

Presented pursuant to Acts 29 and 30 Vict., c.39, s.22, and 11 and 12 Geo. 5, c.52, ss.4 and 6

Appropriation Accounts 1995–96

Volume 5: Class VI – Transport

ORDERED BY
THE HOUSE OF COMMONS
TO BE PRINTED
30 JANUARY 1997

LONDON: The Stationery Office
HC II–V

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Other Reports of the Comptroller and Auditor General

In addition to his reports published with the Appropriation Accounts, the Comptroller and Auditor General reports separately to the House of Commons on the results of his examination of economy, efficiency and effectiveness. These reports are published during the year as House of Commons papers.

Report of the Comptroller and Auditor General

Class VI, Vote 1

Highways Agency: Uncertified Expenditure on Motorways and Trunk Roads

Uncertified expenditure on motorways and trunk roads

- 1 My reports on the 1988–89, 1989–90, 1990–91, 1991–92, 1992–93, 1993–94 and 1994–95 Appropriation Accounts have drawn attention to the backlog of uncertified expenditure on advances made to agent authorities for expenditure on motorways and trunk roads. These advances are charged to the vote when they are made; but it is only when a claim has been submitted by the agent authority to the Highways Agency, and subsequently certified by the agent authority's auditors, that the Highways Agency can satisfactorily confirm that the money advanced has been spent for the purposes intended and in accordance with the authority which governs it, and finally assure Parliament accordingly.
- 2 In the 1995–96 appropriation account, subheads A1 and B1 record expenditure on construction, renewal and maintenance of roads and bridges of £1.9 billion. Of this, £478 million relates to expenditure by the Highways Agency's agent authorities on motorway and trunk road renewal and maintenance. The target date for audit of this expenditure is 31 December 1996, assuming all claims have been submitted to auditors by 15 October 1996. At the time of preparing the 1995–96 appropriation account the £478 million is not therefore considered as contributing to the backlog of uncertified expenditure.
- 3 The Highways Agency recorded £42 million in their books in respect of unaudited expenditure in the ten years from 1985–86 to 1994–95. This backlog yet to be confirmed means that the evidence available to confirm the charge of £478 million to the account in 1995–96 has been limited. The £42 million comprises £23 million for 1993–94 and earlier years, during which period £3,728 million was advanced to agent authorities, and £19 million for 1994–95, when £592 million was advanced. The sums represent 0.6 per cent and three per cent respectively.
- 4 This year the auditor of one agent authority (Surrey County Council) was able to provide only qualified assurance about claims amounting to £65 million due to an ongoing police investigation. There is therefore a total of £107 million in respect of which only limited evidence is available to confirm that the money advanced has been spent for the purposes intended.

National Audit Office/Highways Agency management report

- 5 My report on the 1994–95 appropriation account noted that the National Audit Office and a Highways Agency review team produced a joint management report on the uncertified expenditure in July 1995. This provided the Highways Agency with a nineteen point action plan for helping them to reduce the backlog of uncertified expenditure. The Highways Agency agreed the action plan and the majority of the recommendations have been implemented during 1995–96.

- 6 In particular, the Agency have issued central guidance on procedure; now liaise monthly with the Audit Commission on the progress of claims submission and audit; introduced progress chasing of claims which have not been received by the Agency or acknowledged as received by the auditors; introduced central control over the information on the extent and disposition of the backlog of uncertified expenditure; started checking their backlog information to source documents; have introduced monthly statements of expenditure from agents; and for 1995–96 have simplified the routing of the claims to auditors.
 - 7 Since my report on the 1994–95 account, the Highways Agency have continued to make substantial efforts to clear the backlog and have liaised extensively with the Audit Commission. Consequently, they have cleared a significant level of claims and, as noted at page 13, at September 1996 record £42 million as outstanding. This compares with £199 million in July 1995 and £360 million in July 1994.
 - 8 As part of the exercise to clear claims, the Highways Agency decided to write off £3.4 million in respect of unvouched expenditure on older claims within the backlog. This write off is recorded in the losses statement for the 1995–96 appropriation account.
 - 9 Overall, the £42 million backlog comprised claims for £14 million yet to be submitted by agent authorities, and claims for £28 million with auditors for certification. However, a proportion of the amount recorded as being with auditors represents claims only just made available to them, or where there is uncertainty as to the current disposition of claims, for example where claims have gone astray. The Highways Agency and the Audit Commission liaise on this issue on a continuous basis.
 - 10 Whilst the Highways Agency have made considerable progress in clearing claims and introducing better control procedures, prior year advances of £42 million had not been audited by late September 1996 and there is only qualified assurance on claims amounting to £65 million at one agent authority under police investigation. It is possible that amendments to the amounts properly chargeable to the Vote in 1995–96 would have been necessary, had these audit and police investigations been completed. Because these amounts are significant in relation to the advances of £478 million made in 1995–96, and because there has been a history of delays and outstanding claims, I have not obtained all the information which I consider necessary for the purposes of my audit. I have therefore qualified my opinion.
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continued . . .

Class VI, Vote 4 Driver and Vehicle Licensing Agency

Motor Tax Account

- 11 This report addresses my annual examination of the Motor Tax Account prepared by the Department of Transport's Driver and Vehicle Licensing Agency (DVLA), and also my findings in respect of the procurement by DVLA of a replacement computerised vehicle system for Northern Ireland.
- 12 I examine the accounts of the receipt of revenue by government departments under section 2 of the Exchequer and Audit Departments Act 1921. These accounts are not published and I am not statutorily required to certify their accuracy; but I am required to examine them on behalf of the House of Commons in order to ascertain that adequate regulations and procedures have been framed to secure an effective check on the assessment, collection and proper allocation of revenue, and to satisfy myself that such regulations and procedures are being duly carried out. I am also required to carry out such examination as I think fit with respect to the correctness of sums brought to account and, together with my report on the Appropriation Accounts of the departments concerned, to report to the House of Commons on the results of my examination.
- 13 Under these provisions, and in accordance with the National Audit Office auditing standards, my staff have carried out test examinations of the 1995–96 revenue accounts of motor vehicle duties prepared by DVLA, and of the sums brought to account. As a result of these test examinations, I am satisfied that adequate regulations and procedures to assess, collect and allocate motor vehicle duties were in place and were duly carried out.
- 14 The total net proceeds of motor vehicle duty for the United Kingdom (including amounts collected by the Post Office) brought to account in the 1995–96 Motor Tax Account amounted to £4,094 million compared with £3,853 million in the previous year; an increase of £241 million (6 per cent). The Department of Transport's records show that the increase in 1995–96 was mainly due to the rates of duty having been raised by the Chancellor of the Exchequer in the November 1995 Budget and to the growth in vehicle licensing volumes of around two per cent.
- 15 Vehicle Excise Duty evasion in Great Britain is estimated at 6.3 per cent of the vehicle population, resulting in approximately £170 million in lost Vehicle Excise Duty receipts. The National Audit Office examined this subject, together with DVLA's Enforcement procedures, and the findings are detailed in my Report 'Vehicle Excise Duty: Evasion and Enforcement' published on 10 January 1996 (HC 120 of 1995–96). The Committee of Public Accounts took evidence from DVLA and the Department of Transport on 24 April 1996, and published their own Report on 15 July 1996 (HC 375 of 1995–96).

**Northern Ireland
Vehicle System
Replacement
Project****Introduction**

- 16 The notes to the Class VI, Vote 4 appropriation account for 1995–96 record that the Driver and Vehicle Licensing Agency have written off £3.7 million of fruitless expenditure (including some £180,000 of in-house staff and other costs) incurred on the procurement of a replacement computerised vehicle system for Northern Ireland.

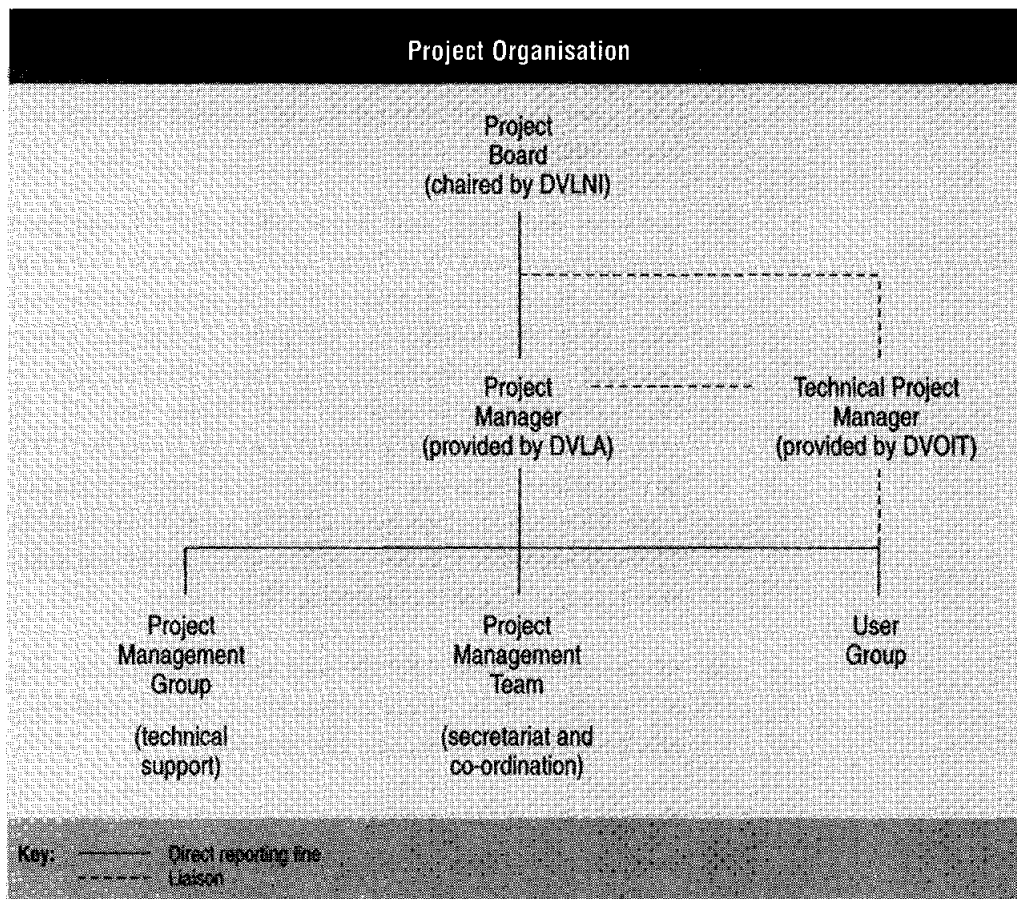
Background

- 17 Vehicle registration and licensing for the whole of the United Kingdom, including Northern Ireland, is the statutory responsibility of the Secretary of State for Transport. The operation of the functions in Great Britain is undertaken by DVLA. In Northern Ireland, these functions are performed on that Agency's behalf by Driver and Vehicle Licensing Northern Ireland (DVLNI), an executive agency of the Department of the Environment for Northern Ireland created in August 1993. Under an agreement between that Department and the Department of Transport, the costs incurred in the performance of these functions are met by DVLA, who give assistance with major changes to the DVLNI systems as and when required. Policy direction is now largely the responsibility of the Department of Transport.
- 18 In June 1990, DVLA undertook a review of the existing computer systems for vehicle registration and licensing as then operated by the Department of the Environment for Northern Ireland. This identified major risks to core operations, due to the impending obsolescence of the software then in use and doubts about the continuing availability of system support from the hardware supplier. Faced with the possibility of a total collapse of the system, which would result in serious security consequences for the province, DVLA evaluated the options available. Having discounted the possibility of providing these functions to Northern Ireland from Swansea because of concerns regarding the physical security of the computer site, DVLA and the Department of the Environment for Northern Ireland decided that a complete replacement of the Northern Ireland vehicle system was the most cost-effective solution. This view was supported by the Government's Central Computer and Telecommunications Agency (CCTA) and by a separate technical evaluation carried out by the Central Information Systems Division of the Department of Finance and Personnel in Northern Ireland.

Project development

- 19 The contractor for the replacement vehicle system project was DVOIT, the former information technology directorate of DVLA which was established as a separate executive agency of the Department of Transport in April 1992. With Treasury approval, the contract was not competitively tendered on the grounds that DVOIT had developed and were familiar with the existing system, and this would enable the normal project procedures to be short-cut especially in relation to the definition of a user requirement. Also, any delay to the project for such a tendering exercise would increase to an unacceptable level the risk of a breakdown in service. The contract with DVOIT was agreed on a 'time and materials' basis, with no upper limit on project costs. This type of contract was the standard arrangement at the time.

- 20 A business case was prepared for the project by DVLA, in conjunction with the Department of the Environment for Northern Ireland. This set out the rationale for replacement of the existing system together with detailed costings, an investment appraisal and project timetable. The business case contained details of the combined cost of developing and running the system over a number of years, but did not identify separately the total estimated development cost. This was calculated retrospectively by CCTA at £3.93 million based on rates used by DVOIT at that time. The planned implementation date was March 1994, and the business case received the necessary Treasury approval in August 1992.
- 21 The project board to oversee the procurement, development and implementation of the replacement system was chaired by the Department of the Environment for Northern Ireland and comprised representatives from that Department, DVLA and DVOIT. DVLNI took over the chair of the board when they were established as an executive agency in August 1993. The detailed management of the project was delegated by the project board, as shown in the following diagram:



A project manager, reporting to the project board for delivery of the new system, was provided by DVLA. Amongst his responsibilities was intended to be the liaison between DVLNI and the DVOIT technical manager. Separate support groups were formed to represent the users in DVLNI, provide resources and assist in project management.

- 22 The project board first met in October 1992, and began work on a project definition document to develop a detailed system specification. At this stage, DVOIT requested only a high level user requirement as the replacement system was intended to be a conversion of the existing system plus fixes of existing faults and inadequacies and enhancements to meet changing business needs. The conversion would largely be carried out from DVOIT's own documentation and knowledge of the existing system. Also in that month, Ministers announced the decision to sell DVOIT, together with their contracts and obligations, to the highest bidder as soon as reasonably practicable. In December 1992, DVOIT commenced the procurement of the computer equipment required for development of the system.
- 23 The project definition document was completed in June 1993 and followed agreement of the user requirement, operational requirement, supply and support agreement, implementation plan, user acceptance and testing strategy and the service level agreement with DVOIT. There were various degrees of difficulty in completing these elements. DVLNI told me that the users were alarmed by the proposed high costs of support arrangements and resolution of this problem took some time. DVLNI also told me that amendments to the user requirements were required to correct misunderstandings by DVOIT who had requested only a high level user requirement, given their understanding of the existing system and the users' needs.
- 24 Between February and June 1993, DVOIT increased their cost estimates for development staff time from £2.29 million to £3.39 million, citing changing user specifications and 'previous mis-estimates' as the reasons. As a consequence, by June 1993 the estimated total project cost had risen from £3.93 million in the business case to £4.85 million (these figures were estimated retrospectively by CCTA based on rates used by DVOIT at the time). The project board were concerned at these increases despite the assurances given by DVOIT that any overspend would be contained. Between July and December 1993, DVLA repeatedly sought details of costs incurred to date from DVOIT, who were then in the throes of privatisation. This information was not forthcoming, partly because the DVOIT project manager was changed three times during that period.
- 25 In December 1993, DVOIT was sold to Electronic Data Systems-Scicon Limited (EDS). EDS immediately commenced a review of progress and an appraisal of the work required to complete the project.

Suspension of the project

- 26 In February 1994, EDS informed the project board that they considered the additional work required to complete the project would put back the implementation date from March 1994 to January 1995. They also revised the estimate of the total project cost to £5.95 million.
- 27 Faced with cost increases of this magnitude, DVLA, in consultation with EDS and in agreement with the other project board members decided to halt the project pending a DVLNI business evaluation of the enhancements required to the existing

system to assist in prioritisation, should it prove necessary to limit the scope of the redesign to keep within affordable limits. A CCTA review in June 1994 recommended production of a consolidated user specification covering the various system change requests that had been made by users during the lifetime of the project. This was intended to eliminate the confusion which had beset the project from the outset because of the approach of attempting to carry out the project on the basis of converting and enhancing the existing systems, instead of carrying out a redesign based on the users' business needs. EDS agreed with this approach and were fully involved in the production of the consolidated user specification. This document was produced in January 1995.

- 28 In February 1995, EDS presented to the project board a proposal for completion of the project by July 1996, based on the revised statement of user requirements. Rather than permitting EDS to proceed on this basis, the project board commissioned independent specialists from the CCTA to undertake a detailed project status review. CCTA were asked to review the EDS proposal and cost estimates. They were also asked to award a financial value to the work undertaken to date in terms of the output that had been produced.

CCTA review

- 29 The CCTA submitted their report in November 1995. They had calculated that implementation of the EDS proposal would result in a total project cost of £6.25 million. However, they concluded that the project costs would eventually total £6.71 million because of additional costs not included in the EDS proposal, and that the delay since the project was halted had postponed completion to November 1996. The following table summarises the various increases made to the estimated project cost and has been derived from the CCTA report.

Northern Ireland Vehicle Replacement System Cost Increases						
Date	Event	Costs Incurred £m	Costs to Complete £m	Total Project Cost £m	Over-run Business Case %	Planned Completion Date
Aug '92	Business Case	0.26	3.67*	3.93*	0	Mar '94
Jun '93	DVOIT revise costs and deny overspend	2.44	2.40*	4.85*	23	Sep '94
Dec '93	DVOIT sold to EDS	2.97	2.99	5.95	51	
Feb '94	Project halted	3.24	2.72	5.95	51	Jan '95
Feb '95	EDS proposal	3.51	2.74	6.25	59	Jul '96
Nov '95	CCTA review	3.51	3.20	6.71	71	Nov '96

*Estimated retrospectively by CCTA based on rates used by DVOIT at the time

The table shows that costs totalling £3.5 million had been incurred on the project to November 1995, that the completion date had slipped from March 1994 to November 1996, and that total project costs were forecast by CCTA to exceed by 71 per cent (£2.78 million) the original business case approved by Treasury. DVLA told me that the estimates quoted by EDS for completing the work were provisional and would have been subject to further examination and negotiation if it had been decided to continue with the project. The final cost might, therefore, have been less than the £6.71 million referred to above.

- 30** CCTA identified a number of factors which had contributed to project slippage and cost over-runs. These included:
- correction by DVOIT of mis-estimates in the original business case between February 1993 and December 1993 (£259,000);
 - in June 1993 the project board agreed to a redesign of the enforcements sub-system. This highly desirable development was not anticipated in the business case (£278,000);
 - other minor changes to requirements and enhancements (£306,000, of which £74,000 were unavoidable statutory changes);
 - the actual charge out rate by DVOIT was some 18 per cent higher than that assumed in the business case (£320,000);
 - when EDS took over DVOIT in December 1993 the day rate appropriate for all work for DVLA had the effect of increasing costs by a further 10 per cent (£228,000, inclusive of remaining work);
 - other additional costs (for example the risk premium for a fixed price contract levied by EDS) that could not have been foreseen in the business case (£337,000);
 - nugatory effort on the construction of conversion software and other work to be revisited (£406,000);
 - appointment of external project manager (CCTA recommendation) and contingency for future legislative changes (£138,000);
 - other causes (for example discussion time between DVOIT and DVLNI, poor productivity, inadequate knowledge of development tools etc) (£518,000).
- 31** CCTA identified project management as a significant problem, and this must have contributed to slippage and cost overruns. This was due in part to the perceived fragility of the existing system, which generated pressure to complete the project as soon as possible. The project management structure, whereby DVLA acted as an interface between DVLNI and DVOIT, was cumbersome and inefficient. In addition, project managers had to adapt to the changing nature of the relationship with the contractor from in-house supplier, to executive agency, to external commercial supplier. Former DVLA colleagues found themselves on either side of a business relationship where hard negotiation was required. This problem was exacerbated by a lack of continuity of key project staff for all parties.

Abandonment of the project

- 32 Following consideration of the CCTA report and discussions with EDS, the project board decided to recommend the abandonment of the project. This decision was endorsed in March 1996 by the Chief Executives of DVLA and DVLNI. Following consultation with Treasury, and with their concurrence, the Chief Executive of DVLA as accounting officer for the vote, wrote off the total costs incurred to date as a fruitless payment in August 1996, at a total of £3.691 million comprising:

	£ million
Development costs	2.573
Hardware/systems software acquisition	0.938
Staff and consultancy costs	0.180
Total	3.691

The Agency told me that alternative uses have been identified for the £938,000 of computer hardware and software thus reducing the full extent of the abortive costs.

- 33 A key factor for abandoning the project was DVLA’s decision to replace their own vehicle licensing and registration system. This is already 25 years old and is nearing the end of its economic life. A number of major changes are needed to the systems to reflect policy changes and to enable the system to cope with the “year 2000” problem. The Treasury have accepted in principle DVLA’s recommendation that a single replacement system be developed to accommodate these changes, and DVLNI has agreed that this system should serve as a basis for the Northern Ireland operation. EDS would be the contractors for the project. DVLA told me that they expect the new system to be operational within two to three years, and that the detailed costings and the business case are being prepared. The previous concerns regarding physical site security can be addressed since EDS operate a global computer network.
- 34 To ensure that there is no repetition of the problems which were experienced with the Northern Ireland vehicle system replacement project, DVLA have developed stronger project management arrangements which have been used successfully since 1994 on a range of other major projects. The new arrangements include thorough project planning, cost monitoring and control procedures, together with quality reviews which are undertaken with assistance and independent project assurance from external advisers and from DVLA’s Internal Audit unit. All project contracts are now framed on a ‘fixed price’, rather than a ‘time and materials’ basis.

Conclusion

- 35 Serious project cost overruns and delays arose on the procurement of this replacement computerised vehicle system for Northern Ireland, leading to the abandonment of the project and consequent fruitless expenditure totalling some £3.7 million. The CCTA review of the project has highlighted important lessons to be

learnt from this case as regards the need for proper management and control of major information technology projects, with clearly defined roles and responsibilities for the individual parties. Such lessons have also emerged from many other projects in both the public and private sectors. CCTA acknowledge that DVLA have already introduced procedures to react to these lessons.

- 36** One particular lesson to be learnt is the need for business cases to be based on a clear understanding of user requirements and to identify clearly and realistically the cost of the individual components of the project. This was not done in this case. Also, contracts should wherever possible be awarded on a fixed price basis and should not be open-ended. Such a fixed price basis transfers risk to the supplier and would have prevented most of the cost overrun problems encountered on this project, and this is now the DVLA practice.
- 37** DVLA's revised arrangements and procedures for computer projects, which have been in place since 1994, are in line with the Government's approved project management methodology. They should, if properly applied, prevent a repeat of the problems that arose on the Northern Ireland vehicle system replacement project. Pending implementation of the replacement Great Britain system, there are operational risks associated with continuing to use the existing Northern Ireland system. DVLA and DVLNI are alert to these risks and have guarded against a total collapse of the system by upgrading existing hardware to its maximum capacity, ensuring optimum system operation, training local support staff to compensate for the limited availability of external programming expertise, and minimising system changes. In the event of a major systems failure, high level contingency arrangements are in place to maintain at least minimum functionality.
- 38** The fruitless expenditure incurred on this Northern Ireland computer project has been properly disclosed in the Appropriation Account for Class VI, Vote 4 and Treasury advice and concurrence was obtained prior to the write-off. I have therefore not qualified my audit opinion on this account.

John Bourn
Comptroller and Auditor General

13 January 1997

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London SW1W 9SP

Classes I-XIXB:

Service	Estimated Gross Expenditure	Authorised Appropriations in Aid	Supply Grant
	£000	£000	£000
Class I	26,037,472	3,099,048	22,938,424
Class II	3,544,075	169,602	3,374,473
Class III	3,972,755	3,015,001	957,754
Class IV	3,366,234	1,355,095	2,011,139
Class VI	6,557,214	267,400	6,289,814
Classes VII and VIII	47,645,723	1,235,060	46,410,663
Class IX	3,104,124	363,280	2,740,844
Classes V, X and XI	22,111,635	4,182,275	17,929,360
Classes XII and XIII	89,803,078	9,574,137	80,228,941
Class XIV	15,238,985	1,156,044	14,082,941
Classes XV and XVI	9,708,529	382,159	9,326,370
Classes XVII, XVIII, XIX, XIXA and XIXB	9,828,488	2,576,560	7,251,928
Total	240,918,312	27,375,661	213,542,651
Estimates	£000	£000	£000
Original (HC 271, 272, 273)	235,168,157	27,021,296	208,146,861
Revised, Supplementary and New (HC 465 June 1995)	49,509	15,004	34,505
Supplementary (HC 4 November 1995)	1,770,346	(144,850)	1,915,196
Revised and Supplementary (HC 197, 260 February 1996)	3,925,485	479,396	3,446,089
	240,913,497	27,370,846	213,542,651

Note: A compensating difference of £4,815,000 between the Class IV Vote 1 summer Supplementary Estimates and the Appropriation Account Estimated Gross Expenditure and Authorised Appropriations in Aid figures occurred because in the summer Supplementary Estimates certain estimates were subtracted.

Summary

Gross Expenditure	Appropriations in Aid applied	Net Expenditure	Gross Expenditure compared with Estimate: Saving or (Excess)	Deficiency of Appropriations in Aid	Amount to be surrendered	Extra Receipts payable to Consolidated Fund	No. of Vote
£000	£000	£000	£000	£000	£000	£000	
25,411,302	3,060,574	22,350,728	626,170	38,474	615,913	121,665	
3,483,211	169,495	3,313,716	60,864	107	60,757	103,354	
3,826,403	2,966,580	859,823	146,352	48,421	97,931	83,073	
3,022,113	1,071,290	1,950,823	344,277 (156)	283,805	60,472	1,023,358	
6,002,935	243,240	5,759,695	554,279	24,160	530,119	1,095,964	
47,383,787	1,215,703	46,168,084	262,166 (230)	19,357	242,809	510,731	
3,005,906	363,125	2,642,781	98,218	155	98,063	273,635	
21,487,946	3,952,613	17,535,333	623,689	229,662	394,027	2,127,354	
89,011,421	9,332,983	79,678,438	976,349 (184,692)	241,154	735,195	1,151,591	
14,945,263	1,120,879	13,824,384	294,251 (529)	35,165	259,086	294,714	
9,451,022	359,049	9,091,973	257,507	23,110	234,397	89,721	
9,554,423	2,478,819	7,075,604	274,266 (201)	97,741	180,146	3,034,608	
236,585,732	26,334,350	210,251,382	4,518,388 (185,808)	1,041,311		9,909,768	
Total amount to be surrendered					3,508,915		
Actual total amount to be surrendered					<u>£3,508,911,550.37</u>		

Reconciliation of the amount to be surrendered

Supply Grant		£000
		213,542,651
Less: Net Expenditure		<u>210,251,382</u>
Amount for which Parliamentary authority is required	£000	3,291,269
*Class I	28,217	
*Class IV	156	
*Class VII	364	
*Class XIII	184,692	
*Class XIV	529	
*Class XVII	3,822	
		<u>217,780</u>
*Less: Class VII Saving on other subhead		(134)
		<u>217,646</u>
		<u>3,508,915</u>

*See Summaries

**Class VI—
Transport**

Statement of Accounting Officers' responsibilities

Section 22 of the Exchequer and Audit Departments Act 1866 requires all departments to prepare accounts of the appropriation of supply grants comprised in each year's Appropriation Act. The Treasury appoint an Accounting Officer for each Vote and determine the form of the accounts. The accounts are prepared on a cash basis and must properly present the expenditure and receipts for each Vote in the financial year.

The relevant responsibilities of Accounting Officers, including their responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Class VI:

Page	No. of Vote	Service	Estimated Gross Expenditure	Authorised Appropriations in Aid	Supply Grant
			£000	£000	£000
6	1	Highways Agency	2,031,688	156,114	1,875,574
16	2	Department of Transport: administration and transport services	224,826	47,421	177,405
24	3	Transport industries	1,691,381	11,984	1,679,397
30	4	Driver and Vehicle Licensing Agency	192,054	15,505	176,549
35	5	Roads and local transport	530,999	16,234	514,765
44	6	Department of Transport: other transport agencies	150,936	14,745	136,191
52	7	Passenger rail services	1,724,279	4,797	1,719,482
58	8	Office of the Rail Regulator	11,051	600	10,451
		Total	6,557,214	267,400	6,289,814

Transport

Gross Expenditure	Appropriations in Aid applied	Net Expenditure	Gross Expenditure compared with Estimate: Saving or (Excess)	Deficiency of Appropriations in Aid	Amount to be surrendered	Extra Receipts payable to Consolidated Fund	No. of Vote
£000	£000	£000	£000	£000	£000	£000	
1,995,049	140,539	1,854,510	36,639	15,575	21,064	20,304	1
202,595	40,869	161,726	22,231	6,552	15,679	27,472	2
1,277,651	10,728	1,266,923	413,730	1,256	412,474	787,338	3
188,850	15,505	173,345	3,204	—	3,204	97,805	4
471,514	15,853	455,661	59,485	381	59,104	84,316	5
149,828	14,745	135,083	1,108	—	1,108	70,286	6
1,707,799	4,401	1,703,398	16,480	396	16,084	1	7
9,649	600	9,049	1,402	—	1,402	8,442	8
6,002,935	243,240	5,759,695	554,279	24,160		1,095,964	
Total amount to be surrendered					530,119		
Actual total amount to be surrendered					<u>£530,119,066.31</u>		

Highways Agency

See also Report of the Comptroller and Auditor General

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Highways Agency of the Department of Transport on the construction, improvement and maintenance of motorways and trunk roads, including the acquisition of land, scheme design and preparation, archaeological survey and rescue work, compensation, the purchase of maintenance vehicles and equipment, administration costs of the Highways Agency and research and development in support of Highways Agency operations.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
National roads systems						
A	1,745,768	143,466	1,602,302	1,709,722	126,679	1,583,043
B	191,170	11,300	179,870	195,687	12,213	183,474
C	94,749	1,348	93,401	89,640	1,647	87,993
D	1	—	1	—	—	—
Total	<u>2,031,688</u>	<u>156,114</u>	<u>1,875,574</u>	<u>1,995,049</u>	<u>140,539</u>	<u>1,854,510</u>

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section A				
National roads systems: capital				
A1 New construction and renewal	1,745,768	1,709,722	36,046	—
Section B				
National roads systems: current				
B1 Maintenance: roads and bridges	177,620	183,174	—	5,554
B2 Research and development	13,550	12,513	1,037	—
Section C				
Highways administration				
C1 Running costs	87,872	82,838	5,034	—
C2 Capital expenditure (administration)	6,877	6,802	75	—
Section D				
Capital expenditure funded by EU grants				
D1 Highways Agency payments on behalf of the European Union (net)	1	—	1	—

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Gross Total				
<i>Original</i>	2,010,128			
<i>Supplementary</i>	<u>21,560</u>			
	2,031,688	1,995,049	42,193	5,554
			Surplus of Gross Estimate over Expenditure <u>36,639</u>	
<i>Deduct</i>				
Z Appropriations in Aid		Estimated	Realised	
<i>Original</i>	146,849	£000	£000	
<i>Supplementary</i>	<u>9,265</u>			
		156,114	140,539	
				Deficiency of Appropriations in Aid realised <u>15,575</u>
Net Total				
<i>Original</i>	1,863,279			
<i>Supplementary</i>	<u>12,295</u>			
	1,875,574	1,854,510		Net Surplus <u>21,064</u>
				Actual surplus to be surrendered <u>£21,063,767.15</u>

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	<u>17,150</u>	<u>20,304</u>
Actual sum payable separately to Consolidated Fund		<u>£20,303,670.02</u>
Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Sale of land on completion or abandonment of schemes; rents from property and land; disposal of surplus plant and machinery; sale of motorway service area freeholds	46,800	43,088
Extra contractual claims for defective work	1	1
VAT refunds	85,000	71,909 (a)
Recovery of motorway service area design and build costs	9,265	9,265
Receipts from Dartford River Crossing Ltd	<u>2,400</u>	<u>2,416</u>
	<u>143,466</u>	<u>126,679</u>
Subhead BZ		
Claims for damage to motorways and trunk roads, administration charges and hire charges for specialized vehicles and equipment	4,900	5,478 (b)
VAT refunds	<u>6,400</u>	<u>6,735</u>
	<u>11,300</u>	<u>12,213</u>
Subhead CZ		
Recovery of VAT on contracted out services (running costs)	848	1,244
Receipts from recovery of administrative costs and repayment services	357	188
Receipts from sale of information including publications	1	13
Receipts from rental of land, buildings, plant, equipment, vehicles and other capital assets	1	4
Receipts from disposal of land, other than that acquired as part of a road scheme, buildings, plant, equipment, vehicles and other capital assets	1	7
Contributions from developers	<u>140</u>	<u>191</u>
	<u>1,348</u>	<u>1,647</u>
Total	<u>156,114</u>	<u>140,539</u>

Details of Receipts—continued	Estimated	Realised
	£000	£000
(ii) Receipts of other classes		
Surplus rents from property and land	6,000	6,343
Motorway service areas: premiums and some residual rents	5,650	5,650
Severn Bridge: interest on subordinated debt	4,000	3,891
Miscellaneous	1,500	4,420 (c)
Total	<u>17,150</u>	<u>20,304</u>

Explanation of Causes of Variation between Estimated and Realized Receipts.

- (a) The level of VAT receipts was lower than expected because of the timing of transactions. The 1995–96 shortfall now falls for recovery in 1996–97.
- (b) There has been a slight increase in the number of claims received and settled, but much of the additional £0.578m was due to a payment of £0.670m by the Coal Authority as part settlement for mining subsidence.
- (c) Mainly 1994–95 payable orders which went out of date in 1995–96 and were not re-issued.

Losses Statement	£000
Total (3,787 cases)	7,251

Of the 3,787 cases, 36 relate to amounts paid to local authorities in respect of maintenance and improvements on motorways, trunk roads and bridges, which have been qualified by Audit Commission appointed auditors as having insufficient evidence to support the expenditure. These amounts relate to claims prior to 31 December 1995, for which the necessary paperwork provided by the local authorities no longer exists and have hence been written off as unvouched expenditure.

Of the 36 cases, there are 11 such cases of unvouched expenditure over £100,000:

London Borough of Hounslow	—	Motorway and trunk road maintenance 1986–87	937
City of Westminster	—	A40M, A41 and A501 structural capital grant 1986–87	421
London Borough of Hounslow	—	M4 widening between Junction 3 and M25 1986–87	291
London Borough of Brent	—	A406 North Circular Road bridge maintenance 1990–91	257
City of Westminster	—	A40(M), A41 & A501 routine current grant 1987–88	222
City of Westminster	—	A40(M), A41 & A501 routine current grant 1986–87	159
Hampshire County Council	—	A31 Stoney Cross junction improvement scheme 1992–93	157
London Borough of Redbridge	—	Trunk road bridge structure maintenance 1987–88	154
London Borough of Hounslow	—	M4/M25 junction improvements 1983–84 to 1986–87	133
London Borough of Redbridge	—	Trunk road lighting 1987–88	124
City of Westminster	—	A40(M), A41 & A501 structural capital grant 1987–88	120

Notes**Special payments**

Total (76 cases)	664
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Details

Extra-contractual payment to Ove Arup and Partners—M6 widening (junctions 11–16). Additional works on traffic modelling not included in original brief.	190
Ex-gratia payment in respect of M25 (Potters Bar). Department of Transport failed to advertise right to compensation and interest under the Land Compensation Act 1973	116
Ex-gratia payment in respect of M40 (Waterstock to Wendlebury) in lieu of compensation and interest under the Land Compensation Act 1973	103

Other Notes

As a result of the 'Managing of the Trunk Road Programme' review which took place in October 1995, and outlined in the Secretary of State's Autumn statement in November 1995 the road programme was reduced and schemes were deferred, suspended or cancelled.

The Agency have written off preparation, design and public inquiry costs for those schemes that were cancelled. The schemes have been grouped together under the appropriate trunk road or motorway. The total number of losses recorded against the road network is 35 and the amount written off under cover of constructive loss is £53.114m.

Of the 35 cases, there are 32 such cases of constructive loss over £100,000:

Scheme	£000
A406 Popes Lane—Western Avenue Improvement, LB Ealing	8,687
M25 Junction 10—12 Widening D4+, Surrey	7,700
M62 Junction 12—18 Relief Road, Salford MB, Bury MB	4,984
A3 A245—A3100 Improvement, Surrey Stoke Road Hogs Back Improvement, Surrey	3,161
A550 A5117—Ledsham, Cheshire Ledsham—M53 Improvement Cheshire	2,994
A64 York—Malton Bypass Improvement, North Yorkshire Malton—Seamer Bypass, North Yorkshire	2,943
A31 Ringwood—Ashley Heath Improvement, Hampshire, Dorset Sturt Lane—Red Post Improvement, Dorset	2,830
A12 Gallows Corner Improvement, LB Havering Kessingland—Pleasurewood Improvement, Suffolk Blythburgh Bypass, Suffolk Chelmsford Bypass Widening, Essex	2,791
A417 Nettleton—Crickley Hill Improvement, Gloucestershire M5—A40 Elmbridge Court Improvement, Gloucestershire	2,204

Scheme		£000
M5	Junction 17—21 Widening Stage 2, Avon	1,456
A40	Witney Bypass—Sturt Farm Improvement, Oxfordshire Witney Bypass—Cassington Dualling, Oxfordshire	1,375
A10	Stretham Bypass, Cambridgeshire, Landbeach Improvement, Cambridgeshire, Hay Lane—Buntingford Improvement, Hertfordshire M25 Hoddesdon Improvement, Hertfordshire	1,214
A17	Sutterton—Long Sutton Improvement, Lincolnshire Leadenham—Sleaford Improvement, Lincolnshire	1,063
A650	Saltaire Relief Road, Bradford MB	987
A127	M25 Rayleigh Weir Improvement, Essex	966
A420	Cumnor Hill—Kingston Bagpuize Improvement, Oxfordshire Southmoor—A419 Improvement, Oxfordshire, Wiltshire	955
A483	Pant—Llanymynech Bypass, Shropshire	914
A19	Thormanby Bypass, North Yorkshire Shipton by Beningborough Bypass, North Yorkshire	801
A21	Lamberhurst Bypass—Chingley Wood Improvement, Kent Flimwell—Robertsbridge Improvement, Kent, East Sussex	761
A595	Carlisle Southern Bypass, Cumbria	722
A46	Evesham—M5 Improvement, Hereford & Worcester, Gloucestershire	593
A47	Peterborough—West Thorney Improvement, Cambridgeshire Sutton—West of A1, Cambridgeshire	536
A616/A628	Salters Brook—Stockbridge Improvement, Barnsley MB, Sheffield MB	440
A140	Dickleburgh—Norwich Improvement, Norfolk Beacon Hill—Scole Improvement, Suffolk	420
A49	Weaverham—Lower Whitley Improvement, Cheshire	314
A1079	Shiptonthorpe Bypass, Humberside	304
A2	Kidbrooke Park Road Interchange Improvement, LB Greenwich	240
A205/A221	Burnt Ash Hill Junction Improvement, Lewisham	164
A570	Scarisbrick & Pinfold Bypass, Lancashire	154
A26	Beddington—Itford Farm Division, East Sussex	149
A35	Stinsford—Cuckoo Lane Improvement, Dorset Winterbourne Abbas Bypass, Dorset	149
A65	Moss Side—Lumpton Improvement, Cumbria Hornsbarrow Diversion, Cumbria	122

Subhead A1. The Agency uses the services of the Government Property Lawyer and private solicitors for land and property purchases. Included in Subhead A1 are sums which have been advanced to enable the purchase to proceed but where completion may not have taken place before the year end. Such sums represent less than 1 per cent of the Subhead.

Subhead A1. The Agency employs agents to manage its property portfolio. The agents let and maintain properties until a final determination can be made as to what is to be done with the property once decisions are made to proceed, or not, with a road scheme. During 1995–96, rental income of £6.5m was received by the Agency and maintenance expenditure of £1.5m incurred in the course of this business. The Agency depends on the agents to provide these income and expenditure details. Controls currently in place have identified some procedural difficulties but under new agreements set up in July 1996, greater controls have been introduced allowing the Agency to verify the information contained in the agent's reports.

Subheads A1 and B1. The Auditor has qualified some audited expenditure regarding Surrey County Council because it is part of a continuing investigation by the Serious Fraud Office. He has said that it is not possible to have assurance that any individual claim, taken in isolation, is fairly stated in the local authority's records. The Auditor added however, that the balance of evidence currently available is sufficient to allow them to conclude that the claims submitted in their totality, are not significantly misstated. The Highways Agency is examining the situation regarding this, with a view to reconciling the local authority's records and those of the Agency concerning advances made to Surrey County Council.

Subheads A1 and B1. These subheads include payments of £478m to local authorities in respect of maintenance and improvements on motorways, trunk roads and bridges which are subject to audit under arrangements made by the Audit Commission by 31 December of the year in which the final work is completed. Future certification of the claims for this work could result in adjustments to the figures, the amounts of which cannot be estimated from the Agency's records without disproportionate effort. A backlog of unaudited expenditure of £42m relating to 1985–86 to 1994–95 also exists, which should have been audited by 31 December 1995 or before. Certification of these claims could also result in adjustments to subheads A1 and B1 in future years. This backlog comprises claims for £14m yet to be submitted by agent authorities and claims for £28m with agent authority auditors for certification.

Subhead B1. This subhead includes payments also appearing in the Account published separately under the Severn Bridges Act 1992.

Subhead D1. A net subhead was set up in the Winter Supplementary to comply with rules for recording EC funds. A receipt for £282,500 was received in 1995–96 relating to the A19 Peterlee Grade Separated Junction and was surrendered to CFER as all expenditure on this scheme occurred in previous years.

Laurie Haynes
Accounting Officer

10 January 1997

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

I certify that I have audited the financial statements on pages 6 to 13 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of my work was limited as explained below.

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 judgements made by the Accounting Officer in the preparation of the financial statements.

I planned my audit so as to obtain all the information and explanations which I considered necessary 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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. However, the evidence available to confirm the charge of £478 million of expenditure on trunk roads and motorways by the Highways Agency's agent authorities in 1995–96 is limited because £42 million of expenditure in respect of 1994–95 and prior years had not been subject to certification by agent authorities' auditors. In addition the Audit Commission were unable to provide specific assurance on claims valued at £65 million as their audit was necessarily limited by an ongoing police investigation into an agent authority (Surrey County Council). The certification of these claims may have resulted in adjustments to subheads A1 and B1, the amounts of which cannot be estimated from the Highways Agency's records without disproportionate effort.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

In my opinion:

- except for any adjustments that might have been found to be necessary had I been able to obtain sufficient evidence concerning the expenditure on motorway and trunk road maintenance, in my opinion the sums expended have been applied for the purposes authorised by Parliament and the account properly presents the expenditure and receipts of Class VI Vote 1 for the year ended 31 March 1996.

In respect alone of the limitation on my work relating to uncertified expenditure on motorways and trunk road maintenance:

- I have not obtained all the information and explanations that I considered necessary for the purpose of my audit to certify that the sums expended have properly presented the expenditure on motorway and trunk road maintenance.

Details of this matter are set out in paragraphs 1 to 10 of my report.

John Bourn
Comptroller and Auditor General

13 January 1997

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

Department of Transport: administration and transport services

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Department of Transport on central administration and miscellaneous services; shipping services; civil aviation services; grants for freight and travel concessions; and certain other transport services including research and development; civil defence; transport security; residual expenses associated with the privatisation of transport industries and expenses associated with the sale of the Trust Ports, Transport Research Laboratory Agency, DVOIT and London Buses Limited subsidiaries.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
Central administration and miscellaneous services						
A	143,114	8,880	134,234	134,661	6,195	128,466
Shipping services						
B	2,029	1,504	525	1,931	1,404	527
Civil aviation services						
C	36,733	35,447	1,286	33,767	32,806	961
Transport security						
D	2,077	—	2,077	4,480	—	4,480
Civil defence						
E	265	1	264	126	1	125
Freight grants						
F	14,415	—	14,415	4,007	—	4,007
National Freight Company travel concessions						
G	2,731	—	2,731	2,936	—	2,936
Research and development						
H	21,709	1,139	20,570	19,247	392	18,855
Sale of London Buses Limited subsidiaries						
I	5	—	5	—	—	—
Other expenditure not included in the control total:						
Privatisation programme						
J	1,748	450	1,298	1,440	71	1,369
Total	224,826	47,421	177,405	202,595	40,869	161,726

The original cash limit on this vote was subsequently reduced to £175,017,000.

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section A				
Central administration and miscellaneous services				
A1 Running costs	115,565	105,607	9,958	—
A2 Capital expenditure (administration)	18,433	17,500	933	—
A3 Current expenditure (administration)	2,692	2,679	13	—
A4 Miscellaneous services	6,424	8,875	—	2,451
Section B				
Shipping services				
B1 Shipping services: current expenditure	1,029	891	138	—
B2 Shipping services: capital expenditure	1,000	1,040	—	40
Section C				
Civil aviation services				
C1 Civil aviation services: current expenditure	6,048	5,787	261	—
C2 Civil aviation services: capital expenditure	207	168	39	—
C3 Subscriptions to international organisations and expenses	30,478	27,812	2,666	—
Section D				
Transport security				
D1 Transport security and related expenditure	2,077	4,480	—	2,403
Section E				
Civil defence				
E1 Civil defence and related expenditure: capital expenditure	215	108	107	—
E2 Civil defence and related expenditure: current expenditure	50	18	32	—

Explanation of the Causes of Variation between Expenditure and Grant

- A4 Higher than expected expenditure on Channel Tunnel Rail Link (CTRL) consultancy costs, including enhanced environmental requirements considered during the CTRL Bill's passage through Parliament; also further work required during negotiation of arrangements between CTRL and the existing railway network.
- D1 Completion of a large experimental development contract (Pulse Fast Neutron Analysis) related to transport security led to difficulties in quantifying final costs.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section F				
Freight grants				
F1 Freight facilities grants	6,415	4,007	2,408	—
F2 Track access grants	8,000	—	8,000	—
Section G				
National Freight Company travel concessions				
G1 Travel concessions grant	2,731	2,936	—	205
Section H				
Research and development				
H1 Payments to Transport Research Laboratory Agency and other bodies for research services	21,709	19,247	2,462	—
Section I				
Sale of London Buses Limited subsidiaries				
I1 Sale of London Buses Limited subsidiaries	5	—	5	—
Section J				
Privatisation programme				
J1 Sale of the Trust Ports	1,000	86	914	—
J2 Sale of the Transport Research Laboratory Agency	705	1,195	—	490
J3 Residual expenses	40	110	—	70
J4 Sale of DVOIT	3	49	—	46

Explanation of the Causes of Variation between Expenditure and Grant

- F1 Outturn for this complex scheme was less than expected because of the detailed consideration of applications required by the grant conditions and delays experienced by applicants in on-going projects. Provision was not reduced in year because of the need for a cash limit reduction at Spring Supplementary estimate stage. For further information about this scheme, see the Report of the Comptroller and Auditor General (HC 632, 1995-96).
- F2 Early demand for this scheme has been less than expected because of uncertainties arising from rail privatisation, leading to late contract extensions. Standard contract conditions are now being reviewed with the Freight Operating Companies.
- H1 Delayed decisions on Congestion Charging meant that some planned work was not taken forward.
- J1 Outturn relates to the voluntary privatisation of one port authority. The compulsory privatisation of two other trust ports raised policy questions which took time to resolve. Provision was not amended in year because of the need to preserve the cash limit at Winter Supplementary stage, and the later need for a cash limit reduction.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Gross Total				
<i>Original</i>	211,356			
<i>Supplementary</i>	<u>13,470</u>			
	224,826	202,595	27,936	5,705
			Surplus of Gross Estimate over Expenditure <u>22,231</u>	
<i>Deduct</i>	Estimated £000	Realised £000		
Z Appropriations in Aid			Deficiency of Appropriations in Aid realised	
<i>Original</i>	46,302			
<i>Supplementary</i>	<u>1,119</u>		<u>6,552</u>	
	47,421	40,869		
Net Total				
<i>Original</i>	165,054		Net Surplus	
<i>Supplementary</i>	<u>12,351</u>		<u>15,679</u>	
	177,405	161,726		
			Actual surplus to be surrendered <u>£15,679,038.70</u>	

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	<u>5,022</u>	<u>27,472</u>
Actual sum payable separately to Consolidated Fund		<u>£27,472,047.47</u>
Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Recoveries of VAT on contracted out services (running costs)	1,773	1,693
Receipts from recovery of administrative costs, repayment services and sale of information, including publications	5,613	3,044 (a)
Receipts from rental of land, buildings, plant equipment, vehicles and other capital assets	28	—
Receipts from disposal of land, buildings, plant, equipment, vehicles and other capital assets	1	42
Recoveries in respect of Mersey Conservancy and unsecured creditors' sums arising from liquidations under the Dock Work Act 1989	346	140
Refunds of VAT on contracted out services (miscellaneous consultancies)	<u>1,119</u>	<u>1,276</u>
	<u>8,880</u>	<u>6,195</u>
Subhead BZ		
Receipts in respect of the International Maritime Organisation building and from shipping services	1,504	1,404
Subhead CZ		
Receipts from Eurocontrol, sale of civil aviation items and recoveries of costs of civil aviation services	35,447	32,806
Subhead EZ		
Hire of equipment	1	1
Subhead HZ		
Recoveries of VAT on contracted out services	1,139	392 (b)
Subhead JZ		
Receipt of mortgage charges resulting from sale of former National Bus Company properties	400	—
Receipts from the levy on the sale of the Trust Ports	<u>50</u>	<u>71</u>
	<u>450</u>	<u>71</u>

Details of Receipts—continued	Estimated £000	Realised £000
(ii) Receipts of other classes		
Miscellaneous shipping receipts	1	4
Receipts from the levy on the sale of the Trust Ports	1,000	8,507 (c)
Receipts arising from privatisation of the National Bus Company	2,000	101 (d)
Receipts from Channel Tunnel concessionaires in respect of the Intergovernmental Commission and Safety Authority	1,020	1,270
Repayment of grant by Port of London Authority	1,000	17,257 (e)
Miscellaneous receipts	1	333
Total	<u>5,022</u>	<u>27,472</u>

Explanation of the Causes of Variation between Estimated and Realised Receipts

- (a) Estimated provision reflected the expectation that shared accommodation costs would be recovered from other occupants. Some occupants vacated properties early: provision was not reduced to reflect this shortfall of income.
- (b) Provision assumed the privatisation of the Transport Research Laboratory in late 1995, which did not take place until March 1996.
- (c) The level of provision required during the year was uncertain and subject to the timetable for privatisation of ports. Proceeds reflect the levy on the market value of the Port of Dundee at the time of sale.
- (d) The provision was mainly for the expected receipts from the sale of property at Catford, owned by the Department. Anticipated completion of the sale in 1995/96 did not take place because the purchasers were unable to obtain a satisfactory planning permission.
- (e) Timing of the freehold sale of a significant site at London City Airport was not anticipated.

Other Notes

- (i) The Miscellaneous shipping receipts shown above include £3,480 incorrectly accounted for on Class VI Vote 2, and are proper to the Marine and Aviation War Risks White Paper account.
- (ii) Subheads A1; A2; and AZ
On 1 April 1994 the regional offices of the Department of Transport joined with those of three other Departments: Education and Employment, Environment, and Trade and Industry, to form ten integrated and jointly funded Government Offices for the Regions. With effect from 1 April 1995 a proportion, agreed at the beginning of each financial year, of the administrative costs of these offices is to be brought to account by each Department. Accordingly, included in the above subheads is expenditure of £5,826,805 (A1) and £240,112 (A2) and receipts of £2,094 (AZ) relating to the Government Offices for the Regions.

Details of Expenditure

Subhead A4(2)	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
International Subscriptions				
(1) Organisation for Economic Co-operation and Development UK share of expenses of the European Conference of Ministers of Transport	386	—	386	—
(2) International Railways Conventions	100	128	—	28
(3) Other organisations				
International Railway Congress Association	1	—	1	—
Permanent International Association of Road Congresses	8	—	8	—
International Union of Public Transport	0	1	—	1
Net Total	495	129	395	29

Surplus of Gross Estimate over Expenditure
366

Actual

£365,895.83

Subhead C3	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
Subscriptions to international organisations and expenses				
(1) Eurocontrol	28,500	25,764	2,736	—
(2) International Civil Aviation Organisation	1,978	2,048	—	70
Net Total	30,478	27,812	2,736	70

Surplus of Gross Estimate over Expenditure
2,666

Actual

£2,665,894.19

Patrick Brown
Accounting Officer

22 October 1996

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

I certify that I have audited the financial statements on pages 16 to 22 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class VI, Vote 2 for the year ended 31 March 1996; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

29 November 1996

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

Transport industries

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Department of Transport on support to nationalised transport industries, grants to Railtrack, European Passenger Services, Union Railways, expenditure connected with the privatisation of British Rail businesses and Railtrack, capital expenditure by transport industries funded by EU grants, railway industry and National Freight Company pension funds, Royal travel by rail, audit of Government grants and rebate of fuel duty to bus operators.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
Railway industry pension funds						
A	43,961	2,184	41,777	43,840	2,284	41,556
Royal travel and railway grant audits						
B	2,041	—	2,041	1,981	—	1,981
National Freight Company pension funds						
C	7,000	—	7,000	6,834	—	6,834
Capital expenditure by transport industries funded by EU grants						
D	1	—	1	—	—	—
Privatisation of British Rail						
E	19,500	9,800	9,700	17,942	8,444	9,498
Grants to European Passenger Services						
F	365,100	—	365,100	—	—	—
Grants to Union Railways						
G	45,600	—	45,600	30,000	—	30,000
Railtrack						
H	36,800	—	36,800	33,801	—	33,801
London Transport						
I	924,000	—	924,000	904,550	—	904,550
Other expenditure not included in the control total:						
J	247,378	—	247,378	238,703	—	238,703
Total	1,691,381	11,984	1,679,397	1,277,651	10,728	1,266,923

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section A				
Railway industry pension funds				
A1 Pension funding payments	43,961	43,840	121	—
Section B				
Royal travel and railway grant audits				
B1 Royal travel: current expenditure	1,990	1,944	46	—
B2 Auditing of Government grants	51	37	14	—
Section C				
National Freight Company pension funds				
C1 Pension funding payments	7,000	6,834	166	—
Section D				
Capital expenditure by transport industries funded by EU grants				
D1 Agency payments on behalf of the European Union (net)	1	—	1	—
Section E				
Privatisation of British Rail				
E1 Preliminary expenses	19,500	17,942	1,558	—
Section F				
European Passenger Services				
F1 Grants to European Passenger Services	365,100	—	365,100	—
Section G				
Union Railways				
G1 Grant funding for project management of Channel Tunnel Rail Link	45,600	30,000	15,600	—
Section H				
Railtrack				
H1 Grants for level crossings and other railway crossings	36,800	33,801	2,999	—

Explanation of the Causes of Variation between Expenditure and Grant

F1 State Aids clearance from the European Commission to pay Grant not received in 1995/96.

G1 Lower than expected expenditure on the compulsory purchase of land within the Channel Tunnel Rail Link corridor and the early receipt of Trans European Network Scheme Grant from the European Commission.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section I				
London Transport				
I1 Public passenger transport grants	924,000	904,550	19,450	—
Section J				
Other expenditure not included in the control total				
J1 Bus fuel duty rebates	235,000	228,767	6,233	—
J2 Privatisation of Railtrack	12,378	9,936	2,442	—
Gross Total	£000			
Original	1,337,798			
Supplementary	190,352			
Supplementary	<u>163,231</u>			
	1,691,381	1,277,651	413,730	—
			Surplus of Gross Estimate over Expenditure <u>413,730</u>	
<i>Deduct</i>	Estimated £000	Realised £000		
Z Appropriations in Aid				
Original	5,500			
Supplementary	322			
Supplementary	<u>6,162</u>			
	11,984	10,728		Deficiency of Appropriations in Aid realised <u>1,256</u>
Net Total				
Original	1,332,298			
Supplementary	190,030			
Supplementary	<u>157,069</u>			
	1,679,397	1,266,923		Net Surplus <u>412,474</u>

Actual surplus to be surrendered £412,473,992.51

Explanation of the Causes of Variation between Expenditure and Grant

- J2 Railtrack flotation was scheduled for May 1996. The peak of expenditure which typically occurs near the date of flotation started to build up slightly later than anticipated.

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	<u>720,501</u>	<u>787,338</u>
Actual sum payable separately to Consolidated Fund		<u>£787,337,921.31</u>

Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Recoveries of VAT on contracted out services	2,184	2,284
Subhead EZ		
Receipts from the sale of rolling stock companies	<u>9,800</u>	<u>8,444 (a)</u>
Total	<u>11,984</u>	<u>10,728</u>
(ii) Receipts of other classes		
Miscellaneous receipts	500	362
Receipts from railway operator licence fees	1	—
Proceeds from the sale of railway rolling stock leasing companies	<u>720,000</u>	<u>786,976</u>
Total	<u>720,501</u>	<u>787,338</u>

Explanation of the Cause of Variation between Expenditure and Grant

- (a) The shortfall in receipts was mainly due to the lower than expected stamp duty payments charged on the sale of ROSCOs. The shortfall resulted from an overestimate of that part of the sale proceeds on which duty was payable.

Details of Expenditure

Subhead D1	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
Agency payments on behalf of the European Union				
Payments to Railtrack, BR and Union Railways for approved railway infrastructure projects	5,331	9,436	—	4,105
Payments to harbour authorities for approved infrastructure projects	6,315	6,416	—	101
Payments to the Civil Aviation Authority for approved projects	379	110	269	—
Total Expenditure	12,025	15,962	269	4,206
<i>Less</i>				
Receipts from the European Regional Development Fund (ERDF)	10,024	6,886	3,138	—
Receipts of Transport Infrastructure Grant from the EU	2,000	9,076	—	7,076
Net Total	1	0	(2,869)	(2,870)
		Net Saving	<u>£1</u>	

Explanation of the Cause of Variation between Estimated and Actual Expenditure.
Subhead D1. Realistic forecasts are not possible for this expenditure.

Other Notes

Subheads A1 and C1. Payments in the year of account are subject to adjustments in later years when certificates of entitlement become available from the auditors of the pension funds.

Subhead H1. Level crossing grant payments are subject to adjustment in later years when full claims are received and audited.

The following shares, acquired in-year, were held on 31 March 1996: 500 million ordinary shares in Railtrack Group plc, with a nominal value of 0.01p each; 701 million £1 ordinary shares in European Passenger Services Ltd; and 100 £1 ordinary shares in Union Railways Ltd.

Patrick Brown
Accounting Officer

30 October 1996

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

I certify that I have audited the financial statements on pages 24 to 28 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class VI, Vote 3 for the year ended 31 March 1996; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

19 November 1996

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

Driver and Vehicle Licensing Agency

See also Report of the Comptroller and Auditor General

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Department of Transport in connection with driver and vehicle registration and licensing, the collection of revenue, compensation and payments towards the pension of Local Authority staff employed on driver and vehicle licensing before the setting up of DVLC; and the development and operation of other registration and licensing systems and the provision of miscellaneous services to other parts of the Department.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
Driver and Vehicle Licensing Agency						
A	190,154	15,505	174,649	187,148	17,133	170,015
Pre-DVLC Pensions						
B	1,900	—	1,900	1,702	—	1,702
Total	<u>192,054</u>	<u>15,505</u>	<u>176,549*</u>	<u>188,850</u>	<u>17,133</u>	<u>171,717**</u>

*The original cash limit on this vote was subsequently reduced to £173,549,000.

**This figure is £1,628,000 less than the net total of expenditure in the Appropriation Account, being the difference between the Appropriations in Aid realised (£17,133,000) and those authorised to be applied (£15,505,000).

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section A				
Driver and Vehicle Licensing Agency				
A1 Running costs	174,644	173,102	1,542	—
A2 Other current expenditure	7,481	7,815	—	334
A3 Compensation involving ex LTO officers	300	167	133	—
A4 Capital expenditure	7,729	6,064	1,665	—
Section B				
Pre-DVLC Pensions				
B1 Current grants to local authorities	1,900	1,702	198	—
Gross Total	£000			
<i>Original</i>	<u>192,054</u>			
	192,054	188,850	3,538	334
<i>Deduct</i>	Estimated	Applied		
	£000	£000		
Appropriations in Aid				
<i>Original</i>	<u>15,505</u>			
	15,505	15,505		
Net Total				
<i>Original</i>	<u>176,549</u>			
	176,549	173,345		Surplus 3,204
				Actual surplus to be surrendered <u>£3,204,222.98</u>

Explanation of the Causes of Variation between Expenditure and Grant

A4 Computer equipment not required as development work not fully undertaken. Underspend anticipated in year resulting in transfer of £2m to other DoT votes in Spring Supplementary estimates

Dr S J Ford

Accounting Officer

23 August 1996

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
(i) Receipts of classes authorised to be used as Appropriations in Aid	15,505	17,133
(ii) Receipts of other classes	<u>77,870</u>	<u>96,177</u>
Gross Total	93,375	113,310
Appropriated in Aid		<u>15,505</u>
Net Total		<u>97,805</u>
Actual sum payable separately to Consolidated Fund		<u>£97,804,526.39</u>

Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Fees for duplicate licences and fee paying enquiries	5,708	6,785 (a)
Fees for the retention of cherished marks	1,700	1,743
Awards of court costs	3,000	3,322
Receipts from the sale of vehicle information	375	285
Administration receipts arising from the operation of driver and vehicle licensing	300	665
Refunds of VAT (running costs)	3,500	3,381
Fees from the extension of the registration mark assignment period	400	313
Receipts from the sale of highway code booklets	436	481
Youth Training Scheme grants	26	4
Refunds of VAT (other current expenditure)	<u>60</u>	<u>154</u>
Total	<u>15,505</u>	<u>17,133</u>
(ii) Receipts of other classes		
Out of court settlements for vehicle offences, etc.	12,000	14,583 (b)
Interest from Post Office, arising from the vehicle licence stamp scheme, etc.	900	1,382
Miscellaneous receipts	20	758 (c)
Receipts from the sale of cherished registration marks	22,000	30,005 (d)
Driving licence and vocational licence fees	27,000	28,331
Receipts for the provision of accommodation and services to EDS Scicon	950	555
Fees for the transfer of cherished registration marks	10,000	14,240 (d)
Fees for the assignment of registration marks	<u>5,000</u>	<u>6,323 (d)</u>
Total	<u>77,870</u>	<u>96,177</u>

Explanations of the Causes of the Variation between Estimated and Realised Receipts

- (a) Additional enquiry work.
- (b) Increased number of Out of Court Settlement acceptances.
- (c) Post Office Counters Limited refund for previous year, sale of assets and repayment of housing loan.
- (d) Early release of "B" prefix registration mark to boost sales.

Losses Statement

£000

Total (99,758 cases)

10,274*Details*

Mitigated Penalties offered in lieu of prosecution for Vehicle Excise Duty evasion were waived mainly owing to notices unable to be served, out of time court cases and liquidation etc.

(91,055 cases)

6,364

Fruitless Expenditure

Expenditure totalling £3,691,000 was incurred between 1992 and 1995 on a project to replace the vehicle licensing and registration system in Northern Ireland. The project was aborted during 1995-96, by agreement between the Chief Executives of DVLA and Driver and Vehicle Licensing Northern Ireland (DVLNI), due to cost escalation. The Chief Executive of DVLA, with the consent of Treasury, has written-off the costs incurred as fruitless expenditure.

The expenditure was incurred as follows:

	£
Development costs	2,573,000
Hardware/systems software acquisition	938,000
Staff & consultancy costs	<u>180,000</u>
	<u>3,691,000</u>

Alternative uses have been identified for £938,000 of computer hardware and systems software acquired for this project.

3,691**Special payments**

£000

Payments in respect of ex gratia and compensation claims of which 3 individual cases came to £78,500. (281 cases)

126**Other Notes**

- (i) Expenditure attributable to Northern Ireland is collected from their share of all U.K. taxes under regulations made under Section 15 (3) of the Northern Ireland Constitution Act 1973.
- (ii) Subhead A1. The Agency makes advances and adjusting payments to Post Office Counters Ltd under a continuing contract for vehicle relicensing and associated services.
- (iii) Subhead B1. Advances are made to Local Authorities in respect of payments towards the pensions of staff formerly employed on driver and vehicle licensing. This is a continuing liability. These advances are charged to the subhead at the time of issue and adjustments made once final claims are received.

Dr S J Ford
Accounting Officer

23 August 1996

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

I certify that I have audited the financial statements on pages 30 to 33 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class VI, Vote 4 for the year ended 31 March 1996; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

30 September 1996

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

Roads and local transport

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Department of Transport on transport supplementary grants to Highway Authorities in England; special grants to Passenger Transport Authorities for the additional costs of supporting rail services resulting from the restructuring of the railways; other grants and payments for consultancies in respect of various roads and transport projects and in support of maintenance and operations of the Woolwich Ferry; payments in support of roads on priority routes in London; vehicles and traffic enforcement; road safety, publicity census, surveys and studies; licence refunds; grants to the Humber Bridge Board to cover the Board's liabilities; Agency payments on behalf of the European Community, Trans European network payment, and Government Office programme expenditure.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
Roads and local transport						
A	24,435	15,447	8,988	23,195	15,331	7,864
Priority routes in London						
B	12,456	—	12,456	13,456	—	13,456
Government office programme expenditure						
C	1,315	100	1,215	816	1	815
Vehicle and traffic enforcement						
D	15,649	—	15,649	16,232	—	16,232
Road safety, publicity, censuses, surveys and studies						
E	15,328	686	14,642	13,842	521	13,321
Local authority capital and current expenditures						
F	418,063	1	418,062	363,182	—	363,182
Other expenditure not included in the control total:-						
Agency payments on behalf of the European Community						
G	3	—	3	—	—	—
Licence refunds						
H	2,000	—	2,000	1,893	—	1,893
Grants to the Humber Bridge Board						
I	41,750	—	41,750	38,898	—	38,898
Total	<u>530,999</u>	<u>16,234</u>	<u>514,765*</u>	<u>471,514</u>	<u>15,853</u>	<u>455,661</u>

*The cash limit on this Vote was subsequently reduced to £511,315,000.00.

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section A				
Roads and local transport				
A1 Grants to developers	1,000	361	639	—
A2 Rural transport grant in aid	850	800	50	—
A3 Consultancies and studies	3,896	3,227	669	—
A4 Traffic control systems	15,010	14,671	339	—
A5 Maintenance and operation of Woolwich Ferry	3,669	4,136	—	467
A6 Tolled roads inquiry payments	10	—	10	—
Section B				
Priority routes in London				
B1 Priority routes in London	12,456	13,456	—	1,000
Section C				
Government Office Programme Expenditure				
C1 Expenditure under Town and Country Planning Act 1990	360	392	—	32
C2 Consultancies and Studies	234	170	64	—
C3 New London Road Studies	721	254	467	—
Section D				
Vehicle and traffic enforcement				
D1 Vehicle and traffic enforcement	15,649	16,232	—	583
Section E				
Road safety, publicity, censuses, surveys and other related expenditure				
E1 Road safety, publicity, traffic censuses, surveys and other related expenditure	14,938	13,619	1,319	—
E2 Traffic census: capital expenditure	390	223	167	—

Explanation of the Causes of Variation between Expenditure and Grant

- A1 Forecasting the rate of applications is difficult in these demand led programmes. Schemes were not progressed as quickly as had been expected because of planning and procedural delays and claims for final payments were examined rigorously to remove ineligible items, resulting in savings.
- A3 Expenditure was lower than expected because developments in the motorway tolling research programme caused associated consultancy studies to be unnecessary; also the need to identify and appoint specialist traffic modellers resulted in a feasibility study for a national traffic model to start later than expected.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section F				
Local authority capital and current expenditure				
F1 Transport supplementary grants (England)	277,842	277,842	—	—
F2 Public transport facilities grants	17,220	13,070	4,150	—
F3 Other grants to highway authorities	3,001	492	2,509	—
F4 Special grants to passenger transport authorities	120,000	71,778	48,222	—
Other expenditure not included in the control total:				
Section G				
Agency payments on behalf of the European Community				
G1 Local road projects and public transport (net)	1	—	1	—
G2 Local air projects (net)	1	—	1	—
G3 Transport infrastructure projects (net)	1	—	1	—
Section H				
Licence refunds				
H1 Refunds of licence fees to goods vehicle and public service vehicle operators and drivers	2,000	1,893	107	—
Section I				
Grants to the Humber Bridge Board				
I1 Grants to the Humber Bridge Board	41,750	38,898	2,852	—

Explanation of the Causes of Variation between Expenditure and Grant

- F2 Mainly attributable to delays in the construction of the Croydon Tramlink due to slippage in the competition process between London Transport and the preferred bidder. Also, less grant was required elsewhere in the programme than was allocated.
- F3 Forecasting the rate of applications is difficult in these demand-led programmes. Schemes were not progressed as quickly as had been expected because of planning and procedural delays and claims for final payments were examined rigorously to remove ineligible items, resulting in savings.
- F4 Estimate provision reflected gross expenditure. Outturn shows the net figure after allowing for payments by British Rail and Railtrack. The level of these payments was not known when provision was determined.

Account—continued

Service	£000	Grant £000	Expenditure £000	Expenditure compared with Grant	
				Less than Granted £000	More than Granted £000
Gross Total					
<i>Original</i>	529,391				
<i>Supplementary</i>	<u>1,608</u>				
		530,999	471,514	61,567	2,082
				Surplus of Gross Estimate over Expenditure <u>59,485</u>	
<i>Deduct</i>		Estimated £000	Realised £000		
Z Appropriations in Aid				Deficiency of Appropriations in Aid	
<i>Original</i>	16,234			Realised	
<i>Supplementary</i>	<u>—</u>			<u>381</u>	
		16,234	15,853		
Net Total					
<i>Original</i>	513,157			Net Surplus	
<i>Supplementary</i>	<u>1,608</u>			<u>59,104</u>	
		514,765	455,661		
				Actual surplus to be surrendered <u>£59,104,390.03</u>	

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	<u>71,285</u>	<u>84,316</u>
Actual sum payable separately to Consolidated Fund		<u>£84,315,713.46</u>

Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Receipts from local authorities in respect of traffic control systems (see subhead A4)	15,010	14,671
Recovery of VAT on contracted out services (see subhead A3)	167	660
Receipts from the lease of TCSU software	—	—
Tolled road crossings	10	—
Receipts of TRC & HETA	260	—
	<u>15,447</u>	<u>15,331</u>
Subhead CZ		
VAT receipts (see subhead C2)	75	—
VAT receipts (see subhead C3)	25	1
	<u>100</u>	<u>1</u>
Subhead EZ		
Receipts from sales: LTS Model	73	39
Recoveries of VAT from E1(3) and E1(4)	478	482
Receipts from sale of Meplan Model	25	—
Other receipts from LATS	20	—
Receipts from EC	90	—
	<u>686</u>	<u>521</u>
Subhead FZ		
Appropriations in aid	1	—
Total	<u>16,234</u>	<u>15,853</u>

Details of Receipts—continued

	Estimated £000	Realised £000
(ii) Receipts of other classes		
Interest and repayment of loan (Second Mersey Tunnel)	2,663	2,663
Interest and repayment of loan (Tyne Tunnel)	1,712	1,712
Interest and loan (Humber Bridge)	41,750	41,743
Severn Bridge: interest on subordinated debt	—	—
Licensing of public service vehicle operators etc	4,200	5,536 (a)
Licensing of goods vehicle operators and issuing permits for international haulage	20,938	27,484 (b)
Miscellaneous	22	5,178 (c)
Total	<u>71,285</u>	<u>84,316</u>

Explanation of the Causes of Variation between Expenditure and Grant

- (a) & (b) Additional receipts were gathered following changes in the fees structure prior to, and during, 1995-96.
- (c) Additional receipts arose from the recovery of overpayments of Metropolitan Rail Grant in 1994-95. These payments were calculated on the basis of estimated gross costs, but the audited gross costs determining the final grant due showed that there had been an overpayment for that year.

Details of Expenditure

Subhead G1	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
Agency payments on behalf of the European Community				
Payments to local authorities for approved road and public transport projects	20,000	18,307	1,693	—
Total Expenditure	20,000	18,307	1,693	—
<i>Less</i>				
Receipts from the European Regional Development Fund	19,999	18,307	1,692	—
Net Total	1	—	1	—

Net Saving

£1

Subhead G2	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
Agency payments on behalf of the European Community				
Payments to local authority airports	2,000	492	1,508	—
Total Expenditure	2,000	492	1,508	—
<i>Less</i>				
Receipts from the European Regional Development Fund	1,999	492	1,507	—
Net Total	1	—	1	—

Net Saving

£1

Explanation of the Cause of Variation between Estimated and Actual Expenditure.
Subheads G1 and G2. Realistic forecasts are not possible for this expenditure.

Details of Expenditure—continued

Subhead G3	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
Agency payments on behalf of the European Community				
Payments to local authorities in respect of Transport Infrastructure Grants	807	298	509	—
Total Expenditure	807	298	509	—
<i>Less</i>				
Receipts from the European Community	806	298	508	—
Net Total	1	—	1	—
		Net Saving	<u>£1</u>	

Explanation of the Cause of Variation between Estimated and Actual Expenditure.

Subhead G3. Realistic forecasts are not possible for this expenditure.

Other Notes

Subhead F1 consists of payments of £277,842k to local authorities which may be subject to adjustment when final, audited claims have been received.

Subhead I1: The Humber Bridge was originally financed by loans from the Secretary of State and the Public Works Loans Board. In July 1991, the intention to legislate for writing off or suspending those parts of the debt that could not be met out of toll income from a reasonable level of tolls was announced. Pending such legislation, grant was paid from this account under the authority of the Appropriation Act following Treasury's agreement in February 1992 to meet unpaid interest charges on the debt. Grant will continue to be paid until an Order can be made under the Humber Bridge (Debts) Act 1996.

Patrick Brown
Accounting Officer

31 October 1996

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

I certify that I have audited the financial statements on pages 35 to 42 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class VI, Vote 5 for the year ended 31 March 1996; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

19 November 1996

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

Department of Transport: Other transport agencies

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Department of Transport on the Marine Safety, Coastguard, Transport Research Laboratory, Vehicle Certification and Driving Standards agencies and loans to the Vehicle Inspectorate.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
The Coastguard Agency						
A	54,923	430	54,493	56,193	682	55,511
Marine Safety Agency						
B	31,805	4,361	27,444	31,872	3,990	27,882
Vehicle Certification Agency						
C	3,535	3,532	3	3,280	3,302	(22)
Transport Research Laboratory Agency						
D	5,540	6,420	(880)	3,774	7,851	(4,077)
Vehicle Inspectorate (Trading Fund)						
E	3	2	1	—	—	—
Driving Standards Agency: capital expenditure						
F	1,030	—	1,030	1,050	—	1,050
Other expenditure not included in the control total:						
Driving Standards Agency: current expenditure						
G	54,100	—	54,100	53,659	—	53,659
Total	<u>150,936</u>	<u>14,745</u>	<u>136,191</u>	<u>149,828</u>	<u>15,825</u>	<u>134,003</u> †

†This figure is £1,080,000 less than the net total of expenditure on the Appropriation Account, being the difference between the Appropriations in Aid realised (£15,825,000), and those authorised to be applied (£14,745,000).

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section A				
The Coastguard Agency				
A1 Running costs	26,296	25,150	1,146	—
A2 Current expenditure	23,769	25,898	—	2,129
A3 Capital expenditure	4,858	5,145	—	287
Section B				
Marine Safety Agency				
B1 Running Costs	15,309	14,933	376	—
B2 Current expenditure	15,873	15,664	209	—
B3 Capital expenditure	623	1,275	—	652
Section C				
Vehicle Certification Agency (net control area)				
C1 Running Costs	3,323	3,135	188	—
C2 Current expenditure	67	6	61	—
C3 Capital expenditure	145	139	6	—
Section D				
Transport Research Laboratory Agency (net control area)				
D1 Running Costs (net)	3,260	3,037	223	—
D2 Current expenditure (net)	640	(1,490)	2,130	—
D3 Capital expenditure	1,640	2,227	—	587
Section E				
Vehicle Inspectorate (Trading Fund) external finance (loans)				
E1 Loans to the Vehicle Inspectorate	3	—	3	—

Explanation of the Causes of Variation between Expenditure and Grant

- B3 Expenditure on accommodation and IT infrastructure planned for 1996-97 was brought forward to enable efficiency savings to be made and additional expenditure on accommodation costs was required to meet Health and Safety standards.
- D3 Increased demand for capital purchases on on-going projects arising from research requirements identified in year [by Departmental customers of Transport Research Laboratory].

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section F				
Driving Standards Agency: capital expenditure				
F1 Driving Standards Agency: capital expenditure	1,030	1,050	—	20
Section G				
Driving Standards Agency: current expenditure				
G1 Driving Standards Agency: current expenditure	54,100	53,659	441	—
	£000			
Gross Total				
Original	146,539			
Supplementary	1,660			
Supplementary	<u>2,737</u>			
	150,936	149,828	4,783	3,675
			Surplus of Gross Estimate over Expenditure	
			<u>1,108</u>	
<i>Deduct</i>	Estimated	Applied		
	£000	£000		
Z Appropriations in Aid				
Original (revised sum)	12,283			
Supplementary	<u>2,462</u>			
	14,745	14,745		
Net Total				
Original (revised sum)	134,256			
Supplementary	1,660			
Supplementary	<u>275</u>			
	136,191	135,083		Surplus
				<u>1,108</u>

Actual surplus to be surrendered

£1,108,349.63

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
(i) Receipts of classes not authorised to be used as Appropriations in Aid	14,745	15,825
(ii) Receipts of other classes	60,665	<u>69,206</u>
Gross total		85,031
Appropriated in aid		<u>14,745</u>
Net Total		<u>70,286</u>
Actual sum payable separately to Consolidated Fund		<u>£70,286,213.19</u>
Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Recoveries of VAT on contracted out services (running costs)	1	226
Receipts from recovery of administrative costs, repayment services and sale of information, including publications	27	389
Fees and receipts for marine emergency services	402	67
	<u>430</u>	<u>682</u>
Subhead BZ		
Recoveries of VAT on contracted out services (running costs)	100	118
Receipts from recovery of administration costs, repayment services and sale of information, including publications	20	56
Fees and receipts for marine safety services including Classification Society Surveyors	4,241	3,816
	<u>4,361</u>	<u>3,990</u>
Subhead CZ		
Receipts from the private sector for vehicle and component testing and certification and from DOT for enforcement and related work, sale of publications and recoveries of VAT:		
Recoveries of VAT on contracted out services (running costs)	22	24
Other receipts offsetting gross running costs (C1)	3,216	3,043
Receipts not offsetting gross running costs	294	235
	<u>3,532</u>	<u>3,302</u>
Subhead DZ		
Receipts for research commissioned by other government departments and the private sector, and VAT refunds:		
Receipts offsetting gross running costs	3,260	3,866 (a)
Receipts not offsetting gross running costs	3,010	3,927 (b)
Receipts from the European Communities (Classified as programme 2.7 [contributions to EC etc])	150	58
	<u>6,420</u>	<u>7,851</u>

Details of Receipts—continued

	Estimated £000	Realised £000
Subhead EZ		
Repayment of deemed and voted loans made to the Vehicle Inspectorate		
Long term loans	1	—
Short term loans	1	—
	<u>2</u>	<u>—</u>
Total	<u>14,745</u>	<u>15,825</u>
 (ii) Receipts of other classes		
Testing of LGV and PCV drivers	4,998	5,707 (c)
Testing of motorcar drivers and motorcyclists	48,912	55,787 (d)
Testing of approved driving instructors including registration	3,596	3,160
Royalty payments received by DSA for publications	300	271
Interest on loans to the Vehicle Inspectorate	1,478	1,478
Dividends paid by Vehicle Inspectorate on public dividend capital	252	252
• Ship and fishing vessel registration services	600	648
Miscellaneous receipts	529	1,903 (e)
Total	<u>60,665</u>	<u>69,206</u>

Explanation of Causes of Variation between Estimated and Realised Receipts.

- (a)&(b) Due to the Transport Research Laboratory securing more business from private sector clients than anticipated in the period up to privatisation.
- (c) Demand for LGV tests being higher than was forecast because of candidates applying for and taking tests prior to the introduction of new and tougher tests on 1 January 1997, which is reflected in the higher backlog at 31 March of tests booked but not delivered.
- (d) Due to an increase in demand for L tests, largely the consequences of candidates applying for and taking driving tests before the introduction of the new theory test on 1 July 1996, which is reflected in the higher backlog at 31 March (350,000 compared to a backlog at 200,000 at 31 March 1995).
- (e) Due to “windfall” receipts from the disposal of property, rates rebate, sale of vehicles, equipment, publications.

Details of Expenditure

Special Payments

Total	£000
6,797 Cases	156

Transport Research Laboratory Agency (net control area)

Subhead D1	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
(1) Running costs	16,300	15,593	707	—
<i>Less</i>				
(2) Receipts from DOT offsetting gross running costs	13,040	12,556	484	—
	3,260	3,037	223	—
		Net Saving	<u>223</u>	

Subhead D2	Estimated	Actual	Saving	Excess
	£000	£000	£000	£000
(1) Current expenditure	12,100	11,448	652	—
<i>Less</i>				
(2) Receipts from DOT not offsetting gross running costs	11,460	12,938	—	1,478
Net Total	640	(1,490)	652	1,478
		Net Saving	<u>2,130</u>	

Explanation of the Causes of Variation between Expenditure and Grant

Subhead D2

Due to extra receipts from the recovery of additional capital costs. Also increased receipts generated by higher level of fee-earning activity than envisaged at the time of determining charges to customers.

Other Notes

Sections B, C, D, E, F, and G:

The accounts of the Marine Safety Agency, Vehicle Certification Agency, Transport Research Laboratory, Vehicle Inspectorate, and Driving Standards Agency are published separately.

Organisations approved by the Driving Standards Agency award certificates to candidates passing the Compulsory Basic Training of the motorcycle driving test. To be an approved trainer a minimum number of the organisations' staff must have attended an assessment course run by the Driving Standards Agency. During the period 1 April 1990 to 31 March 1996 the Driving Standards Agency, on behalf of the Secretary of State for Transport, has been levying a fee for this course. The total fees received by the Agency, and surrendered to the Consolidated Fund by the Department are £328,150 of which £119,225 was received and surrendered in the year to 31 March 1996. There is no statutory authority for this fee and the Agency and Department will make full refunds to all course attendees who can provide a valid claim. These refunds will be made in future years and the availability of the refund has been publicised by the Driving Standards Agency.

Patrick Brown
Accounting Officer

28 November 1996

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

I certify that I have audited the financial statements on pages 44 to 50 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class VI, Vote 6 for the year ended 31 March 1996; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

20 December 1996

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

Passenger Rail Services

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Office of Passenger Rail Franchising on the franchising of passenger rail services; the provision of, and support for, passenger rail services; the formation and financing of companies formed to facilitate the Franchising Director's functions; and administration and miscellaneous services.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
Passenger Rail Services						
A	1,685,003	3	1,685,000	1,668,944	—	1,668,944
Administration and miscellaneous services						
B	39,276	4,794	34,482	38,855	4,401	34,454
Total	<u>1,724,279</u>	<u>4,797</u>	<u>1,719,482</u>	<u>1,707,799</u>	<u>4,401</u>	<u>1,703,398</u>

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
Section A				
Passenger rail services				
A1 Passenger rail services	1,663,001	1,650,112	12,889	
A2 Payments under franchise agreements	22,001	18,832	3,169	
A3 Payments in respect of companies formed by the Franchising Director	1	0	1	
Section B				
Administration and miscellaneous services				
B1 Running costs	6,462	6,154	308	
B2 Capital expenditure (administration)	2,199	1,496	703	
B3 Miscellaneous services	30,615	31,205		590

Explanation of the Causes of Variation between Expenditure and Grant

A2 Provision taken to accommodate payments to LTS Rail which was not in the event franchised as expected.

Account—continued

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
£000	£000	£000	£000	£000
Gross Total				
<i>Original</i>	1,621,928			
<i>Supplementary</i>	<u>102,351</u>			
	1,724,279	1,707,799	17,070	590
			Surplus of Gross Estimate over Expenditure <u>16,480</u>	
<i>Deduct</i>	<i>Estimated</i>	<i>Realised</i>		
	£000	£000		
Z Appropriations in Aid			Deficiency of Appropriations in Aid realised	
<i>Original</i>	1,324			
<i>Supplementary</i>	<u>3,473</u>			
	4,797	4,401	<u>396</u>	
Net Total				
<i>Original</i>	1,620,604			
<i>Supplementary</i>	<u>98,878</u>			
	1,719,482	1,703,398	Net Surplus <u>16,084</u>	
			Actual surplus to be surrendered <u>£16,083,781.36</u>	

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
Receipts of classes not authorised to be used as Appropriations in Aid	1	1
Actual sum payable separately to Consolidated Fund		<u>£1,272.13</u>

Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Receipts from franchises and franchise operators	1	—
Receipts from passenger transport executives	1	—
Receipts in connection with the acquisition or disposal of property, rights or liabilities	1	—
Subhead BZ		
Recoveries of VAT on contracted out services—non-running costs	4,495	4,155
Recoveries of VAT on contracted out services—running costs	298	246
Receipts from recovery of administration costs, repayment services and the sale of information	1	0
Total	<u>4,797</u>	<u>4,401</u>
(ii) Receipts of other classes		
Miscellaneous receipts	1	1

Notes

Section A: Passenger Rail Services

1. This note provides further information to supplement and explain the figures contained in the above appropriation account. It refers to contents of Sections A1 and A2 (Passenger Rail Services).

Contractual Basis of Payments

2. All payment made to the British Railways Board was on the basis of an agreement entered into by OPRAF and the Board under section 52 of the Railways Act 1993. The agreement required the Board to run the services contained in the published timetables which were broadly comparable with those run the previous year. The agreement exempted services provided under an agreement between the Board and a third party such as Passenger Transport Executive Services.
3. The quantum of support to be paid was to be based on the Board's budget for its passenger businesses subject to external audit of this budget as a basis for the claim. This included the passenger businesses share of central costs and the net costs of introducing the incentive regime.

Level of Support

4. The outturn of £1,650 million under A1(1) is the total paid to the Board and is based on their budgeted claim. The claim was as follows:

		£m
Support for Passenger Rail Services operated by the Board in 1995–96, consisting of:		1,672.89
Direct payments in support of Passenger Rail Services	1,597.82	
Group costs properly apportioned to the passenger business	68.05	
Estimated net costs of the performance regimes	12.60	
Island Line lease payments for 1994–95	0.82	
Retrospective adjustment (see below)	(6.40)	
		1,672.89
The total of payments includes:		
Administered profit	203.01	
Privatisation costs	30.31	
Redundancy costs	16.84	

5. The allowance for an administered profit of £203.01 million was taken into account in the external financing limit set for the Board by the Government.

Effects of Franchising

6. In 1995–96 two Train Operating Companies (TOCs) were successfully franchised and commenced operations on 4 February 1996. As a result the Board's claim for support payments for South West Trains and Great Western trains of £85.43 million and £60.83 million respectively were abated by $\frac{57}{366}$ being the number of days these TOCs were not in the Board's ownership. As a result £22.778 million was deducted from the payments made to the Board so that £1,650.112 million was paid to the Board in 1995–96.
7. From 4 February 1996 when franchise operations commenced on South West Trains and Great Western payments were due in accordance with the respective franchise agreements. In 1995–96 for the two periods of franchised operation £18.832 million was paid to these franchisees. This is £9.396 million to South West Trains and £9.436 million to Great Western.

Retrospective Adjustments

8. The 1994–95 support of £1,748 million included a provisional estimate of ROSCO charges of £804 million. The final level of charges was agreed only after the year end. The agreed total was £797.6 million. OPRAF was therefore due a credit of £6.4 million against its 1995–96 support payments which was taken from the payments made in 1995–96.
9. The audit of the 1995–96 grant claim has established that the restated claim should have been £1,663.2 million. After deducting the £22.778 million and £6.4 million mentioned in paragraphs 6 and 8 above respectively the amount due to the British Railways Board should have been £1,634.022 million compared to the £1,650.112 million paid. This results in a rebate due to OPRAF in 1996–97 of £16.090 million. This will be recovered from the SPRS payments made to the British Railways Board in 1996–97.

JJ O'Brien
Accounting Officer

9 January 1997

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

I certify that I have audited the financial statements on pages 52 to 56 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditors

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class VI, Vote 7 for the year ended 31 March 1996; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

10 January 1997

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

Office of the Rail Regulator

Summary of Outturn, and the **Account** of the sum expended, in the year ended 31 March 1996, compared with the sum granted, for expenditure by the Office of the Rail Regulator on administration and associated capital and other expenditure and on costs of the Rail Users' Consultative Committees.

Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000	Gross Expenditure £000	Appropriations in Aid £000	Net Expenditure £000
Office of the Rail Regulator						
A	11,051	600	10,451	9,649	793	8,856*

*This figure is £193,000 less than the net total of expenditure on the Appropriation Account, being the difference between the Appropriations in Aid realised (£793,000) and those authorised to be applied (£600,000).

Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
£000	£000	£000	£000	£000
Section A				
Office of the Rail Regulator				
A1 Running costs	10,479	9,311	1,168	—
A2 Capital expenditure	572	338	234	—
Gross Total				
<i>Original</i>	8,929			
<i>Supplementary</i>	<u>2,122</u>			
	11,051	9,649	1,402	—
<i>Deduct</i>		<i>Estimated</i>		<i>Applied</i>
		£000		£000
AZ Appropriations in Aid				
<i>Original</i>	300			
<i>Supplementary</i>	<u>300</u>			
	600	600		
Net Total				
<i>Original</i>	8,629			
<i>Supplementary</i>	<u>1,822</u>			
	10,451	9,049		
			Surplus	
			<u>1,402</u>	
				Actual surplus to be surrendered
				<u>£1,401,523.95</u>

Explanation of the Causes of Variation between Expenditure and Grant

A1 The underspend has resulted mainly from lower than expected expenditure on legal consultancies for processing depot access agreements; this was a combination of the agreements being submitted later than expected and a more efficient and streamlined process being established for this substantial tranche of work.

Receipts	Estimated £000	Realised £000
Receipts payable to Consolidated Fund		
(i) Receipts of classes authorised to be used as Appropriations in Aid	600	793
(ii) Receipts of classes not authorised to be used as Appropriations in Aid	<u>8,220</u>	<u>8,249</u>
Gross Total	8,820	9,042
Appropriated in Aid		<u>600</u>
Net Total		<u>8,442</u>
Actual sum payable separately to Consolidated Fund		<u>£8,442,335.94</u>

Details of Receipts	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid		
Subhead AZ		
Recoveries of VAT on contracted out services	599	792
Receipts from other services provided by the office	<u>1</u>	<u>1</u>
Total	<u>600</u>	<u>793</u>
(ii) Receipts of other classes		
Licence fees and other receipts	8,220	8,249

Explanation of the Causes of Variation between Estimated and Realised Receipts.

AZ The increase in Appropriations in Aid was due to higher than estimated receipts of VAT on contracted out services.

J A Swift
Accounting Officer

30 September 1996

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

I certify that I have audited the financial statements on pages 58 to 60 under the Exchequer and Audit Departments Acts 1866 and 1921.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class VI, Vote 8 for the year ended 31 March 1996; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

3 October 1996

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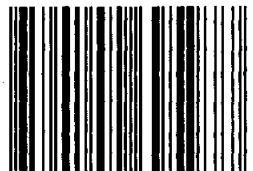
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