RailBusinessDaily

Rail reform: the rail transformation programme

March 11, 2024

The reforms set out in government’s rail transformation plans are facing delays, and there remain long-standing issues with the rail sector that need to be addressed, such as its financial sustainability and service to passengers, according to a new National Audit Office (NAO) report.

The report – Rail reform: the rail transformation programme – found that the Department for Transport (DfT) has made limited progress against its plans, with most of its work and savings delayed. As at December 2023, DfT assessed that of the 12 high level benefits it aimed to achieve with rail reform, five were rated red and seven amber.[2] DfT agreed with HM Treasury (HMT) to deliver total savings of £2.6 billion by 2024-25, with most of this coming from workforce reforms, but DfT forecasts it will achieve around three-quarters of this. DfT also expected rail reform to result in annual savings of £1.5 billion from 2026-27 but these savings have been delayed with Great British Railways not yet established.[3]

Three years since DfT’s white paper on rail reform, which set out plans to implement key changes by early

2024, the NAO's report examines the progress the Department has made in delivering value-for-money to date. During the course of the NAO's fieldwork the government confirmed delays to the reform legislation and DfT revised its approach.[4]

With legislation delayed, DfT is now implementing interim arrangements ahead of resetting how it delivers rail reform in the new Parliament, yet it is too soon to say whether these will be effective. The UK's independent spending watchdog also concluded that the relevance of much of the work so far– such as developing the future operating model for the rail sector – will depend on the policy direction of rail reform in the next Parliament.

DfT had intended that by early 2024 it would have set up Great British Railways to act as the 'guiding mind' for the railways and with responsibility for the whole rail system. It also intended to establish a new operating model for the rail system and started to introduce new passenger service contracts. However, these and most of the commitments set out in the rail reform white paper remain work in progress or paused, with around a third of them needing legislation before they can be completed. DfT had identified the timetable as high-risk, reflecting ministerial ambition, but committed to the programme without a clear plan for what it needed to implement. By mid-2022 DfT had set out high-level ambitions and milestones for the programme, but the maturity of detailed plans and timetables for individual reform projects varied.

The NAO report found governance arrangements for the programme have been complex and ineffective.[5] Reviews by the Infrastructure and Projects Authority and DfT in early 2023 reported that governance was confused, accountabilities unclear, and there was not agreement across stakeholders on the scope and delivery approach of the programme: DfT and HMT had disagreed on areas of reform from the start, such as the remit of Great British Railways. DfT changed its delivery and governance approach as part of implementing interim arrangements during autumn 2023.

DfT told the NAO that it remains committed to the outcomes it is seeking to achieve through rail reform.

The NAO recommends that as part of DfT's reset of rail reform in the next Parliament, it puts in place a full delivery plan, with a realistic timetable and clarity about the benefits it will deliver.

In addition to drawing on lessons learned exercises, the Department and Great British Railways Transition Team should also work closely with the rail industry to continue building culture change and support a 'whole systems' approach to the rail sector ahead of any legislative changes.

Gareth Davies, head of the NAO, said: "The rail sector's performance for passengers and the taxpayer has not been good enough for some time. While DfT identified key problems that need to be addressed as part of its rail reforms it has not been able to translate this into a deliverable programme.

"The speed at which DfT intended to move on a complex set of reforms gave it too little time to plan, build agreement and deliver. DfT should work more closely with organisations across the rail sector to help improve collaboration and culture ahead of any structural changes; clearly understand what it wants to deliver and then set out realistic plans for achieving its objectives."

A DfT spokesperson said: "The £3.1bn of subsidies the NAO refers to are a result of external pressures –

including the challenges of post-COVID passenger recovery – not related to rail reform savings.

“We have laid out a clear plan for the industry’s future under Great British Railways in our recently published draft Bill and we are now pressing ahead with improvements that will benefit millions of customers like expanding Pay As You Go ticketing, piloting simpler fares, and announcing a target for rail freight growth.”

Responding to the report, Ben Curtis of Campaign for Better Transport said: “Progress on rail reform has been far too slow, with legislation continuously delayed for no good reason. While we welcome the publication of the Draft Rail Reform Bill, the entire industry knows how unlikely it is to pass into law before the next General Election, breeding more uncertainty for passengers and the industry. We are urging the Government to start implementing rail reform, starting with a bolder vision for reforming the fares and ticketing system.”

1. This is the cost of DfT’s support for passenger rail services as reported in its 2022-23 annual report and accounts, offset by income received from passenger service train operating companies (£41 million in 2022-23). DfT’s support for passenger rail services includes funding paid to devolved rail bodies and management and performance fees payable to the train operating companies. It does not include other spending on rail, such as the cost to government of rail infrastructure.
2. The 12 high-level benefits relate to customers, the finances of rail, the rail sector, and society as a whole.
3. The 2021 Spending Review DfT planned that over the three years from 2022-23 to 2024-25 rail reform would achieve total savings for government of £2.6 billion. From 2026-27, savings would be a steady state of £1.5 billion a year. Early savings outlined in the 2021 Spending Review were expected to come primarily from workforce reform, with savings from fares and ticketing reform and structural reform largely expected later. However, by December 2023, DfT had revised its expectations. It now plans to achieve around three-quarters the level of savings: expecting £2.0 billion over the three years to 2024-25, £0.6 billion less than expected previously. DfT now estimates that it will spend £0.4 billion up to the end of March 2024, against its initial plans of £1.2 billion.
4. The King’s Speech in November 2023 did not include rail reform legislation. Instead, the government set out that a draft rail reform bill will be subject to pre-legislative scrutiny.
5. DfT set up a Rail Transformation Board to oversee delivery of projects, manage trade-offs and dependencies between these and to act as the key decision-making forum. Alongside DfT staff, membership of the Board also included GBRTT, HM Treasury and the Infrastructure and Projects Authority.