

Dartford-Thurrock River Crossing
Charging Scheme
Account 2012 - 2013

Dartford-Thurrock River Crossing Charging Scheme Account 2012-2013

Presented to Parliament pursuant to Section 3 (1) (d) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003.

© Crown Copyright 2014

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at

The Highways Agency

Federated House, London Road,
Dorking, Surrey, RH4 1SZ
tel: 01306 87 8644

This document is also available from our website at www.highways.gov.uk

ISBN: 9780108560040

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2598119

01/14

Printed on paper containing 75% recycled fibre content minimum.

Contents

	Page
Foreword and Management Commentary	2
Statement of Secretary of State and Accounting Officer Responsibilities	6
Governance Statement	7
Independent Auditor's Report to the Secretary of State for Transport	12
Income and Expenditure Account	14
Statement of Capital Expenditure	14
Statement of Assets and Liabilities	15
Notes to the Account	16
Appendix: Accounts Direction given by The Treasury	24

Foreword and Management Commentary

Background Information

The Thames crossing between Dartford and Thurrock consists of two tunnels and the Queen Elizabeth II Bridge. The first tunnel was built in 1963, the second in 1980 and the bridge was opened in 1991.

An early Private Finance Initiative (PFI) concession, enacted by the Dartford-Thurrock River Crossing Act 1988, transferred the existing debt from the tunnels to the private sector who retained toll revenue to pay off the existing debt and the debt incurred by building the new bridge. Tolls were set by the Department for Transport (and its forerunners) in conjunction with the Concessionaire. The concession was for a period of 20 years from 31 July 1988, but could be ended as soon as the debt was repaid. The Secretary of State determined that all financial commitments had been met by 31 March 2002.

The Dartford-Thurrock Act 1988, Schedule 6, Section 16, (4) (1) contained the provision for a Toll Extension Period for the collection of tolls to provide a fund for future maintenance of the crossing. An Extension Agreement between the Concessionaire and the Secretary of State was in place from 4 March 1999 and allowed the Toll Extension Period to run from 1 April 2002 to 31 March 2003. All Toll Revenue during this period was passed over gross to the Department for Transport.

A charging scheme was introduced at the crossing from 1 April 2003. The powers to introduce a charging scheme on a trunk road bridge and tunnel of at least 600m are set out in Part III Chapter I of the Transport Act 2000 (Road User Charging). Sections 163 (Preliminary) and 167 (Trunk Road Charging Schemes) and Schedule 12 (Road User Charging and Workplace Parking Levy: Financial Provisions) apply to charging schemes introduced on trunk roads:

- Schedule 12 paragraph 13 to the Act requires that the net proceeds of such a charging scheme should be applied for the purposes of directly or indirectly facilitating the achievement of any policies or proposals relating to transport but makes no prescription for how that will be achieved.
- Schedule 12 paragraph 2(2) allows the Secretary of State to make regulations determining how the net proceeds are to be calculated.
- Schedule 12 paragraph 5 allows regulations to be made for the keeping of accounts and the preparation and publication of statements of such accounts.

The effect of the regulations made under these provisions is to require an account to be produced to demonstrate the amount of the net proceeds.

The introduction of a charging scheme at the Dartford-Thurrock River Crossing is enabled by the following secondary legislation:

- procedural regulations for the making of an order¹;
- regulations covering accounting arrangements²; and
- the making of a Dartford-Thurrock charging scheme order³.

Cumulatively these enable the requirements of the Act to be translated into a charging scheme at the Dartford-Thurrock River Crossing.

Operation of the crossing

Since 1 April 2003, the Highways Agency had a contract with Le Crossing Company Limited to manage the crossing and collect charges on behalf of the Secretary of State. This contract finished at midnight on the 12 September 2009.

In May 2009, the Agency signed a 30-year design, build, finance and operate (DBFO) contract with Connect Plus (M25) Limited. The contract requires Connect Plus to widen two sections of the M25 (around 40 miles), and to refurbish the Hatfield Tunnel. Connect Plus must also operate and maintain the M25, including the Dartford crossing, plus 125 miles of connecting roads at junctions.

As part of this contract, the function of managing the crossing and collecting charges transferred to Connect Plus (M25) Limited from 13 September 2009. The inclusion of the Dartford crossing as part of this DBFO contract was designed to ensure the Agency could achieve maximum value for money from the new contract. Due to the nature of the contract, the Agency pays a single fixed monthly service payment to cover all of the contract activities, including maintenance and operating costs of the crossing. There is no separation of crossing related costs in the service payments paid by the Agency. The costs to the Secretary of State, for the maintenance and operation of the crossing, have therefore been calculated based on the methodology detailed in Note 1e below.

Income

All cash receipts collected by Connect Plus (M25) Limited are passed over gross to the Department for Transport. Total income for the year ended 31 March 2013 amounted to £80,331,662 (2011-12: £72,147,091).

The utilisation of the income for transport purposes is fulfilled through the Parliamentary Supply procedures. These ensure that the whole of the income is received and appropriated in aid and set against the Department's total transport expenditure. The net proceeds from the charging scheme are used to offset the generality of transport expenditure and not hypothecated to particular programmes or projects.

¹ Statutory Instrument 2001 No. 2303 The Trunk Road Charging Schemes (Bridges and Tunnels) (England) Procedure Regulations 2001

² Statutory Instrument 2003 No. 298 The Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Procedure Regulations 2003

³ Statutory Instrument 2012 No. 2387 The A282 Trunk Road (Dartford-Thurrock River Crossing Charging Scheme) Order 2012.

Expenditure

There is no separation of crossing related costs in the service payments paid by the Agency. The costs to the Secretary of State, for the maintenance and operation of the crossing, have therefore been estimated and included based on the most appropriate allocation method detailed in Note 1e to the accounts. A detailed analysis of the expenditure is given in Note 3.

Net Proceeds

The net proceeds for the year ended 31 March 2013 is £37,770,495 compared to £44,441,109 in 2011-12. Despite the increase in road user charge income, net proceeds have fallen which can be attributed to the increased expenditure on schemes to provide the required conformity with the EU Tunnel Directive on Safety and increased expenditure on the Dartford Free-Flow Charging project.

Recent Announcements

Public commitments have been made to reduce current levels of congestion and improve traffic flow at Dartford crossing whilst ensuring continued safe operation.

Following the Department for Transport consultation, the Road User Charge at the Dartford crossing was increased on the 7 October 2012. A second Road User Charge increase is planned to coincide with the introduction of free-flow charging during October 2014.

The Department for Transport has completed its review of the Local Residents Scheme and announced that with effect from March 2014 the following changes will be made:

- the ability to make unlimited trips over the crossing for just £20 per year; and
- the extension of the Local Residents Discount Scheme to users who privately own a two-axle vehicle, including vans, although it will only be possible to register 1 vehicle, a car or van, per resident at each address.

The Highways Agency awarded a £367 million⁴ contract to Société des Autoroutes du Nord et de l'Est de la France (SANEF) on 26 September 2013, to set-up and operate the technology and back office services needed to support the introduction of free-flow charging at Dartford crossing. The contract covers the 'vehicle detection, charging and enforcement management services' required to detect and capture vehicles and registrations, as well as providing a variety of remote payment methods for road users to access and pay the crossing charge. The initial contract period is for seven years and includes the opportunity to extend by up to a further three years.

⁴ £367 million is the full potential value of the contract for these services up to ten years

The Highways Agency is currently undertaking:

- the mobilisation of the vehicle detection, charging and enforcement management services contract as outlined above;
- the procurement of infrastructure works to support free-flow charging by providing open traffic lanes in both directions and new traffic control measures whilst ensuring continued safety for road users including the operational safety and integrity of the northbound restricted road tunnels; and
- major works in both tunnels to ensure compliance with the EU Directive on tunnel safety.

The Department for Transport is currently undertaking:

- analysis of the feedback from its Consultation on the options for a new lower Thames crossing that ran from the 21 May 2013 to the 16 July 2013.

Accounts of the Secretary of State

Section 3(1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 requires the production of accounts for the year to 31 March 2013.

These accounts have been prepared in accordance with a Direction given by HM Treasury in pursuance of the above regulation. The Direction is reproduced as an Appendix to the Accounts.

The accounts have been audited by the Comptroller and Auditor General (C&AG). His independent audit report is on pages 12 to 13.

Statement regarding Disclosure of Information to the Auditors

So far as I am aware, there is no relevant audit information of which the auditors are unaware of and I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Date of Issue

The accounts have been authorised for issue on 6 January 2014 by the Accounting Officer.

Graham Dalton
Accounting Officer

6 January 2014

Statement of Secretary of State and Accounting Officer Responsibilities

Under Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003, 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 has appointed the Chief Executive of the Highways Agency as the 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 HM Treasury's "Managing Public Money".

Governance statement

Introduction

HM Treasury's 'Managing Public Money' and 'Financial Reporting Manual' require that I, as Accounting Officer, provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year.

HM Treasury introduced a new Corporate Governance Code for central government departments in July 2011. The new code builds on the principles of the original code published in July 2005, focusing on the role of boards, since these provide leadership. I have provided details below, of the Highways Agency's system of corporate governance during 2012-13.

Role of Accounting Officer

The Permanent Secretary of the Department for Transport has appointed me, as Chief Executive and as Accounting Officer for the Highways Agency. As Accounting Officer, I have responsibility for maintaining a sound system of governance 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 Managing Public Money.

Highways Agency Governance

Corporate Governance is deemed to be the system by which an organisation is directed and controlled. I have ensured that the Agency's corporate governance arrangements are designed to comply with the Code of Good Practice on Corporate Governance in central government departments.

The key elements of the Agency's system are:

- The Highways Agency Board, Executive Committee and its sub-committees
- The Highways Agency Audit Committee and its Counter Fraud Sub-Committee
- A good governance culture
- A sound system of internal control including an independent audit and assurance activity

Each of these areas is explained more fully in this statement along with details on the governance arrangements around the Dartford-Thurrock River Crossing.

Highways Agency Board, Executive Committee and Sub-Committees

The Agency is managed by a formal Board and an Executive Committee, supported by a Senior Appointments Committee, and two sub-groups of the Executive Committee.

Highways Agency Board

The Highways Agency Board (HAB) 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.

The Board is chaired by the Non-Executive Chairman who gives assurance to the Secretary of State for Transport on the quality with which the Agency is run and the effectiveness with which it is meeting its objectives. The purpose of the Board is to advise the Accounting Officer and to ensure that the Agency is organised, resourced and motivated to deliver its objectives efficiently and effectively.

Highways Agency Executive Committee

The Highways Agency Executive Committee meets frequently to consider the day-to-day administration of the Agency. The Executive Committee is chaired by the Chief Executive and is responsible for ensuring that the appropriate plans are in place to allow the Agency to meet business plan objectives and live within its budget.

Senior Appointments Committee

The purpose of the Senior Appointments Committee (SAC) is to ensure succession planning and progression/developmental strategies are in place for senior roles across the Agency. The SAC is a sub-committee of the Board and meets on a quarterly basis or more regularly if required. The SAC is made up of the Agency's Non-Executive Chairman, Chief Executive, two non-executive directors and the HR Divisional Director.

Highways Agency Counter Fraud Sub-Committee

The Highways Agency Counter Fraud Sub-Committee is chaired by the Director of Finance and Business Services and its membership comprises the Agency's Fraud Management Advisor, the Head of Audit and Assurance, the Director of Commercial and Procurement, a representative from the Department's legal function and a non-executive Board member, with additional representation from the business, as required. The sub-committee meets approximately every quarter (in line with the Audit Committee) and reviews the results of investigations that have been identified through the fraud and whistle blowing facility to establish whether the incident was unfounded, fraudulent or can be dealt with through other management routes.

Delivery of Investment Programme Sub-Committee

The Delivery of Investment Programme Sub-Committee (DIP) is responsible for monitoring the capital investment programme, tracking the delivery of efficiencies and ensuring a strategic approach to supply chain and commercial activities. It provides reports to the Executive Committee, and by copy of minutes to the Board, of any material risks to the delivery of the principal capital investment programmes set out by the Department for Transport for the Agency to deliver.

Network Performance Group

The Network Performance Group (NPG) is responsible for driving improvements in the performance of the strategic road network. The operation and performance of the network is at the core of the service that the Agency offers to its customers, and NPG is key in driving a mindset and culture that ensures that the customer experience is consistent with our aspiration to be the world's leading road operator.

Highways Agency Audit Committee

The Highways Agency Audit Committee (HAAC) is responsible for providing assurance to me as Accounting Officer that the Agency's system of internal control is operating effectively. It meets approximately every quarter and reviews the Board's assessment of corporate risk, considering wider Departmental risk as appropriate. In addition, it considers reports from the Counter Fraud Sub-Committee and monitors progress with the internal audit programme, health and safety audits, Network Delivery and Development (NDD) contract assurance and other assurance processes operating across the Agency, ensuring recommendations arising are implemented. It also monitors the performance of internal and external audit functions.

In line with HM Treasury's Audit Committee best practice guidance, the HAAC is made up of the Highways Agency's three non-executive Board members, one of whom has been appointed as Chair. The HAAC Chairman advises the Board, as appropriate, on key risks and control issues arising from the work of the Committee.

The sub-committee reviews its effectiveness on an annual basis and takes forward actions to improve its performance. The last exercise was undertaken in April 2013. Progress on the implementation of actions arising is monitored throughout the year and results incorporated into the next annual exercise.

The Governance Culture

The Agency recognises that the culture of the organisation can impact substantially on its success in terms of good governance and compliance with required risk and internal control policies and processes. As Civil Servants, all staff of the Agency are bound by the Civil Service Code. The Agency values statement; *'providing a professional and affordable service through innovation and partnership working'* supplies the foundation of its culture.

A key element of culture is the engagement of staff. In 2012 the Civil Service Staff Engagement Survey results showed that the Agency's engagement index decreased by one per cent to 52% compared with the previous year. The results against the majority of engagement questions are less positive than last year, and less positive than the Civil Service overall. We are focusing on several areas to ensure we deliver real improvements and make the Agency a better place to work.

The vast majority of our work is delivered through a tiered relationship with our supply chain. Our procurement strategy positions us to deliver a first class and consistent approach to procurement, based on the three key themes of value-for-money, delivery and sustainability. We are determined that the procurement function should develop beyond delivering a process, into a position where the Agency is actively encouraging and demanding best practice and innovation to fulfil these aims. The Agency does not make grants to locally governed organisations.

Risk Management

The Agency's Executive Directors and other senior managers are responsible for risk management in their commands. The Agency has a published risk management policy which is available to all staff via the intranet. The guidance outlines key aspects of the risk management process, including the main reporting procedures and the system for identifying and escalating risks. Senior managers have received training in risk management tailored to their responsibilities and concerns.

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 mitigating actions 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 allocates the management of strategic risks to a nominated Director, as a single responsible owner, who then reports back as appropriate through the year.

My staff work closely with their counterparts in the department 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 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 wider Government receive focused, cost justified management attention.
- Where appropriate, action is escalated via a formal process through the line management chain, to the Agency's Board, to DfT and to Ministers.

The Board identifies and manages strategic risks to the Agency's business and these are shown elsewhere in this report. The Board receives the Agency's corporate risk register as part of the monthly performance report and specifically reviews the risk register in depth every four months, considering changes to the operating environment as part of this review.

System of Internal Control

There are a number of internal control processes which provide a framework for managers and staff to successfully and efficiently deliver the Agency's objectives. These processes are designed to manage risk to an optimum level rather than to eliminate all risk of failure; as such compliance can only provide reasonable and not absolute assurance of effectiveness. All Agency processes have an assigned owner and are documented on our intranet through the Agency's Way we Work (WwW) system. This is supported by a clear Process Management policy which requires Process Owners to regularly review their processes and seek assurance on both compliance and their suitability.

The key internal control processes are as follows:

- **Business Planning** – We have clear strategic direction, objectives, responsibilities and key targets in support of government policies through business and strategic planning.
- **Financial Management and Stewardship** – We ensure efficiency, best value, integrity, propriety and regularity in the use and stewardship of public funds and assets and that clear accountability for expenditure and stewardship of assets is in place through a variety of control systems.
- **Project and Contract Management** – We manage our projects and contracts to ensure delivery on time, within budget and to the appropriate quality.
- **Compliance with Standards and Requirements** – Our people, partners and procedures comply with relevant legal, government, departmental and technical standards and requirements.

Audit and Assurance

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and 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 and the Audit Committee.

My Head of Audit and Assurance provides regular reports on key risk and control issues, to standards defined in the Government Internal Audit Standards, and an annual independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement. The implementation of recommendations is monitored closely by the Agency Board and is included on the performance scorecard. The Head of Audit and Assurance's opinion for the year 2012-13 is that on the basis of the evidence obtained during the year a 'Reasonable' assurance rating can be provided on the adequacy and effectiveness of the Agency's arrangements for corporate governance, risk management and internal control, ie that they are generally established and effective, with some minor weaknesses or gaps identified. In her opinion, based upon their work to date, there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement for the Dartford-Thurrock River Crossing Accounts.

Dartford Crossing Governance

As of 1 April 2012, the Agency created a division specifically responsible for all aspects of the management of the M25 DBFO contract for which the operation and maintenance of the Dartford crossing is a part. Regular monitoring and review meetings take place between the Agency and the DBFO company.

Each year the Agency's Audit and Assurance team undertake an audit of the collection and subsequent paying over of revenue to the Agency that has been collected at the crossing. This is undertaken in order to provide the Accounting Officer with independent assurance on the risk management, control and governance processes established by the DBFO company, the most recent audit took place in February 2013. Whilst the review highlighted a long standing variance between the DART-Tag balances on the tag administration and test computer system (TATC) report and the balance in the Agency's general ledger, the difference is not material and progress is being made to resolve this. The DBFO company were found to be carrying out their responsibilities in line with the contractual obligations by which they are bound.

Graham Dalton

Accounting Officer

6 January 2014

Independent Auditor's Report to the Secretary of State for Transport

I have audited the Dartford-Thurrock River Crossing Charging Scheme Accounts for the year ended 31 March 2013 under the Transport Act 2000. These comprise the income and expenditure account and the statement of assets and liabilities and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Secretary of State, Accounting Officer and auditor

As explained more fully in the Statement of Secretary of State and Accounting Officer's Responsibilities, the Secretary of State and Chief Executive are responsible for the preparation of the financial statements in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 and HM Treasury directions made thereunder. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Dartford-Thurrock River Crossing Charging Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Highways Agency; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Foreword and Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, 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.

Opinion on financial statements

In my opinion:

- the financial statements present fairly the assets and liabilities of the Highways Agency in relation to functions exercised under the Transport Act 2000 as at 31 March 2013, and the income and expenditure for the year then ended, in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 and HM Treasury directions made thereunder; and

- the financial statements have been properly prepared in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 and HM Treasury directions made thereunder.

Opinion on other matters

In my opinion the information given in the Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP

16 January 2014

Income and Expenditure Account for the year ended 31 March 2013

Income	Note	2012-13 £000	Restated 2011-12 £000
Road user charges (cash)		52,757	48,467
Road user charges (DART-Tags)		27,223	23,313
Local Residents annual fee	2	246	222
Rental income	2	106	145
		80,332	72,147
Expenditure			
Managing Agent Contractor's costs	3	26,744	23,135
Audit fee	3	17	14
Other expenditure	3	15,800	4,557
		42,561	27,706
Net proceeds for the year	4	37,771	44,441

Statement of Capital Expenditure for the year ended 31 March 2013*

Expenditure type	Note	2012-13 £000	2011-12 £000
EU Directive – safety and detection equipment		8,456	2,178
Other **		870	97
		9,326	2,275

*Amounts exclude any capital expenditure incurred under the DBFO contract.

**Other expenditure mainly relates to spend for renewal of structures, renewal of roads and technology schemes.

The Notes on pages 16 to 23 form part of these accounts.

Statement of Assets and Liabilities as at 31 March 2013

Current Assets	Note	2012-13 £000	Restated 2011-12 £000
Bank	5	7,102	6,608
Accrued income	5	1,145	501
		8,247	7,109
Current Liabilities			
Trade and Other Payables: Amounts falling due within one year	6	(16,085)	(12,987)
		(7,838)	(5,878)
Current Assets less (Liabilities)			
Finance due from the Highways Agency	7	(7,838)	(5,878)

Graham Dalton
Accounting Officer

6 January 2014

The Notes on pages 16 to 23 form part of these accounts.

Notes to the Account

1. Statement of Accounting Policies

a. Accounting Convention

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

These accounts have been prepared in accordance with the 2012-13 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. There has been no significant impact to these accounts as a result of the adoption of IFRS.

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

b. Contingent Liabilities

Contingent liabilities in relation to the Dartford-Thurrock River Crossing are the responsibility of the Highways Agency. In accordance with IAS 37, the Agency discloses as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the Agency's control, unless their likelihood is considered to be remote.

c. Capital Expenditure

Capital expenditure is expensed as it is incurred and included in the overall expenditure figures in these accounts. The assets are capitalised and depreciated in the main Highways Agency financial statements.

d. Prior Period Adjustments

Material adjustments applicable to prior periods arising from either changes in accounting policy or the correction of material errors are accounted for as prior year adjustments. Opening balances are adjusted for the cumulative effect of the prior year adjustment and comparative figures for the preceding period are restated.

The 2011-12 figures have been restated due to a change of, and correction to, the allocation method for determining the estimated costs for the maintenance and operation of the crossing payable to the DBFO Company (see note 1.e below).

e. Estimation techniques

Estimation techniques are the methods adopted to arrive at an estimated monetary amount for the expenditure incurred under the Design, Build, Finance and Operate (DBFO) contract with Connect Plus (M25) Limited during the period 1 April 2012 to 31 March 2013.

The service charge in the DBFO contract payable by the Agency encompasses the whole of the M25, including the Dartford crossing. Therefore an estimate has been made as to the proportion of this charge that relates to the maintenance and operation of the crossing. The estimated costs have been included based on the most appropriate allocation method determined for each expenditure type (see below) within the Financial Model of the DBFO contract. The calculated costs in the methodology adopted in prior years did not take into account indexation with figures taken from the Financial Model in 2007 base prices. This has now been corrected in this calculation. Furthermore the previous methodology spread total costs evenly over the thirty year period of the contract; this has now been changed to use the specific yearly estimated costs from the Financial Model to more accurately reflect the value of work performed at the crossing.

Expenditure Type	Total costs specific to Dartford per the Financial Model £000	Total costs not specific to Dartford per the Financial Model £000	Total £000
Operational and Management	12,710	3,875	16,585
Lifecycle Schemes	5,605	90	5,695
Special Purpose Companies	-	1,110	1,110
Total	18,315	5,075	23,390

Operational and Management

The types of cost associated to this category are:

Routine structures: Inspections and routine maintenance. The amount allocated has been derived based on the elements specific to Dartford against the total amount.

Routine service: Incident response. This is based on the number of incidents as a percentage of the M25 as a whole.

Other routine: Such as roads, winter service and inspection survey are allocated as a percentage based on the length of the Dartford crossing as per the legislation against the total length of the M25 per the DBFO contract.

Charge collection and crossing: The whole amount is Dartford specific.

Management activities staff: Is based on the staff capacity of the Dartford depot as a percentage of the capacity of all depots.

Management activities facilities: Is based on the staff capacity of the Dartford depot as a percentage of the capacity of all depots.

Lifecycle tunnels: Is based on those specific to Dartford against the total amount.

Vehicle recovery: The whole amount is Dartford specific.

Others: Such as lifecycle ancillaries and indeterminate cost are allocated as a percentage based on the length of the Dartford crossing as per the legislation against the total length of the M25 per the DBFO contract.

Lifecycle Schemes

Pavements: Costs under this category are allocated as a percentage based on the length of the Dartford crossing as per the legislation against the total length of the M25 per the DBFO contract.

Tunnels: The whole amount is Dartford specific.

Special Purpose Company

Cost under this category relate to the Head Office cost incurred by the contractor.

Management: Project management, advisors and board fees are based on the contractors' best estimate of the time spent by management on an annual basis.

Energy: Is based on the actual metered and unmetered supplies that are specific to Dartford as a percentage against the total amount.

Insurance and risk: The percentage as per that applied to the financial model in the contract.

Further details are provided under Note 3.

2. Non-Toll Income

Local resident annual fee – The £245,720 relates to the £10 annual fee payable by local residents who have a DART-Tag account.

Rental income – The £105,924 relates mainly to amounts received from communication network providers.

3. Expenditure

	2012-13 £000	Restated 2011-12 £000
Managing Agent Contractor's costs (i)		
Connect Plus (M25) Limited	23,390	19,600
Traffic Officer Services	3,354	3,535
	26,744	23,135
Other expenditure:		
Safety scheme	880	206
EU tunnel directive on safety (ii)	8,456	2,178
Dartford free flow charging (iii)	4,482	2,006
Technology projects safety	292	17
Routine maintenance	-	149
Charging order implementation	160	-
Professional consultancy fees	270	84
Audit fee (iv)	17	14
Bank charges	220	184
	41,521	27,973
Pension costs	1,040	1,073
Pension deficit adjustment (v)	-	(1,340)
	42,561	27,706

i. The costs relating to the Connect Plus contract is an apportionment of the total costs payable by the Agency to Connect Plus for the M25 DBFO contract. The estimated costs included are based on the most appropriate allocation method determined for the three expenditure types within the Financial Model of the DBFO contract. A total of £23,389,693 estimated costs included are as follows:

- 1) Operational and Management £16,584,629
- 2) Lifecycle Schemes £5,694,644
- 3) Special Purpose Company £1,110,420

- ii. Costs have increased relating to work carried out to bring the Dartford tunnels up to the standards as defined by the EU Directive on tunnel safety as the Agency draws closer to the deadline of 30 April 2014. A large proportion of these costs relate to the installation of a fire protection system within the tunnels.
- iii. Expenditure has increased on work in respect of preparing for the introduction of a free flow charging regime at the Dartford crossing. This is currently forecast to be implemented by October 2014.
- iv. The audit fee in the 2011-12 account was accrued at £14,000 but finally paid at £17,000. Due to the under accrual an additional £3,000 of expenditure is reported in the 2012-13 figures along with a £14,000 accrual for the agreed costs of the 2012-13 audit.
- v. The latest actuarial valuation of the Dartford Crossing Pension Scheme (dated 30 September 2011) indicated that the funding deficit of the scheme had reduced. In order to meet the remaining deficit, the Agency made a payment of £2.5 million (paid in March 2012) followed by seven monthly payments of £40,000 with the final monthly payment being made in April 2012. A £1.34 million credit was shown in last year's account. This represented an adjustment to reflect the revised reduction in the pension deficit liability as at 31 March 2012.

4. Net proceeds

The income collected on behalf of the Agency by the Managing Agent is payable to the Department for Transport and is Appropriated in Aid in its resource accounts. The gross expenditure of £42,561,000 (2011-12: £27,706,000) has been financed through the Parliamentary Supply to the Department for Transport.

5. Current Assets

Current Assets	2012-13	Restated
	£000	2011-12
		£000
Bank	7,102	6,608
Accrued income:		
toll income	773	400
rental income	133	65
DART-Tag income	239	36
	8,247	7,109

Bank represents amounts received by the Agency in respect of road user charges and DART-Tag prepayments not yet paid over to the Department for Transport. These are payable to the Department for Transport immediately in the case of road user charges, or as and when the DART-Tag is utilised.

Accrued road user charge income represents receipts for the period 27 to 31 March 2013 where the cash was not received by the Agency from Connect Plus by 31 March 2013.

6. Trade and Other Payables: amounts falling due within one year

	2012-13	Restated
	£000	2011-12
		£000
Trade payables	1,949	1,633
Amounts to be paid over to DfT	2,189	1,471
Accrued expenditure	6,022	4,270
DART-Tag prepayments	5,920	5,570
Advance rental income	5	3
Other payables: pension deficit	-	40
	16,085	12,987

The £1.9 million trade payable relates to an estimate of the amount under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.e.

The amounts to be paid over to the Department for Transport are charges collected for the period 27 to 31 March 2013, to be paid over to the Department for Transport once they clear the Agency's bank account and charges already paid over to the Agency but received during the period 26 to 31 March 2013.

Accrued expenditure represents maintenance work carried out not yet invoiced of £6,008,107 (2011-12: £4,255,811) and audit charges of £14,000 (2011-12: £14,000). Of the £6,008,107, £1.9 million relates to an estimate of the amount under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.e.

DART-Tag prepayments are amounts received from road users as at 31 March 2013 for future use, and will be paid over to the Department for Transport once utilised.

The pension deficit was payable by the Secretary of State under certain contractual obligations in respect of the Dartford-Thurrock River Crossing Pension Scheme transferred originally from Kent County Council. The payable for 2011-12 reflected the final payment to make up the shortfall following the latest actuarial valuation of the scheme [see Note 3(v)]. The on-going pension costs are included as part of Other Expenditure under the Income and Expenditure section.

7. Financing due from the Highways Agency

	2012-13	Restated
	£000	2011-12
		£000
Trade payables	1,949	1,633
Accrued expenditure	6,022	4,270
Other accrued payments	-	40
Accrued income	(133)	(65)
	7,838	5,878

8. Capital Commitments

These relate to the Agency's commitment to make future capital payments for works at the Dartford crossing, where the main works contract has been awarded, to the extent that this commitment has not been provided for in the accounts.

	2012-13	2011-12
	£000	£000
Contracted capital commitments not otherwise included in these accounts:		
Dartford crossing EU Directive - tunnel commitments	2,317	6,463
	2,317	6,463

9. Financial Instruments

IFRS 7 requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that an entity faces in undertaking its activities. For these disclosures the Dartford-Thurrock River Crossing Charging Scheme Account is an integral part of the Agency. Due to the largely non-trading nature of its activities and the way in which government agencies are financed, the Agency is not exposed to the degree of financial risk faced by many 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 IFRS 7 mainly applies. The Agency has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities.

Liquidity risk

This is the risk that the Agency is unable to meet its obligations when they fall due and to replace funds when they are withdrawn. The Agency's net revenue resource requirements are mainly financed by resources voted annually by Parliament to the Department for Transport.

The Agency is therefore not exposed to significant liquidity risks.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Agency's customers or counterparties fail to fulfil their contractual obligations to the Agency. Some of the Agency's customers and counterparties are other public sector organisations. There is no credit risk from these organisations

For those customers and counterparties that are not public sector organisations, the Agency has policies and procedures in place to ensure credit risk is kept to a minimum.

10. Events after the reporting period

There have been no significant events between the Financial Reporting date and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. International Accounting Standard (IAS) 10 requires the Agency to disclose the date on which the accounts are authorised for issue.

The authorised date for issue is 6 January 2013.

Appendix A

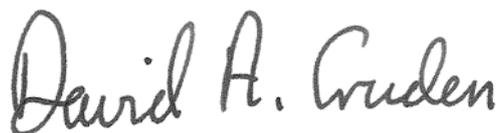
Dartford-Thurrock River Crossing Road Charging Scheme

ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 3 OF THE TRUNK ROAD CHARGING SCHEMES (BRIDGES AND TUNNELS) (KEEPING OF ACCOUNTS) (ENGLAND) REGULATIONS 2003

The Treasury in pursuance of Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 hereby gives the following direction:

1. The statement of accounts which is the duty of the Secretary of State for Transport to prepare in respect of the year ended 31 of March 2004 and in any subsequent 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 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003;
 - (ii) an explanatory introduction;
 - (iii) information on significant events during the period;
 - (iv) a statement providing information on how the Secretary of State has or intends to disburse the net proceeds arising from the scheme on other transport initiatives
 - (b) a statement of the responsibilities of the person signing the accounts
 - (c) a statement of the system of internal control
 - (d) a statement of income and expenditure
 - (e) a statement of capital expenditure
 - (f) a statement of assets and liabilities
 - (g) notes to the accounts, including an explanation of the accounting policies adopted, that may be necessary to present fairly the income and expenditure for the period, transfers of funds to or from Central Government, and the assets and liabilities at the end of the period in relation to functions under the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003.
2. The statement of accounts shall disclose the net proceeds of the scheme for the year ended 31 of March 2004 and for each subsequent year.
3. 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. Except for the statement of accounts for the year ended 31 March 2004, comparative figures shall be shown.

4. The statement of account prepared under the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 shall observe all relevant accounting and disclosure requirements as given in **Government Accounting** and other guidance as issued by the Treasury from time to time.
5. The statement of accounts shall be transmitted to the Comptroller and Auditor General no later than the 30 of November following the end of the financial year to which the statement relates, for the purpose of audit, examination and report.
6. The statement of accounts, once audited, shall be laid before each House of Parliament not later than the 31 of January in the calendar year following the end of the financial year to which the statement relates.
7. This Accounts Direction (excluding the proforma accounts) shall be reproduced as an Appendix to the accounts.



David A. Cruden FCA

Head of the Central Accountancy Team, Her Majesty's Treasury

2 February 2005



Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, telephone, fax and email
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/general enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

The Houses of Parliament Shop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/general enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: shop@parliament.uk
Internet: <http://www.shop.parliament.uk>

TSO@Blackwell and other accredited agents

ISBN 978-0-10-856004-0



9 780108 560040