Presented pursuant to the GRA Act 2000 c.20. s.6

Department for Transport

Resource Accounts 2004-05

LONDON: The Stationery Office
HC 476

11 October 2005
£11.00

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Contents

	Page
Annual Report	3
Statement of Accounting Officer's Responsibilities	16
Statement on Internal Control	17
Certificate and Report of the Comptroller and Auditor General	20
The Accounting Schedules:	
Schedule 1 – Summary of Resource Outturn	22
Schedule 2 – Operating Cost Statement	24
Schedule 3 – Balance Sheet	25
Schedule 4 – Cash Flow Statement	26
Schedule 5 – Resources by Departmental Aim and Objectives	27
Notes to the Accounts	28

Annual Report for the Year Ended 31 March 2005

Scope

Entities Consolidated

The Report and Accounts present the consolidated results for the financial year 2004-05 of the following principal entities:

Department for Transport;

Executive Agencies:

- Highways Agency;
- Maritime and Coastguard Agency; and,
- Vehicle Certification Agency.

A list of bodies included and those excluded from consolidation is set out in Note 28 to the accounts, including Non Departmental Public Bodies.

Departmental reporting cycle

In May 2005, the Department published the Departmental Report, a comprehensive review of the Department for Transport and its reporting bodies. It gives detailed information on the Department's activities in the 2004-05 financial year and the following financial information:

- Outturn for 2003-04;
- Estimated outturn 2004-05; and
- Expenditure plans for 2005-06 and 2006-07.

Operating and Financial Review

Aims

The Department's aim is transport that works for everyone. To that end, the Department works in partnership with others to tackle congestion, improve accessibility, reduce casualties, respect the environment and support the economy.

Good transport links to ease the movement of people and goods are vital to a successful and growing economy. The Department for Transport plays a key role in meeting these demands by providing the strategy and framework for transport services and by planning for future transport needs.

Strategic Plans

The Department published *Transport 2010: The 10 Year Plan*, in 2000. In December 2002, the Department reported on progress towards delivery of the plan, in *Delivering Better Transport: Progress Report*.

In July 2004, the Department published a White Paper *The Future of Transport: a network for 2030*. This strategy examines the factors that will shape travel, and the Department's transport networks, over the next 30 years. It sets out the Government's response to those pressures, safeguarding economic and social well-being and the environment. It builds on the progress made since the implementation of the 10 Year Plan and extends the Department's investment plans to 2014-15.

The Department's strategy is built around three central themes:

- **Sustained investment over the long term.** The Government is committed to delivering sustained improvements to transport networks. The Department will increase its spending by an annual average of 4.5% in real terms over the next three years. This includes an additional £1.7bn transport reform package for the railways over and above the 10 Year Plan provision. 10 Year Plan spending will also increase by £0.5bn each year from 2006-07. This higher level of spending is planned to grow in real terms by 2.25% each year, to 2015. In parallel with this the Department's efficiency programme will ensure that each pound of investment works harder for the British taxpayer.

- **Improvements in transport management**. The Department is reorganising the rail industry to improve performance and to get better value from public spending. The Department has legislated to put in place a structure where the Government sets the strategy and controls public expenditure. Better traffic management will help ease congestion on roads. The Department will lock in the benefits of new capacity, introducing some tolling and High Occupancy Vehicle lanes, where they make sense.
- **Planning ahead**. The Government will lead the debate on road pricing and the Department will work with stakeholders to establish how and when pricing might provide the reliability and standards which will satisfy road users. The Department will work to ensure that the choices faced, together with their full costs and benefits are well understood. The Department is committed to sharing decision-making with regional and local stakeholders, and to ensure that regional and local planning is based on a shared view of priorities, deliverability and affordability. The Department will ensure that transport decisions are taken alongside those for housing and economic growth.

Delivery and funding of the Department's strategic plans is determined through the spending review process. The Government's *Spending Review (SR) 2004 New Public Spending Plans 2005-2008* was published in July 2004. It takes forward the Government's objective of a strong economy and a fair society with stability, security and opportunity for all. It sets out spending plans for the next three years and the further planned improvements in public services.

Key objectives
To deliver our strategy, the Department has a set of objectives and targets. The Department's most important objectives for the period were as follows:

- Improve public transport: rail;
- Improve public transport: bus and light rail;
- Improve public transport: London Underground;
- Promote mobility and reduce social exclusion;
- Improve regional transport strategies;
- Reduce road congestion;
- Improve airport and air space capacity;
- Improve the sustainability of the logistics sector;
- Improve road safety and safety across other transport modes;
- Develop, monitor and enforce appropriate security and compliance regimes;
- Improve air quality;
- Reduce carbon dioxide emissions;
- Deliver modernised services for drivers, vehicle users and the travelling public; and
- Achieve annual 2.5 per cent efficiency improvements across the Department.

Included in these objectives are the Department's Public Service Agreement (PSA) targets set in Spending Review 2002. These cover congestion, rail, local public transport, London Underground, road safety, air quality and efficiency.

The following transport spending plans were confirmed as part of Spending Review 2004:

£m	SR2004 Budgets					
	2005-2006		2006-2007		2007-2008	
	Resource	Investment	Resource	Investment	Resource	Investment
Total Budget	**5,323**	**6,413**	**5,829**	**7,612**	**5,737**	**6,828**
Rail	1,365	3,215	1,900	3,927	1,683	2,923
Roads and Local Transport	1,931	2,393	1,954	2,803	2,004	2,770
London	1,430	731	1,609	763	1,697	803
Other Programmes and Agencies	375	130	364	155	363	123
Contingency Fund	222	(56)	2	(36)	(10)	209

The Department is participating in the Efficiency review and has identified the strengths it needs for more effective delivery. It is centralising and rationalising support services thereby re-deploying resources to meet front line objectives.

PERFORMANCE

Operational Highlights

- In December 2004, the Department announced a £1.6bn capital settlement for local transport in 2005-06.
- Work to upgrade the West Coast Main Line to a top speed of 125 mph and to enable tilting trains to operate is in progress. Passengers are already benefiting. Tilting trains have entered service and a new timetable commenced in September 2004, with enhanced service frequencies and reduced journey times.
- Over 1,300 new rail vehicles came into service during 2004, costing more than £1bn, as part of the biggest rolling stock replacement programme ever seen in the UK.
- The Highways Agency opened seven major improvement schemes to traffic on the strategic road network. Works were started on a further seven major schemes, and twenty-one new schemes were added to the Agency's programme of improvements.
- Traffic Officers began operations on West Midlands motorways in April 2004, attending and clearing incidents to get traffic moving more quickly and free up traffic police to tackle crime.
- The Traffic Management Act gained Royal Assent in July 2004. It seeks to tackle congestion and disruption through better management of the road network.
- The Department launched *Transport Direct* (www.transportdirect.info), a new travel information website for public transport and road users.

More information is available in the Department's *Annual Report*, which can be found at http://www.dft.gov.uk/stellent/groups/dft_about/documents/divisionhomepage/038323.hcsp, and in the individual agencies' *Annual Report and Accounts*, available on their websites.

The Department's activities are focussed on delivery against the objectives listed on page 4. Schedule 5 to the Resource Accounts sets out expenditure related to these objectives (page 27).

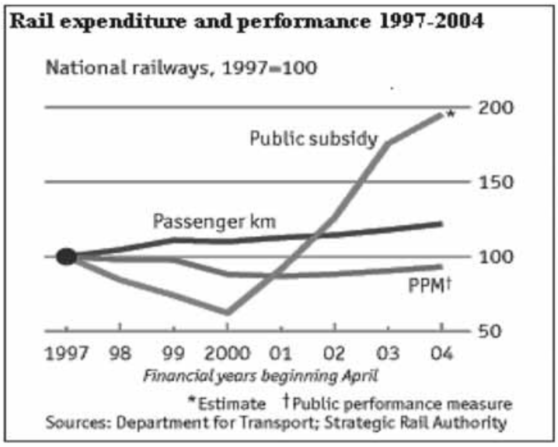
Objective 1 – Improve public transport: rail

The Department's work to improve rail services in 2004-05 was performed via the Strategic Rail Authority (SRA), which funded and regulated the bodies providing rail infrastructure, passenger and freight services. The Department also provided support to London and Continental Railways Limited's construction of the Channel Tunnel Rail Link. The Department worked to ensure delivery of the White Paper's proposals, including winding up the Strategic Rail Authority (SRA). A new Rail Group was created. Mike Mitchell was appointed its Director General in February 2005. The Railways Act received Royal Assent on 7 April 2005. The main functions of the Strategic Rail Authority (SRA) are being transferred to the Department.

The Department made grants to the SRA. The SRA received £3.1bn: £1bn for services provided during the year (chiefly allocated to rail franchisees for running train services) and £2bn for longer-term investment (chiefly Network Grant, allocated to Network Rail). £100m was provided to cover SRA operational costs. During 2004-05, performance continued to improve. The Moving Annual Average (MAA) of the Public Performance Measure (PPM) at December 2004 was 82.8%, up 2.3 percentage points on the previous year. The SRA's National Passenger Survey reported that over 76% of passengers were satisfied with their journey in Autumn 2004, the highest satisfaction rating since 2000.

Since its inception, the SRA has developed a revised, more passenger-focussed franchise structure. This was implemented for the first time in Greater Anglia in April 2004 and in Northern in December 2004. Franchisees continued to invest in new rolling stock.

Since 2000, public subsidy has increased significantly, and now stands at nearly double the 1997 level. Performance fell following the Hatfield crash in 2000. Thereafter, performance started to improve and is now returning to pre-Hatfield levels. Growth in usage (represented by passenger kilometres) levelled between 1999 and 2000, and is also now increasing.



£2bn was paid to Network Rail for investment in the form of Network Grant, via the SRA. It estimates that it delivered £420m of efficiency savings during 2004-05, the first step towards achieving the 31% efficiency target by 2008-09 set by the Office of Rail Regulation (ORR). Network Rail has also reduced the delays it causes to trains to 11.5 million minutes. This is 16% lower than the previous year and compares favourably with its target of a maximum delay of 12.3 million minutes. Work continued on the West Coast Main Line, delivering faster journey times, and increasing the route's passenger and freight capacity. This is due to be substantially completed by 2008.

Another significant rail project with which the Department is involved is the construction of the Channel Tunnel Rail Link. Construction of Section Two is now over 80% complete, and it is expected to open in 2007, reducing journey times by a further 15-20 minutes. A further £0.3bn cash payment was made to London and Continental Railways. In previous years, the Department de-risked certain capital grants to London and Continental Railways, which were recorded as expenditure and as provisions in those years. £882,455,000 was de-risked in 2003-04. No further sums were de-risked in 2004-05. This is the main reason why the expenditure Outturn for 2004-05 is £920m lower than the expenditure Outturn for 2003-04.

Cross London Rail Links Limited (in which the Department has a fifty per cent interest) continued its development of proposals for Crossrail, a new East-West London rail link. A Hybrid Bill seeking powers to construct and operate the scheme was introduced into Parliament on 22 February 2005.

Objective 2 – Improve public transport: bus and light rail
In England, outside London, some 80% of bus services are provided commercially; the remainder are subsidised by local authorities. In London, bus services are franchised by Transport for London (TfL). The Department provides Bus Service Operators' Grant to all local bus services open to the public,

including those in London. This is a refund of fuel duty paid by operators. The amount refunded is equivalent to 80% on ultra-low sulphur diesel and up to 100% on newer, cleaner fuels. The grant amounted to £359m in 2004-05.

The Department provided £1.2bn in grant to the Greater London Authority for TfL, of which £800m was to support Bus and Light Rail services. This grant supports consumption and capital investment.

The Department recognises that many rural bus services are not commercially viable, and provided Rural Bus Subsidy Grant, totalling £51m in 2004-05, to local authorities for the support of such services. Eligibility was extended to demand-responsive services. A further £30m was provided under the Urban and Rural Bus Challenges for innovative services, such as taxi-buses, which, if successful, will become part of mainstream provision. The Department also supports concessionary fare schemes. The Department makes grants for local road maintenance and local transport major projects. Nearly £600m of this is considered to benefit bus services.

The number of Light Rail schemes in operation increased from seven to eight, following the opening of the Nottingham Express Transit at the start of the year. So far, 8.4m journeys have been made on the Nottingham Express Transit. The other seven schemes are the Blackpool Tramway, Docklands Light Railway, Croydon Tramlink, Sheffield Supertram, Manchester Metrolink, Midland Metro, and Tyne and Wear Metro. For future developments, guidance on successful delivery was issued to local planning authorities, capturing lessons learned from earlier schemes.

Objective 3 – Improve public transport: London Underground
London Underground Limited (LUL) is controlled by Transport for London (TfL). Between December 2002 and April 2003, LUL signed three 30-year Public Private Partnership contracts (PPPs) with private sector organisations (Metronet and Tube Lines) to maintain and improve the infrastructure. These are aimed at overcoming LUL's historical problems in financing and managing the Tube infrastructure. Metronet and Tube Lines lease these assets and are required to return them to LUL in an upgraded and well-maintained condition at the end of the contracts.

The funding allocation set out in the *Future of Transport* White Paper provided TfL with sufficient financial certainty to borrow further funds for investment, including Docklands London Railways and the East London Line Extension. During 2004-05, London Underground's income comprised £1bn from the Department and an estimated £1.3bn income from London Underground's fare paying passengers. LUL's service performance and annual milestones are monitored against six key indicators. In 2004-05, LUL met all performance targets. LUL's performance of 3.23 excess minutes (a measure representing the effects of unreliability, crowding and queuing on journey times) was inside the target of 3.27 minutes. This is their best performance since 1999-2000, and is already better than the target for 2005-06, of 3.25 minutes.

TfL's 2004-05 Investment Plan forecasted spend for London Underground of over £1bn, across fourteen projects, including those relating to the PPPs. The largest value projects were £230m for improving stations, £156m for line upgrades and £150m for communications.

Objective 4 – Promote mobility and reduce social exclusion
The Department's activities contributing to this objective include research into the needs of groups at risk of social exclusion, grants to local authorities for road maintenance and major schemes, contributions to the Commission for Integrated Transport and provision of driving assessments and advice to older and disabled people.

The Department's Mobility and Inclusion Unit provided grants of some £2.3m to services which support the mobility of older and disabled people in England. English Mobility centres carried out about 4,000 assessments (an improvement on 2003-04 performance) and dealt with some 34,000 enquiries. Financed by grants from the Mobility and Inclusion Unit, two more centres opened, in addition to the existing fifteen. It is expected that the number of people helped by these centres will grow over the period from 1 April 2004 to 31 March 2006.

Objective 5 – Improve regional transport strategies
The Department's primary activities pursuing this objective are local authority grants and research. Our strategy for achieving sustained improvements to the transport system is set out in *The Future of Transport* White Paper. To deliver them, the Department co-operates with local authorities to ensure improvements to road safety, congestion levels, public transport, air quality, local road maintenance and walking and cycling routes.

Objective 6 – Reduce road congestion
Over thirty activities contribute to this objective, and also to environmental objectives. The principal activities are:

- delivering additional road capacity where justified balancing road users' needs against impacts on the wider environment;
- getting greater performance out of the existing road network through improved and innovative network management;
- facilitating greater choice through promoting alternatives to dependence on the private car;
- developing new approaches to informing choice, through better information and using price signals, thus influencing demand; and,
- developing new PSA targets for tackling congestion on the strategic road network and on principal roads operated by local authorities in the ten largest urban areas – using new and more meaningful measures of congestion.

In December 2004, the Government announced total investment of £1.9bn for the period 2005-06 to 2007-08. This includes £1bn of improvements for strategic roads of national importance and a £900m programme for routes of regional importance over the same period. This will contribute not only to a reduction in congestion, but also to improving road safety. For local authorities, the Government announced in December 2004 provisional financial planning guidelines for highways capital maintenance totalling £3.7bn for the period April 2006 to March 2011.

2004-05 funding covered research into the causes and patterns of congestion, grants for local projects, and work to improve the provision of better information to the public. Work was taken forward to explore the scope for using price mechanisms to inform and influence travel choices, including the potential for implementing road user charging in the light of the Road Pricing Feasibility Study that reported to Ministers in July 2004.

The Highways Agency continued its work on delivering a programme of improvements to the strategic road network, both to improve the reliability of journey times and to increase safety for road users. Seven major improvement schemes were opened to traffic during 2004-05, delivering some 32 miles of either new or improved road to the network. Works were started on a further seven new schemes. Twenty-one new schemes were added to the Agency's programme of improvements. Contracts were awarded during the year to take forward fourteen of the schemes in the programme.

Promoting cycling and sustainable transport contributes to many objectives. Funding was provided for 325 new cycle routes, giving pupils at over 300 schools the opportunity to cycle on safe, off-road routes. Other funding contributed to cycle parking at railway stations and to supporting cycle training.

Objective 7 – Improve airport and air space capacity
The Department has devolved much of the regulation of UK airspace to the Civil Aviation Authority, which is funded by its customers. Work was carried out to implement the Air Transport White Paper. Following its publication, the Department worked with stakeholders to resolve capacity issues at London airports. The Department consulted on the level of regional services to London, night flights to London airports, and the rights of the Secretary of State to grant route licences.

The Department continues to support industry bodies that assist tourists when tour operators fail and was involved with proposals from the European Commission to compensate travellers who are denied boarding.

Objective 8 – Improve the sustainability of the logistics sector
The Department undertakes a range of activities to promote the efficient movement of goods, with a particular emphasis on reducing the impact on safety, the environment and other transport users.

The research and best practice programme aims to spread knowledge of good operating practices, and in 2004-05 the Department has continued to fund programmes to promote fuel-efficient driving and operational practices. The Department has also continued to provide grants to secure the transport of goods by water instead of by road.

Objective 9 – Improve road safety and safety across other transport modes
The Department's Public Service Agreement target is to reduce the number of people killed or seriously injured in Great Britain in road accidents by 40%, and the number of children killed or seriously injured by 50% by 2010, compared with the average for 1994-98, tackling the significantly higher incidence in disadvantaged communities.

Good progress continues. In the year ended December 2004, deaths and serious injuries were 28% below the 1994-98 baseline, over half way to the 40% target. Child deaths and serious injuries, to the end of September 2004, were 41% below baseline, over three-quarters of the way to this target.

The Department's highest profile communication activity to promote road safety is the multi-media THINK! Campaign, which covers a range of messages, such as drink-driving, speed, motorcycling, and child/teen road safety. The campaign, taken forward with a range of stakeholders, aims to persuade people that it is small actions which lead to road accidents and that all road-users can reduce risks to themselves and others by taking simple steps.

The Department also supports the British Transport Police, and funds the Accident Investigations Branches.

The Rail Accident Investigation Branch completed its logistical and recruitment preparations, ready for live operations in 2005-06. Its annual budget was £5m. The continued work of the Air and Marine Accident Investigation Branches was funded at a total cost of £8m. While much of their work is necessarily reactive, research investment continued into both aircraft flight recorders and voyage data recorders, which are now being fitted to an increasing number of ships.

The Highways Agency contributed to reducing the number of road user casualties on the strategic road network. Action was taken to alert motorists to hazards ahead at the earliest opportunity, to allow them to take remedial action in a controlled manner, reducing the risk of accidents. To provide early warnings of hazards, queue detection systems were introduced, which alert motorists of stationary or slow-moving traffic ahead. These covered 30% of the motorway network by March 2005. To minimise injuries following collisions with signposts, new standards were introduced for the use of crash absorbent designs.

Objective 10 – Develop, monitor and enforce appropriate security and compliance regimes
This objective covers activities from combating the threat of terrorism to ensuring compliance with legislation. TRANSEC continued the recruitment and deployment of Regional Aviation Security Liaison Officers to provide assistance to UK airlines operating from overseas locations, working with foreign governments.

The Department and its Agencies continued to improve enforcement of traffic legislation. Continuous Registration went live in January 2004, to reduce the number of untaxed vehicles, and harmonised registration certificates were introduced in June 2004. Since March 2004, £17.6m of fines have been collected and over 320,000 enforcement cases cleared. DVLA received an additional £48.5m in vehicle excise duty cash receipts in 2004-05 compared with 2003-04. An e-link with the courts system, introduced in October 2004, resulted in 18,000 enforcement cases going forward per month.

Objective 11 – Improve air quality
The Department and DEFRA share a PSA target to improve air quality by meeting national objectives for benzene, 1.3 butadiene, carbon monoxide, lead, nitrogen dioxide (NO_2), particles (PM10) and

sulphur dioxide (SO_2). To improve performance, the Department, DEFRA, and other stakeholders are reviewing the Air Quality Strategy for England, Scotland, Wales and Northern Ireland which sets out the objectives, focussing on measures to reduce NO_2 and PM10. A detailed cost-benefit analysis of possible additional measures, including transport measures, is being undertaken as part of the review.

Other work carried out in this area includes research into greener technologies, and the modernisation of the freight sector.

Objective 12 – Reduce carbon dioxide emissions
Multiple activities were carried out, covering all transport modes. In February 2005, the Department announced a fuel efficiency-labelling scheme for new cars sold in the UK, developed by Low Carbon Vehicle Partnership (LowCVP), indicating each vehicle's tax level. In January 2005, it also introduced a new fuel duty incentive for bioethanol. In April 2004, the Department consulted on a possible biofuels strategy for the UK and published a summary of responses in December 2004. A feasibility study and consultative process on a possible Renewable Transport Fuels Obligation was announced in December 2004.

Since 1 April 2005, the Department has shared with DEFRA and DTI responsibility for the PSA target on climate change, which is to reduce greenhouse gas emissions in line with our Kyoto commitment, moving towards a 20% reduction in CO_2 emissions below 1990 levels by 2010.

Objective 13 – Deliver modernised services for drivers, vehicle users and the travelling public
The Department's activities include research on drivers and technology. It also funded Vehicle Excise Duty collection and some enforcement costs incurred by DVLA and VOSA. The DVO group is substantially funded from fee revenues.

The Transport Direct web portal now provides up-to-date travel news, and enables users to compare the options available for each journey. It won the 'Computing Magazine' Public Sector Project of the Year 2004; and Management Consultancies Association (MCA) – Gold award for 'Electronic Trading'. Another awarding-winning service was VOSA's operator self-service system, which won two out of the three top awards in the e-Government 2004 competition, against a large field. It was runner-up in *Government Computing* magazine's Innovations awards in June 2004. The service allows licence-holders to update information held about them on-line, providing significant savings for both VOSA and the industry, and has been welcomed by users. DVLA's Electronic Vehicle Licensing service won the New Statesman New Media Modernising Government Award for 2005.

Service modernisation continues. The DVO Group introduced electronic delivery of several key services. Lorry operator self-service, launched in July 2004, allows licence holders to access and update information held by the Vehicle and Operator Services Agency. E-payments of licence invoices should be available shortly. By the end of March 2005, 44% of vehicle transactions were completed on-line.

The Driving Standards Agency (DSA) uses electronic test booking and automated voice recognition systems for booking, amendment and cancellation of driving tests. By the end of March 2005, it had been used to rebook one million tests. The Automated Driving Licence Issue system went live on 9 August 2004. When customers pass their test, the DSA sends information electronically to DVLA, which issues the licence automatically. Over 100,000 new licences have already been updated in this way. In August 2004 the final phase of the DVLA/Post Office 'Bar-coding of All Re-licensing Transactions' (BART) project was launched. This has reduced the incidence of errors by 85%, and has improved the integrity of the vehicle records and the enforcement of Vehicle Excise Duty requirements.

Vehicle licence information is now scanned and validated in Post Offices, then transmitted electronically to the DVLA, keeping its database up to date.

Objective 14 – Achieve annual 2.5 per cent efficiency improvements across the Department.
From Spending Review 2002, the Department had a PSA target to achieve 2.5% of efficiency gains against its Admin Cost Limit in 2004-05. Efficiency gains from DfT head quarters units and the Highways Agency totalling £6.9m were delivered in 2004-05 against the £5.4m (2.5%) target. These have been

validated by Internal Audit.

The Highways Agency made £2.7m efficiency gains. Ten Business Units within the Department's head quarters contributed to the total of £4.2m, the largest being Business Delivery Services at £1.8m. This total was achieved by the integration and streamlining of contracts; more efficient use of office space and information technology; and staff savings.

FINANCIAL PERFORMANCE

Financial position

Most of the Department's asset base, valued at £76bn approximately (£70bn at 31 March 2004), comprises tangible fixed assets – £74.6bn (£68.9bn as at 31 March 2004). Other assets include £0.6bn for investments in entities such as NATS Holdings Ltd, the Humber Bridge Board and Trading Funds.

Assets	**2004-05**	**2003-04**
	£m	**£m**
Intangible fixed assets	21	15
Tangible fixed assets	74,604	68,944
Investments	578	540
Investments in Associates	49	30
Debtors due after one year	157	142
Stocks and work in progress	18	17
Debtors due within one year	153	193
Cash at Bank and in Hand	158	175
Total	**75,738**	**70,056**

Over 95% of the Department's tangible fixed assets consist of the National Trunk Road Network managed by the Highways Agency. The largest category of fixed assets (excluding roads and Channel Tunnel Rail Link (CTRL) land) is "Other land and buildings, excluding dwellings". Within that category, the highest value item is the premises of the Highways Agency, valued at £223m. The value of assets used for administrative purposes is relatively small.

Tangible Fixed Assets	**2004-05**	**2003-04**
	£m	**£m**
National Trunk Road	72,144	66,161
Highway's Agency (assets under construction)	416	939
Channel Tunnel Rail Link Land	1,554	1,468
Other land and buildings excluding dwellings	282	203
Dwellings	46	66
Information technology	96	42
Plant and machinery	59	34
Other assets under construction	7	31
Total	**74,604**	**68,944**

99% of the Department's asset base comprises long term assets. Approximately 99% of the Department's liabilities are also long term in nature: Provisions for Liabilities and Charges and Creditors falling due after more than one year. The General Fund represents funding provided by the taxpayer; the Revaluation Reserve represents the uplifting of values in Fixed Assets to replacement cost.

Liabilities, reserves and equity	**2004-05**	**2003-04**
	£m	**£m**
Creditors due within one year	874	821
Creditors due after one year	2,569	2,482
Provisions for liabilities and charges	2,873	3,029
General Fund	38,393	38,628
Revaluation Reserve	31,029	25,096
Total	**75,738**	**70,056**

Financing
Expenditure is primarily financed by monies from the Consolidated Fund, authorised by the annual Appropriation Act. The Department generated income of £437m.

Private sector monies are also used for capital investment, under the Private Finance Initiative and Public Private Partnerships. The choice between public and private financing is made on a value for money basis. The Department recognises privately-financed assets on its balance sheet, where it has access to the benefits of the asset and exposure to the risks inherent in those benefits. Currently, 4% of the Department's asset base by net book value is financed under the Private Finance Initiative. This includes part of the National Trunk Road network, as well as the site of the Channel Tunnel Rail Link.

Asset Financing	**2004-05**	**2003-04**
	£m	**£m**
Owned	71,566	66,140
On-balance sheet PFI contracts	2,948	2,712
PFI residual interests	90	92
Total	**74,604**	**68,944**

Through guarantees to lenders, the Department supports privately-funded schemes, including the construction of the Channel Tunnel Rail Link, where private sector borrowing instils market disciplines, and Network Rail's borrowings for investment.

CORPORATE GOVERNANCE

Ministers
The Ministers with responsibility for Transport in 2004-05 were:

The Rt Hon Alistair Darling	Secretary of State for Transport
Dr Kim Howells to 9 September 2004	Minister of State for Transport (Railways, 10 year plan, road and rail network management, and transport technical issues, European policy, cycling issues and deregulation)
Tony McNulty from 10 September 2004	Minister of State for Transport (as above)
Tony McNulty to 9 September 2004	Parliamentary Under-Secretary of State (Aviation, London, including tube and Crossrail, regional and sub-regional policy, including Thames Gateway, local authority public transport, buses and taxis, mobility and inclusion, corporate issues and green policy)
Charlotte Atkins from 10 September 2004	Parliamentary Under-Secretary of State (as above)
David Jamieson	Parliamentary Under-Secretary of State (Roads, road safety, Highways Agency, Driver Vehicle Operator Group, Maritime and Coastguard Agency, vehicle safety and environment, cleaner vehicles, shipping and ports, freight)
The Rt Hon Lord Triesman **The Rt Hon Lord Davies of Oldham**	Representatives in the House of Lords (support on all Departmental issues in the House of Lords)

Permanent Head of the Department and Departmental Board
The composition of the Board during 2004-05 was as follows:

David Rowlands	Permanent Secretary and Accounting Officer
Willy Rickett to 30 September 2004	Director General, Strategy, Finance and Delivery
Simon Webb from 1 October 2004	Director General, Delivery and Security
Sue Killen	Director General, Railways, Aviation, Logistics and Maritime
Stephen Hickey	Director General, Driver, Vehicle and Operator Group
Robert Devereux	Director General, Roads, Regional and Local Transport
Archie Robertson	Chief Executive, Highways Agency
Alastair Lyons	Non-Executive
Joe Montgomery	Non-Executive
Ann Hemingway	Non-Executive

The Director of Finance was Ken Beeton.

The Accounting Officer is appointed by HM Treasury.

The permanent head of the Department and the executive members of the Management Board are appointed in line with section 5.1 of the Civil Service Management Code. These members of staff have individual contracts of employment which specify the length of the appointment (if appropriate) and termination procedures.

Departmental Board
The Board is responsible for supporting the Secretary of State in setting the strategic direction for the Department and ensuring delivery against its objectives. Board meetings are held at least eight times a year.

The Board oversees and advises on the development of the Public Service Agreement (PSA) delivery plans, and ensures that these meet Ministers' objectives. It also develops a business plan that provides a robust and high level framework for the delivery of the Department's objectives.

The Board also considers the Department's performance against its budget, the PSA and the business plan, and recommends any necessary corrective action. It holds directors and Agency chief executives accountable for their performance in contributing to the Department's delivery against its objectives.

Executive Committee
The Executive Committee is responsible for overseeing management issues for the central Department, including finance, personnel, estates and information technology. Its membership comprised:

David Rowlands	Permanent Secretary
Robert Devereux	Director General
Stephen Hickey	Director General
Sue Killen	Director General

Willy Rickett (to 30 September 2004)	Director General
Simon Webb (from 1 October 2004)	Director General
Ken Beeton	Director of Finance
Julian Duxfield	Director of Human Resources
Michael Herron	Director of Business Delivery Services
Christopher Muttukumaru	Director of Legal Services
Scott McPherson	Principal Private Secretary

Ministers' and Board Members' Remuneration
This paragraph should be read in conjunction with Note 2 to the accounts

With the exception of two of the non-executives, members of the Board are civil servants appointed in accordance with the Civil Service Code and their remuneration is determined in accordance with Cabinet Office guidance, which takes into account the Senior Salaries Review Body.

(www.civilservice.gov.uk/management_information/parliamentary/parliamentary_pay/senior_salaries_review_board)

PUBLIC INTEREST

Equal Opportunities and Recruitment
The Department is an equal opportunities employer. All staff have a right to equality of opportunity in all aspects of employment and to a working environment free from harassment, bullying and victimisation, irrespective of race, ethnic or national origin, age, religion, sex, gender identity, marital status, disability, sexuality, working hours, union membership, union office or union activity.

The Department has initiatives in place to remove all forms of unfair discrimination and to promote mainstream diversity in policy making and delivery.

The Department recruits staff on the basis of fair and open competition. Selection is on merit and in accordance with the guidance laid down in the Civil Service Commissioners Recruitment Code.

Employment of Disabled Persons
The Disability Discrimination Act 1995 is aimed at ending the discrimination faced by many disabled people, both generally and in the field of employment. The Department is committed to implementing the Act so that disabled people in the Department are treated no less favourably than non-disabled staff. The Department sets out its policy in its '*Disability Guide*'.

Staff Relations
The Department encourages staff involvement in all of its activities. It encourages personal development through appropriate training, secondments and attachments. Staff have access to counselling and support services and trade union membership and representation. There are also formal communication channels between management and trade union representatives through the Whitley Council.

The Department and its Agencies encourage good management practice through the profile of the "Good People Manager", as provided for within the Civil Service Reform agenda.

Payment of Suppliers
The Department's policy is to comply with the "Prompt Payment Code". In line with the rest of Government, the Department (including its Executive Agencies) works toward paying 98% of valid undisputed bills on time i.e. within 30 days of the date of receipt of the invoice or within the contractual term, if less. In 2004-05, the Department paid 98.83 % (2003-04: 94.87 %) of bills on time.

Environmental Policy

The Department's aim is reliable, safe and secure transport that works for everyone and which respects the environment. The Department is committed to reducing, on a cost-effective basis, the environmental impact of its operations. It conducts its activities and operations to reflect best environmental practice and has implemented an environmental management system to pursue sustainability, continual improvement and the prevention of pollution. The policy can be viewed on the Department's website.

SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

Following the Rail Review, the Government announced in July 2004 its intention to abolish the Strategic Rail Authority (SRA) and to transfer its functions to a number of successor bodies. The Railways Act introduced by the Government gained Royal Assent on 7 April 2005.

Under the Railways Act 2005, the Secretary of State has the powers to make transfer schemes. Transfer schemes are used to transfer all of the SRA's rights, assets, liabilities and obligations to successor bodies. The SRA cannot be abolished until all such transfers are complete. The Department for Transport Board decided that there should be a phased transfer of activity from the SRA to the Department. This process commenced on 26 June 2005 and is now substantially complete: SRA's powers, rights and obligations relating to Network Rail, its functions regarding Rail Freight, rolling stock, station access and Strategy and Planning, and other key functions, have now transferred to the Department.

As part of the process of abolishing the Strategic Rail Authority, ownership of the entire share capital of British Railways Board (Residuary) Limited was transferred from the SRA to the Department in August. Its activities comprise winding up the residuary business of British Railways and disposing of its remaining assets in a timely and cost-effective manner.

Auditors

The audit of the Department's accounts is carried out by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000 at a notional cost of 756K.

The National Audit Office also performs other statutory audit work including Value for Money and assurance work at no cost to the Department.

David Rowlands 6 October 2005
Permanent Secretary and Accounting Officer
Department for Transport

Statement of Accounting Officer's Responsibilities

1. Under the Government Resources and Accounts Act 2000, the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resource acquired, held or disposed of during the year and the use of resources by the Department during the year.

2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

3. HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

4. In preparing the accounts, the Accounting Officer is required to comply with the *Resource Accounting Manual* prepared by HM Treasury, and in particular to:

a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

b. make judgements and estimates on a reasonable basis;

c. state whether applicable accounting standards, as set out in the *Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts;

d. prepare the accounts on a going-concern basis.

5. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Government Accounting.*

The Department's Statement on Internal Control 2004-05

Scope of responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport'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*.

2. The Department has six Executive Agencies. Three of these (the Driver and Vehicle Licensing Agency, the Driving Standards Agency and the Vehicle and Operator Services Agency) operate as Trading Funds. Together with the Strategic Rail Authority (an executive NDPB), these bodies fall outside the Departmental accounting boundary: direct responsibility for maintaining the system of internal control rests with the relevant body and the accounts are not consolidated in the Department's accounts.

3. The other three Agencies (Maritime and Coastguard Agency, Vehicle Certification Agency and the Highways Agency) and the Commission for Integrated Transport, the Disabled Persons' Transport Advisory Committee and the Traffic Commissioners and Licensing Authorities, fall within the Departmental boundary. The Agency Chief Executives are responsible for the maintenance and operation of their systems of internal control. Each Chief Executive has signed a Statement on Internal Control relating to that system. These Statements are reproduced in the relevant body's accounts, which are consolidated in the Department's accounts. This Statement reports agency control issues only where they are significant in the context of the whole Department.

4. The Director General of the Driver, Vehicle and Operator Group is an Additional Accounting Officer. The Group comprises the Driver and Vehicle Licensing Agency (DVLA), the Driving Standards Agency (DSA), the Vehicle Certification Agency (VCA) and the Vehicle and Operator Services Agency (VOSA). The Group does not produce separate financial statements but provides an additional layer of assurance through the operation of its Management Board and Audit Committee.

The purpose of the system of internal control

5. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve departmental policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. 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. Subject to the developments during the year described in the following paragraphs, the system of internal control has been in place in the Department for Transport for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

6. Leadership on risk management is provided by:

- the Department's Management Board, which monitors delivery against key objectives across the DfT family. Significant risks to these objectives are identified by the line and escalated to the Board. The Department's Board includes the four Directors General in the central Department, the Director General for the DVO Group, the Chief Executive of the Highways Agency and three non-executive members. The Director General for Delivery and Security is the Board's "Risk Management Champion";
- an Executive Committee, which seeks to ensure that the resources available to the central Department are managed as effectively as possible to meet identified risks and corporate governance standards;
- the Driver, Vehicle and Operator Group Board, which monitors delivery against key objectives across the DVO Group agencies, including risks to their achievement; and

- the Boards of the Maritime and Coastguard Agency, and the Highways Agency, which monitor and review risks to the delivery of their objectives.

7. The Department's Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes two non-executive members, who are themselves Chairmen of Audit Committees within the DfT family. Each Agency has its own Audit Committee, which fulfils a similar function.

8. Officials consult regularly with Ministers on risk. Submissions to Ministers incorporate assessments of key risks, whether to the operation of the transport system, including public perceptions, or to the successful delivery of new policies. DfT Ministers also receive regular reports on key cross-government risks from the Domestic Horizon Scanning Committee.

9. The Department's Risk Improvement Manager is responsible for ensuring that appropriate guidance, support and training on risk management is available to staff within the central Department. During 2004-05 a programme of risk management workshops was delivered. Each Agency Chief Executive is responsible for ensuring that appropriate risk management guidance, support and training arrangements are in place within his or her agency.

The risk and control framework

10. Agency Chief Executives, Directors General and Heads of Unit (Directors) in the central Department take responsibility for the day to day management of risks in their respective areas of influence. The Board has set guideline criteria for the impact of risks that it considers should be escalated for its potential attention through regular delivery and financial reporting processes. The escalation of a risk in this way does not transfer responsibility for its day to day management. The Board encourages the early escalation of corporate risks, as part of seeking to establish a "no surprises" culture within the Department where risk identification, management and escalation is encouraged and rewarded.

11. Early in the year, the central Department put in place a comprehensive "Stewardship Pack", which included the framework of accountabilities, the roles and responsibilities of Directors and the end of year reporting arrangements. These set out Directors' responsibilities for risk management. This pack was supported by delegations from the Accounting Officer to Directors to maintain accountability and the management of resources. Performance against these requirements was assessed through internal audits and a self-assessment questionnaire. The risk elements of this were based upon the Treasury's Risk Management Framework.

12. The Department and its Agencies have a number of well-established programmes for involving the public in managing the risks associated with transport. These include: road safety campaigns, work by the Maritime and Coastguard Agency to communicate with the public on key areas of water safety, and regular safety digest reports by the Marine Accident Investigation Branch. The Department has also identified emergency planning and responses, in respect of major transport disruptions, as a key corporate risk and has in place an active programme, working with partners, to ensure adequate contingency and emergency plans are maintained, developed and reviewed

Review of effectiveness

13. 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 Department 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 results of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

14. The Audit Committee receives summaries of Internal Audit reports and considers the Group Head of Internal Audit's annual opinion on the effectiveness of risk management, control and governance. The Chair of the Audit Committee reports the Committee's views on the effectiveness of internal control to the Board regularly throughout the year.

15. The Department's Audit and Risk Assurance Division (Internal Audit) operate to standards defined in the Government's Internal Audit Standard. It provides an independent opinion to the Accounting Officer on control and governance and the effectiveness of the Department's risk management systems. Regular reports are provided to the Department's management, as well as advice on risk and control issues. The Department's assessment of the control environment is also informed by the programme of external audits and value for money studies undertaken by the National Audit Office.

16. Directors have completed end of year assurance questionnaires, which the Finance Director has reviewed and summarised in his report to me on stewardship. The responses confirmed that Directors regarded their Units as substantially compliant with the structure of internal control. As regards financial controls, the central Department has put in place an improvement programme to further strengthen its financial management, which is being implemented in 2005-06.

17. Directors recognised that there remained scope for further improvement in risk management. A programme of work to improve the central Department's risk management processes and performance, including clarification of risk appetites, is being implemented during 2005-06.

18. The Treasury and the Department have, separately, conducted reviews of the Department's financial management and control arrangements. The Treasury has acknowledged the improvements that have been made by the Department and has agreed an action plan to address current challenges and priorities.

19. The Highways Agency has made good progress in improving the control environment. A number of additional actions are in hand to further improve control during 2005-06. The improvements made during 2004-05 and those planned for 2005-06 are described in the Highways Agency's Statement of Internal Control.

Group Audit Opinion

20. The Group Head of Internal Audit has provided the following opinion for 2004-05:

- "I can provide substantial assurance that risk management processes are working well in the Agencies. Agencies continue to embed these processes as part of decision making and management processes. For DfT (C) I can provide partial assurance. Whilst risk management at the Directorate level in DfT (C) has improved during the year, the processes to manage risks at a corporate level were only developed and initiated during the latter part of 2004-05. The plans in place to further strengthen and improve these practices in DfT (C) provide a sound platform for risk management across the centre and should significantly improve the process going forward.
- Internal controls, including financial controls, have continued to improve during the year so that I am able to provide substantial assurance on internal control in all parts of the organisation other than in DFT(C) and Highways Agency. Significant effort has been made to improve financial management and control in DFT(C) and in the Highways Agency, and management is working on a continuous programme to improve controls further, including areas identified in some of our audits. Accordingly I am only able to provide partial assurance on internal control arrangements in DFT(C) and Highways Agency. Notwithstanding this level of assurance, no weaknesses were identified that are sufficiently significant or material to require disclosure in the Statement on Internal Control.
- Improvements have been made to the Governance process in the centre and in the agencies during the year leading me to provide substantial assurance."

David Rowlands
Accounting Officer
Date: 6 October 2005

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 22 to 72 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 28 to 34.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 16, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 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 Annual Report is not consistent with the financial statements, if the Department 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 Accounts, 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 17 to 19 reflects the Department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards 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 Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's 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 error, or by fraud or other irregularity 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.

Report of the Comptroller and Auditor General to the House of Commons

Under Section 2(1) of the Exchequer and Audit Departments Act 1921, I am required to examine all revenue accounts on behalf of the House of Commons in order to ascertain that adequate regulations and procedures are in place to secure an effective check on the assessment, collection and proper allocation of revenue, and to satisfy myself that such regulations and procedures are duly being carried out.

Under Section 2(2) of the Exchequer and Audit Department Act, I am required to make such examination as I think fit with respect to the correctness of the sums brought to account in respect of revenue accounts, and present to the House of Commons, together with the relevant departmental resource account, a report on the results of any such examination.

The Driver and Vehicle Licensing Agency, a Trading Fund of the Department for Transport, is responsible for the collection of vehicle excise duty across the United Kingdom. The 2004-2005 Trust Statement on Vehicle Excise Duty was laid before the House of Commons on 20 July 2005 (HC 187-II of 2004-05), together with my detailed report on the results of my audit. My opinion on the 2004-2005 Trust Statement was unqualified.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Department for Transport at 31 March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by 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.

John Bourn
Comptroller and Auditor General

10 October 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

SCHEDULE 1

Summary of Resource Outturn

For the year ended 31 March 2005

	2004-05 Estimate			2004-05 Outturn				2003-04 Outturn
	Gross expenditure	*Appropriations in Aid (A-in-A)*	*Net Total*	*Gross Expenditure*	*Appropriations in Aid*	*Net Total*	*Net Outturn compared with estimated savings/ (excess)*	*Net Total (restated)*
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1 (Note 8)	12,380,741	(330,897)	12,049,844	11,653,898	(330,897)	11,323,001	726,843	11,991,052
Total Resources Note 10	**12,380,741**	**(330,897)**	**12,049,844**	**11,653,898**	**(330,897)**	**11,323,001**	**726,843**	**11,991,052**
Non-operating cost A-in-A (Note 5)			(10,490)			(10,490)	–	(7,519)
Net Cash Requirement			**10,140,116**			**9,183,194**	**956,922**	**9,067,132**

Summary of income payable to the Consolidated Fund

In addition to Appropriation in Aid, the following income relates to the Department and is payable to the Consolidated Fund.

		2004-05 Outturn		2003-04 Outturn	
		Income	**Receipts**	**Income**	**Receipts**
	Note	£000	£000	£000	£000
Total: Analysis of income payable to the Consolidated Fund	7	**187,632**	**166,905**	**114,210**	**48,420**

Reconciliation of resources to cash requirement

	Notes	Estimate	Net Outturn	Net Outturn compared with Estimate (excess) savings	Net Outturn 2003-04 (restated)
		£000	£000	£000	£000
Net Total Resources		**12,049,844**	**11,323,001**	**726,843**	**11,991,052**
Capital expenditure	12 & 13	727,900	654,571	73,329	485,761
Investments	14a	–	11,612	(11,612)	20,000
Non-Operating A-in-A					
Repayment of loans	14a	–	(808)	808	(2,763)
Proceeds from fixed asset disposals		(10,490)	(9,682)	(808)	(4,756)
Accruals adjustments:					
Non-cash items	3 & 4	(3,196,669)	(3,108,154)	(88,515)	(3,666,064)
Share of operating profit/(loss) in Associate	14c	–	19,543	(19,543)	(1,766)
Changes in working capital other than cash	15	165,780	(108,099)	273,879	(4,079)
Changes in creditors falling due after more than one year	19b	–	(1,641)	1,641	(5,258)
Use of provision	21	403,751	384,835	18,916	129,671
Non-cash movement in provisions		–	(7,375)	7,375	125,120
Non cash movement – other		–	–	–	214
Increase/(decrease) in third party balances	19a	–	10,294	(10,294)	–
Prior year spend on detrunkings		–	5,127	(5,127)	–
Other adjustments – DVLA CFER creditor taken over by the Department		–	9,970	(9,970)	–
Net Cash Requirement (Schedule 4)		**10,140,116**	**9,183,194**	**956,922**	**9,067,132**

Explanation for variance between actual and estimate:
Schedule 1 shows an underspend on Request for Resource 1 of £726,842,508 against net resource outturn of £11,323,002,492 and an underspend on cash of £956,921,968 against total cash requirement of £9,183,194,032.

The actual receipts that were surrenderable to the Consolidated Fund were £166,905,428.

Variance explanations have been provided where the comparison of outturn against estimate has resulted in an underspend of £20m or more.

AH £519.9m underspend – Strategic Rail Authority:
There was a change to the Network Grant regime during the year, which was implemented with minimal difficulty. This led to a £382m underspend, as this amount had been included in the Estimate as a contingency, in case the transition was not effected on time.

The remaining £138m underspend is due to project spend occurring later than anticipated and so not being billed, late invoicing by Network Rail, a number of franchising risks not crystallising and variations in the core franchise agreements.

L £73.1m underspend – Railways
£61m relates to unbudgeted cost of capital charges. Only the cost of capital charges relating to fixed assets were included in the SR02 divvy up. Due to the complexities of identifying and allocating budgets for cost of capital charges arising on balance sheet items, it was decided not to set up budgets for these charges for 2004-05. It is planned to rectify this for 2005-06. The majority of the remaining underspend can be attributed to Channel Tunnel Rail Link capital grants (£8m), where spend on the London Underground Limited Kings Cross works was lower than budgeted.

AD £71.9m underspend – Other Transport Grants (capital)
The main reason for the underspend was slippage of the work in *Local Transport Major Schemes (Public Transport)*. The reorganisation of Integrated London Transport (ILT) was also a contributory factor.

C £34.8m underspend – Aviation
This underspend arose from understated estimates of NATS Holding Ltd interest receipts and revision of the treatment of Eurocontrol expenditure and receipts.

SCHEDULE 2

Operating Cost Statement
for the year ended 31 March 2005

	Note		2004-05	2003-04 (restated)
			£000	£000
Administration Costs				
Staff costs	2		133,603	134,290
Other administration costs	3		99,977	102,574
Gross Administration Costs			**233,580**	**236,864**
Operating income	5		(21,078)	(32,678)
Net Administration Costs			**212,502**	**204,186**
Programme Costs				
Staff Costs	2	56,688		41,000
Expenditure	4	11,418,948		12,027,335
– EU income (acting as agency)	5	(35,151)		(15,339)
– Other (including CFERS and Dividends)	5	(352,368)		(363,329)
Net Programme Costs			**11,088,117**	**11,689,667**
Share of operating (profit) in Associate	14(c)		(61,229)	(29,557)
Interest receivable	5		(28,020)	(7,694)
Share of interest payable in Associate	14(c)		29,943	28,667
Share of tax charges in Associate	14(c)		11,743	2,656
Net Operating Cost			11,253,056	11,887,925
Net Resource Outturn	8		**11,323,001**	**11,991,052**

This schedule should be read in conjunction with Note 10 to the accounts.
There are no material acquisitions or disposals in year.
The comparative have been restated following the demerger of DVLA.

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2005

	Note	2004-05	2003-04 (restated)
		£000	£000
Net (loss) / gain on revaluation of tangible/intangible fixed assets	12	5,653,770	5,165,952
Reversionary interest on M6 toll road		(1,628)	91,785
Prior year adjustment		(91,487)	(162,430)
Total Recognised Gains and Losses for the financial year		**5,560,655**	**5,095,307**

The comparative figures have been restated following the detrunking of certain non-core roads to local authorities and the demerger of DVLA.

SCHEDULE 3

Balance Sheet
as at 31 March 2005

	Note	£000	2004-05 £000	2003-04 (restated) £000
Fixed Assets				
Intangible Assets	13	20,577		14,760
Tangible Assets	12	74,603,973		68,944,284
Investments	14(a)	578,468		539,823
Investments in Associates	14(c)	49,389		29,982
			75,252,407	69,528,849
Debtors falling due after more than one year	17		156,522	141,807
Current Assets				
Stocks and Work in Progress	16	18,261		17,526
Debtors	17	152,977		192,714
Cash at Bank and in Hand	18	157,947		174,765
		329,185		385,005
Creditors (due within one year)	19(a)	(874,153)		(820,538)
Net Current Liabilities			(544,968)	(435,533)
Total Assets less Current Liabilities			74,863,961	69,235,123
Creditors (amounts falling due after more than one year)	19(b)	(2,568,877)		(2,481,895)
Provisions for Liabilities and Charges	21	(2,872,814)		(3,028,803)
			(5,441,691)	(5,510,698)
			69,422,270	**63,724,425**
Taxpayers' Equity				
General Fund	23		38,393,254	38,628,525
Revaluation Reserve	22		31,029,016	25,095,900
			69,422,270	**63,724,425**

The comparative figures have been restated following the detrunking of certain non-core roads to local authorities and a demerger of DVLA.

David Rowlands
Accounting Officer
Department for Transport

Approved on 6 October 2005

SCHEDULE 4

Cash Flow Statement
for the year ended 31 March 2005

	Note	2004-05 £000	2003-04 (restated) £000
Net cash out flow from operating activities (Note a)		(8,417,026)	(8,437,443)
Cost of servicing of finance: interest element of PFI payments		(53,191)	–
Capital expenditure and financial investment (Note b)		(610,883)	(544,932)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		108,347	2,928
Payments to the Consolidated Fund		(180,476)	(112,648)
Financing (Note c)		9,140,230	9,210,784
Increase/(decrease) in cash in the period	18	**(12,999)**	**118,689**

Note a: Reconciliation of operating cost to operating cash flows

	Note	2004-05 £000	2003-04 (restated) £000
Net operating cost (Schedule 2)		11,253,056	11,887,925
Adjustment for non-cash transactions	3 & 4	(3,108,154)	(3,666,066)
Profit/(loss) in Associate	14c	19,543	(1,766)
Adjustment for movements in working capital other than cash	15	(87,371)	44,505
Adjustment for movements in creditors falling due after more than one year		(1,641)	(27,918)
Use of provision	21	384,835	129,674
Non-cash movement in classification of provision	21	27,480	71,089
Prior year spend on detrunkings		5,127	–
Adjustment for capital and interest element of PFI payments		(75,849)	–
Net cash outflow from operating activities		**8,417,026**	**8,437,443**

Note b: Analysis of capital expenditure and financial investment

	Note	2004-05 £000	2003-04 (restated) £000
Intangible fixed asset additions	13	5,302	6,130
Tangible fixed asset additions	12	649,268	479,630
Proceeds of disposal of fixed assets		(9,682)	(4,756)
Capital element of lands provision		(34,856)	54,245
Repayment of loans for National Loans Fund		(612)	–
Repayments of investments	14	(10,149)	(10,317)
Advances of investments	14	11,612	20,000
Net cash flow from capital expenditure and financial investment		**610,883**	**544,932**

Note c: Analysis of financing and reconciliation to the net cash requirement

	Note	2004-05 £000	2003-04 (restated) £000
From Consolidated Fund (Supply): current year		9,163,502	9,147,199
Prior year expenditure on detrunkings		–	(6,046)
Advances from the Contingencies Fund		–	250,000
Repayments to the Contingencies Fund		–	(250,000)
Repayment of loans to the National Loans Fund		(612)	(568)
Capital element of payments in respect of finance leases and on balance sheet PFI contracts		(22,660)	(21,384)
Transfer from Department in respect of transferred functions: ODPM		–	91,583
Net Financing		**9,140,230**	**9,210,784**
Decrease/(increase) in cash		12,999	(118,689)
Net cash flow other than financing		**9,153,229**	**9,092,095**
Adjustments for payments and receipts not related to supply			
Consolidated Fund Extra Receipts received in prior year and paid over		(16,027)	(62,942)
Consolidated Fund Extra Receipts received and not paid over		2,456	16,027
National Loans Fund loans – repayments received from other bodies		612	568
National Loans Fund loans – interest received from other bodies		625	668
National Loans Fund loans – interest paid to the NLF		(625)	(668)
Increase/(decrease) in third party balances		10,294	–
Capital element of payments in respect of finance leases and on balance sheet PFI contracts		22,660	21,384
Other adjustments		9,970	–
Net Cash Requirement (Schedule 1)		**9,183,194**	**9,067,132**

Supply from Consolidated fund was: £9,163,501,946.72

SCHEDULE 5

Resources by Departmental Aim and Objectives
for the year ended 31 March 2005

	2004-05 Gross	2004-05 Income	2004-05 Net	2003-04 (restated) Gross	2003-04 (restated) Income	2003-04 (restated) Net
	£000	£000	£000	£000	£000	£000
Main objective						
Objective 1 – Improve public transport: rail	3,292,489	(47,439)	3,245,050	4,280,647	(65,436)	4,215,211
Objective 2 – Improve public transport: bus and light rail	1,506,587	(2,271)	1,504,316	1,454,791	(2,241)	1,452,550
Objective 3 – Improve public transport: London Underground	1,077,803	(3,505)	1,074,298	1,216,597	(1,745)	1,214,852
Objective 4 – Promote mobility and reduce social exclusion	43,816	(1,391)	42,425	25,229	(1,705)	23,524
Objective 5 – Improve regional transport strategies	56,107	(1,008)	55,099	39,569	(1,501)	38,068
Objective 6 – Reduce road congestion	1,986,023	(106,334)	1,879,689	1,868,248	(113,716)	1,754,532
Objective 7 – Improve airport and air space capacity	15,387	(16,798)	(1,411)	28,111	(18,394)	9,717
Objective 8 – Improve the sustainability of the logistics sector	17,668	(4,070)	13,598	25,813	(2,615)	23,198
Objective 9 – Improve road safety and safety across other transport modes	2,920,318	(181,081)	2,739,237	2,830,806	(172,263)	2,658,543
Objective 10 – Develop, monitor and enforce appropriate security and compliance regimes	41,696	(2,942)	38,754	5,276	(2,272)	3,004
Objective 11 – Improve air quality	248,439	(11,746)	236,693	440,482	(15,792)	424,690
Objective 12 – Reduce carbon dioxide emissions	248,544	(10,256)	238,288	37,586	(7,074)	30,512
Objective 13 – Deliver modernised services for drivers, vehicle users and the travelling group	234,843	(47,823)	187,020	53,810	(14,286)	39,524
Net Operating Cost (Schedule 2)	11,689,720	(436,664)	11,253,056	12,306,965	(419,040)	11,887,925

Note 32 provides further analysis of these figures

Notes to the Departmental Resource Accounts

1.1 Statement of Accounting Policies
These financial statements have been prepared in accordance with the 2004-05 *Resource Accounting Manual (RAM)* issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the *RAM* permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Department for the purposes of giving a true and fair view has been selected. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.2 Accounting Convention
These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks where material, at their value to the business by reference to their current costs.

1.3 Basis of Consolidation
These accounts comprise a consolidation of the non-agency parts of the Department, and those entities that fall within the departmental boundary as defined in the *RAM* (Section 1.5) issued by HM Treasury. Transactions between entities included in the consolidation are eliminated. A list of those entities within the departmental boundary is given in Note 28.

1.4 Associated Company and Joint Venture
An associated company is one in which the Department has a long-term investment and is in a position to exercise significant influence over the company in which the investment is made. The Department's share of the profits less losses of the associated company is included in the consolidated Operating Cost Statement. Its interest in the net assets of the associated company is included as an investment in the consolidated balance sheet, consisting of the group's share of the net assets at acquisition, plus the group's share of retained profits.

A joint venture is an arrangement where the Department has a long term interest in an entity which is jointly controlled by the Department and another party under a contractual agreement. Generally, a reporting entity recognises its share of the profits, losses and the net assets of the joint venture in its consolidated accounts. However, the Department has not done so, as the amounts concerned are immaterial.

1.5 Prior Year Adjustments
Material adjustments applicable to prior periods arising from changes in accounting policy or from the correction of fundamental 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 previous period restated.

The Highways Agency carried out detrunkings of non-core roads to local authorities and they are treated as a transfer of function. Merger accounting principles are applied with opening balances adjusted for the cumulative effect of the trunking/detrunking and comparative figures for the preceding period restated

Notes to the Departmental Resource Accounts *(continued)*

These prior year adjustments gave rise to the following restatement to balances as at 31 March 2004:

	As previously stated	Adjustment	As Restated
	£000	£000	£000
Trunk road network - cost	78,822,001	(1,920,286)	76,901,715
Trunk road network -depreciation	(11,006,478)	266,150	(10,740,328)
	67,815,523	**(1,654,136)**	**66,161,387**
General Fund	39,681,052	(1,052,527)	38,628,525
Revaluation Reserve	25,697,509	(601,609)	25,095,900
Capital maintenance	414,624	(5,004)	409,620

1.6 Tangible Fixed Assets

Legal title to the freehold land and buildings shown in the accounts is held in the name of the Secretary of State. The Department assumed responsibility for the Civil Estate on 1 April 1996 as a major occupier and pays a charge for this accommodation to the Consolidated Fund in that capacity.

Tangible fixed assets are categorised as network assets and non-network assets. Network assets comprise motorways and trunk roads in England and Wales, which form an integrated network infrastructure servicing a significant geographical area. The network consists of carriageways, including earthworks, tunnelling and road pavements, roadside communications, bridges and other structures, and land and buildings within the perimeter of highways.

The core Department's capitalisation threshold is £5,000. The thresholds in the Agencies range from £1,000 to £2,000 for individual or grouped assets; except for land, for which there is no minimum, and infrastructure construction schemes in the Highways Agency, for which the minimum is £100,000. Items falling below these values are charged as an expense and shown in the Operating Cost Statement. Assets usually comprise single items; however, items included within the road network, or ring-fenced relocation projects, or computer equipment which, in substance, form a single asset, are capitalised as a single asset.

Expenditure on road building schemes in the course of design and construction is capitalised when it is reasonably certain the scheme will be completed:

- the cost of schemes within the discretion of the Highways Agency are capitalised from inception;
- the cost of major schemes which are subject to approval by Ministers are capitalised once their inclusion in the Department's Targeted Programme of Improvement (TPI) has been agreed. Until that point, any costs are charged as an expense and shown in the Operating Cost Statement.

When a scheme is subsequently withdrawn from the Secretary of State's road programme, cumulative design expenditure is written off to the Operating Cost Statement. Any retained land and property is transferred to land and buildings and valued as an asset held for resale. Network assets in the course of design or construction are capitalised at the lower of actual and expected standard cost.

Operating software is capitalised with the value of the hardware supporting it, as a tangible fixed asset. Applications software is capitalised separately as an intangible fixed asset.

Notes to the Departmental Resource Accounts *(continued)*

Valuation
Freehold land and buildings are restated to current value using professional valuations, in accordance with *FRS 15 – Tangible Fixed Assets* every five years; values are adjusted using appropriate indices in intervening years except Channel Tunnel Rail Link (CTRL) land which is not valued by professional valuers (Note 24.6). Assets held for resale (Dwellings), being land and property released from road schemes, are valued at open market value, less provision for selling costs. All other tangible fixed assets except Database development (these assets are stated at cost) are restated to current value each year using appropriate indices.

The network infrastructure, which is intended to be maintained at a specific level of service potential by continuing replacement and refurbishment, is valued at depreciated replacement cost. Between valuations, the assets are adjusted annually using the following indices:

- Roads and structures: ROCOS (resource cost index of road construction);
- Land: based on VOA property market reports.

ROCOS is published on a quarterly basis by the Department of Trade and Industry (DTI) and the land indices are published every six months by the Valuation Office Agency (VOA).

Network assets are valued by reference to internal costings and physical asset records. The estimated unexpired life of the network is reassessed annually and the valuation adjusted, if required.

1.7 Depreciation
Network Assets
A modified version of renewals accounting, as described in the *Resource Accounting Manual*, is applied to calculate the depreciation for those network assets which meet the renewals criteria. Assets that qualify for renewals accounting are not depreciated; instead, expenditure incurred in maintaining the operating capacity of assets is expensed as a proxy for depreciation. In addition, an annual condition survey of assets is undertaken, and the value of any material variation in operating condition shown by the survey is taken to the Operating Cost Statement as an impairment charge or an improvement credit. The following network asset components are subject to renewals accounting:

- surface layer of flexible pavements;
- sub-pavement layer of determinate life pavements;
- fencing, drainage, lighting signage, kerbs, footways;
- road markings and studs;
- rigid concrete pavements.

All other network assets and definable components, with determinable finite lives, are depreciated at rates calculated to write off the assets over their expected useful lives on a straight line basis, as follows:

road bridges, tunnels and underpasses, road culverts, retaining walls and gantries;	20 to 120 years
road communications assets.	15 to 50 years

Expenditure incurred on network structures and communications assets is capitalised, to the extent that it restores the service potential of the asset that has previously been consumed and reflected in depreciation.

Notes to the Departmental Resource Accounts *(continued)*

The following network components are considered to have an indefinite life and are not depreciated:

- freehold land;
- sub pavement layer of long life pavements;
- earthworks.

Non-Network Assets
Freehold land is not depreciated. Assets in the course of construction, and residual interests in off-balance sheet PFI contract assets, are not depreciated until the relevant asset is brought into use or reverts to the Department, respectively. Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets on a straight line basis. Asset lives are normally in the following ranges:

—	Freehold or leasehold buildings	Up to 60 years or length of lease
—	Plant, equipment and computers	3 to 10 years
—	Purchased software	Up to 10 years
—	Furniture and fittings	10 years
—	Vehicles	4 to 10 years
—	Winter maintenance equipment	25 years
—	Communications equipment	15 to 25 years
—	Database development costs	5 years
—	Structural steelwork	10 years
—	Web Portals	10 years
—	Assets in storage	No depreciation
—	Assets under construction	No depreciation

Assets in storage include overhead gantries and become a network asset once issued from stores. These are kept in controlled conditions and do not deteriorate. They have a design life in excess of 60 years. Whilst not depreciated, they are subject to an annual impairment review.

1.8 Intangible Fixed Assets
Purchased computer software licences are capitalised as intangible fixed assets. These are valued at historic cost and are amortised over 3-5 years on a straight-line basis over their useful life.

1.9 Research and Development
Expenditure on research is not capitalised. Expenditure on development in connection with a product or service, which is to be supplied on a full cost recovery basis, is capitalised if it meets the criteria specified in the *RAM*. Other development expenditure is capitalised if it meets the criteria specified in the *RAM*. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

1.10 Investments
Investments comprise holdings that the Department intends to retain for the foreseeable future and are therefore treated as fixed asset investments. All loans and issued Public Dividend Capital are shown at historical cost. Investments may either be equity investments, held in the name of Secretary of State, or medium or long term loans made with the intention of providing working capital or commercial support.

Amounts owed by the Department to the National Loans Fund are included in creditors in the balance sheet at historic cost. The Secretary of State's holdings in companies in the form of special shares are each valued at a nominal value of £1 and are included in Note 14 to the accounts.

Notes to the Departmental Resource Accounts *(continued)*

1.11 Stock and Work in Progress
Stock is valued at cost, or replacement cost, where materially different. Long term stock holdings for special structures (such as tunnels and bridges), where there are no recent purchases, are valued at estimated replacement cost. Where excess or obsolete stock holdings have been identified, a provision has been made to reduce the carrying value to the estimated net realisable value. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.12 Provision for Liabilities and Charges
The Department makes provision for liabilities and charges in accordance with FRS 12 *Provisions, Contingent Liabilities and Contingent Assets* where, at the balance sheet date, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk adjusted cash flows are discounted using the Treasury model.

1.13 Contingent Liabilities
In accordance with FRS12, the Department 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 Department's control, unless their likelihood is considered to be remote.

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department also discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and,
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statue or where material in the context of resource accounts) that are required by the *Resource Accounting Manual* to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under FRS 12, are stated as discounted amounts and the amount reported to Parliament is noted separately. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.14 Pensions
Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in Note 2. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

Pension benefits to Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). Further details are provided in Note 2 to the accounts.

1.15 Early Departure Costs
The Department is required to pay the additional cost of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years.

Notes to the Departmental Resource Accounts *(continued)*

1.16 Operating Income

Operating income is income that relates directly to the operating activities of the Department. Principally, it comprises:

- fees and charges for work carried out on a full cost basis to external customers in both public and private sectors;
- rental income from properties acquired for road schemes which have yet to be disposed of;
- receipts from third parties for claims for damage to the motorways and trunk roads;
- cost recoveries from Midland Expressway Limited relating to M6 toll road; and
- other investment income.

It includes not only income appropriated-in-aid of the Estimate but also income, payable to the Consolidated Fund, authorised by HM Treasury to be treated as operating income. It is stated net of VAT.

1.17 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury. Administration costs reflect the costs of running the Department, as defined under the administration cost control regime, together with the associated operating income. Income is analysed in the Notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department.

1.18 Grants Payable

Grants payable are recognised in the period in which the underlying event or activity giving entitlement to the grant occurs. Where conditions, such as a specific milestone attaching to a grant, are waived then the amount is treated as having been incurred.

1.19 Capital Charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% in real terms on;

- the opening values of fixed assets, adjusted for effects of any in year revaluations and adjusted pro rata for in year additions at cost, disposals and permanent impairments in the year;
- the average values of all other assets less liabilities, except for cash balances with the Office of Paymaster General, and amounts to be surrendered to the Consolidated Fund, where the charge is nil, the Department's investments, where the rate of return is higher than the HM Treasury standard rate, where the rate used is the rate of return.

1.20 Value Added Tax

Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to Fixed Assets. Income and expenditure are otherwise shown net of VAT.

1.21 Foreign Exchange

Transactions in year that are denominated in a foreign currency are recorded in sterling at an average rate of exchange. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. The resulting translation differences are charged to the Operating Cost Statement.

Notes to the Departmental Resource Accounts *(continued)*

1.22 Private Finance Initiative (PFI) Transactions

PFI transactions have been accounted for in accordance with the HM Treasury's Technical Note No 1 Revised: '*How to Account for PFI Transactions*'.

Where the balance of the risks and rewards of ownership of the PFI property is borne by the Department, the property is recognised as a fixed asset and the liability to pay for it accounted for as a finance lease. The asset and liability are both initially recorded at the fair value of the property and the asset is subsequently revalued and depreciated in accordance with accounting policies 1.6 and 1.7. The liability, after inclusion of imputed finance charges, is reduced as payments for the property are made. The remainder of the PFI payment (i.e. the full contract payment, less the capital repayment and the imputed financing charges) are recorded as a service charge in operating cost statement.

Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets that result in lower service charge payments, a prepayment for their fair value is recognised and subsequently charged as an operating cost over the life of the PFI contract.

Where, at the end of a PFI contract, all or part of the property reverts to the Department for a specified value, the difference between the expected fair value of the residual asset on reversion at the start of the contract and any agreed payment on reversion is built up over the life of the contract to ensure proper allocation of payments between the cost of services under the contract and acquisition of the residual interest. Capitalisation of residual interest is a disclosure within the Tangible Fixed Assets under Payments on Account and Assets under construction.

1.23 Leases

Rentals under operating leases are charged to the Operating Cost Statement on a straight line basis over the term of the lease. Where the substantial risk and rewards of ownership are borne by the Department, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding.

2. Staff Numbers and Costs

2.1 Staff costs

Staff costs consist of:

			2004-05		2003-04 (restated)
	Total	Officials	Ministers	Special Advisers	Total
	£000	£000	£000	£000	£000
Wages and salaries	157,849	157,602	161	86	142,093
Social security costs	13,523	13,498	16	9	11,807
Other pension costs	21,713	21,706	–	7	20,507
	193,085	192,806	177	102	174,407
Agency and contracted out staff	9,829	9,829	–	–	8,912
Inward secondments	26	26	–	–	64
Total	202,940	202,661	177	102	183,383
Less amount capitalised	(12,649)	(12,649)	–	–	(8,093)
Total Net Costs	**190,291**	**190,012**	**177**	**102**	**175,290**

Notes to the Departmental Resource Accounts *(continued)*

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Department is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2004. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004-05, employers' contributions of £22,714,053 were payable to the PCSPS (2003-04 £19,858,049 (restated)) at one of four rates in the range 12-18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years, following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining the Department after 1 October 2002 could opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £51,304 (£30,137 2003-04 restated) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions of up to 3 per cent of pensionable pay. In addition, employer contributions of £6,427 (£2,270 2003-04 restated), representing 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement for relevant employees. No contributions were due to the partnership pension providers at the balance sheet date. There were no contributions prepaid at the balance sheet date.

Five people retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £10,180 (2003-04 £3,028).

2.2 Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the year is shown in the following table. The figures include those persons working in the core Department and its Agencies, as included within the consolidated Departmental resource account.

				2004-05 Number				2003-04 Restated
Objective[1]	Total	Ministers	Special Advisers	Senior Management	Officials	Staff on inward secondment	Agency, temporary & contract staff	Total
1	281	0.31	0.15	0.48	189	4.06	87	218
2	165	0.31	0.15	0.10	151	0.84	12	143
3	21	0.31	0.15	0.05	13	0.19	7	22
4	130	0.31	0.15	0.48	112	1.35	16	107
5	76	0.31	0.15	0.20	52	0.54	23	55
6	1,041	0.31	0.15	4.31	948	0.98	88	997
7	143	0.31	0.15	0.75	113	0.83	28	94
8	100	0.31	0.15	0.13	95	0.41	4	103
9	2,717	0.31	0.15	14.83	2,568	1.92	131	2,655
10	391	0.31	0.15	0.99	349	0.34	41	314
11	252	0.31	0.15	0.95	223	0.92	27	254
12	231	0.31	0.15	0.90	200	0.68	29	200
13	139	0.31	0.15	0.84	93	0.29	44	85
Total	**5,687**	**4**	**2**	**25**	**5,106**	**13**	**537**	**5,247**

[1] The objectives referred to above are those shown in Schedule 5.

Notes to the Departmental Resource Accounts *(continued)*

2.3 Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Department's Ministers and Board Members.

Remuneration:

Ministers	2004-05 Salary	2003-04 Salary
	£	£
Rt Hon Alistair Darling MP Secretary of State	72,861	71,433
Dr Kim Howells MP Minister of State to 9 September 2004	18,898	28,163
Tony McNulty MP Minister of State from 10 September 2004 Parliamentary Under Secretary of State to 9 September 2004	33,242	22,346
David Jamieson MP Parliamentary Under Secretary of State	28,688	28,125
Charlotte Atkins MP[1] Parliamentary Under Secretary of State from 10 September 2004	–	–

[1] Charlotte Atkins received her salary from the Cabinet Office

Officials	2004-05 Salary	2003-04 Salary
	£000	£000
David Rowlands Permanent Secretary	155-160	150-155
Rachel Lomax Permanent Secretary (to 1 June 2003)	–	50-55
Robert Devereux Director General	110-115	110-115
Stephen Hickey Director General	115-120	105-110
Sue Killen Director General (from 1 December 2003)	100-105	30-35
Willy Rickett Director General (to 30 September 2004)	65-70	130-135
Simon Webb Director General (from 1 October 2004)	65-70	–
Archie Robertson[1] Chief Executive Highways Agency	–	–
Alastair Lyons[3] Non-Executive	–	–
Ann Hemingway[3] Non-Executive	–	–
Joe Montgomery[2] Non-Executive	–	–

[1] The salary and pension details of the Chief Executive is disclosed in the separately published accounts of the Agency.
[2] Joe Montgomery is a Director General of the Office of the Deputy Prime Minister (ODPM). His salary and pension details are disclosed in the separately published accounts of ODPM. He received no fees for his membership of the DfT Board.
[3] The following fees were paid to the non-executive members of the Board: Alastair Lyons £25,000, (including a fee for his position as Chairman of the Audit Committee), Ann Hemingway £10,000. Ann Hemingway is also a member of the Highways Agency Advisory Board (to May 2005) and DVO Board. Her total fees for 2004-05 were in the £25-30k band.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Notes to the Departmental Resource Accounts *(continued)*

This presentation is based on payments made by the Department and recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as MPs £57,485 (2003-04 £56,359), and various allowances to which they are entitled, are borne centrally. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is shown in full in the above figures. However, the arrangement for the Department's representatives in the House of Lords, Lord Davies of Oldham and Lord Triesman, is different and their remuneration is not borne by the Department.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. David Rowlands had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code. This benefit, £9,156 (2002-03 £6,600), along with fuel was charged to tax under section 163 of the Income and Corporation Taxes Act 1988. No other Officials or Ministers received any benefits in kind in either year.

Pension Benefits:

Ministers	Real increase in pension at age 65	Accrued pension at age 65 at 31 March 2005	Cash Equivalent Transfer Value at 31 March 2005	Cash Equivalent Transfer Value at 31 March 2004	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
Rt Hon Alistair Darling MP Secretary of State	0-2.5	10-15	122	102	14
Dr Kim Howells MP Minister of State	0-2.5	5-7.5	57	52	3
Tony McNulty MP Minister of State	0-2.5	2.5-5	28	20	3
David Jamieson MP Parliamentary Under Secretary of State	0-2.5	2.5-5	55	46	5
Charlotte Atkins MP[1] Parliamentary Under Secretary of State	–	–	–	–	–

[1] Charlotte Atkins received her salary from the Cabinet Office

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). This is a statutory scheme, made under Statutory Instrument SI 1993 No 3253, as amended.

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an average salary basis, with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those individuals who are not MPs, on retirement from Ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their Ministerial salary if they have opted for the 1/50th accrual rate, and 9% if they have opted for the 1/40th accrual rate.

There is currently also an employer contribution paid by the Exchequer, representing the balance of cost. This is currently 24% of the Ministerial salary.

Notes to the Departmental Resource Accounts *(continued)*

Cash Equivalent Transfer Value (CETV)
This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is intended to cover a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme, or an arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in the Value of the CETV
This takes account of the increase in accrued pension due to inflation and contributions paid by the Minister, and is calculated using common market valuation factors for the start and end of the period.

Civil Service Pensions
Officials

	Real increase in pension and lump sum at age 60	Accrued pension at age 60 at 31 March 2005 and related lump sum	Cash Equivalent Transfer Value at 31 March 2005	Cash Equivalent Transfer Value at 31 March 2004	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
David Rowlands	0-2.5 plus 2.5-5 lump sum	55-60 plus 170-175k lump sum	1,000	963	20
Simon Webb	0-2.5 plus 2.5-5 lump sum	45-50 145-150k lump sum	777	727	18
Robert Devereux	2.5-5 plus 7.5-10 lump sum	35-40 plus 105-110k lump sum	529	464	37
Stephen Hickey	0-2.5 plus 2.5-5 lump sum	40-45 plus 125-130k lump sum	744	683	22
Sue Killen	2.5-5 plus 12.5-15 lump sum	30-35 plus 90-95 lump sum	436	346	66
Willy Rickett	0-2.5 plus 0-2.5 lump sum	45-50 plus 135-140 lump sum	750	709	10
Archie Robertson[1]	–	–	–	–	–

[1] The salary and pension details of the Chief Executive is disclosed in the separately published accounts of the Agency.

Pension benefits are provided through the Civil Service Pensions arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded, with the cost of benefits met by monies voted each year by Parliament. Pensions payable under classic, premium and classic plus schemes are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of the premium scheme or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Notes to the Departmental Resource Accounts *(continued)*

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic, and 3.5% for premium and classic plus schemes. Benefits in the classic scheme accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium schemes, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the classic scheme, there is no automatic lump sum (but members may commute some of their pension to provide a lump sum). The classic plus scheme is essentially a variation of the premium scheme, but with benefits in respect of service before 1 October 2002 calculated broadly on the basis of the classic scheme.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic annual contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. Employees do not have to contribute but, where they do make contributions, the employer will match these amounts up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details of the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service to which disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. The figures also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV
This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Notes to the Departmental Resource Accounts *(continued)*

3. Other Administration Costs

		2004-05	2003-04 (restated)
		£000	£000
Rentals under operating leases:			
Hire of plant and machinery		522	510
Other operating leases		19,704	16,687
		20,226	17,197
Research and development expenditure		273	–
Non cash items:			
Depreciation – Note 4			
Civil estate[1]	138		83
Other tangible fixed assets[1]	9,336		8,486
Amortisation – intangible fixed assets – Note 13	1,202		639
(Profit)/loss on disposal of fixed assets	12		–
Impairment of tangible fixed assets – Note 12	1,262		–
Cost of capital charge			
Civil estate	–		–
Other items	1,577		1,725
Auditor's remuneration and expenses:			
Audit work	655		775
Non-Audit work	–		–
Provisions:			
Provided in the year – Note 21 (viii)	295		900
Bad Debts	(39)		26
Subtotal – Non cash items – Note 3(i)		14,438	12,634
Other expenditure – Note 3(ii)		65,040	72,743
Total		**99,977**	**102,574**

[1] See footnote to Note 4.

Note 3 (i) – the total of non cash transactions is included in the reconciliation of operating costs to operating cash flows in Schedule 4 and comprises:

	2004-05
	£000
Administrative non cash costs as per Note 3	14,438
Programme non cash costs as per Note 4	3,093,716
Total non-cash transactions included in the reconciliation of resources to cash requirements in Schedule 1 and in the reconciliation of operating costs to operating cash flows in Schedule 4.	**3,108,154**

Notes to the Departmental Resource Accounts *(continued)*

Note 3 (ii) – Analysis of other expenditure

	2004-05	2003-04 (restated)
	£000	£000
Communication	5,793	7,615
Consultancy	9,479	12,159
Information technology	3,645	5,330
Maintenance	2,994	1,308
Professional services	5,744	4,307
Recruitment and training	6,270	5,093
Rent, rates and building costs	10,948	12,084
Stationery, postage and printing	2,605	3,679
Support services	2,810	3,592
Travel and subsistence	7,698	7,562
Other costs	7,054	10,014
Total	**65,040**	**72,743**

4. Net Programme Costs

		2004-05	2003-04 (restated)
		£000	£000
Current grants and other current expenditure		8,065,314	8,169,322
Research and development expenditure		64,918	13,393
Interest on PFI finance leases		53,191	54,466
PFI related: DBFO shadow tolls		141,184	134,606
Non cash items:			
Cost of capital charge on Civil Estate	1,620		–
Cost of capital charge on Other Items	2,249,674		2,063,249
Depreciation on Tangible Fixed Assets[1]	212,783		343,550
Amortisation on Intangible Fixed Assets - Note 13	848		195
Loss/(profit) on sale of fixed assets (net)	1,989		472
Impairment of tangible fixed assets - Note 12	6,912		–
Write down in value of fixed assets[2]	393,377		209,410
Auditor's remuneration and expenses	101		44
Provisions - Note 21	86,208		899,026
Unwinding discount - Note 21	134,967		137,513
Provision for doubtful debt	5,237		1,421
Subtotal - Non cash items - Note 3 (i)		3,093,716	3,654,880
Interest on NLF Loan		625	668
Schedule 2		11,418,948	12,027,335
Less: programme income		(415,539)	(386,362)
Total		**11,003,409**	**11,640,973**

[1] The figure for depreciation in Note 12 of £222,257,000 (2003-04 £352,119,000 (restated)) comprises programme depreciation £212,783,000, civil estate £138,000 and administration - other £9,336,000.
[2] This relates to Highways Agency. Note 12

Notes to the Departmental Resource Accounts *(continued)*

5 Income and Appropriations in Aid

Operating Income

Operating income not appropriated in aid (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 7).

	2004-05 Reconciliation of Operating Income to Operating Cost Statement				
	Resource Outturn Appropriations in Aid	Netted off gross expenditure in sub-head	Payable to National Loans Fund	Payable to Consolidated Fund	Total
	£000	£000	£000	£000	£000
Operating income, analysed by classification and activity, is as follows:					
Administration income					
Fees and charges to external customers	3,583	–	–	3,376	6,959
Fees and charges to other departments	14,119	–	–	–	14,119
	17,702	–	–	3,376	21,078
Programme income					
EU funding	–	35,151	–	2,034	37,185
Severn Bridge subordinated loan	–	–	–	5,426	5,426
Other income	285,466	–	–	53,365	338,831
Dividend and interest	27,728	–	625	5,744	34,097
	313,194	35,151	625	66,569	415,539
Total	**330,896**	**35,151**	**625**	**69,945**	**436,617**

	2004-05	2003-04 (restated)
	£000	£000
Operating income	21,078	32,678
EU Funding (A-in-A)	–	15,399
Other income (including CFERS and Dividend income)	387,519	363,269
Interest receivable	28,020	7,694
Total – Schedule 2	**436,617**	**419,040**

Notes to the Departmental Resource Accounts *(continued)*

2003-04 (restated)
Reconciliation of Operating Income to Operating Cost Statement

	Resource Outturn Appropriations in Aid	Payable to National Loans Fund	Payable to Consolidated Fund	Total
	£000	£000	£000	£000
Operating income, analysed by classification and activity, is as follows:				
Administration income				
Fees and charges to external customers	13,615	–	5,470	19,085
Fees and charges to other departments	13,593	–	–	13,593
Transfer of function from ODPM:				
– Estimate Cover A in A	(579)	–	579	–
	26,629	–	**6,049**	**32,678**
Programme income				
EU Funding	15,339	–	5,410	20,749
Severn Bridge subordinated loan	–	–	4,993	4,993
Other income	273,583	–	51,150	324,733
Profit on sale of fixed assets	1,107	–	–	1,107
Excess A in A	(5,814)	–	5,814	–
Dividend and interest	4,401	668	29,711	34,780
Total	**315,245**	**668**	**103,127**	**419,040**

Services provided to external and public sector customers can be analysed as follows:

	2004-05			2003-04		
	Income	Full cost	Surplus/ (deficit)	Income	Full cost	Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Vehicle Certification Agency						
Product Certification	3,457	3,575	(118)	3,274	3,504	(230)
Management Systems Certification	1,701	1,939	(238)	2,004	2,031	(27)
DfT (c) and DTI	1,506	1,461	45	1,500	1,446	54
DVO Funding	30	30	–	163	163	–
Other	637	559	78	647	581	66
Totals	**7,331**	**7,564**	**(233)**	**7,588**	**7,725**	**(137)**
Maritime and Coastguard Agency						
Statutory Services	6,390	6,809	(419)	6,253	6,393	(140)
Operational Services	797	1,359	(562)	546	851	(305)
Other Services	1,246	1,279	(33)	1,515	1,384	131
Other Income	1,662	1,543	119	2,873	2,859	14
Totals	**10,095**	**10,990**	**(895)**	**11,187**	**11,487**	**(300)**

Notes to the Departmental Resource Accounts *(continued)*

	2004-05			2003-04		
	Income	Full cost	Surplus/ (deficit)	Income	Full cost	Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Highways Agency						
Rental Income	2,833	6,106	(3,273)	5,025	1,896	3,129
Third Party Claims	9,700	9,980	(280)	6,057	8,076	(2,019)
Other	5,546	2,031	3,515	17,159	–	17,159
Road contract income (S278 schemes)	16,183	16,183	–	20,345	20,345	–
Severn Bridge subordinated loan interest	5,426	–	5,426	4,993	–	4,993
Midland Expressway Ltd and other interest income	7,287	2,155	5,132	11,170	6,255	4,915
EU grant income	2,034	2,034	–	5,410	5,410	–
Totals	**49,009**	**38,489**	**10,520**	**70,159**	**41,982**	**28,177**

The purpose of the above table is to comply with the disclosure requirements of HM Treasury Fees and Charges guide and not SSAP 25 – *Segmental reporting*.

Non-Operating Appropriations in Aid

	2004-05	2003-04 (restated)
	£000	£000
Principal repayment of voted loans	808	2,763
Disposals of fixed assets	9,682	4,756
Total - Schedule 1	**10,490**	**7,519**

6. Resource (or Administration) Cost Limits

The outturn shown against individual administration cost limits is as follows:

	2004-05		2003-04 (restated)	
	Outturn	Limits	Outturn	Limits
	£000	£000	£000	£000
Request for Resources	229,236	239,853	234,908	249,954
Totals within administration costs control	**229,236**	**239,853**	**234,908**	**249,954**
Administration income allowable within the administration cost limit	(17,034)	(18,883)	(15,876)	(14,782)
Total administration outturn	212,202	220,970	219,032	235,172

The Limits are set out in the Supply Estimates for 2004-05 (HC 424).

Notes to the Departmental Resource Accounts *(continued)*

7. Other Income Payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Department and is payable to the Consolidated Fund.

	2004-05		2003-04 (restated)	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts – Excess Appropriations in Aid	31,607	–	6,393	–
Non-Operating income and receipts – Excess Appropriations in Aid	5,270	–	–	–
Other operating income and receipts not classified as Appropriations in Aid	38,338	52,602	96,734	41,246
Subtotal	75,215	52,602	103,127	41,246
Other non-operating income and receipts not classified as Appropriations in Aid	4,070	5,956	6,986	3,077
Other amounts collectable on behalf of the Consolidated Fund	108,347	108,347	4,097	4,097
Total Income payable to the Consolidated Fund	**187,632**	**166,905**	**114,210**	**48,420**

8. Reconciliation of Net Operating Cost to Control Total and Net Resource Outturn

	2004-05	2003-04 (restated)
	£000	£000
Net Operating Cost *	11,253,056	11,887,925
Remove non-supply expenditure and income, including income scored as Consolidated Fund Extra Receipts (CFERS):		
– Operating income not classified as A in A.	69,945	103,127
Net Resource Outturn *	**11,323,001**	**11,991,052**

*Net Operating Cost is the net total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net Resource Outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate (Schedule 2). The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1).

Notes to the Departmental Resource Accounts *(continued)*

9. Analysis of Net Operating Cost by Spending Body

		2004-05	2003-04 (restated)
	Budget	Outturn	Outturn
	£000	£000	£000
Spending Body:			
Core Department	1,000,531	873,215	1,793,063
Non-Departmental Public Bodies	3,714,875	3,194,901	3,356,417
Local Authorities	2,835,697	2,739,045	2,771,998
Other Bodies	57,446	170,729	17,332
Highways Agency	4,173,564	4,157,427	3,839,469
MCA	117,613	117,238	109,480
VCA	473	501	166
Total	**11,900,199**	**11,253,056**[1]	**11,887,925**

[1] See Schedule 2

The Majority of the £920m difference between Outturn for 2004-05 compared to 2003-04 is attributable to the fact that the earlier year included the cost of an increase in the provision for Channel Tunnel Rail Link of £882,455,000. There was no significant, comparable change in the provision in 2004-05.

Notes to the Departmental Resource Accounts *(continued)*

10. Analysis of Net Resource Outturn by Function and Reconciliation to Operating Cost Statement

RfR		Admin 2004-05 £000	Other Current £000	Grants £000	Gross Resource Expenditure £000	Appropriations in Aid £000	Net Total £000	Estimate £000	Net Total Outturn compared with Estimate £000	**2003-04 Net Total (restated) £000**
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government Expenditure									
A	Ports and Shipping Services	–	15,235	880	16,115	(1,297)	14,818	14,694	124	**8,559**
B	Maritime and Coastguard Agency	–	127,460	–	127,460	(9,203)	118,257	116,972	1,285	**110,986**
C	Aviation Services	–	31,383	10,368	41,751	(53,556)	(11,805)	23,067	(34,872)	**15,164**
D	Transport Security and Royal Travel	–	5,793	5,384	11,177	–	11,177	14,757	(3,580)	**11,270**
E	Highways Agency	94,823	1,763,816	–	1,858,639	(37,168)	1,821,471	1,831,267	(9,796)	**1,755,825**
F	Publicity and Advice	–	16,081	13,487	29,568	(1)	29,567	28,668	899	**20,110**
G	Research	–	21,913	–	21,913	(155)	21,758	23,906	(2,148)	**26,016**
H	Statistics, Censuses and Surveys	–	10,964	119	11,083	(16)	11,067	10,385	682	**8,084**
I	Consultancies and Other Services for Roads and Local Transport	–	4,690	500	5,190	(24)	5,166	5,642	(476)	**7,759**
J	Mobility and Inclusion Unit	–	857	2,215	3,072	(22)	3,050	3,768	(718)	–
K	Strategic Transport Studies	–	781	–	781	(232)	549	1,200	(651)	**2,694**
L	Railways	–	(24,099)	274,551	250,452	(104)	250,348	323,500	(73,152)	**336,302**
M	Commission for Integrated Transport	–	422	–	422	–	422	800	(378)	**668**
N	Water Freight Grants	–	246	3,286	3,532	–	3,532	7,338	(3,806)	**9,108**
O	Bus Service Operators Grant	–	362,109	967	363,076	–	363,076	365,740	(2,664)	**344,263**
P	Vehicle Exercise Duty Enforcement	–	–	–	–	(32,107)	(32,107)	(35,110)	3,003	–
Q	Vehicle and Traffic Enforcement	–	1,098	37	1,135	–	1,135	1,127	8	**1,260**
R	Vehicle Certification Agency	–	7,834	–	7,834	(7,333)	501	(36)	537	**234**
S	PowerShift and Clean Up	–	20,938	–	20,938	–	20,938	23,480	(2,542)	**26,221**
T	Dartford River Crossing	–	39	–	39	(69,528)	(69,489)	(67,000)	(2,489)	**(69,083)**
U	Driving Standards Agency Trading Fund	–	561	–	561	(673)	(112)	1	(113)	**4,054**
V	Vehicle and Operator Service Agency Trading Fund	–	–	–	–	(2,533)	(2,533)	1	(2,534)	**9,493**
W	Vehicle and Operator Service Agency Enforcement	–	19,467	1,014	20,481	(751)	19,730	17,335	2,395	**25,838**
X	Central Administration	134,413	18,146	–	152,559	(14,542)	138,017	144,326	(6,309)	**119,249**
Y	Trans European Network Payments for Transport	–	(224)	–	(224)	–	(224)	3	(227)	**76**
Z	Haulage efficiency and modernisation projects (net)	–	1,997	–	1,997	–	1,997	2,700	(703)	–
2003-4	Road Haulage Modernisation Fund	–	–	–	–	–	–	–	–	**7,803**
2003-4	Driver and Vehicle Licensing Agency	–	–	–	–	–	–	–	–	–
2003-4	Railtrack plc (in administration)	–	–	–	–	–	–	–	–	**(7,239)**

Notes to the Departmental Resource Accounts *(continued)*

		2004-05								2003-04
		Admin	Other Current	Grants	Gross Resource Expenditure	Approp-riations in Aid	Net Total	Estimate	Net Total Outturn compared with Estimate	**Net Total (restated)**
		£000	£000	£000	£000	£000	£000	£000	£000	**£000**
	Support for Local Authorities									
AA	GLA Transport Grant (resource)	–	–	1,379,375	1,379,375	–	1,379,375	1,379,951	(576)	**1,568,187**
AB	GLA Transport Grant (capital)	–	–	880,771	880,771	–	880,771	880,772	(1)	**980,745**
AC	Other Transport Grants (resource)	–	361	196,520	196,881	–	196,881	214,350	(17,469)	**130,628**
AD	Other Transport Grants (capital)	–	(1,556)	283,184	281,628	–	281,628	353,579	(71,951)	**93,031**
AE	Speed and red-light camera enforcement	–	2,579	94,103	96,682	(96,681)	1	1	–	**1**
	Spending in Annually Managed Expenditure (AME)									
AF	Highways Agency	–	2,347,798	–	2,347,798	–	2,347,798	2,342,297	5,501	**2,117,413**
AG	Railways	–	–	65,159	65,159	–	65,159	71,086	(5,927)	**970,129**
AH	Strategic Rail Authority	–	–	3,215,662	3,215,662	(20,763)	3,194,899	3,714,875	(519,976)	**3,356,417**
AI	EU receipts related to WHO (DVT STUDY)	–	–	–	–	–	–	(200)	200	**(213)**
AJ	Driver and Vehicle Licensing Agency Trading Fund	–	625	205,668	206,293	(902)	205,391	214,435	(9,044)	–
AK	British Transport Police Authority	–	–	18,994	18,994	–	18,994	20,167	(1,173)	–
	Spending in Departmental Expenditure Limits (DEL) Central Government Expenditure									
AL	Driver, Vehicle and Operator Group Central (including loan pool)	–	–	–	–	–	–	–	–	–
AM	Other River Crossings	–	15,104	–	15,104	(14,913)	191	–	191	–
	Other Spending outside Departmental Expenditure Limits									
	Transfers									
	Total	**229,236**	**4,772,418**	**6,652,244**	**11,653,898**	**(362,504)**	**11,291,394**	**12,049,844**	**(758,450)**	**11,991,052**
	Reconciliation to Operating Cost Statement:									
	Excess A-in-A (Note 7)					31,607	31,607		31,607	
	Resource Out-turn	**229,236**	**4,772,418**	**6,652,244**	**11,653,898**	**(330,897)**	**11,323,001**	**12,049,844**	**(726,843)**	**11,991,052**
	Excess A-in-A (Note 7)					(31,607)	(31,607)			
	Other operating income and receipts not classified as A-in-A					(38,338)	(38,338)			**(103,127)**
	Income netted off in gross subhead grossed up in OCS			35,151	35,151	(35,151)	–			
	Net Operating Costs - Schedule 2	**229,236**	**4,772,418**	**6,687,395**	**11,689,049**	**(435,993)**	**11,253,056**			**11,887,925**

Notes to the Departmental Resource Accounts *(continued)*

11. Analysis of the Department's Capital Expenditure, Financial Investment and Associated Appropriations in Aid

	2004-05			
	Capital Expenditure (Note 12 & 13)	Loans & Grant (Note 14)	Appropriations in Aid (Note 5)	Net Total
	£000	£000	£000	£000
Request for Resources	654,930	43,836	(10,490)	688,276
Total	**654,930**	**43,836**	**(10,490)**	**688,276**

	2003-04 (restated)			
	Capital Expenditure	Loans & Grant	Appropriations in Aid	Net Total
	£000	£000	£000	£000
Request for Resources	485,761	20,000	(7,519)	498,242
Total	**485,761**	**20,000**	**(7,519)**	**498,242**

Notes to the Departmental Resource Accounts *(continued)*

12. Tangible Fixed Assets

	Land and Buildings excluding Dwellings	Dwellings	Information Technology	Plant and Machinery	National Trunk Road	Assets under Construc-tion	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
Balance at 1 April 2004	**1,690,494**	**66,073**	**85,436**	**119,873**	**78,822,001**	**970,415**	**81,754,292**
Detrunkings	–	–	–	–	**(1,920,286)**	–	**(1,920,286)**
Restated at 1 April 2004	**1,690,494**	**66,073**	**85,436**	**119,873**	**76,901,715**	**970,415**	**79,834,006**
Prior-year balances adjustment	17,435	1,632	–	102	120,152	(242,908)	(103,587)
Additions	3,484	–	23,887	26,071	–	596,186	649,628
Write-down of additions	–	–	–	–	–	(393,377)	(393,377)
Disposals	(7,452)	(4,656)	(11,055)	(4,569)	–	(653)	(28,385)
Impairment	(4,468)	(1,749)	(1,000)	(957)	–	–	(8,174)
Transfers & Reclassifications	26,175	(18,400)	48,746	3,140	444,962	(507,216)	(2,593)
Revaluation (Note 22)	44,791	3,496	(235)	4,574	4,564,840	–	4,617,466
CTRL Land Increase	86,000	–	–	–	–	–	86,000
At 31 March 2005	**1,856,459**	**46,396**	**145,779**	**148,234**	**82,031,669**	**422,447**	**84,650,984**
Depreciation							
Balance at 1 April 2004	19,663	–	43,715	86,016	11,006,478	–	11,155,872
Detrunkings	–	–	–	–	(266,150)	–	(266,150)
Restated at 1 April 2004	**19,663**	**–**	**43,715**	**86,016**	**10,740,328**	**–**	**10,889,722**
Prior-year balances adjustment	(1,606)	–	–	(2,047)	(8,310)	–	(11,963)
Provided in year	2,928	–	16,827	6,866	195,636	–	222,257
Disposals	(1,670)	–	(10,998)	(4,033)	–	–	(16,701)
Revaluation (Note 22)	1,341	–	(107)	2,822	(1,040,360)	–	(1,036,304)
At 31 March 2005	**20,656**	**–**	**49,437**	**89,624**	**9,887,294**	**–**	**10,047,011**
31 March 2005	**1,835,803**	**46,396**	**96,342**	**58,610**	**72,144,375**	**422,447**	**74,603,973**
31 March 2004 (restated)	**1,670,831**	**66,073**	**41,721**	**33,857**	**66,161,387**	**970,415**	**68,944,284**
Asset Financing:							
Owned	281,703	46,396	74,770	35,404	70,794,960	332,290	71,565,523
On-balance sheet PFI* contracts	1,554,100	–	21,572	23,206	1,349,415	–	2,948,293
PFI residual interests	–	–	–	–	–	90,157	90,157
31 March 2005 (Schedule 3)	**1,835,803**	**46,396**	**96,342**	**58,610**	**72,144,375**	**422,447**	**74,603,973**

*This has been calculated using the original public sector comparator costs indexed up to current prices and includes only those assets built by the Design, Build, Finance and Operate arrangements.

Net total of transfers and reclassifications has been reclassified to Intangible Fixed Assets. (Note 13)

FIXED ASSETS

Land and Buildings includes the valuation of Channel Tunnel Rail Link (CTRL) land (£1,554,100,000). This value is matched exactly by a liability for deferred income, being lease payments due from 2030 to 2086.

In March 2005, International Maritime Organisation (IMO) building was valued professionally by the Valuation Office Agency. The new valuation is based on Existing Use Value £21,850,000 (Market Value is £15,000,000). This valuation was carried out in accordance with the Statement of Asset Valuation Practice and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

The Department recognises the Transport Direct web portal as a fixed asset, as it is used to deliver a service to the public. It became fully functional in January 2005. It is depreciated over ten years, as the algorithms which underpin other journey planning systems are often in excess of this period. The life of this asset will be reviewed each year, in accordance with the *Resource Accounting Manual*.

Notes to the Departmental Resource Accounts *(continued)*

In addition to an increase of £3bn for valuation using ROCOS, a full revaluation of the road network was undertaken during the year by EC Harris, professional surveyors. The valuation was carried out mainly using internal costings and physical asset records provided by the Highways Agency. Certain large structures are valued at historic costs, appropriately indexed, or insurance valuations have been used as the best approximation of replacement cost. The valuation process resulted in a net increase in assets of £1,091m.

A full valuation of the Highways Agency's remaining freehold interests in its motorway services areas was carried out by the Valuation Office Agency as at 31 March 2005. (for further detail on Notes 12.2 and 12.3 see Highways Agency Accounts for 2004-05).

12.2 The Assets Under Construction opening balance has been adjusted by (£242,908,000) for the following reasons:

- there has been a change in an estimation technique for Assets Under Construction costs. Previously these costs were written off at the point when the scheme was completed and its value was transferred into the completed road network. Under the new approach, they are written off over the period of construction. As this is a change in an estimation technique, the adjustment to the opening balance has been made in the current period. The value of this adjustment is (£244,356,000);
- an adjustment of (£1,628,000) to the Reversionary Interest, based on the current net book value of the M6 toll road. This will be built up and indexed over the life of the assets until they revert to the Highways Agency in 2054; less
- an adjustment of £3,076,000 for a scheme that was transferred into the completed trunk road network in a previous year but is still under construction.

The Assets Under Construction capital addition figures include £12,490,000 of capitalised salary costs.

The Asset Under Construction valuation is also adjusted for (£393,377,000) which comprises:

- The write down of assets under construction costs for non TPI schemes of (£246,210,000), this being the excess of capital costs over the standard costs for these schemes; and
- The write down of assets under construction costs for TPI schemes of (£147,167,000),being the excess of capital costs over standard costs.

12.3 The trunk road network balances as at 1 April 2004 have been restated:

i to remove the value of trunk road network assets that have been detrunked and transferred to local authorities, as analysed below:

	General Fund (Note 23)	Revaluation Reserve (Note 22)
	£000	£000
Detrunking	(1,125,432)	(643,280)
Trunking	72,905	41,671
Total	**(1,052,527)**	**(601,609)**

Notes to the Departmental Resource Accounts *(continued)*

ii to reflect amendments to records held on the Highway's Agency's road asset databases, as follows:

- dimensional variance – an adjustment reflecting better information on the dimensions of individual bridges and other structures;
- re-referencing variance – an adjustment arising from the re-measurement of road length; and
- route variation – a valuation adjustment following changes in route management responsibilities.

13. Intangible Fixed Assets

	Total	Software Licences	Development costs
	£000	£000	£000
Cost or valuation			
At 1 April 2004	17,081	16,428	653
Additions	5,302	4,908	394
Transfers	2,593	2,941	(348)
(Disposals)	(608)	(608)	–
Reclassification	(1)	(1)	–
At 31 March 2005	**24,367**	**23,668**	**699**
Amortisation			
At 1 April 2004	2,321	2,321	–
Charged in year[1]	2,050	1,545	505
Disposals	(581)	(581)	–
Revaluations	–	–	–
At 31 March 2005	**3,790**	**3,285**	**505**
Net book value:			
31 March 2005 (Schedule 3)	**20,577**	**20,383**	**194**
31 March 2004 (restated)	**14,760**	**14,107**	**653**

[1] comprises intangible fixed assets of £1,202,000 (Note 3) and programme amortisations of £848,000 (Note 4).

Notes to the Departmental Resource Accounts *(continued)*

14(a) Investments

Public Dividend Capital	Driving & Vehicle Licensing Agency	Vehicle & Operator Services Agency	Driving Standards Agency	Total
	£000	£000	£000	£000
Balance at 1 April 2004	–	28,983	3,475	32,458
DVLA Trading Fund setup	19,048	–	–	19,048
Balance at 31 March 2005	**19,048**	**28,983**	**3,475**	**51,506**

Loans	Vehicle & Operator Services Agency	Driving Standards Agency	Driving & Vehicle Licensing Agency	Mersey Tunnel	Tyne Tunnel	Humber Bridge Board	NATS Group	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2004	34,934	12,433	–	15,845	4,444	337,023	95,000	499,679
Prior Year Adjustment		4	–	–	–	–	–	4
DVLA Trading Fund setup	–	–	18,788	–	–	–	–	18,788
Advances – Schedule 1	6,000	–	–	–	–	–	–	6,000
Capitalisation of Interest	–	–	–	–	–	–	5,612	5,612
Loan repayments	(3,186)	(822)	(1,878)	(1,286)	(1,343)	(1,443)	(191)	(10,149)
Balance at 31 March 2005	**37,748**	**11,615**	**16,910**	**14,559**	**3,101**	**335,580**	**100,421**	**519,934**

National Loans Fund	Civil Aviation Authority	Kings Lynn Harbour Conserv-ancy	Total
	£000	£000	£000
Balance at 1 April 2004	7,628	58	7,686
Repayable within 12 months – Note 17	(655)	(3)	(658)
Balance at 31 March 2005	**6,973**	**55**	**7,028**

Total investments at 31 March 2005 (Schedule 3)	£578,468,000
Total investments at 31 March 2004 (Schedule 3)	£539,823,000

Under the Humber Bridge (Debts) Order 1998, interest on £240m of the £359m principal due was suspended on 1 April 1998; thereafter, the proportion of the debt being charged with interest increases each year until the whole principal again becomes subject to interest charge. At 31 March 2005, the amount of suspended debt was £167m.

The dividend on Public Dividend Capital is surrendered to the Consolidated Fund and is included as income and expenditure in Schedule 2.

Other investments:
The Secretary of State holds the following shares:

i Stena Line Ltd (£1 Preference share). Disposal of the whole or a material part of the company's fleet, specified as 25%, requires the Secretary of State's consent under rights conferred by the preference share.

ii 1 Special Share of £1 in Eurostar (UK) Ltd. Amendments of any kind to the Memorandum and Articles of Association affecting the rights of the special share require the prior written consent of the Secretary of State. This includes a resolution for the winding up of the company and the carrying on of any business other than the existing activities of the company.

Notes to the Departmental Resource Accounts *(continued)*

iii 1 special participating share of £1 in Inter-Capital and Regional Rail Ltd. To the extent that there are profits available for distribution, the Secretary of State is entitled to receive 5% of any dividend or distribution declared. The Secretary of State may refuse the transfer of shares under certain defined circumstances.

iv 1 Special share of 25 pence in London & Continental Railways Ltd. The share confers certain rights to re-acquire shares if any shareholder acquires a controlling interest.

v The Secretary of State is a member of HR Wallingford Group Ltd., a company limited by guarantee. Disposal of surplus assets and the alteration of the Memorandum of Association relating to assets and distribution of income and property require the prior written consent of the Secretary of State.

vi 1 special share in NATS Holdings Ltd., which confers certain rights upon the Secretary of State, restricting the creation, issuing, purchase and redemption of shares and any changes to the rights of the issued share capital, entitling the special shareholder to certain rights on the winding up of the company and preventing the removal of any director appointed by a crown representative. All the shares are held directly.

vii 1,030,725 shares of 25p each in Railtrack Group Plc. These shares are the residual holding remaining following the distribution of bonus shares to eligible shareholders. Railtrack Group's shares were de-listed on 27 December 2002 and ceased trading on the London Stock Exchange on that date. The company's remaining assets were realised by the joint liquidators.

viii One redeemable special share of £1 in Union Railways (North) Ltd, which is a subsidiary of London and Continental Railways Ltd. The share carries the right to appoint a director and prior consent rights. This share was transferred from Railtrack Group Plc in summer 2002, as a result of a restructuring of the Channel Tunnel Rail Link arrangements.

14(b) Joint Venture

On 26 October 2004, the Secretary of State acquired the beneficial interest of SRA Investment Company Limited ("SICL"), a company limited by shares and incorporated in England and Wales under the number 4212658. SICL holds 50% of the shareholding of Cross London Rail Links Limited (CLRL), a company limited by shares and incorporated in England and Wales under the number 4212657. CLRL was established in 2001 to develop proposals for a new East-West cross-London rail link. SICL undertakes no activities other than holding the Secretary of State's interest in CLRL.

The Department's share in CLRL's assets has not been included within the Department's accounts but is disclosed by way of a note below.

Share of Profit and Loss in Joint Venture

	2004-05 50% share	**2003-04** 50% share
	£000	£000
Share of costs	22,033	15,793
Grant Income	(22,005)	(15,774)
	28	19
Share of interest receivable	(28)	(19)
Profit/(Loss) for the financial year	–	–

Notes to the Departmental Resource Accounts *(continued)*

Share of Net Assets in Joint Venture

	2004-05 50% share	2003-04 50% share
	£000	£000
Fixed assets	736	675
Current assets	4,386	3,836
Liabilities due within one year	(4,547)	(4,024)
Liabilities due after more than one year	(575)	(487)
Net Assets	–	–

14(c) Investment in Associate.

On 26 July 2001, the Government sold 46% of the shares in NATS Holdings Ltd to the Airline Group Ltd. An additional 5% of the shareholding was transferred to the Employee Share Ownership Trust. The Government's remaining 49% interest is treated as an investment in an associate.

The company's role is to plan, provide and operate an integrated air traffic service covering the en-route terminal area, approach and airport air traffic control operations in UK airspace. It also provides air traffic control services over the eastern part of the North Atlantic. These air traffic control, aeronautical information and other services to aviation are supported by a network of communications, surveillance and navigational aids, and by a computer based infrastructure, which includes flight and radar data processing systems.

Share of Profit and Loss in Associate
Schedule 2

	2004-05 49% share	2003-04 49% share
	£000	£000
Share of turnover	313,054	293,617
Share of operating profit	62,985	56,575
Share of exceptional item – staff costs and loss on restructuring of debt	(1,756)	(27,018)
Share of operating profit in Associate	61,229	29,557
Interest payable	(29,943)	(28,667)
Taxation	(11,743)	(2,656)
Profit/(loss) for the financial year – Schedule 2	**19,543**	**(1,766)**

Share of Net Assets in Associate

	2004-05 49% share	2003-04 49% share
	£000	£000
Fixed assets	429,342	420,712
Current assets	135,952	130,403
Liabilities due within one year	(51,500)	(38,881)
Liabilities due after more than one year	(394,371)	(415,727)
Provisions for liabilities and charges	(59,136)	(52,730)
Accruals and deferred income	(10,898)	(13,795)
Net Assets – Schedule 3	**49,389**	**29,982**

Notes to the Departmental Resource Accounts *(continued)*

15. Movements in Working Capital Other than Cash

The movement in working capital used in the reconciliation of resources to cash requirement in Schedule 1 comprises:

	2004-05	2003-04 (restated)
	£000	£000
Increase in stocks and work in progress	734	6,288
Decrease in debtors	(25,022)	(181,312)
(Increase)/decrease in creditors falling due within one year	(57,432)	111,137
	(81,720)	(63,887)
Adjustment: movement in working capital not related to net operating costs		
Amounts due to Consolidated Fund	(12,532)	143,035
Movement in working capital related to the acquisition/disposal of tangible fixed assets	–	1,107
Amounts receivable that will be due to the Consolidated Fund, when received	(20,728)	(47,308)
Movement in provision for bad/doubtful debts	5,198	–
Other adjustments	1,683	(37,026)
Net decrease in working capital other than cash – Schedule 1	**(108,099)**	**(4,079)**

Movements in working capital other than cash used in the cash flow statement comprise:

	2004-05	2003-04 (restated)
	£000	£000
Increase in stocks and work in progress	734	6,288
Decrease in debtors	(25,022)	(181,312)
(Decrease)/increase in creditors falling due within one year	(57,432)	111,137
	(81,720)	(63,887)
Adjustment: movement in working capital not related to voted resource consumption		
Amounts due to Consolidated Fund	(12,532)	143,035
Movement in working capital related to the acquisition/disposal of tangible fixed assets	–	1,107
Movement in Provision for bad/doubtful debts	5,198	–
Other adjustments	1,683	(35,750)
Net decrease in working capital other than cash – Schedule 4	**(87,371)**	**44,505**

16. Stocks and Work-in-Progress

	2004-05	2003-04
	£000	£000
Stocks	18,088	17,414
Work in progress	173	112
Total – Schedule 3	**18,261**	**17,526**

Notes to the Departmental Resource Accounts *(continued)*

17. Debtors

	2004-05	2003-04 (restated)
Amounts falling due within one year:	£000	£000
Trade debtors	20,484	17,876
Deposits and advances	717	11,084
VAT debtors	55,066	40,264
Other debtors	6,980	49,749
Prepayments and accrued income	6,743	22,727
Current part of NLF loan	658	612
Amounts due in respect of Consolidated Fund Extra Receipts	62,329	50,402
Amount due from Consolidated Fund in respect of supply not drawn down at year end	–	–
Total – Schedule 3	**152,977**	**192,714**
Amounts falling due after more than one year:		
Deposits and advances	–	6
Other debtors	45,660	42,200
Severn River Crossing Plc – subordinated loan	83,579	81,119
Amounts due in respect of Consolidated Fund Extra Receipts	27,283	18,482
Total – Schedule 3	**156,522**	**141,807**

An amount of £62,328,858 (2003-04 £50,401,937) is included in debtors which will be payable to the Consolidated Fund, when received.

18. Cash at Bank and in Hand

	2004-05	2003-04 (restated)
	£000	£000
Balance at beginning of year	174,765	54,015
Change in cash balances, including overdrafts	(16,818)	120,750
Balance at end of year	**157,947**	**174,765**
The following balances at 31 March 2005 were held at:		
Office of Paymaster General	155,928	162,917
Commercial banks and cash in hand	2,019	11,848
Total – Schedule 3	**157,947**	**174,765**
The net balance at 31 March 2005 comprises:		
Cash due to be paid to the Consolidated Fund		
Amounts issued from the Consolidated Fund for supply but not spent at 31 March 2005 (Note 19(a))	139,952	159,644
Consolidated Fund Extra Receipts received but not yet paid over (Note 19(a))	7,701	21,272
Amounts held on behalf of third parties (Note 19(a))	10,294	–
Other amounts payable to the Consolidated Fund	–	(6,151)
	157,947	**174,765**

	2004-05	2003-04 (restated)
Shown as:	£000	£000
Change in cash balances	(16,817)	120,750
Overdraft included in creditors	3,818	(2,061)
(Decrease)/Increase in cash – Schedule 4	**(12,999)**	**118,689**

Notes to the Departmental Resource Accounts *(continued)*

19(a) Creditors: amounts falling due within one year

	2004-05	2003-04 (restated)
	£000	£000
Other taxation and social security	2,007	2,022
Trade creditors	63,884	80,018
Other creditors	32,085	29,837
Accruals and deferred income	524,613	450,376
Bank overdraft	–	3,818
Current part of finance leases	30,630	22,537
Current part of National Loans Fund loans	658	612
Third party creditors	10,294	–
Amounts issued from the Consolidated Fund for Supply but not spent at 31 March 2005	139,952	159,644
Consolidated Fund Extra Receipts and other amounts not yet paid to the Consolidated Fund:		
– Received	7,701	21,272
– Receivable	62,329	50,402
Total – Schedule 3	**874,153**	**820,538**

An amount of £7,701,398 (2003-04 £21,272,888 restated) is included above in creditors, which relates to receipts payable to the Consolidated Fund.

19(b) Creditors: amounts falling due after more than one year

	2004-05	2003-04 (restated)
	£000	£000
On-Balance Sheet Private Finance Initiative contracts	2,436,805	2,334,905
National Loans Fund loans	7,028	7,686
Consolidated Fund Extra Receipts creditors	27,283	18,482
Other creditors	97,761	83,412
Deferred income on fixed assets	–	37,410
Total – Schedule 3	**2,568,877**	**2,481,895**

19(c) National Loans Fund Loans

NLF loans are back to back loans that are repayable in respect of the following bodies:

	Total 2004-05	Civil Aviation Authority Fixed Rates	Kings Lynn Harbour Conser-vancy Fixed Rates	2003-04
	£000	£000	£000	£000
Within one year	658	655	3	612
Over one and under two years	708	704	4	657
Over two and under five years	2,372	2,360	12	2,288
More than five years	3,948	3,909	39	4,741
Total – Note 14(a)	**7,686**	**7,628**	**58**	**8,298**

	2004-05	2003-04
	£000	£000
Shown as:		
Fixed Rates		
Amounts falling due within one year	658	612
Amounts falling due after more than one year	7,028	7,686
Total – Note 14(a)	**7,686**	**8,298**

The borrowings are repayable at interest rates varying between 7.0% and 7.875%.

Notes to the Departmental Resource Accounts *(continued)*

20. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Due to the largely non-trading nature of its activities and the way in which government departments are financed, the Department 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 FRS 13 mainly applies. The Department 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 Department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity Risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament. The Department is not therefore exposed to significant liquidity risks.

Interest-Rate Risk

The Department is not exposed to significant interest rate risk as its financial assets and liabilities carry nil or fixed rates of interest.

Currency Risk

The Department undertook a small number of foreign currency transactions which are under £1m and therefore is not exposed to significant exchange rate risk.

Fair Values

Set out below is a comparison in book values and fair values of the Department's financial obligations in respect of its PFI contracts.

Basis of Fair Valuation:

The fair value has been calculated using the net present value (NPV) of future capital payments at a discount rate of 6% per annum (which is the rate implied in the contracts).

	31 March 2005		31 March 2004	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial Liabilities:	£000	£000	£000	£000
Finance lease obligations including on-balance sheet PFI imputed finance lease obligations	913,335	456,642	886,341	442,129

Notes to the Departmental Resource Accounts *(continued)*

21. Provisions for Liabilities and Charges

	Note	Provision 31 March 2005	Utilisation	Charged (viii)	Released (viii)	Unwind Discount	Reclassi-fication (vii)	Provisions 31 March 2004
		£000	£000	£000	£000	£000	£000	£000
Early retirement & pension commitments	(i)	9,409	(6,364)	12,547	(1,205)	–	–	4,431
NFC pension trustee	(ii)	51,535	(5,775)	360	–	3,060	–	53,890
NFC travel concession	(iii)	21,255	(2,455)	420	–	1,260	–	22,030
British Rail ex employees' pensions	(iv)	605,400	(20,450)	4,270	–	34,580	–	587,000
Highways scheme costs	(v)	423,756	(81,774)	180,817	(58,398)	–	(27,402)	410,513
Channel Tunnel Rail Link	(vi)	1,738,676	(263,081)	–	(30,908)	96,067	–	1,936,598
Others		22,783	(4,936)	13,718	(262)	–	(78)	14,341
Total – Schedule 3		**2,872,814**	**(384,835)**	**212,132**	**(90,773)**	**134,967**	**(27,480)**	**3,028,803**

(i) Early retirement and pension commitments

These amounts relate to former staff that left the Department's employment before the formal retirement age of 60 and in respect of whom the Department and its Agencies are responsible for making payments until their retirement age.

(ii) National Freight Company (NFC) PLC pension trustee

This covers reimbursement to NFC PLC pension trustees in respect of payments covering unfunded pension service with NFC before 1 April 1975 (Part III, Transport Act 1980).

(iii) NFC PLC travel concession

This covers reimbursements to NFC PLC and its subsidiaries for providing travel concession to staff previously employed by the road transport division of British Rail (Section 21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

(iv) British Railways Board's ex employees' pensions

This covers reimbursement to trustees of railway pension schemes in respect of pension payments, covering the unfunded proportion of pensions deriving from service with British Railways Board before 1 January 1975 (Part III, Transport Act 1980).

(v) Highways scheme costs

This provision covers planning blight resulting from the announcement of plans to enhance the road network, discretionary and compulsory acquisition of property required for road schemes and compensation for property owners arising from construction of a road scheme, disputed contractual claims, including compensation for delays, prolongation, liquidated damages, employers changes, specifications issues and the cost of work necessary following the opening of roads for traffic, and work to strengthen bridges in order to comply with minimum legal requirements (currently 40 tonnes) as established by European Union legislation.

(vi) Channel Tunnel Rail Link (CTRL)

This covers the amount of capital grants payable to London and Continental Railways Ltd (LCR) as some of the construction milestones have been waived to facilitate the raising of finance by LCR – see Note 24 on the Private Finance Initiative.

(vii) Reclassification

This principally comprises reclassification of provisions to accruals where the valuers' final reports have been received and the settlement amounts have been determined.

Notes to the Departmental Resource Accounts *(continued)*

(viii) Charged and Released
These amounts comprise:

	2004-05
	£000
Administration – Note 3	295
Programme – Note 4	86,208
	86,503
Increase in Highways Agency capital expenditure provision	34,856
	121,359

22. Revaluation Reserve

	2004-05 Revaluation Reserve (Fixed Assets)	**2003-04** Revaluation Reserve (Fixed Assets)
	£000	£000
Revaluation reserve prior to Opening Balance Restatement	**25,697,509**	**21,433,828**
Opening Balance restatement		
Detrunking (Note 12)	(643,280)	(764,574)
Trunking	41,671	30,357
Restated Opening Balance	**25,095,900**	**20,699,611**
Revaluation – Note 12	5,653,770	5,167,661
Prior year adjustments relating to value of road network	46,722	(63,754)
Prior year adjustments relating to non-network assets	(3,730)	(5,750)
Prior year adjustments other	(21)	–
Transferred to General Fund in respect of realised element of Revaluation Reserve (Note 23)	236,375	(100,259)
Revaluation reserve carried forward:	**31,029,016**	**25,697,509**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

Notes to the Departmental Resource Accounts *(continued)*

23. Reconciliation of Net Operating Cost to Changes in the General Fund

	Note	2004-05 £000	2003-04 (restated) £000
General Fund Prior to Opening Balance Restatement		39,681,052	42,088,457
Opening Balance Restatements			
Detrunking		(1,125,432)	(1,743,049)
Trunking		72,905	69,207
Restated Opening Balance		**38,628,525**	**40,414,615**
Net Operating Cost for the year	Sch 2	(11,253,056)	(11,887,925)
Income not Appropriated in Aid, paid to the Consolidated Fund		(79,285)	(110,113)
		(11,332,341)	(11,998,038)
Net Parliamentary Funding	Sch 4	9,163,502	9,147,199
Deemed Supply	19	159,644	64,484
Transfer to General Fund of realised element of Revaluation Reserve	22	(236,375)	100,259
Consolidated Fund creditor for cash not yet spent	19	(139,952)	(159,644)
Non cash charges:			
Cost of capital	3 & 4	2,252,871	2,064,975
Auditor's remuneration	3 & 4	756	819
In year adjustments relating to prior year transactions:			
Reversionary interest on M6 toll	17	(1,628)	91,785
Highways adjustments	17	(132,992)	(14,235)
Other prior year adjustments		(1,331)	(78,691)
NATS Holding Ltd restatement		(135)	–
Highways in year spend on trunking and detrunking	17	(5,126)	(6,046)
DVLA Trading Fund set up	14a	37,836	–
Other adjustments		–	53,570
Net(decrease) in General Fund		**(235,271)**	**(733,563)**
General Fund Carried Forward		**38,393,254**	**39,681,052**

24. Private Finance Initiative

The Department has entered into the following on Balance Sheet Private Finance Initiative (PFI) contracts:

On Balance Sheet

M1-A1 Lofthouse to Branham link road (Yorkshire link)
A1(M) Alconbury-Peterborough
A419/A417 Swindon to Gloucester
A50/A564 Stoke-Derby link
M40 Junction 1-15 Denham to Warwick
A19 Dishforth to Tyne Tunnel
A30/A35 Exeter to Bere Regis
A69 Carlisle to Newcastle
A1(M) Darrington to Dishforth
A249 Iwade to Queensborough
National Traffic Control Centre

Notes to the Departmental Resource Accounts *(continued)*

	2004-05	2003-04
	£000	£000
Imputed finance lease obligations under on balance sheet PFI contracts comprise:		
Rentals due within 1 year	85,227	75,850
Rentals due between 1 and 5 years	343,556	305,618
Rentals due thereafter	1,130,617	1,196,844
	1,559,400	1,578,312
Less: Interest element	(646,065)	(688,971)
	913,335	889,341

Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off balance sheet PFI transactions and the service element of on-balance sheet PFI transactions was £216,912,000 (2003-04 £210,333,000); and the payments to which the Department is committed during 2005-06, analysed by the period during which the commitment expires, are as follows:

	2004-05	2003-04
	£000	£000
Expiry within 5 to 10 years	14,400	-
Expiry within 21 to 25 years	223,406	213,680
Expiry within 26 to 35 years	16,304	2,340
	254,110	216,020

24.1 The Department has entered into a concession agreement with London and Continental Railways Ltd ("LCR") under which LCR is obliged to construct the Channel Tunnel Rail Link ("CTRL") and operate Eurostar UK Ltd ("EUKL"). The Department has certain obligations and benefits, some of which are outlined below.

24.2 LCR is building the CTRL in two phases. Following completion of each phase, LCR will retain ownership of both the southern and northern sections (referred to as Sections 1 and 2 respectively) through its subsidiaries. (Section 1 became operational in September 2003) LCR will also retain, through a number of associated private sector operations, the operation of EUKL (the UK arm of Eurostar). EUKL will pay access charges to the owners of the southern and northern sections of the CTRL once each stage is completed. LCR has also entered into an agreement with Network Rail whereby Network Rail will operate each section of the CTRL, once each section is complete, which for section 2 includes the operation of St Pancras Station.

24.3 Under the Development Agreement, the Department paid LCR capital grants totalling £895 million and deferred grants of £276 million by 31 March 2005 and is committed to pay LCR further deferred grants totalling £1,839 million (in March 2005 NPV terms) (March 2004: £1,998 million, including those paid before 31 March 2005), for Sections 1 and 2 respectively. The remaining deferred grants were to have been payable in stages provided specific construction milestones have been met; however, most of the construction milestones for the deferred grants have been waived to facilitate the raising of finance by LCR. The Department also has an obligation to pay a Domestic Capacity Charge totalling £971 million (in March 2005 NPV terms) (March 2004: £918 million), which is payable in instalments following completion of each phase of the CTRL. Some of the Section 1 Domestic Capacity Charge instalments have been de-risked to facilitate the raising of finance by LCR. In accordance with the accounting policy, government grants are recorded as expenditure upon entitlement and entitlement is deemed to arise when the relevant milestones have been passed or waived.

24.4 To help fund the construction of the CTRL and EUKL, the Department has guaranteed debt of £3.75 billion (nominal) raised by LCR, which are classified as contingent liabilities (see Note 27).

Notes to the Departmental Resource Accounts *(continued)*

24.5 The Department has given LCR a guarantee that Eurostar UK will meet their obligation to pay track access charges for a period of 50 years from the opening of section 1 in 2003. To reduce a chance of a call on this guarantee the Department has in place an access charge loan from which LCR can draw down funds to pay Eurostar Ltd track access charges. This access charge loan facility granted by the Department to LCR is capped at £270 million (NPV at 6% real to January 1997). The loan will be recorded once entitlement passes and loan drawdown is made. LCR is legally required to repay such loans. The Department has also guaranteed payment of the CTRL access charges through the access charge guarantee, which has been recorded as a contingent liability (see Note 27).

24.6 The Department retains the freehold interest in the land on which the CTRL is being constructed. The freehold land is subject to a 90-year lease. The freehold interest retained by the Department is expected to produce an income of £1,554 million (in March 2005 NPV terms) (March 2004: £1,468 million) from the land rental payable by the owners of Sections 1 and 2. This value has been ascribed to the land and treated as a long-term liability (creditors: amounts falling due after more than one year). The reversionary value of the land and the rail link at the end of the 90-year lease are recorded at market value for existing use. At present, this is deemed to be nil.

24.7 The Department has rights to benefits from a share in the proceeds generated from the disposal of surplus development land. This may generate £68 million (NPV prices in March 2005) (March 2004: £77 million). In view of its uncertainty, the amount is being treated as a contingent asset.

24.8 The Department is entitled to receive a 35% share of LCR's post tax cash flows from 2021 at the earliest, provided LCR are not drawing down funds from the access charge loan facility. As there is currently no certainty around the value of this entitlement, it is treated as a contingent asset. Should it become more certain in future periods, the estimated realisable value will be recognised in the Department's accounts.

24.9 The Department has acquired certain rights over LCR in order to safeguard its position. LCR is not defined as an associated undertaking of the Department. Furthermore, it is viewed by the Office of National Statistics as a body classified to the private sector.

25. Capital Commitments

	2004-05	**2003-04 (restated)**
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made.	224,676	416,068
	224,676	**416,068**

26. Commitments Under Leases

Commitments under operating leases to pay rentals during the following year are analysed according to the period in which the lease expires, as follows:

	2004-05		**2003-04 (restated)**	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Expiry within 1 year	484	40	1,245	111
Expiry after 1 but not more than 5 years	2,235	79	959	167
Expiry thereafter	16,837	–	16,134	–
	19,556	**119**	**18,338**	**278**

Notes to the Departmental Resource Accounts *(continued)*

27. Contingent Liabilities

In accordance with Government policy, none of the buildings included in Fixed Assets in the balance sheet are insured. Other contingent liabilities are shown below.

The value shown is the best estimate of the expected cost of settling the liability, in the unlikely event that the contingent liability becomes an actual liability. The exceptions are the two cases for which the maximum exposure is indicated. (27.3 and 27.5)

		2004-05	2003-04 (restated)
		£m	£m
27.1	This arises from litigation following the Secretary of State's decision to apply to the Courts to have Railtrack placed into administration. The applicants claim this action had the effect of depriving them of their rightful interest in the shares of Railtrack. The Department has received legal advice that this claim is most unlikely to succeed.	–	–
27.2	The Secretary of State has issued guarantees to the Trustees of the Railways Pension Scheme in respect of any deficit arising in the pensioners' sections of the Railways Pension Scheme. A call on the guarantees, which is unlikely, is dependent upon the level of investment return.	400.0	345.0
27.3	Channel Tunnel Rail Link – Government guarantee in respect of bonds issued by London and Continental Railways Ltd. (Note 24).	3,750.0	3,750.0
27.4	Guarantee in respect of lease obligations of Eurostar (UK) Ltd at Ashford International Passenger Station.	60.0	61.0
27.5	Channel Tunnel Rail Link – Guarantee issued in respect of track access payments. Increased following revised passenger forecasts, which indicated that the expected value of the potential claim had increased.	630.0	250.0
27.6	Other contingent liabilities	72.5	2.0
27.7	Possible obligations in relation to land and property acquisition	516.5	357.0
27.8	Possible obligations in relation to engineering and construction services	29.3	32.0
27.9	Estimates for damages to the road network	10.2	15.0
27.10	General Lighthouse Authorities' pension fund deficiency	257.7	244.1
27.11	The British Railways Board, jointly with the French National Railway, has rights to utilise a proportion of the capacity of the Channel Tunnel until 2052, the period of the concession granted. In return, the Board has certain obligations to the concessionaires, specified in a Usage Contract, to provide infrastructure capacity and joint obligations to operate services from the date of the opening of the Tunnel. The SRA has been operating this contract on behalf of the British Railways Board. The rights and obligations under this contract have been variously delegated to Network Rail Infrastructure Limited, Eurostar (UK) Limited and Railfreight Distribution Limited. Should any of these parties default, any outstanding obligations may fall in due course to the Department.	2,000.0	2,000.0

Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS12 and the amounts shown are as reported to Parliament.

Notes to the Departmental Resource Accounts *(continued)*

Quantifiable Guarantees and Indemnities

	2004-05	2003-04 (restated)	Amount reported to Parliament by departmental minutes
	£m	£m	£m
Guarantees			
From April 2005 to November 2006, BRB (Residuary) Ltd is liable to meet the full cost of the minimum usage charge payable to Eurotunnel for access to the Channel Tunnel in the event that English Welsh and Scottish Railway ceases Channel Tunnel operations for rail freight distribution. This has now been provided for in the accounts of BRB (Residuary) and thus no contingent liability remains.	28.0	28.0	Unquantified
Should the International Maritime Organisation building be partially or completely destroyed, the Government would be legally obliged to reconstruct the building, suspend or reduce the rent for a period of three years and might have to fund alternative accommodation.	130.0	123.0	Unquantified
A specific guarantee has been provided to the Strategic Rail Authority in relation to these British Railways Board liabilities that were transferred on 31 January 2001. The liabilities relate mainly to claims arising from negotiations with purchasers and to warranties and indemnities given to them.	500.0	1,600.0	1,600.0
Letters of comfort			
Letters of comfort have been issued to the Strategic Rail Authority in relation to the financial support it provides for Network Rail's borrowing. The support initially comprised the standby credit facilities granted as an interim measure when Network Rail commenced operational activities. This is being replaced by the longer-term Debt Issuance Programme, launched in October 2004.			
The capping mechanism for the standby credit facilities operated in the following manner. Each facility had an individual cap, as set out below. However, the maximum amount of support available under all facilities was capped at £21.05bn principal. Thus, the Department's maximum exposure under the arrangement was lower than the sum of the individual caps.			
A standby credit facility, together with related agreements, to allow certain existing loans to continue and to provide bridging finance for NR until longer term debt financing can be implemented.	1,000.0	10,050.0	10,050.0
A standby credit facility and related agreements to enable NR to raise Medium Term Notes for its short and medium term financing requirements.	10,000.0	10,000.0	10,000.0
A standby credit facility and related agreements to enable NR to raise working capital to meet 'legacy costs' arising from its acquisition of Railtrack and also to allow NR to meet overruns on legacy costs, if required.	4,000.0	4,000.0	7,000.0
A standby credit facility, with a term of 50 years, to act as a long term contingency buffer.	4,000.0	4,000.0	4,000.0
With effect from October 2004, Network Rail's Debt Issuance Programme was launched to replace earlier borrowing arrangements. A new financial indemnity to holders of debt raised under the Programme was introduced smultaneously.	4,000.0	-	22,000.0

Notes to the Departmental Resource Accounts *(continued)*

Unquantifiable Guarantees and Indemnities

Statutory guarantees
Contingent liabilities arise from agreements entered into by the Director of Passenger Rail Franchising (now SRA) prior to the privatisation of each of the three Rolling Stock Companies (ROSCOs). These agreements, with the ROSCOs and other industry parties, enable the SRA to fulfil its duties under section 30 of the Railways Act 1993 (as amended) on the occurrence of certain eventualities. It is not possible to quantify the liabilities associated with these agreements because they will depend on the circumstances that arise at the time.

Parliament has been notified of a number of guarantees given by the SRA (and, previously, the Director of Passenger Rail Franchising) in relation to new, replacement and extended passenger rail franchise agreements. It is not possible to quantify the potential liability that could arise as a result of these undertakings.

Letters of comfort
Letters of comfort have been issued, providing an indemnity in relation to legal action taken against the judge, counsel, solicitors and secretariat to the Thames Safety Inquiry and the Victim Identification Inquiry, following major transport disasters.

Letters of comfort have been issued in support of each of the three London Underground PPP contracts, clarifying the Secretary of State's role in relation to the Greater London Authority and Transport for London. In particular, the letters make it clear that in the event of London Underground being unable to meet its financial obligations under any of the PPP contracts, the Secretary of State would regard it as untenable that he could stand by and do nothing.

Other
The Department has a statutory liability under the Channel Tunnel Act 1987 that if, after termination of the Channel Tunnel concession, it appears to the Secretary of State that the operation of the Tunnel will not be resumed in the near future, he shall take the necessary steps to ensure that the land is left in a suitable condition in accordance with the scheme.

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28. Entities within the Departmental Boundary
28.1 The following executive agencies, advisory bodies and tribunals have been consolidated within these accounts:

Executive Agencies
Maritime and Coastguard Agency
Highways Agency
The Vehicle Certification Agency

Advisory Bodies
Commission for Integrated Transport
Disabled Persons' Transport Advisory Committee

Advisory NDPBs are expert bodies normally established to advise Ministers and officials on specific policy areas where the expertise does not exist within the Department. Most members of such bodies are unpaid, although several bodies' chairmen and members do receive a daily fee for attendance at meetings and other work.

Tribunals
Traffic Commissioners and Licensing Authorities (Traffic Areas)

Notes to the Departmental Resource Accounts *(continued)*

28.2 The following body has been treated as an associate:
NATS Holdings Ltd

28.3 The following body has been treated as a Joint Venture:
Cross London Rail Link Ltd

28.4 The following bodies have not been consolidated within the accounts for the Department. Financial information on these bodies can be obtained from their separately published Annual Report and Accounts.

Trading Funds

Driving Standards Agency
Vehicle & Operator Services Agency
Driver and Vehicle Licensing Agency

Nationalised Industries

Transport for London
Public Corporations
Civil Aviation Authority

Executive Non-Departmental Public Bodies

Strategic Rail Authority
British Transport Police

Other Entities

Public Private Partnership Arbiter
Marine and Aviation Insurance War Risks Fund
Channel Tunnel Rail Link Complaints Commissioner
General Lighthouse Fund, incorporating
- Northern Lighthouse Board,
- Trinity House Lighthouse Service
- Commissioner for Irish Lights

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29. Related Party Transactions

29.1 The Department is the parent of the Highways Agency, the Maritime and Coastguard Agency and the Vehicle Certification Agency, and a number of sponsored bodies listed in Note 28. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

29.2 In addition, the Department has had a small number of transactions with other government departments principally Office of Deputy Prime Minister, Treasury Solicitors, Department of Constitutional Affairs, Department for Trade and Industry, Valuation Office Agency, Ministry of Defence, NATS Holdings Ltd (associate), CLRL (Joint Venture) and a number of local authorities.

29.3 Some Board members and key managerial staff are related to persons employed by bodies with which the Department has financial dealings. These related party relationships, although between two organisations which have had financial dealings, do not in themselves involve any personal financial gain by the individuals concerned. No Board members or key managerial staff had any direct interest in organisations or suppliers in receipt of grants or other payments.

29.4 None of the Board members, key managerial staff or other related parties have undertaken any material transactions with the Department during the year other than those reported.

Notes to the Departmental Resource Accounts *(continued)*

30. Losses and Special Payments

The *Government Accounting Manual* requires a statement showing losses and special payments by value and by type to be shown where they exceed £100,000 in total and those, which, individually, exceed £100,000. These items cover cash losses, stores, fruitless payments and claims abandoned, as well as frauds. The amounts are as follows:

	2004-05		2003-04	
	Cases	£000	Cases	£000
Losses	4,463	15,618	1,623	3,911
Total	**4,463**	**15,618**	**1,623**	**3,911**
Special Payments	30	1,468	20	607
Total	**4,493**	**17,086**	**1,643**	**4,518**

Details of individual cases over £100,000 in 2004-05 are shown below.

Losses

	£000
Write-off of a payment to Headlight Bus Company for fuel duty rebate.	102
Write-off of a payment to Dart Buses for fuel duty rebate.	250
Write-off of a payment to Seamarks Coach & Travel Ltd for fuel duty rebate.	122
Write-off of debt from third parties (nine cases ranging from £115,000 to £1,298,000).	2,881
Write-off of VAT incorrectly recovered from the tax authorities (six cases ranging from £121,000 to £839,000).	2,565

Special Payments

	£000
An ex-gratia payment was made to a local authority for interest on monies owed after a delay in payment caused by legal complexities	400
Flawed stability assessment regarding vessel Wilco	226
Stability problems regarding vessel Susannah D	550

31. Restatement of Prior Year Balances

Highways Agency

31.1 The trunk road network balance as at 1 April 2004 has been restated by (£1,654,136,000) due to trunking and detrunking of the road network as merger accounting principles have been applied.

Driver and Vehicle Licensing Agency

31.2 On 1 April 2004, the Driver and Vehicle Licensing Agency (DVLA) changed status from an Executive Agency to a Trading Fund. As a Trading Fund, DVLA has not been consolidated in these accounts.

Merger accounting principles has been applied to opening balances and adjusted to eliminate those related to DVLA. This change resulted in a restatement of net assets in the Department's consolidated resource accounts.

Notes to the Departmental Resource Accounts *(continued)*

DVLA balances are as below:

Operating Cost Statement 31 March 2004

	£000
Staff Costs	115,932
Non Staff	267,292
Gross administration costs	383,224
Operating Income	(340,555)
Net administration costs	42,669
Interest receivable	(1,315)
Net operating cost	41,354
CFER	121,304
Net resource outturn	162,658

Balance Sheet as at 31 March 2004

		adjust	restated
	£000	£000	£000
Tangible assets	30,715		30,715
Intangible assets	53,353		53,353
	84,068		84,068
Debtors falling due after more than a year	5,322		5,322
Debtors	29,278		29,278
Cash at bank and in hand	29,241		29,241
Creditors (amounts falling due within a year)	(52,145)	9,631	(42,514)
Total assets less current liabilities	95,764		105,395
Provision for liabilities and charges	(20,382)		(20,382)
	75,382		**85,013**
General fund	72,859	(72,859)	–
Revaluation reserve	2,523		2,523
Income and Expenditure account		7,573	7,573
Public Dividend Capital		19,048	19,048
Loan from the Department		18,788	18,788
Government Grant Reserve		37,081	37,081
	75,382		**85,013**

32. Notes to Schedule 5

Programme costs including capital and current grants, have been allocated as follows:

	2004-05	**2003-04**
	£000	£000
Main objective		
Objective 1 – Improve public transport: rail	3,267,686	4,265,056
Objective 2 – Improve public transport: bus and light rail	1,492,358	1,442,336
Objective 3 – Improve public transport: London Underground	1,073,068	1,213,946
Objective 4 – Promote mobility and reduce social exclusion	37,231	17,774
Objective 5 – Improve regional transport strategies	53,235	36,299
Objective 6 – Reduce road congestion	1,935,593	1,819,486
Objective 7 – Improve airport and air space capacity	17,044	17,639
Objective 8 – Improve the sustainability of the logistics sector	12,800	19,745
Objective 9 – Improve road safety and safety across other transport modes	2,819,541	2,733,478
Objective 10 – Develop, monitor and enforce appropriate security and compliance regimes	17,273	(15,487)
Objective 11 – Improve air quality	234,577	219,022
Objective 12 – Reduce carbon dioxide emissions	237,613	221,374
Objective 13 – Deliver modernised services for drivers, vehicles users and the travelling group	220,929	36,667
Schedule 2	**11,418,948**	**12,027,335**

Notes to the Departmental Resource Accounts *(continued)*

Sponsor divisions and the Department's agencies were required to attribute their programme expenditure by objective. Administration costs were allocated to objectives in the same proportions as the allocations to programme expenditure.

Capital employed by Departmental Aims and Objectives

	2004-05	2003-04
	£000	£000
Main objective		
Objective 1 – Improve public transport: rail	(2,285,313)	(2,430,262)
Objective 2 – Improve public transport: bus and light rail	(64,604)	(13,337)
Objective 3 – Improve public transport: London Underground	(4,114)	12,331
Objective 4 – Promote mobility and reduce social exclusion	(3,963)	3,362
Objective 5 – Improve regional transport strategies	(3,035)	8,847
Objective 6 – Reduce road congestion	28,872,048	26,653,890
Objective 7 – Improve airport and air space capacity	74,976	68,818
Objective 8 – Improve the sustainability of the logistics sector	(229)	4,097
Objective 9 – Improve road safety and safety across other transport modes	35,592,659	32,783,465
Objective 10 – Develop, monitor and enforce appropriate security and compliance regimes	85	(14,994)
Objective 11 – Improve air quality	3,560,728	3,286,286
Objective 12 – Reduce carbon dioxide emissions	3,560,266	3,288,868
Objective 13 – Deliver modernised services for drivers, vehicles users and the travelling group	122,766	73,054
Schedule 3	**69,422,270**	**63,724,425**

The Department's capital employed is recorded against the appropriate programme and administration area. The programme capital was allocated to objectives on the same basis as programme expenditure. The administration capital employed was spread evenly across all objectives as the impact was not material.

The negative capital is where provisions that relate to that objective exceed the other assets.

33. Intra-Government Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	90,045	–	258,737	34,311
Balances with local authorities	10,168	–	82,131	–
Balances with NHS Trusts	50	–	–	–
Balances with public corporations and trading funds	3,533	–	3,576	–
Balances with bodies external to government	49,181	156,521	564,859	2,534,566
At 31 March 2005	**152,977**	**156,521**	**909,303**	**2,568,877**

Notes to the Departmental Resource Accounts *(continued)*

	£000	£000	£000	£000
Balances with other central government bodies	102,437	–	247,614	26,168
Balances with local authorities	11,268	–	60,731	–
Balances with NHS Trusts	41	–	5	–
Balances with public corporations and trading funds	5,365	–	2,572	–
Balances with bodies external to government	73,603	141,807	509,616	2,455,726
At 31 March 2004	**192,714**	**141,807**	**820,538**	**2,481,894**

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