Supplementary Estimates memorandum (2022-23) 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.

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:

Spending total **Amounts sought this year** **(Supplementary Estimate 2022-23)**		**Difference (+/-) compared to original budget this year** **(Main Estimate 2022-23)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2021-22)**	
		£ m	**%**	**£m**	**£ m**
Resource DEL	£0.004m	£0.001m	0%	£0.000m	0%
Capital DEL	£0.720m	£0m	0%	£0.101m	14%

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 the main Estimate, with the exception of £1k to enable the Estimate to be voted.

Within this, our total income and the gross expenditure this covers, will increase by £0.6m. This is as a result of additional grant funding from the Department of Transport for additional highways monitoring work and for providing advice for a future funding framework for Transport for London.

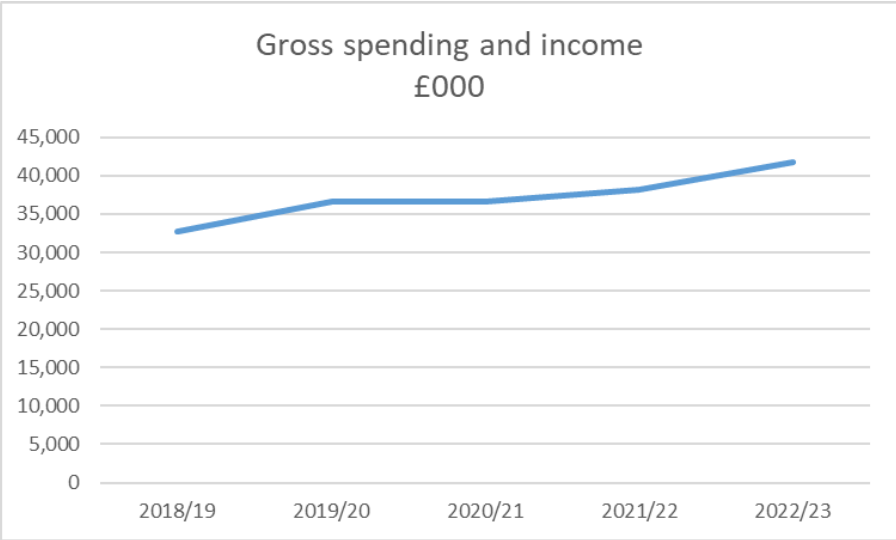
There is no change to Capital DEL.

1.5 New policies and programmes; ambit changes

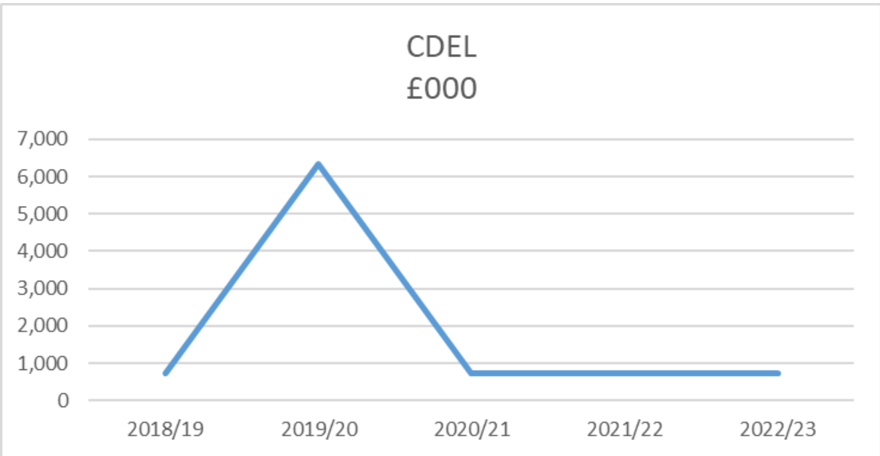
ORR has been given additional responsibilities in year in relation to the regulation of HS1 stations and providing advice on the future funding framework for Transport for London, which have been included in the ambit.

1.6 Spending and income trends

The charts below show gross spending and income trends and CDEL as presented in Estimates for the last four years and current future spending plans.



In 2019-20 spending increased as a result of our one-off office move costs (£2m) and increased employer pension contributions (£1m). In 2020-21 the £2m was instead invested in economic and safety regulation and IT system improvements. In 2021-22 the increase was used to fund our responsibilities in respect of the 2023 Periodic Review and to increase the size of our highways monitoring team to reflect National Highways' increased activity in Road Period 2. In 2022-23 the increase is being used to support the development of a rail reform model, sponsorship of the rail ombudsman and continued work on PR23.



CDEL increased in 2019-20 to reflect the estimated £5.6m fit out costs for our new London office and reverted back to £0.72m in 2020-21.

1.7 Administration costs and efficiency plans

All of ORR's costs are administration costs, which are set out at 1.6. ORR is not required to produce an efficiency plan. We are always looking for opportunities to improve the efficiency of our ways of working and operations. Generally any savings identified are reinvested elsewhere in the business to ensure that ORR has the greatest possible impact as a regulator. We identified £1.0m of savings in 2022-23 in respect of running costs.

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 and for providing advice for a future funding framework for Transport for London.

Separately we cover our regulatory costs relating to Channel Tunnel, HS1, Northern Ireland and Core Valley Lines by charging the relevant organisations.

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 with those approved at Main Estimate.

		Resource	DEL			
		This year (2022-23 Supplementary Estimates budget sought)	*This year (2022-23 Main Estimates budget approved)*	change from Main Estimate		is change significant?
subhead		£ million			%	see explanation, note number
A	Economic regulation	19.9	19.0	0.9	4.7%	
A	Economic-related income	-19.9	-19.0	-0.9	4.7%	
A	Net expenditure	0.0	0.0	0.0	0.0%	
B	Safety regulation	18.4	19.3	0.9	4.7%	
B	Safety-related income	-18.4	-19.3	-0.9	4.7%	
B	Net expenditure	0.0	0.0	0.0	0.0%	
C	Other regulation	3.4	2.9	0.5	31.0%	1
C	Income from other regulation	-3.4	-2.9	-0.5	31.0%	1
C	Net expenditure	0.0	0.0	0.0	0.0%	
	Total gross expenditure	**41.7**	**41.2**	**0.5**	**1.2%**	
	Total gross income	**-41.7**	**-41.2**	**-0.5**	**1.2%**	
	Total net expenditure	**0.0**	**0.0**	**0.0**	**0.0%**	

Note 1. Other regulation costs are increasing due to an increase in grant funding provided by the Department for Transport in order to support the actions committed by Government in response to the Transport Select Committee's report 'Rollout and safety of smart motorways', and also in relation to providing advice for a future funding framework for Transport for London.

		Capital	DEL			
		This year (2022-23 Supplementary Estimates budget sought)	*This year (2022-23 Main Estimates budget approved)*	change from Main Estimate		is change significant?
subhead		£ million			%	see explanation, note number
A	Capital for running of business	0.7	0.7	0.0	0.0%	
	Total capital expenditure	0.7	0.7	0.0	0.0%	

2.2 Restructuring

Not applicable.

2.3 Ringfenced budgets

Within the totals, the following elements are ringfenced ie savings in these budgets may not be used to fund pressures on other budgets.

Ringfenced budgets **Amounts sought this year** **(Supplementary Estimate 2022-23)**		**Difference (+/-) compared to original budget this year.** **(Main Estimate 2022-23)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2021-22)**	
		£ m	**%**	**£m**	**£ m**
Depreciation	£1.8m	£0.2m	13%	£0.9m	100%

Depreciation for 2022-23 Estimates includes depreciation for leases, which was not included in 2021-22 outturn.

2.4 Changes to contingent liabilities

There are no 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	x

3.2 Measures of performance against each priority

Our strategic objectives and priorities will be set out in our business plan summary which will be published in April 2023. In the business plan we set out a number of key commitments under each of our strategic objectives. The Board reviews progress against business plan commitments quarterly. Performance against each of our priorities is published in our annual report each year. Performance for 2021-22 is set out on pages 15 to 33 in our annual report here. Information for 2022-23 will be published when the 2022-23 annual report is published.

3.3 Commentary on steps being taken to address performance issues

A cyber remediation plan is being developed to address issues highlighted in a recent report. The cost will be met from within existing administration costs.

3.4 Major projects

We are in the second year of our three-year technology strategy. This continues to be funded from within our existing administration budget.

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

3 February 2023