

Presented pursuant to Severn Bridge Act 1992, c.3, s. 28(4)

Severn Bridges Act 1992 Accounts 2005-2006

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Foreword

Background Information

The road across the Rivers Severn and Wye was opened to traffic on 9 September 1966. Under the Severn Bridge Tolls Act 1965 (the 1965 Act) the Secretary of State for Transport (formerly the Minister of Transport) had powers to levy tolls for the use of this road on a scale which would be sufficient, but not more than sufficient, over a period of 40 years from the date of opening to provide for the purposes defined in Schedule 2 of the 1965 Act.

With effect from 26 April 1992, the 1965 Act was repealed by the Severn Bridges Act 1992 (the 1992 Act). The 1992 Act gave the Secretary of State powers to procure, from private funds, the construction of a second tolled road crossing of the Severn Estuary, some three miles downstream of the existing crossing. It also provided for a new tolling regime to apply both at the existing crossing and, once opened, the second crossing.

The new tolling regime came into effect on 26 April 1992, the day appointed by the Secretary of State under the 1992 Act. On that date, a private concessionaire, Severn River Crossing plc (SRC), under a concession agreement with the Secretary of State, took over responsibility for the operation and maintenance of the existing crossing together with the design, construction and, when built, the operation and maintenance of the second crossing. In consideration SRC retains revenues from tolls during the concession period.

Section 6 (4) of the 1992 Act provides that the concession period will run for a maximum of 30 years from the appointed day. During that period, SRC will be responsible, inter alia, for levying tolls and for preparing annually a statement of accounts of revenue and costs associated therewith. These accounts are independently audited by a firm of chartered accountants, reviewed by the Agency, and, in accordance with Section 27 of the 1992 Act, laid before the Parliament by the Secretary of State.

Under section 5.1.1 of the concession agreement, the concession period will end when SRC achieve a required cumulative real revenue target of £995,830,000, expressed in July 1989 prices. The Agency reviews the projected concession end date every six months using data supplied by SRC. The Agency also obtains assurance on the cumulative level of tolls from the accounts published by SRC that are independently audited.

On the 12 September 2000, the European Court of Justice ruled that Value Added Tax (VAT) should be applied to tolls levied by private operators. The ruling included those undertakings operated by private companies under a PFI concession agreement with the Secretary of State.

VAT was applied to the Severn Bridges tolls on 1 February 2003. However, the Government gave a commitment to offset the cost of VAT and protect the motorist from the impact of the ruling. This has been done by re-financing the Severn River Crossings concession. Under the re-financing package, the concessionaire has been given the right to collect tolls for a longer period to fully compensate them for the loss of revenue. The result of this is that the concession period will be extended from a predicted June 2014 end date to sometime in early 2016. As part of the re-financing deal, the required cumulative real revenue target has risen from £976,837,740 to £995,830,000.

Under the re-financing arrangement, interest on the subordinated loan will be added to the consolidation fund and repaid at the end of the concession period.

In April 2006, the Highways Agency announced that it was undertaking a programme of inspection work on the main cables for the M48 Severn Crossing, lasting until October 2006.

The M48 crossing is now forty years old and work has been carried out since April 2006 as a precautionary measure in the light of a similar inspection which found corrosion in the cables of the Forth Road Bridge in Scotland. There are no concerns for safety of people using the bridge at this stage but the results of the inspection will enable the Agency to decide what future maintenance will be required to keep it in good order. The cost of the inspection work is estimated at £3 million. This and maintenance costs will be borne by the Agency and shown in future Severn Bridges Act accounts.

Accounts of the Secretary of State

Section 28 (1) (a) of the 1992 Act requires the Secretary of State to produce a statement of accounts in respect of the period beginning immediately after the period covered by the last statement of accounts prepared under the 1965 Act and ending immediately before the appointed day, i.e. for the period 1 April 1991 to 25 April 1992. Such a statement was published on 1 April 1993 [ISBN 0-10-260193-3] and was the final account to be drawn up in the manner in which accounts under section 21 of the 1965 Act had been prepared in the past.

Section 28 (1) (b) of the 1992 Act subsequently requires the Secretary of State to prepare a statement of accounts in respect of each financial year, or part thereof, falling within the period beginning with the appointed day and ending with the last day on which tolls may be levied. The first statement produced under Section 28 (1) (b) of the 1992 Act covered the period 26 April 1992 (the appointed day) to 31 March 1993.

Finance for the project is being provided by a number of banks and by debenture stockholders. Under the concession agreement, SRC assumed responsibility for £122 million of the £126 million outstanding debt on the existing bridge. Of this, £62 million was paid by SRC on 26 April 1992, with the balance of £60 million being subordinated to the facilities granted by the lending banks and to the rights of the stockholders under the terms of an Intercreditor Agreement until the end of the concession period. This debt is linked to the Retail Prices Index. Interest at a rate of 2.956% per half annum on the indexed amount was payable by SRC by equal half yearly instalments. This has now changed in line with the refinancing package as described above.

The remaining debt is the responsibility of the Secretary of State.

The accounts of the Secretary of State deal with subordinated debt, the balance of debt to the Consolidated Fund remaining the responsibility of the Secretary of State and any other expenditure arising on either the existing or the new bridge which does not fall to be met by SRC under the terms of the concession agreement. The account of the Secretary of State will record cumulative net costs to the Exchequer. The cumulative net costs at the end of the concession period are recoverable from tolls levied by the Secretary of State. Under Section 5 (4) of the 1992 Act the power to levy tolls will cease on 25 April 2027 or such earlier date as may be determined under Section 7 of the 1992 Act when the aggregate receipts accruing to the Secretary of State equal or exceed his expenditure for certain specified purposes including notional interest.

Expenditures shown in these accounts form part of the Request for Resource (RfR1), for the Department for Transport, for 2005-2006. Interest received on the Subordinated Debt also forms part of the Request for Resource 1, 2005-2006. There are no cash flows through a discrete entity and thus there are no cash or bank balances to be recorded in these accounts.

These accounts have been prepared in accordance with a Direction given by the Treasury in pursuance of Section 28 (2) (a) of the 1992 Act. The direction is reproduced as an Appendix to the Accounts.

The accounts have been audited by the Comptroller and Auditor General (C&AG) under the Severn Bridges Act 1992. His opinion is expressed on pages 9 and 10.

Archie Robertson
The Highways Agency
Accounting Officer

27 November 2006

Statement of Secretary of State and Accounting Officer responsibilities

Under Section 28 of the Severn Bridges Act 1992, the Secretary of State is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on an accruals basis and must present fairly the income and expenditure for the financial year and the assets and liabilities at year-end.

The Treasury have appointed an Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting' (TSO).

Statement on the System of Internal Control

The Statement on Internal Control describes the overall control environment and the management of risk within the Highways Agency. Management and preparation of this account, and the underlying accounting transactions, are subject to the control environment of the Highways Agency to which the following statement refers. There are no risks identified specifically for the Severn Bridges Act 1992 Account.

The scope and purpose of the system of internal control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. This includes responsibility for transactions in respect of the Severn Bridges.

The Highways Agency's system of internal control was in place for the year ended 31 March 2006 and up to the date of approval of the Agency's annual report and accounts. It accords with Treasury guidance.

The system of internal controlⁱ is designed to manage risk of failure to achieve policies, aims and objectives to a reasonable level rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. Risk management informs a number of internal control processes designed to fulfil the Agency's control objectives.ⁱⁱ

The risk and control framework

I have established a framework of responsibility for risk management, with appropriate support, guidance and proceduresⁱⁱⁱ in all parts of the Agency's business.^{iv}

My staff work closely with their counterparts in the Department for Transport to ensure that risk management systems are compatible, there is clear accountability for managing risks, joint action is taken where appropriate to manage risks, and the Department is kept informed of risks as appropriate.

The Highways Agency Board sets the Agency's risk appetite^v in line with that of the DfT Board.

The Board identifies strategic risks^{vi} to the Agency's business. Managers identify and evaluate risks to successful delivery of the Agency's operational and control objectives when they prepare and monitor directorate and divisional management plans.

I hold regular meetings with Ministers when operational risks are discussed. Ministers receive direct reports about risks to key initiatives, the outcome of key Gateway Reviews and other key risk areas. They receive reports on risks to delivery of Public Service Agreement Targets through the DfT reporting system.

I am keenly aware that risks to public stakeholders arise from many aspects of the development and operation of the strategic highways network.

While developing new works, we involve the public in risk management through the normal consultation process. My senior staff and I regularly meet with stakeholder groups and cover their views on risks to their interests in these meetings. We manage road safety risks through a developing set of safety action plans based on the views from the public and stakeholders with the objective of meeting the targets set by the DfT Road Safety Strategy.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review consists of discussions with my Head of Internal Audit and the chair of the Audit Committee, informed by the work of my internal auditors, that of the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board^{vii} and the Audit Committee^{viii}. Measures to address weaknesses and ensure continuous improvement of the system are in place, and as a result of my review and the advice received I have commissioned a program of work to improve management assurance by

- documenting and publishing an agreed new Corporate Governance framework for the Agency (incorporating risk, stewardship and balanced scorecard reporting);
- making further improvements in the electronic guidance on processes and controls; and
- providing support and guidance to managers to help them to improve record-keeping, control and accountability in their commands.

This will allow us to address the causes rather than the symptoms of weaknesses in our systems of control.

The Agency's corporate governance arrangements are designed to comply with the Code of Good Practice on Corporate Governance in Central Government Departments.^{ix}

My Head of Internal Audit provides regular reports on key risk and control issues, to standards defined in the Government Internal Audit Manual, and an annual independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement. The Head of Internal Audit's opinion for the year 2005-2006 is that

- Corporate Governance is working effectively with some minor weaknesses. The arrangements are substantially compliant with the code of practice;
- Risk Management is working effectively with some minor weaknesses; and
- Risk Handling/Internal Control is operating effectively except for some areas where significant weaknesses have been identified. None of those weaknesses fall within the scope of those required to be disclosed in this statement.

Actions to rectify specific weaknesses identified by my internal auditors are under way. I have also set an objective for the top managers in the Agency to improve control and assurance (as measured by internal audit opinions relating to their commands) during the year and commissioned the program of work to improve assurance outlined above.

In my Statement on Internal Control for 2004-2005 I reported that I had commissioned action to

- raise the profile of internal control with managers;
- improve the design and monitoring of controls;
- complete the electronic publication of guidance on processes and controls; and
- improve the scope and machinery of Stewardship Reporting by senior staff, and the associated guidance available to them on their internal control and stewardship responsibilities.

As a follow up I can report that

- a large part of our systems of working and guidance were reviewed and a formal quality review process applied to support electronic publication. More work is needed to deliver the full improvements in the design and monitoring of controls;
- the first electronic edition of the guidance on processes and controls has been published and is in use; and
- the scope and machinery of Stewardship Reporting by senior staff, and the associated guidance available to them on their internal control and stewardship responsibilities, was improved and will be subject to further improvement in the forthcoming years. This also had the effect of raising the profile of internal control with managers.

Notes

- i **The system of internal control** is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- ii **Control objectives**
- to ensure that the Agency has established (agreed) clear strategic direction, objectives and key targets in support of government policies;
 - to ensure regularity and propriety in the Agency's stewardship of public funds and other assets with due regard to accountability, probity and integrity;
 - to ensure that the Agency delivers its services to time/cost/quality;
 - to ensure Information and advice is timely and TRUE (Trusted - Reliable - Useful - Effective); and
 - to ensure that HA people and procedures comply with relevant legal, government, departmental and technical standards and requirements.
- iii **Capacity to handle risk**
- The Agency's Directors and other senior managers lead risk management in their commands, supported by a team of risk management co-ordinators led by a risk management adviser. Risk management guidance is available to all staff. The guidance outlines key aspects of the risk management process and identifies the main reporting procedures. Senior managers have received training in risk management tailored to their responsibilities and concerns.
- iv Risk management is an integral part of the Agency's management and project planning procedures.
- Staff and managers are required to identify new or increased risks and opportunities as part of the routine performance reporting process. Risk is a standard agenda item in team meetings in many areas of the Agency.
- Risks are reviewed, the effectiveness of risk treatments and their impact on residual risk is monitored, and changes identified and evaluated throughout the year, as part of routine management activity. Risk owners include reports on their handling of operational risk as part of their wider stewardship reports. The Board allocate the management of strategic risks to nominated directors who report back as appropriate through the year.
- v The **Agency's risk appetite** is set to ensure that
- All risks with a high impact on the Agency's performance, stewardship of public funds, stewardship of the environment or the reputation of the Agency or the wider Government receive focussed, cost-justified management attention, and
 - Where appropriate, action is escalated through the line management chain to DfT and Ministers.
- vi The **key strategic risks managed by the Board** are shown in the Management Commentary section of the Agency's annual report.
- vii The Highways Agency Board (which comprises the senior members of the Agency and three independent non-executive directors) meets frequently to consider the plans, performance and strategic direction of the Agency, the most important risks to successful delivery of those plans and the Agency's stewardship of public assets;

viii The Audit Committee is made up of two of the non-executive directors, one of whom chairs it, and three Highways Agency Board members. I, together with my Head of Internal Audit, Finance Director and representatives from the DfT and National Audit Office attend but have no vote. The independent Chairman of the Audit Committee advises as appropriate on key risk and control issues.

ix <http://www.hm-treasury.gov.uk/media/71D/48/daocorpgovernancecode.pdf>.

Disclosures about how the Board and its sub-committees operate, the independence of non-executive directors, and the Audit Committee's terms of reference elsewhere in this annual report.

Archie Robertson
The Highways Agency
Accounting Officer

27 November 2006

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 11 to 16 under the Severn Bridges Act 1992. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 13.

Respective responsibilities of the Secretary of State and Accounting Officer and Auditors

As described on page 4, the Secretary of State and Accounting Officer are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Secretary of State and Accounting Officer are also responsible for the preparation of the contents of the Foreword.

My responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements present fairly the assets and liabilities in relation to functions exercised under the Severn Bridges Act 1992 and are properly prepared in accordance with the Severn Bridges Act 1992 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Highways Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Foreword, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 5 to 8 reflects the Highways Agency's compliance with Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Secretary of State and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Severn Bridges' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements present fairly the assets and liabilities in relation to functions exercised under the Severn Bridges Act 1992 as at 31 March 2006, and the income and expenditure for the year then ended, and have been properly prepared in accordance with the Severn Bridges Act 1992 and directions made thereunder by the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

8 December 2006

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Victoria
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Income and Expenditure Account for the year ended 31 March 2006

	Note	2005-2006		2004-2005
		£000	£000	£000
Expenditure				
Capital	3		357	112
Operations	4		682	82
Administration	5		643	362
Notional interest	6		10,212	10,409
			<u>11,894</u>	<u>10,965</u>
Income relating to subordinated debt				
Interest receivable		5,905		5,426
Indexation gain		2,416		2,461
			<u>8,321</u>	<u>7,887</u>
Deficit			3,573	3,078
Deficit brought forward	10		86,588	83,510
			<u>90,161</u>	<u>86,588</u>

The notes on pages 13 to 19 form part of these accounts.

Statement of Assets and Liabilities as at 31 March 2006

	Note	2005-2006		2004-2005
		£000	£000	£000
Subordinated debt	7		85,995	83,579
Long term asset				
Accumulated interest receivable	8		17,500	11,595
Current liabilities				
Creditors: amounts falling due within one year	9	(729)		(147)
Net current liabilities			(729)	(147)
			102,766	95,027
Accumulated deficit recoverable	10		90,161	86,588
Total net assets			192,927	181,615
Total due to the consolidated fund	11		(192,927)	(181,615)

Archie Robertson
The Highways Agency
Accounting Officer

27 November 2006

The notes on pages 13 to 16 form part of these accounts.

Note to the Accounts

1 Statement of accounting policies

a Accounting convention

The Accounts are prepared under the historical cost convention on an accruals basis.

An Accounts Direction has been given by HM Treasury and is reproduced in the Appendix.

b Notional interest

Notional Interest, calculated at National Loans Fund rates prescribed by HM Treasury, is charged on

- i The Subordinated Debt and the amount owed to the Consolidated Fund at the commencement of the concession.
- ii Balances derived from the receipt and payment transactions undertaken in the financial year.
- iii The annual deficits brought forward from previous years, as if each were financed by a term loan.

An interest rate direction has been given by HM Treasury and is also reproduced in the Appendix.

c Capital expenditure

Expenditure on capital items is charged to the Income and Expenditure Account in the year of acquisition, in order that the Accumulated Deficit fully represents the amount recoverable from tolling by the Secretary of State.

d Indexation of subordinated debt

Increases in the amount of the residual debt caused by the indexation clause of the Subordinated Debt agreement with the concessionaire are dealt with each year through the Income and Expenditure Account.

2 Claims

Claims by the concessionaires and contractors have arisen in the normal course of operation of the concession agreement. To the extent that it is judged that unmet claims will become payable, such amounts have been included as expenditures and accrued as current liabilities.

3 Capital expenditure

	Freehold land £000	Structures £000	Plant and machinery £000	Total £000
Cumulative acquisitions written off as at 31 March 2005	10,685	4,799	122	15,606
Acquisitions in year	357	0	0	357
Cumulative acquisitions written off as at 31 March 2006	<u>11,042</u>	<u>4,799</u>	<u>122</u>	<u>15,963</u>

4 Operations

	2005-2006	2004-2005
	£000	£000
Operations expenditure comprises		
Ancillary works; repairs and strengthening; and structural maintenance.	682	82
	682	82

5 Administration

	2005-2006	2004-2005
	£000	£000
Administration expenditure comprises		
Legal and professional costs	35	37
Consulting engineers	595	305
Audit fee	13	15
Security costs	0	5
	643	362

6 Notional interest

	2005-2006	2004-2005
	£000	£000
Notional interest on		
Amount owed to Consolidated Fund at 26 April 1992	734	734
Subordinated debt	5,625	5,625
Receipt and payment transactions	1	0
Accumulated annual deficits*	3,852	4,050
	10,212	10,409

* Interest is calculated based on the appropriate National Loans Fund maturity rate. For 2005-2006 the rate applied was 4.45% (2004-2005: 4.85%).

7 Subordinated debt

The Subordinated Debt is due from the concessionaire as part of the consideration for the concession agreement. The debt was assumed on 26 April 1992 for £60 million. It is indexed by reference to the Retail Price Index. Interest at a fixed rate of 2.956% per half annum on the indexed amount is payable on 30 June and 31 December. The debt is repayable when the concession is terminated or in other specified circumstances. The concessionaire may make earlier repayments subject to specified conditions, and in particular circumstances shall be relieved of the obligations to repay.

	2005-2006	2004-2005
	£000	£000
Opening balance	83,579	81,118
In year indexation	2,416	2,461
	85,995	83,579

8 Accumulated interest receivable

	2005-2006	2004-2005
	£000	£000
Opening balance	11,595	6,169
In year interest accrued	5,905	5,426
	17,500	11,595

With effect from 1 January 2003, interest receivable on the subordinated loan was added to the Accumulated Interest Amount in accordance with clause 4.1 of the Loan agreement. The concessionaire will pay the accumulated interest amount to the Secretary of State at the end of the concession period, currently predicted to be early 2016.

9 Creditors

	2005-2006	2004-2005
	£000	£000
Operations	306	44
Administration	419	60
Capital	4	43
	729	147

10 Accumulated deficit

The Accumulated Deficit represents the cumulative net costs to the Exchequer which are recoverable from tolls levied by the Secretary of State during the period between the end of the concession period and the date on which the power to levy tolls will cease, being 25 April 2027 or such earlier date as may be determined under section 7 of the Severn Bridges Act 1992.

Comprises

	£000
Accumulated deficit at 1 April 2005	86,588
Deficit for the year	3,573
Accumulated deficit at 31 March 2006	90,161

11 Consolidated fund

	£000
Debt due to the Consolidated Fund at 1 April 2005	181,615
Notional interest	10,212
Notional audit fee	13
Net cash advances	1,087
Debt due to the Consolidated Fund at 31 March 2006	192,927

12 Contingent Liabilities

In the event of default by the concessionaire the Highways Agency would have to assume responsibility for operating and maintaining both the existing bridges. It is not practicable to estimate the potential net cost (if any) that would arise in such a situation.

13 Financial instruments

FRS13 'Derivatives and Other Financial Instruments' requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments and agencies are financed, the Highways Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Highways Agency has limited powers to borrow or invest surplus funds and except for relatively insignificantly forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Highways Agency in undertaking its activities. There are no specific risks which have been identified as relating to the Severn Bridges Act 1992 account that would require disclosure under FRS13.

As permitted by FRS13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the risk profile.

Liquidity risk

The capital, operation and administration costs of the Highways Agency are financed by resources voted annually by Parliament to the Department for Transport.

The Highways Agency is not therefore exposed to significant liquidity risks.

Interest-rate risk

The financial asset carries a fixed rate of interest, therefore there is no exposure to interest rate risk.

Exchange-rate risk

The Highways Agency is not exposed to any significant exchange rate risk with regards to the Severn Bridges Act 1992 account.

Accounts Direction given by the Treasury

The Treasury in pursuance of Section 28 (2) (a) of the Severn Bridges Act 1992, hereby gives the following Direction

- 1 The statement of accounts which it is the duty of the Secretary of State for Transport to prepare in respect of the year ended 31 March 1994 and in any subsequent financial year shall comprise
 - a a foreword which shall include;
 - i a statement that the accounts have been prepared in accordance with a Direction given by the Treasury in pursuance of Section 28 (2) (a) of the Severn Bridges Act 1992; and
 - ii information on significant events during the period;
 - b an Income and Expenditure Account;
 - c a Statement of Assets and Liabilities; andincluding in each case such notes as may be necessary to present fairly the income and expenditure for the period and the assets and liabilities at the end of the period in relation to functions under the Severn Bridges Act 1992. The statement of accounts shall disclose the total sum due to the Consolidated Fund as at 31 March 1994 and for any subsequent financial year.
- 2 The statement of accounts shall be prepared under the historical cost convention on an accruals basis and shall follow the format attached to this Direction although minor drafting changes may be made without seeking the approval of the Treasury.
- 3 Details of movements within the Consolidated Fund shall be disclosed by way of notes to the accounts.
- 4 The accounts prepared under the Severn Bridges Act 1992 shall observe all relevant accounting and disclosure requirements as given in 'Government Accounting' and in any disclosure and accounting requirements which the Treasury may issue from time to time.
- 5 This Accounts Direction (excluding the proforma accounts) shall be reproduced as an Appendix to the accounts.

F Martin
Treasury Officer of Accounts

27 July 1994

Rates of interest direction given by the Treasury

- 1 The Treasury directs that under Schedule 4 of the Severn Bridges Act 1992 the following rates of interest are applicable to the accounts for the period 26 April 1992 to 31 March 1993 which were prepared in accordance with Section 28 of the Severn Bridges Act 1992
 - a for subordinated debt and the opening balance due to the Consolidated Fund the average National Loans Fund ER 10 to 15 year interest rate; and
 - b the average National Loans Fund 1 year Maturity rate in respect of receipts and payments.
- 2 The Treasury directs that under Schedule 4 of the Severn Bridges Act 1992 the following rates of interest are to be applied to the accounts from 1 April 1993 onwards are to be prepared in accordance with Section 28 of the Severn Bridges Act 1992
 - a for the subordinated debt and the amount owed to the Consolidated Fund at the commencement of the concession the National Loans Fund 25 year Maturity rate as at 26 April 1992. This rate is deemed to be fixed and unless altered by the Treasury is to remain as such for the duration of the concession;
 - b for receipt and payment transactions undertaken within a financial year the prevailing National Loans Fund 1 year maturity rate which is to be applied to each transaction when it takes place; and
 - c for the interest on the annual deficit carried forward the National Loans Fund Maturity rate as shown in the table below

Deficit for the financial period/year	Carried forward to 1 April	National Loans Fund Maturity Rate as at 1 April fixed for the duration of the concession	Current National Loans fund banding
(1)	(2)	(3)	(4)
1992-1993	1993	29 year rate	= Over 25 year band
1993-1994	1994	28 year rate	= " " " "
1994-1995	1995	27 year rate	= " " " "
1995-1996	1996	26 year rate	= " " " "
1996-1997	1997	25 year rate	= " " " "
1997-1998	1998	24 year rate	= Over 15 year band
1998-1999	1999	23 year rate	= " " " "
1999-2000	2000	22 year rate	= " " " "
2000-2001	2001	21 year rate	= " " " "
2001-2002	2002	20 year rate	= " " " "
2002-2003	2003	19 year rate	= " " " "
2003-2004	2004	18 year rate	= " " " "
2004-2005	2005	17 year rate	= " " " "
2005-2006	2006	16 year rate	= " " " "
2006-2007	2007	15 year rate	= " " " "
2007-2008	2008	14 year rate	= Over 10 year band
2008-2009	2009	13 year rate	= " " " "
2009-2010	2010	12 year rate	= " " " "
2010-2011	2011	11 year rate	= " " " "
2011-2012	2012	10 year rate	= " " " "
2012-2013	2013	9 year rate	= " " 9 "
2013-2014	2014	8 year rate	= " " 8 "
2014-2015	2015	7 year rate	= Over 7 year band
2015-2016	2016	6 year rate	= " " 6 "
2016-2017	2017	5 year rate	= " " 5 "
2017-2018	2018	4 year rate	= " " 4 "
2018-2019	2019	3 year rate	= " " 3 "
2019-2020	2020	2 year rate	= " " 2 "
2020-2021	2021-2022	1 year rate	= " " 1 "

The above rates are to be applied to the individual amounts of the annual deficits until such time as the concession is terminated or until the Treasury so directs.

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