Dear Meg,

**Rail Infrastructure Funding: 2019 - 2024**

I am writing to inform you that I am today publishing my final Statement of Funds Available for the railway in England and Wales for Control Period 6, which covers the years 2019 to 2024. This follows my publication of a High Level Output Specification and initial Statement of Funds Available on 20 July.

The High Level Output Specification made clear that the Government is determined that the railway becomes more focused on issues that matter most to passengers – such as punctuality and reliability. It therefore focussed on the operation, maintenance and renewal of the railway – areas which are crucial to delivering a more reliable railway. At the time of its publication, the Government deferred publication of a final Statement of Funds Available, following more work to establish Network Rail’s costs and the scope for efficiency savings across Control Period 6.

This work has now concluded. On the basis of further work by Network Rail, of continued scrutiny by the Office of Rail and Road (ORR) – including through its independent reporter, Nichols – and through work by my Department and HM Treasury to challenge costings, Government is now in a position to set out its funding envelope for Control Period 6.

At this stage we expect around £47.9bn to be spent on the railway across Control Period 6. Of this, we expect up to £34.7bn to be provided directly via Government grant, with the remainder coming from a combination of track access charges and income from other sources, such as Network Rail’s property portfolio. These amounts will be refined during the regulatory
process, which will produce by summer 2018 detailed draft amounts for the 2019-2024 period for consultation. Budgets will be set at route level, as part of the devolution of more accountability and authority to Network Rail routes, driving change in the organisation. The regulatory process will conclude with a Final Determination in October 2018.

During this process I expect the regulator to provide a strong efficiency challenge to maximise value for money, and the ORR has substantially changed its regulatory approach to help achieve this.

We have some of the most intensively used railways in Europe, and this investment focuses on the essential work needed to ensure their safety and reliability, including funding to support a significant increase in renewals activity compared to the current period, and increased maintenance spend to allow Network Rail to meet the challenges of a busier network. This investment recognises the critical importance of these activities in preserving the day to day operation of the railway.

I believe that a renewed focus on core railway activities will help return train performance to the levels that passengers expect and deserve. Overall, this significant funding demonstrates Government’s continued commitment to investing in the railway for the benefit of passengers, communities, the supply chain and the wider economy.

Government has already made clear that it expects new enhancements to the rail network to be developed outside of the regulatory system. However, the Statement of Funds Available published today includes funding to continue to take forward the enhancements that were deferred from Control Period 5. In line with the new process for enhancements these schemes will continue to be subject to ongoing consideration to ensure they deliver the best results for both rail users and taxpayers. In addition to this, I am making funding available for the early-stage development of new enhancement schemes. I will announce further details on a new process for taking forward enhancements later in the year. We need to ensure investment best addresses the needs of passengers and freight, and that funding commitments appropriately reflect the stage of development of those enhancements.

Furthermore, the Statement of Funds Available also includes funding for continued investment in improvements to both the accessibility of the railway and the rail freight network. Our commitment to funding accessibility improvements in the railway further emphasises our drive to ensure that the railway is accessible to all. The Government has recognised the crucial role that rail freight plays in supporting the economy and the environment and our continued investment in the freight network recognises this.
Given the need to spend public money wisely and to incentivise the industry to do so, I believe the funding envelope published today is stretching yet achievable. I will continue to push Network Rail to improve its effectiveness and efficiency. In particular I support an ambitious approach to route devolution, so that Network Rail is more focused on its customers. I will also modernise the Government’s oversight and assurance arrangements for Network Rail to properly reflect its public sector status. I have taken steps to ensure that this money is spent more effectively and that the problems with cost and delivery which occurred during Control Period 5 are not repeated. I will also continue to drive improvement across the wider industry, including the franchising system.

I hope this update is helpful. I am arranging for copies of the Statement of Funds Available to be placed in the libraries of the House.

Rt Hon Chris Grayling MP
SECRETARY OF STATE FOR TRANSPORT