attendance 2010-11

| Board member | 29 Jun | 7 Jul | 21 Jul | 4 Aug | 11 Aug | 6 Sep | 7 Oct | 25 Oct | 1 Nov | 30 Nov | 25 Jan | 1 Feb | 16 Feb | 2 Mar | 14 Mar | 30 Mar | Total possible |
|---------------------------------|--------|-------|--------|-------|--------|-------|-------|--------|-------|--------|--------|-------|--------|-------|--------|--------|----------------|
| Bill Emery (Committee chair) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | 15/16 |
| Michael Beswick | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | A* | A* | A* | A | ✓ | ✓ | ✓ | ✓ | ✓ | 11/16 |
| Richard Goldson | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 15/16 |
| Anna Walker | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | 14/16 |

* Comments on papers received in correspondence before the meeting



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