



Main 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 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 2024-25)		Difference (+/-) compared to final budget last year (Supplementary Estimate 2023-24)		Difference (+/-) compared to original budget last year (Main Estimate 2023-24)	
		£ m	%	£m	£ m
Resource DEL	£0.001m	(£0.001m)	(50%)	£0.0m	0%
Capital DEL	£0.720m	(£0.900m)	(56%)	£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 2023-24 at £41.7m, as will the gross expenditure this covers. In 2024-25 we will continue to invest in economic and safety regulation, with specific focus on our responsibilities in relation to the start of the new five-year control period for Network Rail, looking at the future efficiency of National Highways under the third Road Investment Strategy and our Periodic Review of the High Speed 1 rail network.

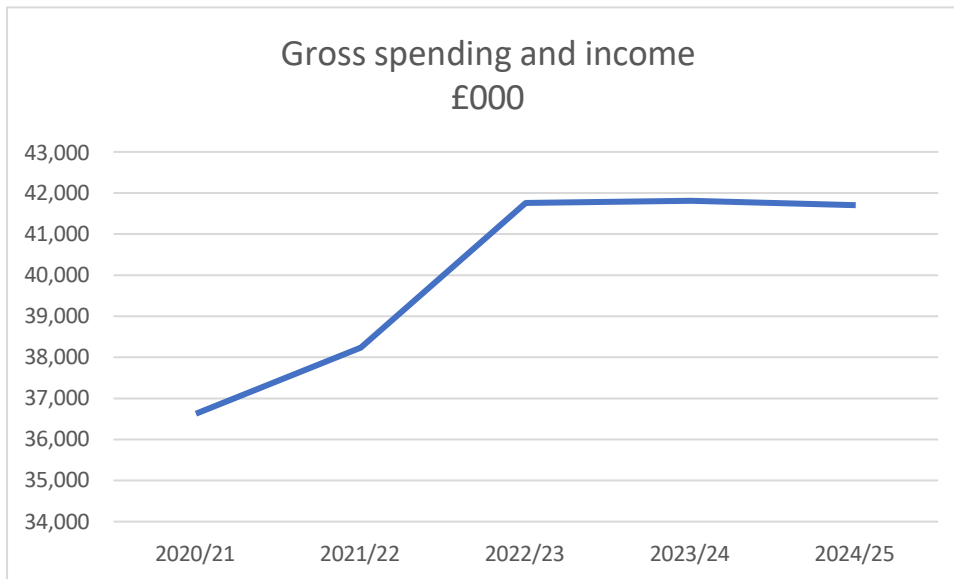
Capital DEL proposed is the same as last year at £0.72m.

1.5 New policies and programmes; ambit changes

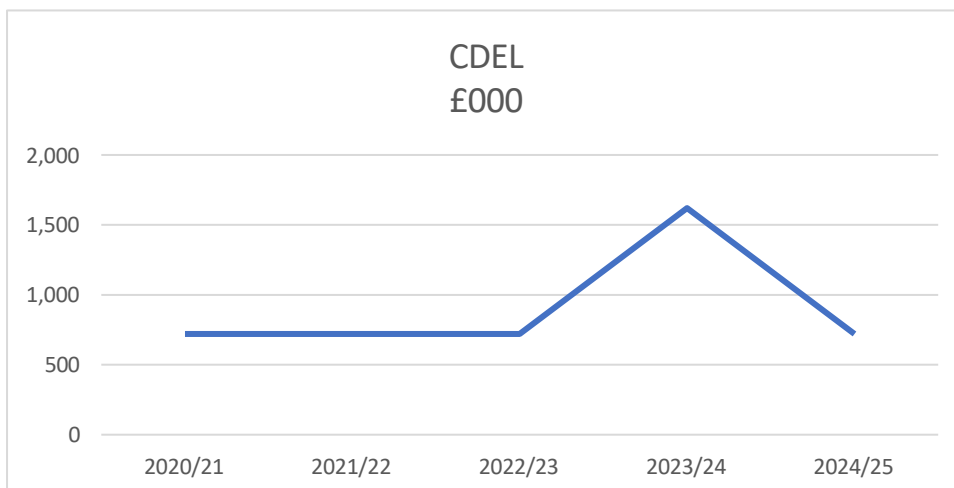
Our ambit remains the same as 2023-24.

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 2023-24, 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.



The CDEL increase in 2023-24 reflects the estimated £0.9m IFRS 16 lease cost for the relocation to the new Glasgow office.

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 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				
subhead		<i>This year (2024-25 Main Estimates budget sought)</i>	<i>Last year (2023-24 Supp Estimates budget approved)</i>	change from last year		is change significant?
		£ million			%	see explanation, note number
A	Economic regulation	19.1	19.6	-0.5	-2.4%	
A	Economic-related income	-19.1	-19.6	0.5	2.4%	
A	Net expenditure	0.0	0.0	0.0	0.0%	
B	Safety regulation	19.1	18.7	0.5	2.5%	
B	Safety-related income	-19.1	-18.7	-0.5	-2.5%	
B	Net expenditure	0.0	0.0	0.0	0.0%	
C	Other regulation	3.5	3.6	-0.1	-3.1%	
C	Income from other regulation	-3.5	-3.6	0.1	3.1%	
C	Net expenditure	0.0	0.0	0.0	0.0%	
	Total gross expenditure	41.7	41.8	-0.1	-0.3%	
	Total gross income	-41.7	-41.8	0.1	0.3%	

Total net expenditure	0.0	0.0	0.0	0.0%	
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subhead	Capital		DEL		change from last year	is change significant? see explanation, note number
	<i>This year (2024-25 Main Estimates budget sought)</i>	<i>Last year (2023-24 Supp Estimates budget approved)</i>	£ million	%		
A Capital for running of business	0.7	1.6	-0.9	-55.5%		
Total capital expenditure	0.7	1.6	-0.9	-55.5%		

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 (Main Estimate 2024-25)		Difference (+/-) compared to final budget last year. (Supplementary Estimate 2023-24)		Difference (+/-) compared to original budget last year (Main Estimate 2023-24)	
		£ m	%	£m	£ m
Depreciation	£1.9m	£0.0m	0%	£0.0m	0%

2.4 Changes to contingent liabilities

There are no new contingent liabilities. There were no contingent liabilities in 2023-24.

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 set out in our business plan summary published in April 2024 [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 2022-23 is set out on pages 12 to 35 in our annual report [here](#). Information for 2023-24 will be published when the 2023-24 annual report is published.

3.3 Commentary on steps being taken to address performance issues

In 2024-25 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

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 28 May 2024