Supplementary Estimates memorandum (2019-20) for the Office of Rail and Road

1 Overview

1.1 Objectives

The Office of Rail and Road (ORR) is a non-ministerial government department. Our core purpose is to protect the interests of rail and road users, improving the safety, value and performance of railways and roads today and in the future. Our four strategic objectives are:

- Health and safety
- Better rail customer service
- Value for money from the railway
- Better highways.

We work effectively with, but are independent of, government, the rail industry and other stakeholders within a legal framework determined by the UK government and the European Union.

1.2 Spending controls

ORR's net spending is broken down into several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**") - a net limit comprising day-to-day running costs, less income mainly arising from the safety levy (charged to the rail industry), a licence fee (charged to Network Rail) and a grant provided by the Department for Transport for our highways monitor function. Our income covers our expenditure fully, therefore we have a token Vote.
- Capital Departmental Expenditure Limit ("**Capital DEL**"): - investment in capital equipment to support the running of our offices.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require ORR to pay out cash in year.

1.3 Comparison of net spending totals sought

The table below shows how the net spending totals sought for ORR compare with the original budget and last year:

Net Spending total Amounts sought this year (Supplementary Estimate 2019-20)		Difference (+/-) compared to original budget this year (Main Estimate 2019-20)		Difference (+/-) compared to final outturn last year (Outturn 2018-19)	
		£ m	%	£m	%
Resource DEL	£0.003m	£0m	0%	£0m	0%
Capital DEL	£6.320m	£0m	0%	+£5.837m	1,208%

A breakdown of spending and income within the net total is shown in section 2.1.

1.4 Key drivers of spending changes since original budget this year

The net Resource DEL is unchanged from last year.

Within this, income from safety regulation and the gross expenditure this covers, is expected to rise by £0.1m from £18.7m to £18.8m (+0.5%). This is as a result of the engagement of external experts, as required by the InterGovernmental Commission for the Channel Tunnel, to provide independent advice and analysis of safety dossier documentation. Additionally, income from other regulation and the gross expenditure this covers is expected to rise by £0.2m from £2.4m to £2.6m (+8.3%) as a result of higher pension costs for staff, and the highways monitor's share of one-off office move costs. Further detail is given in section 2.1.

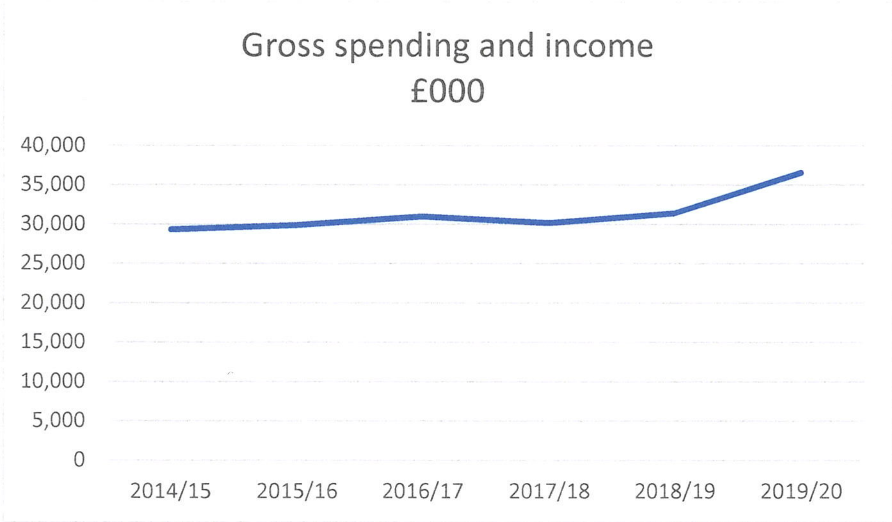
There is no change to capital DEL.

1.5 New policies and programmes; ambit changes

ORR has not been given any new responsibilities for 2019-20. There are no ambit changes.

1.6 Spending and income trends

The chart below shows gross spending and income trends for the last five years and plans presented in Estimates for 2019-20.



1.7 Administration costs and efficiency plans

All of ORR's costs are administration costs, which are set out at 1.6. ORR does not have an efficiency plan.

1.8 Funding: Spending Review and Budgets

ORR received no funding through the last Spending Review. Expenditure is funded largely from our three main income streams:

- a licence fee charged to Network Rail;

- a safety levy charged to the rail industry; and

- a grant from the Department for Transport to fund our highways monitor function.

Separately we cover our regulatory costs relating to Channel Tunnel, HS1 and Northern Ireland by charging Eurotunnel, HS1 Ltd and NIR Networks Ltd respectively.

1.9 Other funding announcements

No spending announcements relating to ORR were made during the year.

2 Spending and income detail

2.1 Explanations of changes in spending and income

Resource DEL

The table below shows how spending plans for Resource DEL compare those approved at the Main Estimate.

		Resource	DEL			
		This year (2019-20 Supplementary Estimates budget sought)	*This year (2019-20 Main Estimates budget approved)*	change from Main Estimate		is change significant?
subhead		£ million			%	see explanation, note number
A	Economic regulation	9.5	9.5	0.0	0.0%	
	Other admin costs	5.7	5.7	0.0	0.0%	
	Gross expenditure	15.2	15.2	0.0	0.0%	
A	Economic-related income	-15.2	-15.2	0.0	0.0%	
A	Net expenditure	0.0	0.0	0.0	0.0%	
B	Safety regulation	11.9	11.8	0.1	0.8%	1
	Other admin costs	6.9	6.9	0.0	0.0%	
	Gross expenditure	18.8	18.7	0.1	0.5%	
B	Safety-related income	-18.8	-18.7	-0.1	0.5%	
B	Net expenditure	0.0	0.0	0.0	0.0%	
C	Other regulation	1.8	1.6	0.2	12.5%	2
	Other admin costs	0.8	0.8	0.0	0.0%	
	Gross expenditure	2.6	2.4	0.2	8.3%	
C	Income from other regulation	-2.6	-2.4	-0.2	8.3%	
C	Net expenditure	0.0	0.0	0.0	0.0%	
	Total gross expenditure	**36.6**	**36.3**	**0.3**	**0.8%**	
	Total gross income	**-36.6**	**-36.3**	**-0.3**	**0.8%**	
	Total net expenditure	**0.0**	**0.0**	**0.0**	**0.0%**	

Note 1. Safety regulation costs are increasing as a result of the engagement of external experts, as required by the InterGovernmental Commission for the Channel Tunnel, to provide independent advice and analysis of safety dossier documentation.

Note 2. Other regulation costs are increasing as a result of higher pension costs for staff, and the highways monitor's share of one-off office move costs.

2.2 Restructuring

Not applicable.

2.3 Ringfenced budgets

ORR does not have any ringfenced budgets. All of our costs are fully covered by income, so depreciation has no impact on RDEL.

2.4 Changes to contingent liabilities

There are no new contingent liabilities.

3. Priorities and performance

3.1 How spending relates to objectives

The table below shows how expenditure against each subhead contributes to corporate objectives:

Objective>>>> Estimates subheads	1: health and safety	2: better rail customer service	3: value for money from the railway	4: better highways
A Economic regulation		x	x	
B Safety regulation	x			
C Other regulation				x

3.2 Measures of performance against each priority

Our strategic objectives and priorities are set out in our annual business plan (see here). In the business plan we set out a number of key commitments under each of our strategic objectives. These are underpinned by a number of internal milestones, defined during the business planning round. These are reviewed on a monthly basis by the Executive. The Board reviews progress against business plan commitments quarterly. Our performance against each of our priorities is published in our annual report each year. Performance for 2018-19 is set out on pages 16 to 26 in our annual report here. Information for 2019-20 will be published when the 2019-20 annual report is published.

3.3 Commentary on steps being taken to address performance issues

No performance issues have been identified which require funding, however, we continue to invest in streamlining and simplifying our internal processes. In 2019-20 we have delivered a new online expenses system and an online performance management system, and we have continued to move IT services into the cloud. These have been funded from within our existing administration budget.

3.4 Major projects

In Autumn 2019 we relocated our London Office to 25 Cabot Square in Canary Wharf. HM Treasury approved CDEL of £5.6m for the fit out in 2019-20, and an additional £2m of operating expenditure for the one off costs of the move such as dual rent (while the building is being fitted out) and relocation costs. The additional operating expenditure is being funded by our usual industry funders via an increase to the safety levy and licence fee. CDEL will be be charged to our usual funders over time through depreciation.

4. Other information

4.1 Additional specific information required by the select committee

No additional information regarding ORR's spending has been requested by the Transport Select Committee.

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Accounting Officer.

John Larkinson

Accounting Officer

Office of Rail and Road

11 February 2020