



HM Treasury

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30 January 2019

Dear Mr Murphy

Ref: FOI2019/00017

Freedom of Information Act 2000: Network Rail UK/Scotland Funding

Thank you for your enquiry of 2 January 2019, which we have considered under the terms of the Freedom of Information Act 2000 (the FOI Act).

You asked for the following information:

*"According to your publication 20 December 2018
<https://www.gov.uk/government/publications/block-grant-transparency-december-2018>*

Non-Barnett Additions: NETWORK RAIL SCOTLAND

*2019-20
£40m + £201m*

*2020-21
£388m*

Are the above in addition to existing NETWORK Rail Scotland funding?

What is the total funding NETWORK Rail UK 2019/2020 What is total NETWORK Rail funding Scotland 2019/2020 excluding Non-Barnett Additions What is total NETWORK Rail funding Scotland 2019/2020 Including Non-Barnett Additions

*How long into the future will this generous (to Scotland) funding continue?
What is the rationale behind this generous additional funding to Scotland? "*

I can confirm that HM Treasury does hold information within the scope of your request.

The Network Rail is funded in five-year control cycles, with the next one 'Control Period 6' (CP6) running from 2019/20-2023/24. In 2017 the funding envelope for CP6 was agreed with the Department for Transport (DfT), for rail infrastructure in England and Wales, and separately with the Scottish Government, for rail in Scotland. A regulatory based approach informs a fair rail funding settlement for Scotland, England and Wales.

As part of the Office for Road and Rail's (ORR) regulatory process to agree a safe level of funding for the railway in each control period, the Scottish Government and DfT must

publish a Statement of Funds Available (SoFA). As per the links below, DfT and the Scottish Government have done this, however the exact profile of how this funding will spent in each year is not decided immediately, and rail infrastructure spending in Scotland is a devolved matter for the Scottish Government.

The Operations, Maintenance and Renewals (OMR) funding for Scotland was decided by a Barnett formula, which is informed by the previous Control Period settlements. The first devolved Control Period settlement for Scotland, CP4, was informed by an assessment of the Regulated Asset Base, which was determined independently by the ORR. This set funding slightly higher per person than in England and Wales. Subsequent control periods have used this settlement as a baseline.

A description of the Barnett formula can be found at paragraph 2.5 in the Block Grant Transparency document:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/767101/Block_Grant_Transparency_2018_PDF_1.pdf

In CP6, rail enhancements, i.e. improvements to the network are calculated by the Barnett formula outside of the ORR regulatory process.

Since being reclassified to the public sector, Network Rail has been subject to spending controls restricting them from raising debt on private markets. The Non-Barnett Additions quoted in your letter (£201m in 2019/20 and £388m in 2020/21) from the Block Grant Transparency Document relate to the additional funding needed to finance the settlement. The settlement is outlined within the Chief Secretary to the Treasury's letter to the Scottish Government regarding CP6 (link below).

The £40m in 2019/20 quoted from the Block Grant Document relates to the Network Rail Resource funding which the Scottish Government has agreed to pay from CP6.

In answer to the what funding will be made available for the railway in the UK and Scotland in 2019/20 and 2020/21, you may wish to view the following documents:

- The Statement of Funds Available 2017 sets out the funding available for the railway in England and Wales for CP6 and has been published here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/650998/railways-act-2005-statement-of-funds-available-2017-web.pdf

- As mentioned above, the profile of funding in CP6 has not yet been agreed. The Government is currently planning on a draft basis of Network Rail spending in England and Wales of £5.32bn for Capital and £563m for Resource in 2019/20. This is consistent with the Office of Budget Responsibility's October Forecast:

https://cdn.obr.uk/EFO_October-2018.pdf (4.165)

- The Chief Secretary to the Treasury's letter to the Scottish Government of 8 December 2017 outlines the offer of a grant, based on the Barnett Formula, of £3.75 billion to the Scottish Government in relation to the CP6 rail settlement. The letter has been published here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666047/Cp6_rail_settlement_CST.pdf

Following further information of the Scottish Government on their rail spending in CP5, the Scottish Government grant agreement was increased by £150m. This formed the basis of the calculation of the Barnett formula for CP6. The Government considers this is a fair settlement for Scotland, England and Wales. As set out above, the grant to the Scottish Government is higher than Scotland's share of the population. This reflects the fact that when rail funding was first devolved in 2005, funding was based upon the Regulated Asset Base in Scotland, which is higher per person than in England and Wales.

- The Scottish Government's Statement of Funds Available sets out the funding available for the railway in Scotland for CP6 and can be found at the link below. The Statement of Funds Available is a devolved matter for the Scottish Government.

<https://www.transport.gov.scot/media/41425/sofa-2019-24-25-jan-2018.pdf>

If you have any queries about this letter, please contact us. Please quote the reference number above in any future communications.

Yours sincerely



Information Rights Unit

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