

Supplementary Estimates memorandum (2024-25) 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 regulation 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 (Supplementary Estimate 2024-25)		Difference (+/-) compared to original budget this year (Main Estimate 2024-25)		Difference (+/-) compared to final outturn last year (Outturn 2023-24)	
		£ m	%	£m	%
Resource DEL	£0.002m	£0.001m	100%	£0.000m	0%
Capital DEL	£1.220m	£0.500m	69%	£0.169m	16%

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 unchanged from the main Estimate, with the exception of an additional £1k to enable the Estimate to be voted.

Within this, our total income and the gross expenditure this covers, will increase by £0.3m. This is as result of additional costs arising from for the revenue protection review and sublet income from our London office.

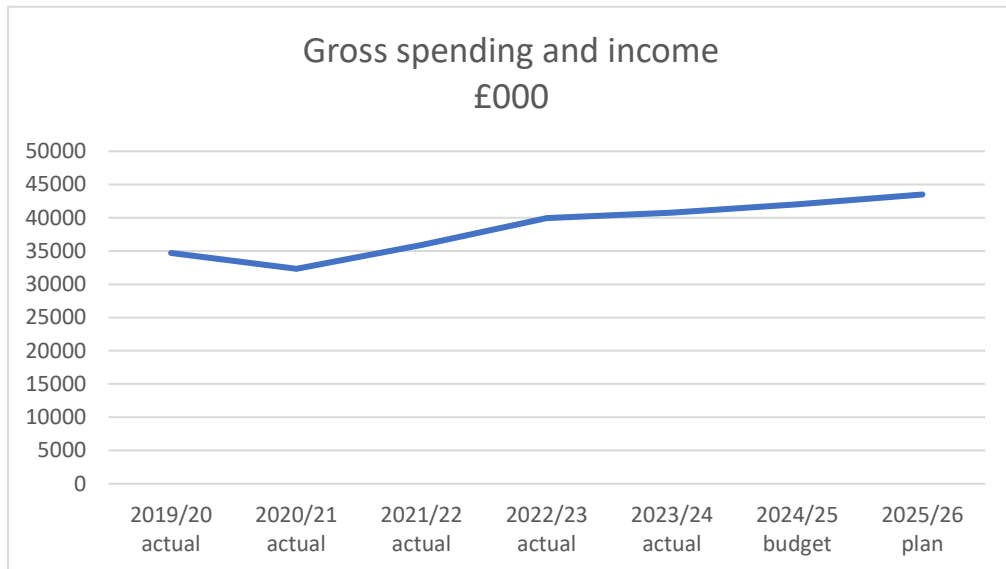
Capital DEL proposed is £0.5m higher than the original budget. This change is as a result of a number of IFRS 16 lease adjustments.

1.5 New policies and programmes; ambit changes

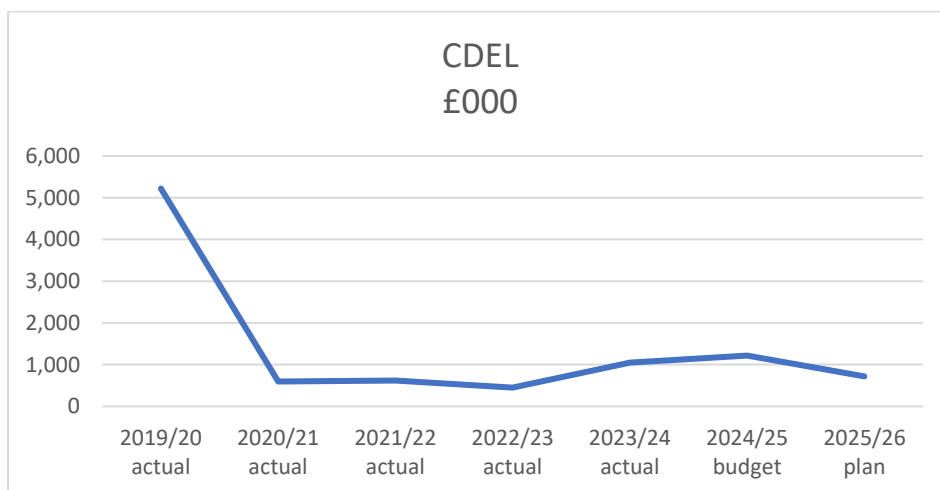
None.

1.6 Spending and income trends

The charts below show gross spending and income trends and CDEL as presented in Estimates for the last five years, plans presented in the Supplementary Estimates for 2024-25, 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. In 2023-24 the increase was used for an assurance review of Transport for London's submission to DfT for funding of its capital programme for 2024-25.



The CDEL increase in 2023-24 reflects IFRS 16 lease costs for the relocation to the new Glasgow office. The increase in 2024-25 reflects adjustments to other IFRS 16 leases.

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.

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 regulation function.

Separately we cover our regulatory costs relating to Channel Tunnel, HS1, Northern Ireland and Core Valley Lines by charging the relevant organisations. We have started to sublet part of our London office, and therefore now receive rental income.

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				
		<i>This year (2024-25 Supplementary Estimates budget sought)</i>	<i>This year (2024-25 Main Estimates budget approved)</i>	change from Main Estimate		is change significant? see explanation, note number
subhead		£ million			%	
A	Economic regulation	19.4	19.1	0.3	1.6%	
A	Economic-related income	-19.4	-19.1	0.3	-1.6%	
A	Net expenditure	0.0	0.0	0.0	0.0%	
B	Safety regulation	19.1	19.1	0.0	0.0%	
B	Safety-related income	-19.1	-19.1	0.0	0.0%	

B	Net expenditure	0.0	0.0	0.0	0.0%	
C	Other regulation	3.5	3.5	0.0	0.0%	
C	Income from other regulation	-3.5	-3.5	0.0	0.0%	
C	Net expenditure	0.0	0.0	0.0	0.0%	
	Total gross expenditure	42.0	41.7	0.3	0.7%	
	Total gross income	-42.0	-41.7	0.3	-0.7%	
	Total net expenditure	0.0	0.0	0.0	0.0%	
		Capital DEL				
		<i>This year (2024-25 Supplementary Estimates budget sought)</i>	<i>This year (2024-25 Main Estimates budget approved)</i>	change from Main Estimate		is change significant?
subhead		£ million			%	see explanation, note number
A	Capital for running of business	1.2	0.7	0.5	69.4%	Note 1
	Total capital expenditure	1.2	0.7	0.5	69.4%	

Note 1: Additional CDEL is sought for to a number of our IFRS 16 office leases.

2.2 Restructuring

Not applicable.

2.3 Ringfenced budgets

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

Ringfenced budgets Amounts sought this year (Supplementary Estimate 2024-25)		Difference (+/-) compared to final budget last year. (Main Estimate 2024-25)		Difference (+/-) compared to original budget last year (Outturn 2023-24)	
		£ m	%	£m	£ m
Depreciation	£1.9m	£0.0m	0%	£0.1m	5%

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>>>>	1: health and safety	2: better rail customer service	3: value for money from the railway	4: better highways
Estimates subheads				
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 will be set out in our business plan summary which will be published in April 2025. 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 2023-24 is set out on pages 12 to 42 in our annual report [here](#)

3.3 Commentary on steps being taken to address performance issues

In 2024-25 we are investing 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

In 2024-25 we will finalise ORR's new three-year technology strategy. This will 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

10 February 2025

Office of Rail and Road

INTRODUCTION

This Supplementary Estimate is required for the following purposes:

				£
Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total	
Budget Neutral Changes				
(Section A) additional costs arising from the Revenue Protection Review	200,000	-200,000		
(Section A) additional income from the sublet of part of the London office	47,000	-47,000		
(Section B) additional income from the sublet of part of the London office	46,000	-46,000		
(Section C) additional income from the sublet of part of the London office	7,000	-7,000		
Other Changes				
(Section A) Token increase in RDEL to enable Parliament to vote Supplementary Estimate	1,000			
Total change in Resource DEL (voted)	301,000	-300,000	1,000	
Reserve Claims				
(Section A) Increase to non-cash CDEL for leases adjustments and extensions	500,000			
Total change in Capital DEL (voted)	500,000		500,000	

PART I: EXPENDITURE AND AMBIT

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	1,000	-	1,000
Capital	500,000	-	500,000
Annually Managed Expenditure			
Resource	-	-	-
Capital	-	-	-
Total Net Budget			
Resource	1,000	-	1,000
Capital	500,000	-	500,000
Non-Budget Expenditure	-		
Net Cash Requirement	-		

Supplementary amounts required in the year ending 31 March 2025 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 the Core Valley Lines.

Income arising from:

Regulatory licences, concession agreements, levies, subscription fees, charges for courses and officers loaned to other organisations, 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.

Income from recovery actions in connection with successful legal cases. Charges for rental, administrative and other services, and other activities to other government departments, executive and non-executive nondepartmental public bodies. Overhead recharges. Grant funding from the Department for Transport in respect of 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.

PART II: CHANGES PROPOSED

£'000									
	Net Resources						Net Capital		
	Present		Changes		Revised		Present	Changes	Revised
	Admin 1	Prog 2	Admin 3	Prog 4	Admin 5	Prog 6	7	8	9
Departmental Expenditure Limit (DEL)									
Voted expenditure									
A Economic regulation, admin, associated capital and other expenditure	1	-	1	-	2	-	720	500	1,220
Total voted DEL	1	-	1	-	2	-	720	500	1,220
Total DEL			1	-				500	
Voted expenditure			1	-				500	
Non-voted expenditure			-	-				-	
Total for Estimate			1	-				500	

£'000			
	Present Plans	Changes	Revised Plans
Net Cash Requirement	2,000	-	2,000

PART II: REVISED SUBHEAD DETAIL INCLUDING ADDITIONAL PROVISION

£'000

Revised Plans										
	Resources							Capital		
	Administration			Programme			Total	Gross	Income	Net
	Gross	Income	Net	Gross	Income	Net	Net			
	1	2	3	4	5	6	7	8	9	10
Departmental Expenditure Limit (DEL)										
Voted expenditure										
A Economic regulation, admin, associated capital and other expenditure	19,384	-19,382	2	-	-	-	2	1,220	-	1,220
B Safety Regulation, admin and other expenditure	19,154	-19,154	-	-	-	-	-	-	-	-
C Other Regulation, admin and other expenditure	3,463	-3,463	-	-	-	-	-	-	-	-
Total voted DEL	42,001	-41,999	2	-	-	-	2	1,220	-	1,220
Total DEL	42,001	-41,999	2	-	-	-	2	1,220	-	1,220
Voted expenditure	42,001	-41,999	2	-	-	-	2	1,220	-	1,220
Non-voted expenditure	-	-	-	-	-	-	-	-	-	-
Total for Estimate	42,001	-41,999	2	-	-	-	2	1,220	-	1,220

PART II: RESOURCE TO CASH RECONCILIATION

	£'000		
	Present Plans	Changes	Revised Plans
Net Resource Requirement	1	1	2
Net Capital Requirement	720	500	1,220
Accruals to cash adjustments	1,279	-501	778
<i>Of which:</i>			
<i>Adjustment for ALBs:</i>			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
<i>Adjustments to remove non-cash items:</i>			
Depreciation	-1,917	-	-1,917
New provisions and adjustments to previous provisions	-10	-	-10
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-80	-	-80
<i>Adjustments to reflect movements in working balances:</i>			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	3,286	-501	2,785
Use of provisions	-	-	-
Removal of non-voted budget items	-	-	-
<i>Of which:</i>			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	2,000	-	2,000

PART III: NOTE A - STATEMENT OF COMPREHENSIVE NET EXPENDITURE & RECONCILIATION TABLE

	£'000
	Revised Plans
Gross Administration Costs	42,001
<i>Less:</i>	
Administration DEL Income	-41,999
Net Administration Costs	2
Gross Programme Costs	-
<i>Less:</i>	
Programme DEL Income	-
Programme AME Income	-
Non-budget income	-
Net Programme Costs	-
Total Net Operating Costs	2
<i>Of which:</i>	
Resource DEL	2
Capital DEL	-
Resource AME	-
Capital AME	-
Non-budget	-
<i>Adjustments to include:</i>	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-
<i>Adjustments to remove:</i>	
Capital in the SoCNE	-
Grants to devolved administrations	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-
Other adjustments	-
Total Resource Budget	2
<i>Of which:</i>	
Resource DEL	2
Resource AME	-
<i>Adjustments to include:</i>	
Grants to devolved administrations	-
Prior period adjustments	-
<i>Adjustments to remove:</i>	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
Total Resource (Estimate)	2

PART III: NOTE B - ANALYSIS OF DEPARTMENTAL INCOME

£'000

Revised Plans

Voted Resource DEL

Administration

A Economic regulation, admin, associated capital and other expenditure

Other Income -75

Taxation -19,307

B Safety Regulation, admin and other expenditure

Other Income -74

Taxation -19,080

C Other Regulation, admin and other expenditure

Other Income -3,463

Total Other Income

-3,612

Total Taxation

-38,387

Total Administration

-41,999

Total Voted Resource DEL

-41,999

Total Voted Resource Income

-41,999

PART III: NOTE C - ANALYSIS OF CONSOLIDATED FUND EXTRA RECEIPTS

No CFER income or receipts are expected in 2024-25.

PART III: NOTE D - EXPLANATION OF ACCOUNTING OFFICER RESPONSIBILITIES

The Accounting Officer prepares resource accounts for each financial year. See Section 2, Part III - Other Statements and notes of Main Estimates 2024-25 for further details of Accounting Officer responsibilities.

Accounting Officer:

John Larkinson