Main Estimates memorandum (2023-24) 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 last year:

Spending total Amounts sought this year (Main Estimate 2023-24)		Difference (+/-) compared to final budget last year. (Supplementary Estimate 2022-23)		Difference (+/-) compared to original budget last year (Main Estimate 2021-22)	
		£ m	**%**	**£m**	**£ m**
Resource DEL	£0.001m	(£0.003m)	(75%)	(£0.002m)	(67%)
Capital DEL	£0.720m	£0.0m	0%	£0.0m	0%

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

1.4 Key drivers of spending changes since last year

The net Resource DEL is materially unchanged from last year's main Estimate.

Within this, our total income, comprising mainly licence fee and safety levy income and grant funding from the Department of Transport, will remain at a similar level to 2022-23 at £41.7m, as will the gross expenditure this covers. In 2023-24 we will continue to invest in economic and safety regulation, with specific focus on our responsibilities in relation to the 2023 Periodic Review (PR23), supporting the development of rail reform, and preparation for and implementation of our new role as sponsor of the rail ombudsman.

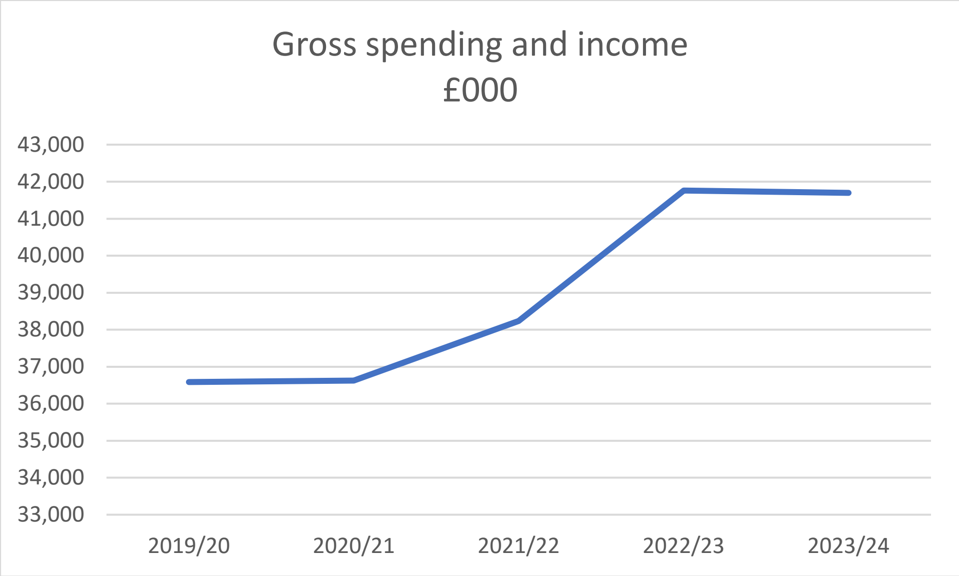
Capital DEL proposed is the same as last year at £0.72m.

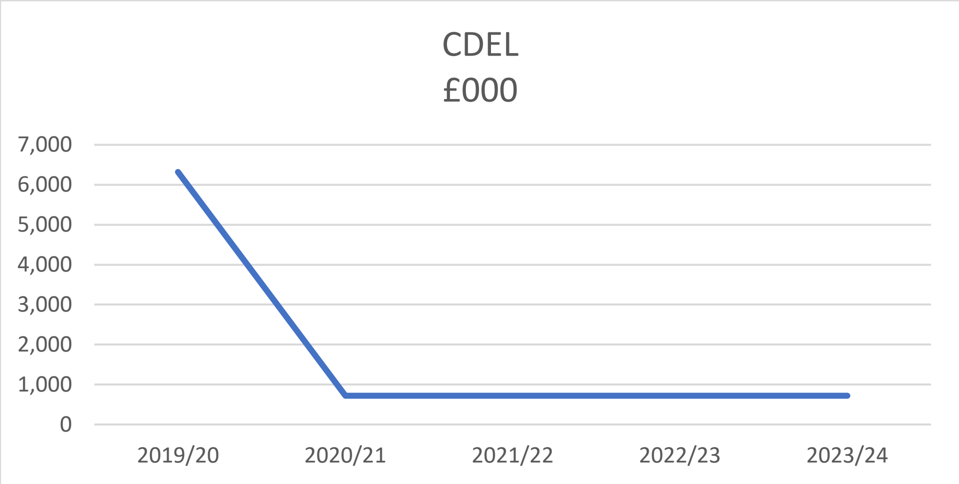
1.5 New policies and programmes; ambit changes

Our ambit remains the same as 2022-23.

1.6 Spending and income trends

The charts below show gross spending and income trends and CDEL as presented in Estimates for the last three years, plans presented in the Supplementary Estimates for 2022-23, and current future spending plans.





In 2021-22 spending increased in order 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 was used for sponsorship of the rail ombudsman, continued work on PR23 and an increased focus on cyber and information security.

CDEL in 2019-20 reflected the estimated £5.6m fit out costs for our new London office, and then reverted back to the normal level of £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.

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 last year.

		Resource DEL				
		This year (2023-24 Main Estimates budget sought)	*Last year (2022-23 Supp Estimates budget approved)*	change from last year		is change significant?
subhead		£ million			%	see explanation, note number
A	Economic regulation	19.6	19.9	-0.3	1.5%	
A	Economic-related income	-19.6	-19.9	0.3	1.5%	
A	Net expenditure	0.0	0.0	0.0	0.0%	
B	Safety regulation	18.7	18.4	0.3	1.6%	
B	Safety-related income	-18.7	-18.4	-0.3	-1.6%	
B	Net expenditure	0.0	0.0	0.0	0.0%	
C	Other regulation	3.4	3.4	0.0	0.0%	
C	Income from other regulation	-3.4	-3.4	-0.0	0.0%	
C	Net expenditure	0.0	0.0	0.0	0.0%	
	Total gross expenditure	**41.7**	**41.7**	**0.0**	**0.0%**	
	Total gross income	**-41.7**	**-41.7**	**0.0**	**0.0%**	
	Total net expenditure	**0.0**	**0.0**	**0.0**	**0.0%**	

		Capital	DEL			
		This year (2023-24 Main Estimates budget sought)	*Last year (2022-23 Supp Estimates budget approved)*	change from last year		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** **(Main Estimate 2023-24)**		**Difference (+/-) compared to final budget last year.** **(Supplementary Estimate 2022-23)**		**Difference (+/-) compared to original budget last year** **(Main Estimate 2022-23)**	
		£ m	**%**	**£m**	**£ m**
Depreciation	£1.9m	£0.1m	6%	£0.3m	19%

Depreciation is higher in 2023-24 due to more lease expenditure.

2.4 Changes to contingent liabilities

There are no new contingent liabilities. There were no contingent liabilities in 2022-23.

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 set out in our business plan summary published in April 2023 here. 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. Our performance against each of our priorities is published in our annual report each year. Performance for 2021-22 is set out on pages 12 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

In 2023-24 we will invest in cyber security in order to achieve compliance with Cabinet Office's Cyber Assessment framework. The cost will be met from within our existing administration budget.

3.4 Major projects

We are in the final 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

5 May 2023

Office of Rail and Road

Introduction

1. This Estimate provides for expenditure for the Office of Rail and Road (ORR).
2. ORR, as the combined economic and safety regulator, is responsible for railway health and safety matters and the regulation of access to railways and promotion of competition in the provision of rail services. It is also responsible for promoting efficiency and economy for those providing railway services and protecting the interests of railway service users.
3. ORR is responsible for monitoring National Highways' management and operation of the strategic road network.
4. ORR acts as the appeal body, controls the network statement, monitors the competitive situation of rail services, and oversees the efficient management and fair and non-discriminatory use of rail infrastructure for Northern Ireland.
5. ORR is the sponsor of the Rail Ombudsman.
6. Further details of expenditure contained in this Estimate can be found in ORR's Annual Report and Accounts 2022-23.

Part I

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	**1,000**	-	1,000
Capital	**720,000**	-	720,000
Annually Managed Expenditure			
Resource	**-**	-	-
Capital	**-**	-	-
Total Net Budget			
Resource	**1,000**	-	1,000
Capital	**720,000**	-	720,000
Non-Budget Expenditure	**-**		
Net cash requirement	**2,000,000**		

Amounts required in the year ending 31 March 2024 for expenditure by Office of Rail and Road on:

Departmental Expenditure Limit:

Expenditure arising from:

Administration of ORR, its support establishments, all associates of non-cash items and all activities as the combined economic and safety regulator including health and safety matters, the regulation of access to railways, the regulation of HS1 stations, the promotion of rail services, efficiencies and economy for those providing railway services, protecting the interests of railway services and railway users, payment of the apprenticeship levy, sponsorship of the Rail Ombudsman and providing advice on the future funding framework for Transport for London.

All activities as highways monitor with responsibility for monitoring and enforcing the performance and efficiency of National Highways' delivery of the government's roads investment strategy and its management and operation of the strategic road network. Support for activities as highways monitor.

Acting as the appeal body, controlling the network statement, monitoring the competitive situation of rail services, and overseeing the efficient management and fair and non-discriminatory use of rail infrastructure for Northern Ireland and for the infrastructure manager of Core Valley's Lines.

Income arising from:

Regulatory licences, concession agreements, levies, subscription fees, charges for courses and officers loaned to other organisations, income from High Speed 1 Limited; Channel Tunnel Intergovernmental Commission; Channel Tunnel Authority; NIR Networks Limited, Amey Keolis Infrastructure/Selwaith Amey Keolis Limited, Transport for Wales, and government grants.

Part I

Income from recovery actions in connection with the successful legal cases. Charges for rental, administrative and other services, and other activities to other government departments, executive and non-executive non-departmental public bodies. Overhead recharges. Grant funding from the Department for Transport in respect of the monitoring and enforcing the performance of National Highways including its delivery of the government's road investment strategy and its management and operation of the strategic road network, and for providing advice on the future funding framework for Transport for London.

Office of Rail and Road will account for this Estimate.

			£
	Voted Total	**Allocated in Vote on Account**	**Balance to complete or surrender**
Departmental Expenditure Limit			
Resource	1,000	1,000	**-**
Capital	720,000	324,000	**396,000**
Annually Managed Expenditure			
Resource	-	-	**-**
Capital	-	-	**-**
Non-Budget Expenditure	-	-	**-**
Net cash requirement	2,000,000	900,000	**1,100,000**

Part II: Subhead detail

£'000

2023-24 Plans									**2022-23 Provisions**	
Resources						**Capital**			**Resources**	**Capital**
Administration			**Programme**							
Gross	**Income**	**Net**	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**	**Net**	**Net**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Spending in Departmental Expenditure Limits (DEL)										
Voted expenditure										
41,700	-41,699	1	-	-	-	720	-	720	4	720
Of which:										
A Economic regulation, admin, associated capital and other expenditure										
19,575	-19,574	1	-	-	-	720	-	720	2	720
B Safety Regulation, admin and other expenditure										
18,670	-18,670	-	-	-	-	-	-	-	1	-
C Other Regulation, admin and other expenditure										
3,455	-3,455	-	-	-	-	-	-	-	1	-
Total Spending in DEL										
41,700	**-41,699**	**1**	**-**	**-**	**-**	**720**	**-**	**720**	**4**	**720**
Total for Estimate										
41,700	**-41,699**	**1**	**-**	**-**	**-**	**720**	**-**	**720**	**4**	**720**
Of which:										
Voted Expenditure										
41,700	-41,699	1	-	-	-	720	-	720	4	720
Non Voted Expenditure										
-	-	-	-	-	-	-	-	-	-	-

Part II: Resource to cash reconciliation

£'000

	2023-24 Plans	2022-23 Provisions	2021-22 Outturn
Net Resource Requirement	**1**	**4**	**3**
Net Capital Requirement	**720**	**720**	**619**
Accruals to cash adjustments	**1,279**	**4,276**	**-1,152**
Of which:			
Adjustment for ALBs:			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
Adjustments to remove non-cash items:			
Depreciation	-1,862	-1,826	-907
New provisions and adjustments to previous provisions	-9	-40	-22
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-55	-42	-144
Adjustments to reflect movements in working balances:			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-1,472
Increase (-) / Decrease (+) in creditors	3,205	6,184	1,357
Use of provisions	-	-	36
Removal of non-voted budget items	**-**	**-**	**-**
Of which:			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	**2,000**	**5,000**	**-530**

Part III: Note A - Statement of Comprehensive Net Expenditure & Reconciliation Table

£'000

	2023-24 Plans	2022-23 Provisions	2021-22 Outturn
Gross Administration Costs	41,700	41,760	35,929
Less:			
Administration DEL Income	-41,699	-41,756	-35,926
Net Administration Costs	**1**	**4**	**3**
Gross Programme Costs	-	-	-
Less:			
Programme DEL Income	-	-	-
Programme AME Income	-	-	-
Non-budget income	-	-	-
Net Programme Costs	**-**	**-**	**-**
Total Net Operating Costs	**1**	**4**	**3**
Of which:			
Resource DEL	1	4	3
Capital DEL	-	-	-
Resource AME	-	-	-
Capital AME	-	-	-
Non-budget	-	-	-
Adjustments to include:			
Departmental Unallocated Provision (resource)	-	-	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-	-	-
Adjustments to remove:			
Capital in the SoCNE	-	-	-
Grants to devolved administrations	-	-	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-	-	-
Other adjustments	-	-	-
Total Resource Budget	**1**	**4**	**3**
Of which:			
Resource DEL	1	4	3
Resource AME	-	-	-
Adjustments to include:			
Grants to devolved administrations	-	-	-
Prior period adjustments	-	-	-
Adjustments to remove:			
Consolidated Fund Extra Receipts in the resource budget	-	-	-
Other adjustments	-	-	-
Total Resource (Estimate)	**1**	**4**	**3**

Part III: Note B - Analysis of Departmental Income

£'000

	2023-24 Plans	2022-23 Provision	2021-22 Outturn
Voted Resource DEL	**-41,699**	**-41,756**	**-35,926**
Of which:			
Administration			
Other Income	-3,510	-3,505	-2,725
Of which:			
A Economic regulation, admin, associated capital and other expenditure	-28	-32	-74
B Safety Regulation, admin and other expenditure	-27	-32	-
C Other Regulation, admin and other expenditure	-3,455	-3,441	-2,651
Taxation	-38,189	-38,251	-33,201
Of which:			
A Economic regulation, admin, associated capital and other expenditure	-19,546	-19,834	-15,791
B Safety Regulation, admin and other expenditure	-18,643	-18,417	-17,410
Total Administration	-41,699	-41,756	-35,926
Total Voted Resource Income	**-41,699**	**-41,756**	**-35,926**

Part III: Note C - Analysis of Consolidated Fund Extra Receipts

No CFER income or receipts are expected in 2023-24 or 2022-23. No CFER income or receipts were received in 2021-22.

Part III: Note D - Explanation of Accounting Officer responsibilities

The Accounting Officer prepares resource accounts for each financial year.

The following individuals are responsible for the expenditure within this Estimate:

Accounting Officer:	John Larkinson

John Larkinson has personal responsibility for the proper presentation of the department's resource accounts and their transmission to the Comptroller & Auditor General, and is also responsible for the use of public money and stewardship of assets.

In discharging these responsibilities, particular regard is given to:

- observing any accounting and disclosure requirements (including any Accounts Direction) and applying suitable accounting policies on a consistent basis;

- making judgements and estimates on a reasonable basis;

- stating whether applicable accounting standards, as set out in the Financial Reporting Manual (FReM), or an organisation's version of it, have been followed, and explain any material departures in the accounts; and

- preparing the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for regularity and propriety of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding assets, are also set out in Chapter 3 of Managing Public Money.