Department for Transport

Annual Report and Accounts 2010-11

HC 972 London: The Stationery Office £23.50

Department for Transport

Annual Report and Accounts 2010-11

(For the year ended 31 March 2011)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed on 18 July 2011

HC 972 London: The Stationery Office £23.50

This is part of a series of Annual Reports and Accounts which, along with the Main Estimates 2011-12 and the document Public Expenditure: Statistical Analyses 2011, present the Government's outturn and planned expenditure for 2011-12.

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This publication is also available for download at www.official-documents.gov.uk

ISBN: 9780102972238

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

ID 2432281 07/11 12622 19585

Printed on paper containing 75% recycled fibre content minimum.

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Part 1: Annual Report

Chapter 1: Our aims and objectives

1.1 The Government's vision is for a transport system that is an engine for economic growth but one that is also greener, safer and improves the quality of life in our communities.

1.2 To support **economic growth**, we aim to deliver world-class national and international networks for individuals and business. An efficient, competitive and resilient transport sector enables growth and helps spread prosperity.

1.3 To create **a greener transport system**, DfT will play a key role in supporting the decarbonisation of our transport system and reducing the environmental impacts of travel and transport, such as carbon emissions, air pollution and noise.

1.4 Transport users must have confidence in the **safety and security** of our transport system so we will continue to maintain our excellent safety record and manage current and future security risks.

1.5 Delivering all this requires the adoption of new approaches: working with key stakeholders to see where we can devolve control; seeking opportunities to deregulate and lighten the burden we place on business; and thinking radically about the way government works to deliver its aims and how we can empower others to bring about change without the need for regulation.

1.6 This report summarises the Department's progress in implementing this challenging agenda during the first year of the Coalition Government. It comprises the following sections:

- **Chapter 2** examines the Department's progress against the Structural Reform Plan and the DfT Business Plan indicators and details the Department's key achievements of the year
- **Chapter 3** outlines the management structures of the Department: the remit and work of the Board and its committees, financial governance, the organisational groups and risk.
- **Chapter 4** covers progress on Better Regulation, non-departmental public bodies (NDPBs), Public Accounts Committee recommendations, and complaints to the Parliamentary Ombudsman.
- **Chapter 5** includes details of the number of senior civil servants by pay band, details of expenditure on consultancy and temporary staff, recruitment practice, health and safety, sustainable operations, performance in responding to correspondence from the public, publicity, advertising and sponsorship.
- **Chapter 6** comprises core tables which look at the Department's spending.
- **Chapter 7** lays out the resource accounts for the 2010-11 financial year.

Chapter 2: Measurement of performance and progress

2.1 This chapter reviews the Department's performance and progress during the period 1 April 2010 to 31 March 2011.

Progress against the Structural Reform Plan

2.2 The Structural Reform Plan (section C of the DfT Business Plan)[1] sets out the Department's key commitments and activities for the period 2011-2015, including start and end dates for specific actions. The table below summarises the actions due in 2010-11 grouped under the five section headings used in the Plan.

Priority	**No. of actions**	**No. met on time**	**No. missed**
Deliver the Coalition's commitments on high speed rail	3	3	0
Secure our railways for the future	3	2	1 (missed by less than one month)
Encourage sustainable local travel	4	4	0
Tackle carbon and congestion on our roads	8	7	1 (missed by less than three months)
Promote sustainable aviation	3	2	1 (missed by more than three months)
Total	**21**	**18**	**3**

2.3 Structural Reform Plan (SRP) action 2.1ii, to 'set out high-level vision/narrative for a sustainable railway', was due to be completed before the end of November 2010 but was actually completed on 7 December 2010. This delay was due to the need to obtain a slot for a Parliamentary announcement.

2.4 SRP action 4.2iv, to 'set out and implement measures to reduce the congestion caused by incidents', was due to start in February 2011. However, work to finalise the relevant report meant that the announcement of the proposed measures was delayed until May 2011. The slippage did not affect

[1] The DfT Business Plan can be accessed at: www.number10.gov.uk/wp-content/uploads/DFT-Business-Plan1.pdf For more information about Business Plans, please see the Business Plan section of the Number 10 website: www.transparency.number10.gov.uk/transparency/srp/

the overall programme of work and the implementation of these measures remains on track.

2.5 SRP action 5.2iv, to 'consult on proposals to reform aviation security regulation' was due to start in January 2011. The consultation process has been delayed because of the need to respond to detailed comments from the Regulatory Policy Committee, and reflect those in the proposals and accompanying Impact Assessment. A revised timetable for this workstream is set out in the Department's refreshed Plan published in May 2011.

Key achievements

2.6 During 2010-11 the Department has taken significant steps towards delivering its part of the Coalition's programme for government. Highlights include:

- launching the consultation on Britain's High Speed Rail strategy and the proposed route of the High Speed Two line;
- rationalising the number of disparate transport funding streams for local government;
- reforming the way the rail franchising system will work going forward, improving value for money for the taxpayer and giving operators more incentives to invest and flexibility to deliver the required outcomes;
- publishing our Local Transport White Paper, *Creating Growth, Cutting Carbon: Making Sustainable Local Transport Happen*, which sets out the Government's vision for a sustainable local transport system that supports the economy and reduces carbon emissions;
- creating the Local Sustainable Transport Fund to help build strong local economies and address the urgent challenges of climate change;
- completing the sale of the High Speed 1 Channel Tunnel rail link asset, which has raised £2.1 billion;
- determining the way forward on key rail projects, including the Intercity Express Programme and Thameslink;
- providing councils in England with more than £200 million extra funding to spend on repairing potholes;
- launching the Plug-in Car Grant to provide grant funding to support private and business buyers looking to purchase a qualifying ultra-low emission vehicle. The Department continued to support the Plugged-in Places scheme, which offers match-funding to local consortia of businesses and public sector partners to support the installation of electric vehicle recharging infrastructure across the UK; and
- taking the major steps towards a radical restructuring of the Department that will lead to savings of around 33% on its annual running costs.

Input and impact indicators

2.7 The Department's Business Plan was republished on 13 May 2011 and can be accessed via the Number 10 website.[2] The Business Plan sets out the Department's vision, priorities and commitments for the period 2011-2015, and reports the Department's planned and previous expenditure.

2.8 The Business Plan also includes a set of input and impact indicators, which allow the public to judge the Department's performance and progress over time. The indicators used in the Plan are:

Input indicators

- rail subsidy per passenger mile;
- bus subsidy per passenger journey;
- cost of maintaining the Highways Agency's motorway and A road network per lane mile;
- cost of operating the Highways Agency's motorway and A road network per vehicle mile;
- cost of running the rail network (to be reported from October 2011);
- percentage of DfT's appraised project spend that is assessed as high or very high value for money (VfM);

Impact indicators

- reliability of journeys on Highways Agency's motorway and A road network;
- proportion of trains running on time;
- proportion of bus services running on time;
- proportion of urban trips under five miles taken by:
  - walking or cycling
  - public transport;
- total greenhouse gas emissions from transport;
- annual road fatalities;
- percentage of households with good transport access to key services or work; and
- number of newly registered ultra-low emission vehicles.

Other information

2.9 The Department continues to publish a wider range of official and National Statistics on the transport system. It aims to make publicly available as much of the associated raw data as reasonably possible, via www.data.gov.uk and other portals.

[2] www.number10.gov.uk/wp-content/uploads/DFT-Business-Plan1.pdf

2.10 The Business Plan also includes a section on Other Data,[3] which provides links to key datasets and statistical releases published by the Department.

[3] Pages 28-29 of the DfT Business Plan: www.number10.gov.uk/wp-content/uploads/DFT-Business-Plan1.pdf

Chapter 3: How we are organised

Governance

Department for Transport Board

3.1 The table below shows the make-up of the DfT Board as at 31 March 2011.

Secretary of State			
Philip Hammond			
Ministers			
Theresa Villiers (Minister of State)	Norman Baker (Parliamentary Under Secretary)	Mike Penning (Parliamentary Under Secretary)	
Permanent Secretary			
Lin Homer			
Directors General			
Steve Gooding	Richard Hatfield	Lucy Chadwick (Acting)	Clare Moriarty
Non-executive Directors (NEDs)			
Alan Cook	Sally Davis	Sam Laidlaw (Lead NED)	Ed Smith

3.2 The Board met nine times in 2010-11, though this frequency will change under the new Cabinet Office Corporate Governance framework. The Board:

- ensures effective governance of the Department and its executive agencies so that we make the right decisions at the right time and manage risks properly;
- shapes and directs a shared agenda for DfT as a whole, both to deliver ministers' priorities and to build our capability as a Department;
- monitors performance and risk, making choices (or recommendations to ministers) on priorities and appetite for risk; and
- oversees the health of our relations with our stakeholders and commercial partners.

3.3 The DfT Board is supported by an Executive Committee and a Group Audit Committee chaired by the Non-executive Director Ed Smith, as well as four other sub-committees:

- Change Sub-Committee;
- Business and Investment Sub-Committee;

- Strategy Sub-Committee; and
- Delivery Sub-Committee.

3.4 There is also a Remuneration Committee which meets on an ad hoc basis.

Organisational groups

3.5 The Department for Transport is organised into four Director General groups, and a single 'non-group' area covering the work of some cross-cutting teams. The groups are:

- **International, Strategy and Environment**
  The Group's responsibilities include international aspects of the Department's work (including aviation and maritime policy), development of the Department's overarching policy framework, cross-modal transport security and safety, and leading the drive to decarbonise transport and manage and minimise transport's impact on the environment.

- **Domestic**
  The Group covers activities including the Government's preparatory work on High Speed Rail; the Government's response to the recommendations proposed by Sir Roy McNulty and subsequent proposals for the reform of the rail industry; the development of policy in relation to roads, traffic, road safety, bus travel and logistics and the Department's relationship with local government and its contribution to the Government's localism and Big Society agendas.

- **Major Projects and London**
  The Group leads the Government's sponsorship of the major rail and road projects including Crossrail, the management and re-letting of the Department's rail franchises, discharging the Government's interests in London's transport and operation of the transport network during the Olympic and Paralympic Games. The Department's commercial and rail technical expertise are concentrated within this Group.

- **Corporate**
  The Group incorporates a diverse range of functions from HR and Finance to Communications and IT. The main function of the Group is to strengthen the Department's capability to achieve results by delivering efficient and effective communications, systems and processes that enable people to do their jobs well. Corporate Group is responsible for building the capability of people in DfT as well as protecting its reputation – for example through the internal audit function and responsibility for supporting the business planning process.

- **Non-group**
  The non-group areas of the Department are ministers' Private Offices and the General Counsel's Office.

Executive agencies and trading funds

3.6 The Department's executive agencies and trading funds are central to delivering the Government's transport priorities and services.

Executive agencies

Vehicle Certification Agency (VCA)

3.7 VCA tests and certifies new models of vehicles and components against European and United Nations safety and environmental performance standards. It also provides a service to manufacturers who wish to be certified as meeting international quality, environmental and safety management system standards.

3.8 VCA publishes the definitive data on emissions, fuel consumption and noise. This helps people decide what vehicle to buy and enables in-service testing of car emissions. This information also supports the Department and HMRC in applying Vehicle Excise Duty schemes linked to vehicle fuel consumption.

Highways Agency (HA)

3.9 HA is responsible for operating, maintaining and improving the strategic road network, on behalf of the Secretary of State for Transport. This comprises 9,380 km/5,863 miles of motorways and trunk roads in England, on which over 170 billion vehicle/km journeys are made each year.

3.10 HA's aim is *'Safe roads, Reliable journeys,Informed travellers'* which supports the DfT objective of a transport system that works for everyone. The Agency:

- Improves road safety;
- makes journeys more reliable through better network management and information; and
- respects the environment.

3.11 HA also has an international role, building good working relationships and sharing expertise with other overseas road administrations. This helps promote the value of UK knowledge and best practice across the world to support UK industry.

Maritime and Coastguard Agency (MCA)

3.12 MCA delivers and implements the Government's maritime safety strategy. The agency co-ordinates search and rescue at sea through Her Majesty's Coastguard, and checks that ships meet UK and international safety rules. It works to prevent loss of life at the coast and at sea, to ensure that ships are safe, and to prevent coastal pollution.

Government Car and Despatch Agency (GCDA)

3.13 The GCDA is a non-profit making executive agency which aims to be the first choice supplier of secure transport, distribution and mail related services to Government, the wider public sector and other approved customers.

Trading funds

Driver and Vehicle Licensing Agency (DVLA)

3.14 DVLA maintains an up-to-date record of all those who are entitled to drive various types of vehicles, together with a register of all vehicles entitled to travel on public roads. It is responsible for driver licensing, the collection of vehicle excise duty and vehicle registration policy for Great Britain.

3.15 DVLA also contributes to Government policies and to broader objectives, such as an improved environment and modernised, customer-focussed services.

Vehicle and Operator Services Agency (VOSA)

3.16 VOSA works with Traffic Commissioners to improve road safety and the environment and to safeguard fair competition by promoting and enforcing compliance with commercial operator licensing requirements.

Driving Standards Agency (DSA)

3.17 DSA promotes road safety in Great Britain by improving driving standards, through testing drivers and driving instructors. The DSA has continued to contribute to the target for reducing road casualties set in the Government's road safety strategy, *Tomorrow's Roads - Safer for Everyone*.

Financial governance and management

3.18 The Department has a Corporate Governance Framework which describes the responsibilities of directors general to manage annual budgets and business plan commitments. The DfT Board, the Executive Committee and investment boards also review and approve financial decisions.

3.19 DfT's Finance professionals support corporate governance. Before the Department's restructure, some of these Finance professionals were embedded in the director general groups as Resource Management and Planning Teams (RMPTs). New Finance business partners were appointed from January 2011, reporting directly to the Group Director of Finance, and the Department began the process of moving Finance staff to the new business partner structure. These Finance staff lead all aspects of financial management and facilitate its effective implementation through the actions and decisions of senior managers. Working independently of Finance, Group Internal Audit supports good governance by providing an independent and objective internal audit service working to Government Internal Audit Standards.

3.20 The financial management of the Department has a number of key elements.

Controls and compliance

3.21 The Financial Control and Governance division (FCG) leads and manages financial control through the periodic review of balances and variances, co-ordinating with Shared Services, other Finance professionals (such as the business partners), and Internal Audit as necessary.

3.22 FCG monitors budget changes to ensure they have been approved in accordance with permitted authorisations and reviews monthly the actual and forecast outturns against budgets, to check that expenditure is managed in line with approved budgets.

3.23 FCG has a number of corporate governance responsibilities. These include leading and co-ordinating the management assurance process through directors and the chief executive officers of the agencies and the arm's length bodies, and acting as the liaison point between the Department and HM Treasury on such issues. FCG proactively promotes compliance with and operation of controls, through guidance published on the Departmental intranet and by holding formal training sessions and workshops.

External reporting

3.24 FCG leads external financial reporting (to HM Treasury and Parliament) for the Department. There are three key elements:

- The Accounts reflect DfT's results and are audited by the National Audit Office (NAO).
- The Estimate reflects the expenditure voted and approved by Parliament. The Main Estimate for 2010-11 sets out the permitted expenditure for the year.
- Full-year forecast and year-to-date outturns are updated monthly and reported to HM Treasury. They are further updated alongside the

resource accounts and published via HM Treasury as the provisional outturn for the year.

Business cases/Investments

3.25 Financial Strategy and Planning (FSP) manages and reviews business cases, which are examined using a three-tier approach through the investment appraisal framework. The key criteria for each tier relate to financial cost and risk. Tier one sets criteria for review by the Departmental Board Investment and Commercial Committee (BICC - a forum for making informed decisions on ‘Tier one Projects’ within an economic, financial and commercial context at the provisional, conditional and full approval stages as part of the Investment Appraisal Framework); Tier two sets thresholds and standards for governance and clearance by designated scrutinising bodies; and Tier three sets standards for analysis and documentation for all appraisals. Financial thresholds for the tiers are set at £200 million for Tier one and £10 million for Tier two.

Business planning

3.26 FSP manages the Spending Review and annual financial planning processes. The 2010 Spending Review set out the Department’s spending priorities and total expenditure, by type, allocated to the Department for the years 2011-12 to 2014-15. The Department has set indicative budgets for its programmes through the Spending Review which will be reconfirmed through the annual business planning process. This is carried out in conjunction with the evaluation of outputs and outcomes of activities in director general (DG) groups and the Departmental business plan process. Allocated budgets are then processed and approved via the Main Estimate and then at a more detailed level on source systems.

Management reporting

3.27 Management reporting is undertaken throughout the Department. Business partners produce detailed monthly reports for their DG groups to manage budgets and performance. These reports are formally reviewed with the Permanent Secretary quarterly for each DG group.

3.28 Departmental finance reports are produced monthly and reviewed by Finance professionals. A performance report is issued monthly to the Board and includes summarised Departmental financial information.

3.29 Decision making generally takes place through the Executive Committee (ExCo). Proposals are made to ExCo through specific documents, which FSP initially reviews for financial implications.

3.30 FCG division includes systems support teams who, along with staff in Shared Services, also support financial management and reporting.

3.31 Shared Services manages the full transactional systems of SAP and Business Intelligence for the central Department, DVLA and DSA, and payroll and HR for the Highways Agency. FCG manages the relationship between the central Department and Shared Services in respect of financial systems (in particular service levels, faults, changes and developments), the movement of data to and from HM Treasury systems (COINS) and transactional systems. Group Finance is also leading on the development of coherent reporting solutions that meet management requirements.

3.32 We have worked to identify and deliver more efficient financial management processes, focusing on management information systems; planning, budgeting and forecasting; purchase to pay; finance organisation structure; and other processes.

Accounting and reporting changes

3.33 HM Treasury has initiated the Clear Line of Sight (CLoS) project to align the three different reporting systems which operate in government departments: budgets, estimates and resource accounts. DfT reported its 2010-11 budget and outturn numbers to HM Treasury on both a pre-CLoS and a post-CLoS basis. Cost of capital charges have been removed in 2010-11. Figures are included in the Department's Accounts for 2010-11 on a pre-CLoS basis.

Risk management

3.34 Risk management in the Department is decentralised, with each director general area managing its own risks, developing its own risk management policies within centrally managed parameters and maintaining its own risk registers. Risks are escalated to corporate level once they meet the corporate escalation criteria as set out in the Department's risk policy.

3.35 All risks meeting the Board escalation criteria are grouped under themes and reported at each Board meeting, including a chart showing the relative risk exposure of each risk theme. A number of risk themes are regularly reported, including finance and delivery performance. During the year, the Board has considered five in-depth risk reviews covering other risk themes: EU infraction, the Olympics, business continuity, and two reviews covering transport disruption.

3.36 The DfT Board also monitors risk management within DfT's executive agencies as part of the Board escalation process and carries out in-depth reviews of individual risk areas.

3.37 Every year, DfT Internal Audit and the Group Audit Committee assess the overall adequacy and effectiveness of risk management, control and governance processes, including their relevant strengths and weaknesses, and provide assurance to the DfT Board and the Accounting Officer.

Chapter 4: Regulation, Parliament and the public

4.1 This chapter covers the Department's interaction with business and reducing its burden on it; non-departmental public bodies and relationships with Parliament, including recommendations from the Public Accounts Committee (PAC); and complaints to the Parliamentary Ombudsman.

Better Regulation

4.2 Reducing regulation is a key priority for the Coalition Government. Red tape has become a problem that the Government is determined to tackle to encourage sustainable economic growth and increase personal freedom and fairness. The Government will, therefore, regulate to achieve its policy objectives only where that is strictly necessary. The Department is committed to this agenda and has put in place a robust governance structure (including a high-level Steering Group, reporting to the Executive Committee and Board, to oversee implementation of the Coalition's regulatory agenda). This will ensure DfT remains at the forefront of this agenda across Whitehall and puts a deregulatory mindset at the core of how it works.

4.3 DfT has led the way in which Whitehall challenges both its regulatory proposals and its existing regulatory stock. For example, DfT piloted an internal peer review challenge process (Star Chambers) for its regulatory proposals in the autumn and has gone on to develop this for the review of its existing stock of regulations.

One-in, one-out

4.4 Owing to its challenge process backed up by a robust governance structure, DfT has managed to cut its regulatory 'ins' to just one in 2010-11, with a net cost on business of zero. Thus, DfT's one-in, one-out balance was zero for the 2010-11 year.

Regulatory Policy Committee (RPC)

4.5 Transport policy is, to a significant degree, informed by and driven by EU and international legislation. As a result, the sector is one of the largest sources of regulation across Whitehall. Nevertheless, as can be seen from the One-in, one-out balance above, these are not domestic regulations placing burdens on business.

4.6 Between September and December 2010, DfT received 41 opinions from the RPC. In January 2011 the RPC put in place the Red-Amber-Green system for rating opinions. Between January and the end of March 2011 DfT received 30 opinions:

- 9 reds (30%);
- 15 ambers (50%); and
- 6 greens (20%).

Stock reviews

4.7 DfT has put together a comprehensive database of all existing regulations and, as outlined above, is currently undergoing an extensive challenge process of all its regulations, theme by theme, to identify burdens that can be removed and regulations that can be simplified. The Department is also using the public's comments following the Red Tape Challenge initiative to inform this process.

Alternatives to regulation

4.8 In addition to the aspects of the reducing-regulation agenda referred to above, the Department is also keen to use alternative, less burdensome approaches to regulation where possible. For example, the Department reviewed plans to implement compulsory eco-driving training for hauliers in light of the Coalition's proposal to reduce regulatory burdens on business and dropped its regulatory proposal. Instead, it is going down a non-regulatory route.

4.9 The Department's THINK! Drink Drive communications include a partnership marketing strand called Driver Friendly, which offers designated drivers discounts and rewards linked to the purchase of soft drinks in the pub environment, effectively rewarding them for behaving responsibly and encouraging them to stick to soft drinks. Over the past two years Driver Friendly has partnered Coca-Cola, running buy one, get one free promotions over the Christmas period in approximately 8,000 pubs nationwide. This positive approach of rewarding responsible driver behaviour at the point of risk works hand in hand with other THINK! Drink Drive advertising at Christmas that reminds drivers of the personal consequences of a drink drive conviction, as well as with police enforcement efforts.

EU regulations

4.10 DfT has put in place a robust governance system to oversee implementation of the reducing-regulation agenda in the Department, which includes ensuring that an evidence based approach is taken to shaping EU legislation and that the Department does not 'gold-plate' EU-derived legislation.

4.11 Furthermore, DfT has successfully managed to get derogations written into a number of EU directives and regulations. The Department always ensures that burden reducing derogations are utilised when implementing EU legislation. For example, the Department used evidence (supplied by UK micro-businesses) of a potential increased burden in persuading the EU to make a new inspection scheme for imported motor vehicles optional, rather than compulsory. The scheme helps other member states solve issues with imports, but making it optional allows UK business flexibility and the potential to minimise the associated burden, unless they see benefits.

4.12 The Department has adopted a proactive stance to engaging with our European partners to build alliances with them on the better regulation agenda, and has also embarked on a process of engaging with the European Commission to help it to deliver its promise to regulate smartly.

Non-departmental public bodies

4.13 Non-departmental public bodies (NDPBs) do not form an integral part of the Department and carry out their work at arm's length from ministers. However, ministers are responsible to Parliament for the NDPBs' activities through the sponsorship arrangements that have been formally established.

4.14 On 14 October 2010 the Department announced significant reforms to a number of its public bodies following a cross-Government review.[4] You can find more information on all the organisations listed below on the Department's website. This includes details about their remit, work and funding.

Executive NDPBs

4.15 Executive NDPBs have a role in the process of national government but are not formally part of a government department. They permit a service or function to be carried out independently.

Name	**Website**
British Transport Police Authority	www.btpa.police.uk
Passenger Focus	www.passengerfocus.org.uk
Renewable Fuels Agency (abolished during year 2010-11)[5]	www.renewablefuelssagency.co.uk
HS2 Ltd	www.hs2.org.uk
Directly Operated Railways	www.directlyoperatedrailways.co.uk
Railway Heritage Committee	www.railwayheritage.org.uk
Northern Lighthouse Board	www.nlb.org.uk
Trinity House Lighthouse Service	www.trinityhouse.co.uk

4 See the DfT press release at: www.nds.coi.gov.uk/clientmicrosite/Content/Detail.aspx?ClientId=202&NewsAreaId=2&ReleaseID=415969&SubjectId=36

5 The RFA was dissolved with effect from 1 April 2011 and its functions transferred to DfT. The RFA's website is archived and information on the RTFO published from 1 April 2011 can be found on the Department's website at www.dft.gov.uk/pgr/sustainable/biofuels/

Advisory NDPBs

4.16 Advisory NDPBs are expert bodies normally established to advise ministers and officials on specific policy areas for which expertise does not exist within the Department.

Name	Website
Commission for Integrated Transport (abolished during year 2010-11)	n/a
Cycling England (abolished during year 2010-11)	n/a
Disabled Persons' Transport Advisory Committee (DPTAC)	www.dptac.independent.gov.uk/

Tribunals

4.17 Tribunals operate with jurisdiction in a specialised field of the law, independently of government.

Name	Website
Traffic Commissioners and Deputies	www.dft.gov.uk/pgr/roads/tpm/trafficcommissioners/

Public corporations

4.18 These are public bodies receiving most of their income from selling goods and services rather than from grant or voted supply.

Name	Website
Civil Aviation Authority	www.caa.co.uk
Trust Ports	www.dft.gov.uk/pgr/shippingports/ports/trust/
BRB (Residuary) Ltd	www.brbr.co.uk

Other organisations/central government entities

Name	Website
Office of Rail Regulation (ORR)	www.rail-reg.gov.uk
Standing Advisory Committee for Trunk Road Assessment (dormant)	www.dft.gov.uk/pgr/economics/sactra
London and Continental Railways	www.lcrhq.co.uk
LCR Finance plc	No website
CTRL Section 1 Finance plc	No website

Public Accounts Committee recommendations

4.19 This section summarises the Government’s response to outstanding Public Accounts Committee recommendations relating to transport. For full details of the PAC findings and the Department’s response, see the relevant documents at www.parliament.uk. For the original NAO reports, see publications at www.nao.org.uk.

DfT: Increasing Passenger Rail Capacity	**NAO Report: 22 January 2010** **PAC hearing: 15 September 2010** **PAC 5th Report: 8 November 2010 (HC 471)** **Treasury Minute: 16 February 2011 (Cm 8014)**
Recommendations	**Progress to date**
For future rail franchises the Department should impose clear obligations on operators to avoid overcrowding and to bear the costs of meeting that obligation themselves.	The Invitation to Tender (ITT) for the InterCity West Coast franchise has not yet been published. The reforms announced on 19 January are expected to be reflected in the ITT.
The Department should vigorously pursue and promote smart ticketing and other demand management techniques to reduce the inefficiencies of overcrowding in peak hours and underused rolling stock at other times.	The Government is discussing practical issues with train operators and putting together a programme to review available research and assess any additional data needed to be able to take informed decisions and ensure that any schemes are successful.
The Department should require all new train carriages, whether procured by the Department itself or by franchisees, to be fitted with automatic passenger counting equipment to show how many people are travelling on what trains and when. It should require franchisees to provide useful and verifiable data from that counting. It should also report back to the Committee on progress to establish a computer system to capture, analyse and report on this data.	The procedure of the rail passenger counts database was put on hold in June 2010, pending Cabinet Office and ministerial approval to move to the next stage of the procurement. These were obtained in September 2010 and November 2010 respectively. The Department has, therefore, restarted the procurement and advised bidders accordingly. Final proposals are expected to be received in September 2011 and a supplier selected in January 2012.
The Department should provide transparent information on how many new passenger places it is delivering, on which trains, and at what cost to taxpayers and fare payers.	The recent Northern contract cost change provided 2,000 extra passenger seats into Leeds on various routes and this information was published on DfT's website on 13 April.
The Department should take any steps which are necessary to enable the Regulator to do more to challenge the reasons underpinning existing inefficiencies in Network Rail and to understand Network Rail's costs in detail particularly given that Network Rail is a monopoly provider of the rail infrastructure.	The National Audit Office (NAO) has subsequently completed a further report on the regulation of Network Rail's efficiency.
The Department should conduct a fundamental review of the rail industry's structure, to ensure better accountability and value for money, with the aim of reducing conflicts of interest, aligning efforts on maximising efficiency, and restraining the tendency to seek solutions through growth.	Sir Roy McNulty's report was published on 17 May.

The Department should take necessary steps so that the Comptroller and Auditor General becomes the auditor of Network Rail, including full access rights so that he can report on value for money to Parliament.	The Office of Rail Regulation (ORR) has a statutory duty to hold Network Rail to account and to ensure that the company disposes of public funds in an efficient manner. The ORR has access to a substantial amount of information from Network Rail and already places much of this into the public domain as part of its reporting process. The Government is aware of concerns regarding the general transparency and accountability of Network Rail. Following the publication of Sir Roy McNulty's report into the value for money of the railway, the Department will prepare a strategy for the railway for publication in November. As part of its work, the Department will explore options for increasing the transparency of information relating to infrastructure management.
The Permanent Secretary must be satisfied that facts and their presentation within National Audit Office reports are accurate before their publication, and not wait until the Committee hearing to reveal new evidence. The Treasury should reinforce to Accounting Officers the importance of providing supplementary material in time for the Committee to consider it and for the NAO to validate it.	The Treasury fully recognises the Committee's concerns and will continue to re-emphasise to departments and public bodies the importance of this guidance in preparing for all Committee hearings.

Highways Agency: Procurement of the M25 Private Finance Contract	**NAO Report: 19 November 2010** **PAC hearing: 16 December 2010** **PAC 19th Report: 8 February 2011 (HC 651)** **Treasury Minute: 16 May 2011 (Cm 8069)**
Recommendations	**Progress to date**
The Agency mishandled the procurement at a potential extra cost to the taxpayer of around £1 billion. It took nine years from the Government starting to consider congestion on the M25 to the Agency letting the contract. By asking bidders to focus only on road widening, the Agency limited the alternative solutions bidders could offer, ruling out hard shoulder running. The Agency lacked robust information, particularly on maintenance and operation costs, which undermined its ability to assess and challenge the bids received. The delays in progressing the project also exposed it to the credit crisis resulting in higher financing costs of £660 million. The recommendations that follow are intended to help the Agency in future.	Fifteen miles of the M25 have already been widened and 38 miles in total will have been widened before the start of the Olympics in 2012. The maintenance elements of the M25 private finance contract are also being delivered successfully, covering over 125 miles of motorway including the operation of the Dartford Crossing and 125 miles of connecting roads and motorways. The option of hard shoulder running is being taken forward in the next four years for the other sections of the M25.

The Agency should make more effective use of mechanisms to control the cost of advisers, for example, through scoping their work into tightly defined packages, using target pricing, and managing contract performance closely.	The Department and the Agency are committed to reducing both reliance and expenditure on consultants across the board. Better engagement with prospective bidders before formal invitation of tenders and reduced complexity of tender documents should help, as will the new forms of framework contracts the Agency has developed for the appointment and management of consultants and specialist advisers. Both the Department and the Agency are growing internal capability in a number of areas to reduce reliance on external advisers.
The Agency needs to develop its own commercial skills so that, in major procurements, it can challenge its advisers effectively, evaluate the quality of the advice received, and engage only those advisers who provide good value for money.	The Agency is continuing to develop its internal commercial skills and is introducing processes that will ensure, for example that, before committing to any new Private Finance Initiative (PFI) projects, it will have in place an internal multi-disciplinary team of appropriately qualified and experienced staff to manage the project, with the skills and experience needed to manage and challenge external advisers appropriately. The Agency is also developing better forms of contract, to link payment to successful outcomes, and to ensure better information is required to inform investigation of any instances where actual costs exceed planned target costs.
The Agency should identify the lessons from this contract and use them to seek reductions in operation and maintenance costs in its other contracts, particularly the 85% of the strategic motorway network that is not under a PFI contract.	Since 2008 the Agency has been investing in both parametric estimating and cost intelligence models for major projects. The Agency is also capturing costs from its existing Operation and Maintenance (O&M) contracts, including PFI contracts. Cost information is being used to inform contract development and to check and challenge scheme target and actual costs. The maintenance cost and efficiency indicator is forecast to deliver unit cost reductions of 11% in 2010-11 as compared to 2009-10. The Agency will continue to engage in dialogue with existing maintenance and PFI contractors to develop its understanding of their strategic commercial approach to the delivery of O&M over long-term contracts and to apply lessons learned to the Agency’s contracting strategy in the O&M market.

The Agency, the Department for Transport and the Treasury should check that all advertisements inviting interest in tendering are drawn widely so that viable solutions are not ruled out and innovative solutions are encouraged.	The Government is committed to improving the scope for bidders to offer innovative solutions to achieve policy outcomes. Working with the Cabinet Office, the Agency will develop a better Official Journal of the European Union notice to be used when seeking expressions of interest in tendering from the market. The Agency recognises the need to develop a form of tender assessment to deal with the risks of assessing different solutions that may not be directly comparable, so as to maintain a sound legal basis for making contract award decisions. This will be in place for any future PFI contracts. Further, the Major Projects Authority (MPA) will also have a role in ensuring all proposed major projects undergo appropriate levels of scrutiny and assurance.
This Committee concluded in 2005 that the Agency was inhibited by a risk averse culture resulting in its having fallen behind other leading countries in adopting alternative traffic management measures such as hard shoulder running. We recommended among other things that the Agency should design pilots with clear objectives, budgets and timescales and evaluate the outcome quickly to enable faster roll out where appropriate. We are concerned that these recommendations have not been implemented and expect the Agency to do so now.	Following the 2004 NAO VfM Report: *Tackling Congestion and Making best use of England's motorway and trunk road network*, the Agency worked with the NAO to develop detailed guidelines for the process of conducting and analysing pilots, which have been in place since 2007. The length of time needed to establish and evaluate the performance, including the safety record, of any new approach clearly needs to be proportionate to the risks involved. The Agency has established good contacts with a number of other national highway authorities and seeks to share, and to adopt, best practice in traffic management through these contacts.
The Agency should establish rigorous, effective and objective mechanisms to challenge the evidence for key decisions, involving people with relevant expertise who are not part of the project team.	In 2009 the Agency strengthened its investment approval process through the regular involvement of a senior committee, consisting of the Chief Executive and Board Directors responsible for Finance and Procurement, which reviews all major investments before key stages in the development and delivery of a project. This provides an internal challenge at the highest level before any funds are committed. The appointment, in January 2011, of a Non-Executive Chair is specifically intended to strengthen governance arrangements. The MPA will also provide a challenge function for major projects of this scale.

The Treasury, in its role of promoting best practice in privately financed projects, should examine existing guidance to clarify the rules to be applied when officials who have worked on private finance projects leave the public sector.	All civil servants are already subject to robust procedures set out in the Business Appointment Rules for Civil Servants, which apply for two years after the last day of paid Civil Service employment. The Rules have recently been updated and strengthened, which include a two-year ban on civil servants at director general level and above lobbying government on behalf of their new employers after they leave the Civil Service.

Complaints to the Parliamentary Ombudsman

4.20 The Department aims to provide a high-quality service to the public. DfT welcomes all feedback – positive and negative – to help improve that service. The central Department and each of its executive agencies has its own complaints procedure. Information about these can be found on the Department's website or through the individual agency websites.

4.21 Last year an independent review across the whole Department was commissioned to ensure that our complaints procedures were consistent and that the Department was able to learn from any mistakes made. This review found that "complaint handling is generally handled well across the Department and is an area where the central Department and the agencies are keen to apply best practice. It was immediately clear when conducting the research that complaint handling is an area which receives a lot of attention across the Department, and is seen as an important tool in evaluating customer service performance. Recently, there had been concerted efforts to improve complaint handling and use it as a means to drive customer service improvements within the organisation." This year the Department will be following up its progress against the recommendations in the report.

Complaints to Parliamentary Ombudsman for financial year 2009-2010 (most recent figures available)	
Number of complaints accepted for investigation by Parliamentary Ombudsman this year	2
Number of complaints reported on by Parliamentary Ombudsman this year	3
Percentage upheld in full	67%
Percentage upheld in part	33%
Percentage not upheld	0%

4.22 This information is taken from the annual reports published by the Parliamentary and Health Service Ombudsman. The most recent report can be found at www.ombudsman.org.uk/about-us/publications/annual-reports

Chapter 5: Other information

5.1 The number of senior civil servants employed by the Department, including its executive agencies, as at 1 April 2011 is disaggregated by salary range in the table below.

Numbers of Senior Civil service staff by salary range

Distribution of senior civil service salaries within the Department			
Salary Range	Staff numbers	Salary Range	Staff numbers
£55,000-£59,999	6	£115,000-£119,999	4
£60,000-£64,999	19	£120,000-£124,999	4
£65,000-£69,999	19	£125,000-£129,999	4
£70,000-£74,999	21	£130,000-£134,999	0
£75,000-£79,999	21	£135,000-£139,999	2
£80,000-£84,999	26	£140,000-£144,999	1
£85,000-£89,999	12	£145,000-£149,999	3
£90,000-£94,999	8	£150,000-£154,999	1
£95,000-£99,999	7	£155,000-£159,999	0
£100,000-£104,999	4	£160,000-£164,999	0
£105,000-£109,999	6	£165,000-£169,999	0
£110,000-£114,999	3	£170,000-£174,999	1
Total			172

Notes:

The minimum annual salary for Senior Civil Service (SCS) staff is £58,200.

Staff numbers are actual, not full-time equivalents, so a part-time member of staff counts as one.

Information is for all senior civil servants in the Department and its agencies at 1 April 2011 and includes those on fixed-term contracts (but excludes outward loans and secondments). Salary is the basic annual full-time equivalent salary effective from 1 April 2011 and excludes non-consolidated performance related pay.

Expenditure on consultancy and temporary staff

5.2 During the year 2010-11 the Department employed a number of consultancy and temporary staff as part of the delivery of major infrastructure projects such as Crossrail. The Department's expenditure on consultancy and temporary staff in 2010-11 is shown in the table below.

Expenditure on consultancy and staff substitutes (£m)			
Organisation	**Consultancy**	**Temporary staff**	**Total**
DfT Central	5.54	6.87	12.41
DVLA	0.76	3.7	4.46
DSA	0.1	0.34	0.44
HA	3.87	3.76	7.63
MCA	0.13	0.48	0.61
VCA	0	0.15	0.15
VOSA	0.39	1.0	1.39
GCDA	0.09	0.21	0.3
British Transport Police	0	4.4	4.4
Directly Operated Railways	0	0.37	0.37
Passenger Focus	0.07	0.21	0.28
Northern Lighthouse Board	0.09	0.02	0.11
Trinity House Lighthouse Service	0.05	0.3	0.35
Renewable Fuels Agency	0.56	0.06	0.62
Total	**11.65**	**21.87**	**33.52**

Notes:

The figures for consultancy and temporary staff have been produced based on Cabinet Office definitions for these categories of expenditure. Consultancy is defined as work of an advisory nature designed to inform policy or to assist with strategic decisions and complex legal issues. A significant amount of expenditure previously reported as consultancy will now appear in other Professional Services categories, in particular Technical Services and Financial Services. Additionally some expenditure has also been moved into the Temporary Staff category where it is clear that specific individuals are being engaged to work on projects and 'business as usual' functions.

The consultancy figures reported in Notes 12 and 13 of the Resource Accounts are not based on Cabinet Office definitions.

Recruitment practice

5.3 During 2010-11 the central Department has undertaken a redesign to ensure it has the right structure and skills to:

- meet its business needs over the next four years;
- reduce pay costs sufficiently to be confident of meeting the overall target of reducing administration costs by 33% by 2014-15; and
- build high-performing teams.

5.4 The Department's agencies have been undertaking their own reviews to ensure that they maintain efficiency and reduce costs. Agencies will be continuing with their redesign and restructure programmes over the next year.

5.5 Following the recruitment freeze brought in by the Government from May 2010, DfT implemented centralised control systems requiring all recruitment to be approved by the Departmental Approvals Committee and controlled from a single point across DfT. Recruitment has been undertaken only for front line and security roles; this has been minimal.

5.6 As a result of the recruitment freeze only 15 people have been recruited into the central Department from outside the Civil Service during 2010-11, of which nine had begun employment before the recruitment freeze.

5.7 The following table sets out the application of exceptions to the recruitment code.

Exceptions to the recruitment code for DfT(C)	
Casual appointment extended over 12 months	0
Recurrent short-term appointments	0
Short-term appointments where highly specialised skills requested	0
Conversion of short-term appointments to permanency (or extension beyond publicised period)	0
Inward secondments[1]	2
Outward secondments[1]	13
Re-appointments of former civil servants	0
Transfers of staff with work	0
Transfers of staff from other public services without work	0
Disabled recruitment	0
Exceptions referred to the Commissioners	0
Note: [1] These are the number of secondments which started during 2010-11.	

Health and Safety

5.8 DfT recognises the importance of health and safety and the need to ensure that staff work effectively in a safe environment without risks to their health. The Department covers a range of activities which in turn can expose staff to a wide variety of health and safety issues. Although a significant number of staff work in a low-risk office-based environment, some staff in the agencies and specialised DfT(C) units can face specific risks. In these areas qualified health and safety personnel are available to address those particular health and safety issues.

5.9 The Department's overall occupational health and safety policy statement and management arrangements clearly define responsibilities for both line managers and individual staff members. Where health and safety issues are common across the Department, DfT-wide policies are developed.

5.10 Future annual reports will include RIDDOR (the Reporting of Injuries, Disease and Dangerous Occurrences Regulations) figures which are reportable to the Health and Safety Executive. However, for the reporting year 2010-11 five workers were fatally injured while working on Highways Agency projects on construction sites or while working on the carriageway. The Highways Agency is fully committed to ensuring the safety of its workforce, and has introduced an Aiming for Zero safety strategy and action plan with the aim of eliminating all serious injuries to road workers and other staff. Accident Frequently Rates are closely monitored to help control accidents and incidents to the workforce.

Sustainable operations

Sustainable Operations on the Government Estate (SOGE)

5.11 The SOGE targets were introduced in 2006 and have a target completion date of March 2011, except where stated. DfT is projecting to achieve all the main SOGE targets:

Subject	Percentage target	Projected performance
Reduce office emissions	12.5%	18%
Reduce emissions from road vehicle based business travel	15%	25%
Reduce water consumption by 2020	25%	21% reduction by March 2011
Reduce waste arisings	5%	19%
Increase waste recycling	40% of arisings	46%

5.12 A replacement for the SOGE targets to take effect from 1 April 2011 is currently being consulted on and led by the Department of Energy and Climate Change (DECC).

Reduce office emissions by 10%

5.13 In addition to the SOGE targets, on 14 May 2010 the Prime Minister announced that central government would reduce its office emissions by 10% within 12 months. DfT's objective under this target was to reduce emissions by 2,204 tonnes of carbon dioxide (tCO_2) against a baseline of 22,042 tCO_2.

5.14 At the end of March 2011 DfT was projecting emissions reduction to be 2,426 tCO_2 by the target end date of 13 May 2011, equating to a 11% reduction, thus provisionally achieving the target.

5.15 This has been achieved through an array of initiatives across the Department, including reducing cooling requirements to server rooms, office closures, reducing office operating hours, installation of automated meter reading equipment, communications strategy leading to behaviour change and improvements to building management systems.

Performance in responding to correspondence from the public

5.16 In 2010-11 the Department exceeded the Cabinet Office target for responding to 80% of correspondence from the public within 20 working days.

5.17 Official correspondence, including that received via email, is the term given to:

- correspondence addressed to ministers which they have decided they will not respond to themselves ('Treat Official'); and
- mail addressed to the Department, rather than to a named official or specific unit.

5.18 This correspondence is referred to officials in the relevant unit in the Department to reply direct to the writer.

Percentage of Treat Official (TO) correspondence answered within 20 working days (target 80%)					
Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010
98%	95%	96%	96%	96%	95%
Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011
92%	97%	86%	93%	95%	97%
Full year total: 95%					

Communications

5.19 Communication Directorate (CD) leads the delivery of external and internal communications to support the Department's conduct of business and the delivery of its policy objectives. CD consists of a range of teams providing specialist services in press and media, marketing, strategic, digital and internal communications as well as insight and evaluation to ensure communication activity is well targeted and provides value for money. Communications played an active part in Departmental restructuring, helping to drive and deliver change.

5.20 During 2010-11, the Government introduced a freeze on all new marketing and advertising spend, allowing only essential campaigns to proceed if approved by the Efficiency and Reform Group (ERG). This led to a reduction in paid-for communications across DfT and its executive agencies, but ERG granted approval to run communications activities:

- where government has a legal duty to provide people with information;
- where there was unequivocal evidence that campaigns deliver measurable benefits relating directly to immediate public health and safety; and
- where providing information was critical to the effective running of the Government.

5.21 Approved activity included THINK! road safety campaigns aimed at reducing drink driving and improving children's road safety knowledge; we also launched a new online suite of THINK! education resources for secondary school teachers, pupils and parents and continued to run the online game, *Code of Everand*, for 9-13 year olds which aimed to improve their road safety skills.

5.22 In 2010-11 DfT also handled communications about:

- the impact of the volcanic ash cloud on air travel, including advice for travellers;
- British Airways' and other national strikes affecting transport;
- sustainability of local transport including grants for local areas;
- regulation relating to aviation, maritime and rail;
- Department for Transport business in the Spending Review and the Budget;
- Olympic Route Network;
- winter resilience, the allocation of road salt and funding for local authorities to address the problem of potholes;
- Coastguard reform;
- aviation framework;
- the High Speed Rail consultation; and
- rail franchising reform and rail electrification announcements.

Third-party support and sponsorship

5.23 As in previous years, the central Department has not received cash sponsorship but has received 'in kind' support from a range of organisations, which have linked with our THINK! road safety campaigns as part of their corporate social responsibility objectives. The Department is grateful for this support, details of which are in the table overleaf.

Partner support for THINK! road safety campaign 2010-11	
Child road safety partner	**Child road safety activity**
Blackburn Rovers Community Trust, Leeds United Football in the Community, Sunderland AFC Foundation, West Bromwich Albion Foundation	Classroom sessions with children using ‘Safe Place to Cross’ toolkit.
Drink drive partner	**Drink drive activity**
Coca-Cola	Partnered with Driver Friendly on the Coca-Cola Designated Driver campaign, rewarding drivers with a buy one, get one free offer on Coca-Cola over Christmas 2010.
Admiral Taverns, Charles Wells Pub Company, Enterprise Inns, Everards, Greene King, Hall & Woodhouse, JW Lees, Punch Taverns	Ran Coca-Cola Driver Friendly promotion over Christmas 2010.
Enterprise Inns	Promoted Driver Friendly packs to their venues to encourage running of independent, driver-specific offers.
British Beer and Pub Association, British Soft Drinks Association	Supported the Driver Friendly initiative.
Motorcycling partner	**Motorcycle Safety Activity**
CBT Motorcycle Trainers	Distribution of Grater (safety gear) leaflets with Infinity discount voucher to those taking CBT
Bikesafe, Devitt, ebike, Equity Red Star, Motorcycle Direct, Chandler Direct, MCE, Swinton Insurance	Distribution of Grater leaflets with Infinity discount voucher to motorcycle insurers
Adelaide Insurance	Distribution of Grater leaflets without the discount voucher
IAM/Get on	Distribution of Grater leaflets with Infinity discount voucher to their clients
Carole Nash	Electronic version of the leaflet on their website
Bikesure	Electronic version of the leaflet in their newsletter
Abbey Motorcycle Instructors	Continued to distribute last year’s leaflet with discount vouchers

Chapter 6: Core Tables

Department for Transport

Table 1: Public Spending

£'000

	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Estimated outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Resource DEL										
Section A: Roads	-82,789	-66,975	-68,871	-62,401	-51,358	-71,740	-68,478	-83,301	-89,023	-91,315
Section B: Local Authority Transport	36,048	39,033	41,966	54,947	50,443	335,768	-	-	200,000	-
Section C: Highways Agency	1,528,214	1,632,707	1,693,538	1,756,767	1,976,254	1,631,236	2,068,663	2,004,832	1,936,033	1,877,466
Section D: Network Rail	-	-	-189,226	-193,409	-166,475	-187,237	-203,314	-211,594	-217,394	-220,936
Section E: Rail NDPBs (net)	35,304	7,671	-2,109	3,496	66,110	72,655	136,033	192,681	98,413	212,715
Section F: Other railways	1,096,175	1,096,227	1,013,915	150,787	509,251	-165,971	75,109	-126,242	-261,534	-321,694
Section G: Sustainable Travel	34,373	52,597	63,957	89,467	91,382	66,406	295,666	397,625	471,011	479,953
Section H: Support for bus operators and passengers	452,542	445,961	517,443	713,672	742,473	743,832	456,091	364,205	366,162	368,193
Section I: GLA transport grants	2,182,013	2,392,549	2,523,513	2,471,155	2,558,911	2,774,214	2,804,000	2,803,000	2,699,000	2,404,000
Section J: Crossrail	-7,036	80,577	103,528	157	-	-	-	-	60,000	-
Section K: Support for Olympic and Paralympic Games	-	-	-	-	-	2,060	12	5,208	-	-
Section L: Aviation, Maritime, Security and Safety	67,460	73,416	149,800	185,345	185,857	119,359	56,294	49,484	45,907	46,908
Section M: Maritime and Coastguard Agency	116,891	119,991	125,173	127,959	131,976	127,025	130,272	136,058	129,448	140,261
Section N: Motor Safety and Government Car Agencies	-30,839	-18,643	-705	-7,114	14,871	1,596	194,340	195,806	196,373	197,042
Section O: Renewable Fuels Agency (net)	-	-	-	-	1,387	1,485	1,611	1,490	1,381	1,281
Section P: Science, research and support functions	21,086	27,579	62,538	57,356	102,012	41,428	60,521	56,731	55,361	56,301
Section Q: Central Administration	199,878	207,412	215,337	206,654	194,356	170,181	199,320	165,452	152,410	139,518
Section R: Departmental Unallocated Provision	-	-	-	-	-	-	27,216	60,874	61,698	77,775
Section : Driver and Vehicle Licensing Agency trading fund (net)	190,740	225,203	242,951	250,132	196,841	171,394	-	-	-	-
Section S: Aviation, Maritime, Security and Safety	-	-	-	2	-	-	-	-	-	-
Total Resource DEL	**5,840,060**	**6,315,305**	**6,492,748**	**5,804,972**	**6,604,291**	**5,833,691**	**6,233,356**	**6,012,309**	**5,905,246**	**5,367,468**
Of which:										
Pay	634,238	532,651	552,160	576,970	593,823	584,803	378,459	343,920	314,469	299,429
Net current procurement[1]	1,352,679	1,574,852	1,506,152	1,946,592	1,591,931	1,058,936	1,295,505	1,252,493	1,139,384	1,216,477
Current grants and subsidies to the private sector and abroad	1,243,880	1,381,905	1,441,206	153,673	936,428	706,438	1,842,645	1,652,823	1,679,317	2,054,709
Current grants to local government	2,576,346	2,848,535	3,100,021	3,275,390	3,337,873	3,834,617	3,173,579	3,274,334	3,501,291	2,958,792
Depreciation[2]	278,560	307,433	392,368	397,176	895,875	576,460	938,447	984,109	938,977	936,048
Other	-245,643	-330,071	-499,159	-544,829	-751,639	-927,563	-1,395,279	-1,495,370	-1,668,192	-2,097,987

Table 1: Public Spending (continued)

Resource AME										
Section T: Highways Agency	569,862	758,007	822,470	647,115	614,686	627,712	854,857	859,613	969,172	924,638
Section U: Other railways	-753,052	-851,685	-16,078	26,758	257,043	-75,321	230,317	224,722	219,315	206,005
Section V: Maritime and Coastguard Agency	-419	-257	3,490	1,133	2,002	24	2,200	2,200	2,200	2,200
Section W: Motor Safety and Government Car Agencies	-	-	637	-	-	-	11,300	-6,500	-2,400	-6,100
Section X: Sustainable Travel	-	-	-	-	-	-	256,094	303,587	329,281	363,845
Section Y: Central Administration	48,812	-5,523	-7,325	-6,753	-9,178	10,771	-1,965	-1,516	-1,099	-772
Roads	-	-	-	3	-	-	-	-	-	-
Section : Rail NDPBs	-6,500	-3,046	-	-	284,392	-53,960	-	-	-	-
GLA transport grants	-	248,000	-124,000	-61,888	-61,960	-	-	-	-	-
Aviation, maritime, security and safety	-7,509	-	88	-1,646	-1,728	-	-	-	-	-
Section : Driver and Vehicle Licensing Agency trading fund (net)	8,534	-1,871	-4,368	-4,091	775	-3,274	-	-	-	-
Total Resource AME	**-140,272**	**143,625**	**674,914**	**600,631**	**1,086,032**	**505,952**	**1,352,803**	**1,382,106**	**1,516,469**	**1,489,816**
Of which:										
Pay	-	-	-	-	-	-	-	-	-	-
Net current procurement[1]	-	-	-	-	420	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-	-
Net public service pensions[3]	-	-	-	-	-	-	-	-	-	-
Take up of provisions	265,694	611,861	134,346	62,115	302,279	-342,447	532,719	575,317	596,356	618,366
Release of provisions	-930,319	-1,105,799	-190,936	-171,812	-162,870	-80,216	-41,116	-59,411	-56,087	-59,750
Depreciation[2]	487,996	596,567	686,577	669,245	395,278	728,627	857,200	862,200	972,200	927,200
Other	36,357	40,996	44,927	41,083	550,925	199,988	4,000	4,000	4,000	4,000
Total Resource Budget	**5,699,788**	**6,458,930**	**7,167,662**	**6,405,603**	**7,690,323**	**6,339,643**	**7,586,159**	**7,394,415**	**7,421,715**	**6,857,284**
Of which:										
Depreciation[2]	766,556	904,000	1,078,945	1,066,421	1,291,153	1,305,087	1,795,647	1,846,309	1,911,177	1,863,248
Capital DEL										
Section A: Roads	-4,021	-4,231	-2,195	36,989	30,417	-1,655	2,654	11,531	8,846	8,589
Section B: Local Authority Transport	150,107	278,138	895,980	879,968	1,081,851	835,684	1,689,000	1,562,600	1,405,000	1,584,000
Section C: Highways Agency	753,209	1,115,366	1,054,456	1,130,112	1,926,999	1,601,856	1,287,711	985,323	922,476	1,086,704
Section D: Network Rail	-	3,102,583	3,154,462	3,899,158	3,366,096	3,395,356	3,568,000	3,641,000	3,514,000	3,400,000
Section E: Rail NDPBs (net)	1,997,393	10,922	8,444	11,000	53,875	12,040	61,292	59,555	59,860	60,190
Section F: Other railways	1,388,510	1,078,165	25,841	207,324	455,745	-69,483	50,000	40,000	36,000	36,000
Section G: Sustainable Travel	6,386	11,604	4,877	3,394	46,091	48,151	78,940	146,802	150,000	170,000
Section H: Support for bus operators and passengers	153	-69	-534	-	19,803	26,831	-	-360	-360	-360
Section I: GLA transport grants	-	-	604,000	100,000	100,000	-	424,000	352,000	184,000	-
Section J: Crossrail	-	-	-	-	-	220,000	517,000	1,205,000	1,038,000	1,082,000
Section K: Support for Olympic and Paralympic Games	-	-	-	75,027	202,901	233,799	-	-	-	-
Section L: Aviation, Maritime, Security and Safety	5,913	29,903	2,878	24,712	23,656	4,952	11,877	32,002	19,967	15,062
Section M: Maritime and Coastguard Agency	7,954	6,350	10,642	9,032	9,751	4,504	9,265	9,475	9,688	9,906
Section N: Motor Safety and Government Car Agencies	33,114	29,159	47,661	-9,328	-6,609	-30,937	27,500	28,443	29,286	30,032
Section P: Science, research and support functions	12,930	4,402	1,561	23	1,508	1,054	900	877	1,555	1,583
Section Q: Central Administration	719	776	4,415	2,960	7,848	6,650	1,595	1,636	2,173	2,207
Section R: Departmental Unallocated Provision	-	-	-	-	-	-	69	5,104	99,692	31,474

Table 1: Public Spending (continued)

Section S: Aviation, Maritime, Security and Safety	3,800	17,000	30,538	-1,317	323	4,967	1,197	1,012	-183	-387
Section : Driver and Vehicle Licensing Agency trading fund (net)	15,596	41,219	39,863	24,329	30,865	19,062	-	-	-	-
Supported Capital Expenditure (Revenue)	1,408,692	1,372,133	856,457	858,330	901,758	974,879	-	-	-	-
Total Capital DEL	**5,780,455**	**7,093,420**	**6,739,346**	**7,251,713**	**8,252,878**	**7,287,710**	**7,731,000**	**8,082,000**	**7,480,000**	**7,517,000**
Of which:										
Net capital procurement[4]	807,368	1,196,124	1,167,092	1,180,622	1,993,363	1,646,990	1,397,000	1,114,101	1,041,723	1,202,328
Capital grants to the private sector and abroad	1,995,547	3,118,999	3,172,751	4,017,577	3,685,924	3,638,750	3,619,289	3,739,791	3,595,989	3,481,989
Capital support for local government	1,564,448	1,658,948	1,930,933	1,870,398	2,179,338	2,061,147	2,695,794	3,197,181	2,720,593	2,779,987
Capital support for public corporations	1,418,210	1,120,293	531,142	84,509	182,471	-252,947	6,917	16,732	15,537	15,333
Other	-5,118	-944	-62,572	98,607	211,782	193,770	12,000	14,195	106,158	37,363
Capital AME										
Total Capital AME	-	-	-	-	-	-	-	-	-	-
Of which:										
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Net lending to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Capital Budget	**5,780,455**	**7,093,420**	**6,739,346**	**7,251,713**	**8,252,878**	**7,287,710**	**7,731,000**	**8,082,000**	**7,480,000**	**7,517,000**
Total departmental spending[5]	**10,713,687**	**12,648,350**	**12,828,063**	**12,590,895**	**14,652,048**	**12,322,266**	**13,521,512**	**13,630,106**	**12,990,538**	**12,511,036**
of which:										
Total DEL	11,341,955	13,101,292	12,839,726	12,659,509	13,961,294	12,544,941	13,025,909	13,110,200	12,446,269	11,948,420
Total AME	-628,268	-452,942	-11,663	-68,614	690,754	-222,675	495,603	519,906	544,269	562,616

[1] *Net of income from sales of goods and services*
[2] *Includes impairments*
[3] *Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items*
[4] *Expenditure on tangible and intangible fixed assets net of sales*
[5] *Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation*

The above tables do not reflect accounting prior period adjustments which are shown within the Reconciliation of Estimates, Accounts and Budget Outturn within the Department's Resource Accounts

Spending by local authorities on functions relevant to the department

£'000

	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Estimated outturn
Current spending	-	-	-	-	-	-
of which:						
financed by grants from budgets above	3,175,198	3,459,039	3,571,185	2,760,472	3,279,514	2,484,654
Capital spending	-	-	-	-	-	-
of which:						
financed by grants from budgets above	2,825,476	4,332,009	4,353,917	5,320,909	5,916,251	5,533,209

Table 2: Public Spending control

£'000

	2010-11 Provision Main Estimate	2010-11 Final Provision After Supplmentary	2010-11 Estimated outturn As per Departmental Accounts	2010-11 Variance Between Final Provision and Estimated outturn
Voted Resource DEL				
Section A: Roads	-62,129	-62,129	-71,740	-9,611
Section B: Local Authority Transport	135,767	135,767	335,768	200,001
Section C: Highways Agency	1,935,994	1,935,994	1,642,508	-293,486
Section D: Network Rail	-164,000	-164,000	-187,237	-23,237
Section E: Rail NDPBs (net)	-	-	-	-
Section F: Other railways	-81,252	-81,252	311,403	392,655
Section G: Sustainable Travel	95,393	95,393	66,406	-28,987
Section H: Support for bus operators and passengers	756,499	756,499	744,700	-11,799
Section I: GLA transport grants	2,767,988	2,767,988	2,774,214	6,226
Section J: Crossrail	-	-	-	-
Section K: Support for Olympic and Paralympic Games	-	-	2,060	2,060
Section L: Aviation, Maritime, Security and Safety	144,813	144,813	119,358	-25,455
Section M: Maritime and Coastguard Agency	135,372	135,372	127,025	-8,347
Section N: Motor Safety and Government Car Agencies	-160	-160	1,848	2,008
Section O: Renewable Fuels Agency (net)	-	-	-	-
Section P: Science, research and support functions	78,483	78,483	41,429	-37,054
Section Q: Central Administration	199,500	199,500	164,240	-35,260
Section R: Departmental Unallocated Provision	-	-	-	-
Non-Voted Resource DEL				
Section S: Aviation, Maritime, Security and Safety	-	-	-	-
Highways (Provisions)[2]	53,133	53,133	-11,272	-64,405
Driver and Vehicle Licensing Agency trading fund (net)[2 & 3]	220,324	220,324	171,394	-48,930
Motor Safety and Government Car Agencies[2]	-	-	-252	-252
Central Administration[2]	2,650	2,650	5,941	3,291
Departmental Unallocated Provision[3]	68,029	68,029	0	-68,029
Rail NDPBs (net)[2 & 3]	78,174	78,174	72,655	-5,519
Renewable Fuels Agency (net)[3]	1,500	1,500	1,485	-15
Other railways[2 & 4]	22,200	22,200	-477,374	-499,574
Support for bus operators and passengers (CFER)[2]	-200	-200	-868	-668
Written Ministerial Statements to change DEL budgets Not Estimates[5]		-216,792		216,792
Resource DEL Sub total	**6,388,078**	**6,171,286**	**5,833,691**	**-337,595**
Of which:				
Voted	5,942,268	5,725,476	6,071,982	346,506
Non-voted	445,810	445,810	-238,291	-684,101
Depreciation6	836,589	836,589	576,460	-260,129
Departmental Administration limit6	294,272	294,272	277,078	-17,194
Total Resource DEL	**5,551,489**	**5,334,697**	**5,257,231**	**-77,466**
Depreciation[6]	-836,589	-836,589	-576,460	260,129

Table 2: Public Spending control (continued)

Voted Resource AME				
Section T: Highways Agency	1,266,231	1,266,231	637,768	-628,463
Section U: Other railways	210,034	210,034	-252,464	-462,498
Section V: Maritime and Coastguard Agency	2,200	2,200	24	-2,176
Section W: Motor Safety and Government Car Agencies	-	-	-	-
Section X: Smarter Travel	-	-	-	-
Section Y: Central Administration	-	-	13,284	13,284
Non-Voted Resource AME				
Highways Agency (Provisions)[2]	-53,133	-53,133	-10,056	43,077
Other railways 2	2,100	2,100	177,143	175,043
Central Administration 2	-2,650	-2,650	-2,513	137
Rail NDPBs[2 & 3]	251,015	251,015	-53,960	-304,975
Section : Driver and Vehicle Licensing Agency trading fund (net)[2 & 3]	-2,367	-2,367	-3,274	-907
Resource AME Subtotal	**1,673,430**	**1,673,430**	**505,952**	**-1,167,478**
Of which:				
Voted	1,478,465	1,478,465	398,612	-1,079,853
Non-voted	194,965	194,965	107,340	-87,625
Depreciation[6]	1,259,331	1,259,331	728,627	-530,704
Total Resource AME	**414,099**	**414,099**	**-222,675**	**-636,774**
Depreciation[6]	-1,259,331	-1,259,331	-728,627	530,704
Total Resource Budget	**5,965,588**	**5,748,796**	**5,034,556**	**-714,240**
Of which:				
Depreciation[6]	-2,095,920	-2,095,920	-1,305,087	790,833
Voted Capital DEL				
Section A: Roads	-15,600	-15,600	997	16,597
Section B: Local Authority Transport	829,232	829,232	835,684	6,452
Section C: Highways Agency	1,654,419	1,654,419	1,601,856	-52,563
Section D: Network Rail	3,396,100	3,396,100	3,395,356	-744
Section E: Rail NDPBs (net)	-	-	-	-
Section F: Other railways	12,827	12,827	171,517	158,690
Section G: Sustainable Travel	55,856	55,856	48,151	-7,705
Section H: Support for bus operators and passengers	26,000	26,000	26,831	831
Section I: GLA transport grants	-	-	-	-
Section J: Crossrail	220,000	220,000	220,000	-
Section K: Support for Olympic and Paralympic Games	233,800	233,800	233,799	-1
Section L: Aviation, Maritime, Security and Safety	8,072	8,072	4,952	-3,120
Section M: Maritime and Coastguard Agency	9,265	9,265	4,504	-4,761
Section N: Motor Safety and Government Car Agencies	1,100	1,100	-30,937	-32,037
Section O: Renewable Fuels Agency (net)	-	-	-	-
Section P: Science, research and support functions	1,352	1,352	1,054	-298
Section Q: Central Administration	18,000	18,000	6,650	-11,350
Section R: Departmental Unallocated Provision	0	0	0	-
Non-Voted Capital DEL				
Section S: Aviation, Maritime, Security and Safety	2,000	2,000	4967	2,967
Roads[2]	-2,152	-2,152	-2,652	-500
Section : Driver and Vehicle Licensing Agency trading fund (net)[3]	20,000	20,000	19,062	-938
Supported Capital Expenditure (Revenue)	974,879	974,879	974,879	-
Aviation, Maritime, Security and Safety	-	-	-	-
3 Rail NDPBs	-266,600	-266,600	-228,960	37,640
5 Written Ministeral Statements to change DEL budgets Not Estimates		216,000		-216,000
Capital DEL Subtotal	**7,178,550**	**7,394,550**	**7,287,710**	**-106,840**

Table 2: Public Spending control (continued)

Of which:				
Voted	6,450,423	6,666,423	6,520,414	-146,009
Non-voted	728,127	728,127	767,296	39,169
Capital AME				
Total Capital AME	**-**	**-**	**-**	**-**
Total Capital Budget	**7,178,550**	**7,394,550**	**7,287,710**	**-106,840**
Total departmental spending[7]	**13,144,138**	**13,143,346**	**12,322,266**	**-821,080**
of which:				
Total DEL	12,730,039	12,729,247	12,544,941	-184,306
Total AME	414,099	414,099	-222,675	-636,774

[1] *Figures have been produced on a 'Pre' Clear Line of Sight basis*

[2] *Release and Take up of provision are classed as non-voted under pre-CLoS regime*

[3] *Expenditure and receipts within DEL or AME for Bodies that follow budgeting treament of NDPBs classed as non-voted pre-CLoS regime*

[4] *Includes £592m excess A-in-A receipts from Rail*

[5] *Includes impairments*

[6] *Includes impairments*

[7] *Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.*

Table 3: Capital Employed

	2006-07 outturn (UK GAAP)	2007-08 outturn (IFRS)	2008-09 outturn (IFRS)	2009-10 outturn (IFRS)	2010-11 outturn (IFRS)	2011-12 plans (IFRS)	2012-13 plans (IFRS)	2013-14 plans (IFRS)	2014-15 plans (IFRS)
Assets and liabilities on the statement of financial position at end of year:									
Assets									
Non-current assets	84,237	90,382	94,113	95,602	107,758	108,746	110,134	112,503	113,762
Intangible	28	54	55	30	24	25	26	27	28
Property, Plant and Equipment	83,533	86,549	90,155	91,513	103,563	104,678	106,026	108,344	109,580
of which:									
National Trunk Road	n/a	n/a	n/a	86,837	98,674	99,875	101,235	103,564	104,896
Infrastructure Assets	80,800	83,596	87,418	3,515	3,469	3,423	3,377	3,331	3,285
Assets Under Construction	405	558	321	725	965	920	945	970	910
Land and buildings	2,150	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Land	N/A	2,109	2,140	153	146	140	137	135	133
Buildings	N/A	174	155	155	161	165	170	175	180
Dwellings	60	31	41	38	57	60	63	66	69
Plant and machinery	40	38	46	68	81	83	86	89	92
Furniture abd Fittings	1	1	1	1	2	2	2	2	2
Transport Equipment	3	2	2	3	2	3	3	3	3
Information Technology	74	40	31	18	6	7	8	9	10
Investments	676	625	648	772	659	663	667	671	675
Trade and Other receivables		3,154	3,255	3,284	3,509	3,377	3,412	3,458	3,476
Inventory (non current)	-	-	-	3	3	3	3	3	3
Current assets	694	366	485	709	897	790	785	780	775
Liabilities									
Current (<1 year)	- 1,213	- 1,477	- 1,833	- 3,165	- 2,389	- 2,344	2,315	2,297	2,281
Non-current (>1 year)	- 3,120	- 3,264	- 3,305	- 6,978	- 7,447	- 7,450	- 7,450	- 7,450	- 7,450
Financial Instruments	-	- 8,282	- 8,333	- 3,056	- 3,221	- 3,216	- 3,200	- 3,180	- 3,160
Provisions	- 1,289	- 1,065	- 1,068	- 635	- 224	- 219	- 234	- 240	- 246
Pension Liability	- 116	- 251	- 1,300	- 1,243	- 1,013	- 981	- 976	- 995	- 964
Capital employed within main department	79,193	76,409	78,759	81,234	94,361	95,326	101,374	103,715	104,998
NDPB net assets	186	201	- 317	- 240	202	210	210	210	210
Total capital employed in dept'l group	79,378	76,610	78,442	80,994	94,563	95,536	101,584	103,925	105,208

Table 4: Administration budget

£'000

	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Estimated Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Section C: Highways Agency	91,710	93,969	91,678	86,122	82,202	79,261	82,785	76,700	71,254	66,268
[1] Section E: Rail NDPBs (net)	3,919	4,239	4,261	5,167	6,214	9,600	12,269	12,870	12,636	14,023
[1] Section M: Maritime and Coastguard Agency	12,429	12,847	13,215	13,579	13,806	14,000	13,291	12,316	11,447	10,652
[1 & 2] Section O: Renewable Fuels Agency (net)	-	-	-	-	1,387	1,750	1,611	1,490	1,381	1,281
[1] Section Q: Central Administration	197,185	192,740	192,896	190,578	192,023	167,956	175,155	161,736	149,111	136,546
[3] Section N: Motor Safety and Government Car Agencies	-129	-327	-5	-55	1,980	4,511	-	-	-	-
[4 & 5] Total administration budget	**305,114**	**303,468**	**302,045**	**295,391**	**297,612**	**277,078**	**285,111**	**265,112**	**245,829**	**228,770**
Of which:										
Paybill	161,473	166,804	170,935	167,464	186,000	186,976	159,417	150,796	144,203	140,285
Other Expenditure	178,593	167,033	156,872	156,661	157,294	124,765	164,496	150,424	135,144	120,111
Other Income	-34,952	-30,369	-25,762	-28,734	-45,682	-34,663	-38,802	-36,108	-33,518	-31,626

Footnotes

[1] *Outturn years include figures relating to reclassification of certain backoffice services in Arm Lengths Bodies as expenditure within the Departments Administration Budget as per agreeement at the time of the Spending Review 2010.*

[2] *The Renewalble Fuels Agency was not set up as a body akin to a NDPB until 2009/10.*

[3] *The Government Car and Despatch Agency is a net regime and Administration cost should be covered by receipts*

[4] *Figures are on a full Clear line of Sight basis*

[5] *Estimated outturn for 2010-11 includes underspends as a consequence of recruitment freeze, savings emerging from new procedures in relation to scrutiny of Discretionary Spend along with other austerity measures.*

Table 5 Staff In Post

This table provides a breakdown of the central Department and agencies' staff numbers, including those for the Office of Rail Regulation.

		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
		Actual	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**
Department for Transport Centre	FTE	1,900	1,801	1,816	1,930	1,853	1,894	1,902	1,963	*1,772*
	Overtime	70	70	30	30	30	30	30	27	*21*
	Casuals	30	30	-	-	-	-	-	-	*7*
	Total	**2,000**	**1,901**	**1,846**	**1,960**	**1,883**	**1,924**	**1,932**	**1,953**	***1,800***
Driver & vehicle Licensing Agency	FTE	5,326	6,557	6,525	6,365	6,367	6,167	6,329	5,906	*5,864*
	Overtime	106	-	-	-	-	-	-	-	*110*
	Casuals	411	-	-	-	-	-	-	-	-
	Total	**5,843**	**6,557**	**6,525**	**6,365**	**6,367**	**6,167**	**6,329**	**5,906**	***5,974***
Driving Standards Agency	FTE	1,949	2,184	2,465	2,541	2,584	2,607	2,574	2,525	2,434
	Overtime	-	-	-	-	-	-	-	-	13
	Casuals	-	-	-	-	-	-	-	-	-
	Total	**1,949**	**2,184**	**2,465**	**2,541**	**2,584**	**2,607**	**2574**	**2,525**	**2,447**
Highways Agency	FTE	1,677	1,781	2,124	3,141	3,368	3,405	3,416	3,747	3545
	Overtime	21	8	16	26	25	23	42	37	24
	Casuals	20	8	3	0	-	-	-	-	-
	Total	**1,718**	**1,797**	**2,143**	**3,167**	**3,393**	**3,428**	**3,458**	**3,747**	**3,569**
Maritime and Coastguard Agency	FTE	1,100	1,144	1,171	1,171	1,169	1,161	1,128	1,157	*1,071*
	Overtime	47	33	14	32	35	35	35	35	*29*
	Casuals	50	34	22	3	3	0	0	0	*0*
	Total	**1,197**	**1,211**	**1,207**	**1,206**	**1,207**	**1,196**	**1,163**	**1,192**	***1,100***
Vehicle Certification Agency	FTE	104	111	110	111	111	122	136	139	*142*
	Overtime	3	-	-	-	-	-		3	*3*
	Casuals	3	-	-	-	-	-			
	Total	**110**	**111**	**110**	**111**	**111**	**122**	**136**	**142**	***145***
Vehicle & Operator Services Agency	FTE	2,110	2,760	2,703	2,619	2,481	2,479	2,638	2,444	*2,282*
	Overtime	-	-	-	-	-	-			*47*
	Casuals	80	-	-	-	-	-			
	Total	**2,190**	**2,760**	**2,703**	**2,619**	**2,481**	**2,479**	**2,638**	**2,444**	***2,329***
Government Car & Despatch Agency	FTE	298	298	297	296	295	293	315	310	228
	Overtime	-	-	-	-	-	-	-	-	3
	Casuals	-	-	-	-	-	-	-	-	-
	Total	**298**	**298**	**297**	**296**	**295**	**293**	**315**	**310**	**231**
Department Total		**15,305**	**16,819**	**17,296**	**18,265**	**18,321**	**18,216**	**18,545**	**18,219**	***17,595***
Office of Rail Regulation	FTE	120	124	139	141	371	360	357	304	*270*
	Overtime	1	1	1	1	-	-	-	-	*1*
	Casuals	-	1	1	-	1	1	-	-	*2*
	Total	**121**	**126**	**141**	**142**	**372**	**361**	**357**	**304**	***273***

Notes

Staff numbers are expressed as full-time equivalents (FTEs), so two part-time staff each working 50 per cent of conditioned hours will count as one FTE. They are the number of FTE at the end of the financial year to which they relate, so 2007-08 figures are at 31 March 2008. Figures for overtime are not included in the data collected by the Office of National Statistics on Civil Service numbers.

The staff numbers shown in this table differ from those shown in Note 11 to the Resource Accounts because, for instance, the table above, under DVLA, includes staffs at the Shared Service Centre who are shown within the core Department at Note 11.

Table 6 Total identifiable expenditure on services by country and region, 2005-06 to 2010-11

Department for Transport	National Statistics 2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 plans
						£ million
North East	212	300	303	346	363	312
North West	821	1,068	1,091	991	1,151	1,013
Yorkshire and the Humber	423	637	598	687	915	818
East Midlands	487	591	630	544	710	566
West Midlands	698	818	834	763	884	747
East	440	669	643	684	839	713
London	892	1,140	1,169	818	1,315	1,197
South East	1,298	1,642	1,626	1,823	1,492	1,251
South West	616	813	755	697	628	556
Total England	**5,887**	**7,678**	**7,649**	**7,353**	**8,298**	**7,174**
Scotland	246	161	158	139	164	132
Wales	166	144	135	209	301	205
Northern Ireland	19	21	21	33	20	28
UK identifiable expenditure	**6,319**	**8,005**	**7,963**	**7,734**	**8,783**	**7,540**
Outside UK	140	111	99	28	5	3
Total identifiable expenditure	**6,459**	**8,116**	**8,062**	**7,762**	**8,788**	**7,543**
Non-identifiable expenditure	177	181	186	197	205	297
Total expenditure on services	**6,636**	**8,296**	**8,248**	**7,959**	**8,993**	**7,840**

Table 7 Total identifiable expenditure on services by country and region, per head 2005-06 to 2010-11

Department for Transport	National Statistics 2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 plans
						£ per head
North East	83	117	118	134	140	120
North West	120	156	159	144	167	146
Yorkshire and the Humber	83	124	116	132	174	154
East Midlands	113	136	143	123	160	126
West Midlands	131	152	155	141	163	137
East	79	119	114	119	146	122
London	120	152	155	107	170	153
South East	159	199	196	218	177	147
South West	121	159	146	134	120	105
England	**117**	**151**	**150**	**143**	**160**	**137**
Scotland	48	31	31	27	32	25
Wales	56	49	45	70	101	68
Northern Ireland	11	12	12	19	11	15
UK identifiable expenditure	**105**	**132**	**131**	**126**	**142**	**121**

Table 8 Total identifiable expenditure on services by function, country and region, for 2009-10

Data in this table are National Statistics — £ million

Department for Transport	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	**England**	Scotland	Wales	Northern Ireland	**UK Identifiable expenditure**	OUTSIDE UK	**Total Identifiable expenditure**	Not Identifiable	**Totals**
General public services																		
General services	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.0	1.6	0.0	0.0	0.0	1.6	0.0	1.6	0.0	1.6
Total general public services	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.6**	**0.0**	**0.0**	**1.6**	**0.0**	**0.0**	**0.0**	**1.6**	**0.0**	**1.6**	**0.0**	**1.6**
Defence																		
Civil defence	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.6	0.1	0.1	0.1	0.8	0.0	0.8	0.0	0.8
Total defence	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.1**	**0.1**	**0.6**	**0.1**	**0.1**	**0.1**	**0.8**	**0.0**	**0.8**	**0.0**	**0.8**
Public order and safety																		
Police services	8.7	28.5	17.6	12.0	19.8	18.8	48.0	55.1	17.7	226.0	9.8	8.6	0.0	244.5	0.0	244.5	0.0	244.5
of which: other police services	*8.7*	*28.5*	*17.6*	*12.0*	*19.8*	*18.8*	*48.0*	*55.1*	*17.7*	*226.0*	*9.8*	*8.6*	*0.0*	*244.5*	*0.0*	*244.5*	*0.0*	*244.5*
Total public order and safety	**8.7**	**28.5**	**17.6**	**12.0**	**19.8**	**18.8**	**48.0**	**55.1**	**17.7**	**226.0**	**9.8**	**8.6**	**0.0**	**244.5**	**0.0**	**244.5**	**0.0**	**244.5**
Economic affairs																		
Fuel and energy	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.1	1.1	0.1	0.1	0.1	1.4	0.0	1.4	0.0	1.4
Transport	350.9	1,116.1	892.6	694.1	859.2	815.4	1,254.4	1,427.2	605.3	8,015.1	152.2	291.2	19.3	8,477.8	5.3	8,483.1	187.8	8,670.9
of which: local public transport	*31.0*	*70.5*	*50.8*	*31.6*	*46.7*	*38.3*	*94.5*	*52.0*	*38.9*	*454.4*	*2.1*	*1.8*	*0.0*	*458.2*	*2.0*	*460.2*	*0.0*	*460.2*
of which: national roads	*169.9*	*338.7*	*380.3*	*439.3*	*376.7*	*571.2*	*51.1*	*697.0*	*305.2*	*3,329.4*	*19.6*	*9.7*	*10.8*	*3,369.4*	*0.1*	*3,369.5*	*0.0*	*3,369.5*
of which: other transport	*18.4*	*43.3*	*33.9*	*28.4*	*34.6*	*30.1*	*50.5*	*57.1*	*29.3*	*325.6*	*13.9*	*15.4*	*6.4*	*361.3*	*1.8*	*363.1*	*187.8*	*550.9*
of which: railway	*131.6*	*663.6*	*427.5*	*194.8*	*401.1*	*175.9*	*1,058.3*	*621.1*	*231.9*	*3,905.8*	*116.6*	*264.4*	*2.1*	*4,288.9*	*1.4*	*4,290.3*	*0.0*	*4,290.3*
R&D economic affairs	2.0	3.6	3.0	2.7	3.1	3.2	6.2	4.2	3.0	31.0	1.0	0.7	0.5	33.1	0.0	33.1	16.8	49.9
Total economic affairs	**353.0**	**1,119.8**	**895.6**	**696.9**	**862.3**	**818.7**	**1,261.0**	**1,431.5**	**608.4**	**8,047.2**	**153.2**	**292.0**	**19.9**	**8,512.3**	**5.3**	**8,517.6**	**204.6**	**8,722.2**
Social protection																		
Old age	0.9	2.8	1.7	1.2	1.9	1.8	4.7	5.4	1.7	22.1	1.0	0.8	0.0	23.9	0.0	23.9	0.0	23.9
of which: pensions	*0.9*	*2.8*	*1.7*	*1.2*	*1.9*	*1.8*	*4.7*	*5.4*	*1.7*	*22.1*	*1.0*	*0.8*	*0.0*	*23.9*	*0.0*	*23.9*	*0.0*	*23.9*
Total social protection	**0.9**	**2.8**	**1.7**	**1.2**	**1.9**	**1.8**	**4.7**	**5.4**	**1.7**	**22.1**	**1.0**	**0.8**	**0.0**	**23.9**	**0.0**	**23.9**	**0.0**	**23.9**
TOTAL DEPARTMENT FOR TRANSPORT	**362.6**	**1,151.1**	**915.0**	**710.1**	**884.1**	**839.4**	**1,315.4**	**1,492.0**	**627.9**	**8,297.6**	**164.1**	**301.5**	**19.9**	**8,783.1**	**5.3**	**8,788.4**	**204.6**	**8,993.0**

Regional DR tables - Footnotes/Explanatory Text

1. **Tables 6, 7 and 8** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2011. The figures were taken from the HM Treasury public spending database in November 2010 and the regional distributions were completed in early 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.

2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011.

4. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

6. The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2011. These are not the same as the strategic priorities shown elsewhere in the report.

Part 2: Resource Accounts

Chapter 7: Management Report

Departmental Accounts: Department for Transport

Scope

1 Entities Consolidated

The departmental accounts present the consolidated results for the financial year ended 31st March 2011 for the following entities:

The Department for Transport and:

- Highways Agency;
- Maritime and Coastguard Agency;
- Government Car and Despatch Agency; and
- Vehicle Certification Agency.

A list of bodies included and those excluded from consolidation is set out in Note 33 to the accounts.

Management Report

The Department for Transport is a central government department. Its main role, together with its agencies, is to implement government transport policy and to advise ministers. To achieve this, it works alongside the devolved administrations, local authorities, non-departmental public bodies and other government-sponsored organisations.

Most of its resources are provided by Parliament, which votes funding on an annual basis in the context of HM Treasury's Spending Reviews. It provides grant funding to local government (including the Greater London Authority), Network Rail and other entities that deliver major projects. It contracts with train operating companies to provide rail services on a franchised basis, maintains and improves motorways and major trunk roads, and develops and implements the Government's maritime safety and environmental protection strategy.

Vision

Our vision is for a transport system that is an engine for economic growth but one that is also greener and safer and improves quality of life in our communities.

Financial performance

Excess Net Cash Requirement

The Net Cash Requirement of £13,849.3 million exceeded the estimate by £335.2 million. The reasons for the breach are referred to in the Statement on Internal Control in paragraphs 42 - 44.

2010-11 Outturn versus Estimate

The Net Resource Outturn reported in Note 2 was £10,135 million, which is £2,746 million (21.3%) below the Estimate of £12,881 million. The material components of this underspend by Estimate line are explained below.

Departmental Expenditure Limit (DEL)

- C: Aviation services, transport security & royal travel £14million underspend:
  This is mainly due to (£11 million) more National Air Traffic Services dividend than expected, along with (£2 million) that relates to Air Accident Investigation branch spending less than expected on major incidents during the year.

- G: Bus Service Operators Grant £25 million underspend:
  Bus Service Operators Grant is demand led. Due to the economic climate there has been a reduction in service kilometres hence the underspend for the year.

- L: Highways Agency £293 million underspend:
  A significant element of the variance relates to a lower than expected depreciation charge (£112 million), the remainder is a combination of the impact of the post election spending controls, the consequences of some projects being put on hold until the outcome of SR10 was assessed, along with more receipts than expected.

- M: Railways £837 million overspend:
  This is largely due to excess appropriations in aid not being available to apply against expenditure (£528 million). This excess arose for the reasons covered in paragraphs 42 – 44 of the Statement on Internal Control.
  Additional reasons for the variance are Crossrail (£220 million), this was budgeted for on Section W; the majority of the remaining sum relates to London and Continental Railways (£32 million) whose forecast expenditure was not finalised in time for inclusion in the Main Estimates.

- P: Transformation, Licensing, Logistics & Sponsorship £11 million underspend:
  A review of potential Agency cost pressures, budgeted at the start of the year, did not crystallise and this has resulted in reduced spending.

- R: Central administration £21 million underspend:
  This is due to a combination of recruitment freeze, savings emerging from new procedures in relation to scrutiny of Discretionary Spend and other austerity measures.

- S: Research, statistics, publicity & consultancies and other services for roads and local transport £8 million underspend.

- T: Area Based Grants £209 million overspend:
  Mainly due to (£200 million) being granted to local authorities for winter resilience. The remainder is due to increased spend on Rural Bus Services Support.

- V: Other transport grants (resource) £73 million underspend:
  This is largely due to (£60 million) relating to areas that have been budgeted for on this section and spend having been scored elsewhere in the Estimates, of which (£28 million) relates to Cycling England and (£32 million) Rail spend on Integrated Transport Smartcard Organisation Prestige project that have been scored on Section S and Section M respectively; of the remainder (£8 million) relates to Rail Franchising.

- W: Other transport grants (capital) £208 million underspend:
  Mainly due to Crossrail (£220 million), this was budgeted for on this section, however, spend was recorded against Section M.

Annually Managed Expenditure (AME)

- X: Highways Agency £628 million underspend:
  This partly relates to write-downs reflecting the difference between the actual cost and the standard costs for assets that are capitalised and open for traffic. The variance also reflects the revised strategy to develop managed motorways as opposed to motorway widening resulting in lower than expected write down costs.

- Y: Railways and other expenditure £2,371 million underspend:
  This is mainly due to prior year adjustments in respect of the accounting treatment of London and Continental Railways. Also due to (£302 Million) a release of provisions which are no longer required for Eurostar pensions and further Domestic Capacity Charges for which the Department is no longer liable following the sale of High Speed 1; and (£187 Million) in respect of Government Actuary's Department’s IAS19 valuation of Rail pensions, offset by a £528m impairment.

- Z: Driver and Vehicle Licensing Agency trading fund £39 million underspend:

This is largely due to discretionary spending savings (£24 million) and other efficiencies realised at a faster rate than originally planned. In addition, income increased due to vehicle first registration volumes in March 2011 that were in excess of forecast; and (£9 million) relating to early year review and temporary freeze on IT expenditure across the agency has resulted in a number of projects slipping their original timescales.

Non-Budget expenditure

- AA: Grant In Aid funding of NDPB's & PC's £86 million underspend:
  This relates to a credit for British Transport Police resulting in an underspend of (£37 million), a payment made to London and Continental Railways (£25 million) which had initially been expected to be made on the basis of NDPB funding but this proved not to be necessary and (£11 million) underspend on High Speed 2 due to decisions taken by Secretary of State on Consultation and other key pieces of work which have been deferred to 2011-12. This variance was also influenced by the prior period adjustment to recognise the Directly Operated Railways Grant in Aid as a loan (£11 million).

Financial position

The accounts indicate that during 2010-11 the Department's net assets have increased by £13.127bn. The main reasons for this increase are as follows:

- The total Net Book Value of Highways Agency's Plant, Property and Equipment increased by £12bn between 31st March 2010 and the 31st March 2011. This is predominantly due to the increase in the VAT rate to 20% which is included in calculating the replacement cost of the asset base.
- Trade and Other Receivables (total of current and non-current) increased by £551m. This has mainly arisen as the Department has recognised a debtor in the accounts for £334m for 'Amounts due from the Consolidated Fund in respect of Supply.'
- Provisions reduced by £447m (total of current and non-current). This was caused by the reversal of the Channel Tunnel rail link provision of £330m following the sale of HS1 and a reduction in the provisions recognised by Highways Agency of over £100m.

External stakeholders

The Department works with European Union and UK transport partners to promote the development of efficient and competitive transport.

The Communication Directorate (CD) leads our efforts to convey information about the Department's activities. We work to achieve effective and efficient communication of DfT's priorities for transport, targeting the press, stakeholders and the general public, through a wide range of communication channels.

With the recent developments in social media, CD has reviewed how the Department engages with the public. It has developed Twitter and Flickr pages and a YouTube channel.

In the past year, amongst our other activities, we handled communications about:

- The High Speed rail consultation
- Reform of the rail industry
- Preparations for winter resilience on the transport network, including the allocation of road salt during the winter
- Low carbon transport

Social responsibility and community relations

Information rights

Overall in 2010 we met the deadlines for response in 91% of the 2,864 Freedom of Information (FOI) requests received across the Department, including the four Executive Agencies and the three Trading Funds. (Equivalent information does not need to be collected for Non Departmental Public Bodies.) This was a slight decrease on our performance in meeting the statutory deadlines during 2009 (92%), although we handled just over 16% more requests last year (the largest number received in any year so far). We were able to provide all the information requested in approximately 54% of cases.

We publish details of FOI responses to requests on our disclosure log and have been commended by the Information Commissioner's Office for our comprehensive FOI publication scheme. These are both available in the FOI pages on DfT's website at www.dft.gov.uk/foi/.

Equality of opportunity

As a public authority the Department is required to demonstrate how it is complying with the Equality Duties. We have published a Single Equality Scheme, which sets out in one place what we are doing to promote equality of opportunity. We carry out equality impact assessments as we develop policies and services, with the aim of delivering better and more cost-effective policy outcomes. This has included looking at evidence, engaging with staff, service users and others to understand the effects of our policies and practices on the whole community.

Factors affecting performance during the current and future financial years

Sale of HS1

The most significant financial event of the past financial year was the sale of HS1 Ltd, and with it, the right to operate the Channel Tunnel high speed rail link for the next thirty years, for £2.1bn. The successful bidder was a Canadian consortium comprising Borealis Infrastructure and Ontario Teachers' Pension Plan.

Transferring the concession back to the private sector represents the culmination of a project that began in 1996. The Department signed a contract in that year with London and Continental Railways Ltd (LCR) to construct, operate and ultimately transfer the rail link back to the government in 2086. The Department agreed to support part of the construction costs through grants and through the transfer of the UK Eurostar business to LCR.

LCR had hoped to raise financing through a combination of a sale of shares and raising bank debt, but reduced demand for Eurostar services meant that investors were not prepared to lend sufficient capital at affordable rates. It is fairly common for private sector contractors to face high costs of borrowing during the construction phase of contracts, which can be reduced by refinancing the debt once construction is completed. The Department decided to support the construction phase of this project by providing guarantees on LCR's borrowings, which were eventually to reach over £5bn. When the guarantees were first mooted, it was expected that a post-completion refinancing would provide the opportunity for the Department to remove the guarantees without making any payments under them. This decision was supported by the European Commission, who considered it permissible State Aid to support a project delivering cross-European benefits. To safeguard the taxpayer's position, the Department obtained a special share in LCR Ltd, which gave it the right to force a sale and retain the majority of the proceeds, alongside other rights over the group's operating cash flows.

Following completion of the infrastructure in 2007, at a cost of £7bn, it became increasingly evident that the debt could not be refinanced at an affordable rate, and that the concession charging structure did not reflect market demand for international services. The Department started work on identifying a more viable commercial structure for both the infrastructure operation and for passenger services. The approach ultimately adopted was for the Department to buy out LCR Ltd's previous shareholders and then to assume the majority of the corporate debt, and to negotiate a new concession, with a more commercial charging structure. Under European law, the Department required approval from the European Commission that this approach would not distort competition with other transport sectors. This approval was received in May 2009. In June 2009, the Department used its special share to acquire the entire share capital of LCR Ltd for a nominal amount, and contractually accepted all responsibility for repaying the debt. The Department also negotiated a new concession contract, sixty years shorter than the previous one and with reduced charges for international services, taking effect in August 2009. It then began the process to transfer the operations back to the private sector through an auction sale of HS1 Ltd, the LCR subsidiary responsible for operating the contract.

Over the following months, the Department worked to resolve all issues that might reduce the proceeds of the sale of the company, by clearing the legal title to the land, settling onerous contracts, and by devising a competitive auction process. The majority of these costs were incurred in 2009-10, and their cessation during this year played a major part in reducing Grant-in-Aid by over £280m. The Department also made a commitment that some domestic high-speed services will continue to use the rail link. This will be achieved by inserting the requirements into future London and South-eastern passenger rail franchise contracts. The associated costs and benefits will be accounted for during the terms of these contracts, and therefore no adjustment has been made in these accounts.

HS1 Ltd was finally sold in November 2010. The purchaser paid £2.1bn to take control of the company. Of this amount, some £1bn was paid to external lenders to settle some of the debt raised to finance construction of the infrastructure. The remainder was paid to LCR and then to the Department in the form of a dividend. In government, where a department receives a large and unusual receipt, such as privatisation proceeds, it is standard practice that the monies should be allocated across government to other departments, according to where the money can be used most effectively. In accordance with this, the Department remitted the entirety of its share of the proceeds to the Consolidated Fund.

While the government's receipts from the sale of HS1 Ltd are lower than the Department's financial contributions to the project, it is important to consider the wider benefits that the rail link provides to the country: a lower-carbon connection to and from the Continent which remained open when the volcanic ash cloud closed UK airports, a high-speed commuter service that alleviates the pressure on other local routes, as well as increased business and leisure opportunities.

Accounting Treatment

At the point of sale, the Department reviewed its accounting treatment of its special share relationship with LCR and its concession arrangement with HS1 Ltd, and concluded that retrospective accounting changes were required. The Department has amended its financial statements for 2009-10, shown as comparatives in these financial statements.

The accounting treatment that the Department was originally required to follow treated the guarantees as contingent liabilities, which are not recognised in the accounts. However, in 2008-09, central government adopted new accounting standards which required this type of guarantee to be recognised within the accounts. At the point they were recognised, the guarantees were valued at the amount of debt they supported, slightly more than £5bn, as there was evidence that the debt could not have been raised without government guarantees. As this change arose from a change in accounting requirements, rather than a new course of action, the change was made retrospectively, through reserves.

The shares in LCR Ltd that the Department acquired in June 2009 have been valued at the amount of debt assumed at that time, approximately £5bn, treating the assumption of debt as part of the cost of acquiring the shares. Then, the value of the shares in LCR Ltd have been impaired from £5bn to approximately £2bn, being the value of LCR Ltd's consolidated net liabilities as at 31 December 2008, less the value of debt guaranteed by the Department, to reflect the value of the company after the debt had been removed from it. The corresponding charge of £3bn, combined with the £5bn credit, leads to a net credit of £2bn to the Statement of Comprehensive Net Expenditure.

The treatment of the concession infrastructure asset was revisited with effect from August 2009. Typically, where a government department grants a concession to a private sector company, under which that company will construct or refurbish infrastructure to provide a service to the public (directly, or indirectly); and where the department regulates that service and controls the use of the infrastructure at the end of the contract, the department will recognise the infrastructure as its own asset. Contracts of this nature include PFI and PPP contracts with the private sector for the construction and maintenance of prisons, hospitals and schools. The arrangement with HS1 Ltd was a contract of that nature, with the relatively unusual feature that the operator of the concession was providing a service directly to the public on a commercial basis. However, the Department did not recognise the infrastructure on its first adoption of International Financial Reporting Standards (IFRS), because the value of the infrastructure could not be measured with sufficient reliability: the standard government valuation approach of depreciated replacement cost being less appropriate to a for-profit service. The arrangements for the sale of HS1 Ltd in November 2010 required bidders to calculate an enterprise value of the unencumbered business, and this provided a basis for valuing the infrastructure asset after the end of the current concession. Therefore, with effect from the agreement of the revised concession in August 2009, shortened from 90 years to 30 years, the Department has recognised the infrastructure asset. This is valued at £3.5bn and reflects the value that the asset is expected to bring the Department over the term of the original concession. It includes the value of the current concession and the value of the Department's right to grant future concessions, at the end of the current concession period. The value of the current concession asset is stated as £1.7bn, being the valuation calculated by LCR Ltd in December 2009, based on their forecast operating cash flows, using a discount rate of 10%. This amount is recognised by creation of a deferred income balance, which will be released to the Statement of Comprehensive Net Expenditure over the life of the current concession. The value of the right to grant future concessions is stated as £1.86bn, being the present value of future receipts of £2.1bn on each thirtieth anniversary of granting the current concession until the end of the original concession period. This amount is recognised by reducing the value of the Department's shareholding in LCR Ltd, as the company reflected the curtailment of the concession by impairing its assets. After this adjustment is made, the value of the shareholding is reflected at £87m.

The following events have been reflected in the financial statements for 2010-11. The sale of HS1 Ltd in November 2010 represented the end of LCR Ltd's involvement in the operation of the Channel Tunnel rail link. Its distribution of the cash proceeds and its accumulated reserves to the Department curtailed its ability to enter a new commercial field, confining its operations to its investment in Eurostar International Ltd and its participation in the development of properties at St Pancras and Stratford. The Department has therefore matched its cash receipt of £1bn against the value of the shareholding in LCR Ltd, writing off the remaining value, with the remainder of the cash receipt treated as a current gain of £929m.

In December, the first tranche of the debt fell due for repayment. The Department paid £1bn cash to the holders of government guaranteed bonds that had matured. As a result, future interest costs will fall by approximately £36m, to approximately £204m next year. The Department currently plans to retain the remaining £4bn debt tranches until their maturity: the final tranche of debt will mature in 2052. Other debt support arrangements fell away on the sale of HS1 and settlement of its debts by the purchaser – this produced a gain to the Department on the sale of HS1 of £368m and is recognised as a credit to non-cash Programme costs.

LCR Ltd has a continuing involvement in the operation of Eurostar services and in the development of properties in Stratford and St Pancras. The Department's long-term objective is to exit from these activities at the point which maximises the benefit to the taxpayer. The experience it has gained from the sale of HS1 Ltd will be useful in achieving that objective.

Dealing with the deficit – constraints on administration expenditure and restructuring

The Department is required to reduce its Administration expenditure by 33% by 2014-15. The Department has made rapid headway; driving efficiencies from better contract management and reduced consultancy spend and terminating the lease on part of its London headquarters. Administration costs, reported in Note 12, have reduced by £46m. A programme of restructuring completed in April 2011 will reduce pay-related expenditure by 20%, in the first instance. Further planned changes will reduce administration expenditure to ensure the 33% target is met.

Reform of public bodies

As part of a cross-Government review of arm's length bodies, the Department identified various bodies whose functions could be terminated or transferred back to the Department without adverse impact on service delivery. Cycling England, the Renewable Fuels Agency and the Commission for Integrated Transport were abolished at the end of 2010-11 with their functions transferred back to the Department on 1st April 2011. Successor arrangements for the Disabled Persons Transport Advisory Committee are being developed. Consultation is taking place with regard to the closure of the Railway Heritage Committee, while BRB (Residuary) Ltd will be wound down over the next few years, with remaining activities transferred to the Department.

Transparency and Clear Line of Sight

The UK government is implementing a number of initiatives to increase the transparency of its financial performance. Firstly, during the year, details of all transactions over £25,000 have been placed in the public domain. Secondly, as part of the HMT Clear Line of Sight programme, arrangements have been made to harmonise and simplify the mechanisms governing central government financial reporting, budgeting and control. The process by which departments seek funding from Parliament is to change, with only one Supplementary Estimate, rather than two, and with expenditure measured net of income. Expenditure categories have been simplified, with most expenditure previously classified as non-cash Departmental Expenditure Limit (DEL) being reclassified to Annually Managed Expenditure (AME). Depreciation remains within DEL. The cost of capital charge/credit has been abolished retrospectively.

The first two phases of the Clear Line of Sight project, which related to the Budgets and Estimate process, have been completed. The next, and final, step is reporting. From 2011-12 the departmental accounts will reflect a new accounting boundary. This new boundary will align with the budgeting process and lead to a number of additional bodies being consolidated within the departmental accounts. In addition to the bodies that are currently consolidated within the departmental accounts, the following will be added; British Transport Police Authority, the Driver and Vehicle Licensing Agency, Directly Operated Railways Ltd, HS2 Ltd, LCR Ltd and its former subsidiaries, LCR Finance plc and CTRL Section 1 Finance plc.

Bodies classified as Trading Funds or Public Corporations will continue to be outside the Department's accounting boundary. The bodies that will not be consolidated will include the Driving Standards Agency and the Vehicle and Operator Services Agency, which are Trading Funds, and the British Railways Board (Residuary) Limited, the Civil Aviation Authority and various Port Authorities and Harbour Boards, as well as East Coast Mainline Limited and NATS Holdings Limited, which are classified as Public Corporations.

Withdrawal of Tubelines letter of comfort

During summer 2010, Transport for London took management of the remaining PPP contract back in-house. That contract, previously operated by Tubelines, covered the Jubilee, Northern and Piccadilly lines. On Tubelines' withdrawal, the Department's letter of comfort to the consortium's external financiers fell away, without any call on taxpayers' money.

Significant remote contingent liabilities

Government departments are required to report specifically on contingent liabilities arising from guarantees and letters of comfort. The Department has provided such guarantees and letters where they would benefit the taxpayer and where the benefits outweigh the disadvantages. Further disclosures are given in Note 29 of these accounts.

Spending review: priorities and objectives

In October 2010, Spending Review settlements for all departments were announced. Allocations of funding under the Spending Review determine the Department's work programme for the following four years. Department for Transport was allocated a Departmental Expenditure Limit (DEL) (excluding depreciation) settlement of £63.4bn over the period, of which £38.5bn was Capital DEL. The major elements of the settlement are discussed in detail below; however, the settlement included £18bn for rail investment (including Crossrail); £4bn for Highways Agency major projects and £6bn for local transport major projects, with funding for further PFI and for Tube upgrades. The Spending Review also committed departments to making further savings where possible: for Department for Transport, such savings include reductions to Bus Service Operators Grant; economies in maintenance to the strategic road network; and reductions to administration spending.

Investment in rail infrastructure: Crossrail and HS2

The Spending Review confirmed that the Department for Transport, along with co-sponsor Transport for London, is committed to funding Crossrail to completion. We expect that Crossrail will cost no more than £14.5bn. Crossrail services are expected to commence from 2018. During the year, Crossrail Ltd, a subsidiary of Transport for London, continued with the construction work. The Department had compulsorily purchased certain properties on the route, valued at £5.7m, which are in the process of being transferred to Transport for London.

The Department is consulting on proposals to construct a High Speed Rail Link between London and the Midlands. Should the proposals be implemented, construction costs of £32bn could be incurred between 2017 and 2032, outside the period covered by the Spending Review settlement. As the proposals have already impacted the property market near the proposed route, the Department launched an Exceptional Hardship Scheme, to purchase properties from vendors with an urgent need to sell, who had been prevented by the proposals from selling at a reasonable price. The properties acquired to date, valued at £9.6m are shown as inventory in these accounts, pending their transfer to HS2 Ltd. Should the construction of the rail link not proceed, the properties will be placed on the market.

Other longer-term rail initiatives include the procurement of a new intercity fleet of rolling stock, to be manufactured by Agility Trains. The rolling stock will operate initially on the East Coast Main Line and Great Western Main Line. To support this, electrification of part of the latter will also be funded. These will be delivered in subsequent Spending Review periods.

The Department is also working with rail industry bodies, Network Rail and franchisees to improve the efficiency of the rail network and to reduce overcrowding, issues which have been investigated by the National Audit Office and the Public Accounts Committee.

Revision of the rail franchising system

The Department will introduce changes to the rail franchising system. Under the new regime, franchises will be longer, giving operators a greater incentive to invest in services. The regulatory regime will also be less based on attempting to micro-manage train operators.

East Coast franchise

It is currently expected that the East Coast franchise will be re-let in 2012. The franchise is currently being managed by East Coast Mainline Company Limited, following National Express's decision to relinquish the franchise, with effect from November 2009. The Department welcomed the NAO's report on the termination of the franchise, which concluded that the Department had taken the best approach to protect the taxpayer.

Local transport

Over the Spending Review period, the Department will provide £6bn for local transport projects, through a revised grant regime that will give local authorities greater discretion over the use of resources. Investment in local transport infrastructure is recognised in the financial statements of the local authorities concerned, while these accounts report grant paid as current expenditure. 28% of savings are to be made against revenue grant funding over the Spending Review period.

The strategic road network

The Department has reviewed its commitments to major enhancement schemes. Despite the Spending Review settlement, the Department has been able to take forward 14 new schemes in the Spending Review period, though has had to withdraw some other schemes which were not affordable. Among the withdrawn schemes was the A14 Ellington to Fen Ditton scheme, which was estimated to cost over £1bn. The Department will try to identify alternative methods of alleviating congestion.

The governance of Highways Agency has been revised, with the appointment of Alan Cook, a non-executive director, as Chair, and plans to appoint a performance monitoring group. Mr Cook will agree the terms of reference for an independent review of government's management of the strategic road network. More generally, the Highways Agency aims to make efficiency savings in road maintenance and incident management.

The PFI contract for the widening and maintenance of the M25 was reviewed by the National Audit Office and the Public Accounts Committee. Features commented on in the reviews include the length of the planning phase, the Department's reliance on external consultants, and the prescriptive approach to the contract. The

Department intends to make appropriate use of the findings and recommendations, permitting contractors to use greater flexibility in delivering the desired objectives.

Impact of external events

Meteorological impacts

The experience of the past twelve months underlines the vulnerability of some parts of the transport infrastructure to adverse weather and other meteorological impacts. In May 2010, flights in much of the Northern hemisphere were disrupted by volcanic ash from Iceland. The Department, in conjunction with other government bodies, sponsored experimental work to determine when it would be appropriate to re-open UK airspace. The experience of handling this event will contribute to how future problems are handled.

The winter of 2010-11, one of the coldest on record, caused disruption to roads, railways and airports. The associated costs are one of the factors underlying an increase in current grants by £550m. Following the experience of winter 2009-10, the Highways Agency and local authorities did have adequate supplies of gritting salt, and managed to clear major roads. In July 2010 an independent interim report, the Quarmby Report, was published on the resilience of England's transport systems to severe winter weather following the 2009-10 winter. The report recommended the Government should intervene to create a 'buffer' salt stock to reduce the risk of a severe national salt crisis in winter 2010-11. During the year the Department purchased a significant amount of salt to create the buffer stock. The Department also announced that a total of £200m would be made available to local authorities to fund repair of potholes, many caused by the cold weather.

In addition, the Department is using its leverage to ensure an appropriate response to problems in the aviation and rail sector, reviewing the airport operators' performance regime, so that it leads to improved resilience during periods of winter weather and working with Network Rail to ensure availability of de-icing locomotives and technological responses to the impact of freezing weather on electrified lines.

Search and Rescue Helicopters (SAR-H)

During 2009-10, the Department and the Ministry of Defence undertook a joint procurement exercise for a harmonised helicopter Search and Rescue service, when the Soteria consortium was announced as preferred bidder. The arrangement was subsequently reviewed by HM Treasury in June 2010. However, in December, Soteria disclosed irregularities concerning their bid team, which led the Department, in co-ordination with the Ministry of Defence (MoD), to conclude that the procurement process could be taken no further. The Ministry of Defence Police are investigating the disclosed irregularities.

The current service arrangements are provided jointly by MoD and the Maritime and Coastguard Agency, which subcontracts delivery to a private sector partner. That contract is due to expire in 2012. The Department is developing proposals to achieve a new privately financed service, together with an interim contract. The MoD delivers its part of the service using its own Sea Kings, which were due to remain in service until 2016.

Public interest

Equal opportunities and recruitment

The Department values equality and diversity in employment and a socially inclusive transport system. It is committed to recruiting, retaining and promoting the best people. Our aim is to ensure that all staff and job applicants are treated equally and fairly, regardless of their sex, gender identity, disability status, marital status, race, ethnic or national origin, sexual orientation, age, religion or belief, employment status, working patterns, caring responsibility and trade union membership, union office or trade union activities.

All the Department's advertised jobs are open to part-time working or job-sharing arrangements, unless explicitly stated otherwise in the job advertisement. Selection and appointment is on merit and in accordance with the guidance laid down in the Civil Service Commissioners' Recruitment Code.

Staff relations

There was no Civil Service wide strike action that affected the Department during the year. There was some targeted balloting for industrial action in the DSA as a result of proposed office closures and job losses. The Department continues to manage its pay remit within the bounds of the wider public sector pay policy. The Department has access to occupational health advisers to assist in managing sick absence cases. Employee assistance programmes are available to all staff to help with personal and work-related issues. The Department's sickness absence policies are under regular review in order to further improve and assist managers in dealing with sickness absence cases in a timely, effective and positive manner which will in turn further reduce our sickness absence levels. Currently, sickness absence data is collated and analysed monthly and reported to Cabinet Office. Average Working Days Lost (AWDL) are reported quarterly in arrears on a 12 month rolling basis. For the 12 month period ending 31st March 2010 the Department reported AWDL as 8.2. For the 12 month period ending 31st December 2010 it was 7.9. For this information the Department is defined as being the core Department, the Executive Agencies and the Trading Funds.

Whilst there is a specific emphasis on the 100 individuals that have the highest levels of absence, all absence is reviewed to ensure that support is offered and that occupational health reports, action plans and trigger point interviews are progressed as appropriate.

Payment of suppliers

The Department complies with the Prompt Payment Code of paying 98% of undisputed bills within 30 days of receipt. For the year 2010-11, the Department paid 99.63% of invoices within 30 days of receipt, which represents a small increase over the prior year. A new 2010-11 target was also introduced for Whitehall departments, to pay 80% of supplier invoices within 5 days of receipt (replacing the target of 90% of invoices paid within 10 days used the previous year). The Department paid 86.10% of supplier invoices within 5 days.

Environmental policy

A good transport system is central to a prosperous economy, providing access to goods and services and supporting people's desire for mobility. But as well as being an engine for economic growth, the transport system needs to contribute towards the delivery of the Government's environmental goals.

The Government's overall approach to reducing emissions of greenhouse gases was set out in the draft Carbon Plan (March 2011). A robust carbon budget management framework has been put in place to monitor progress in delivering emissions reductions from all sectors and to hold departments to account for their actions. As part of this, Departments are held accountable for delivery of their carbon reduction policies and/or activities that support or enable carbon reduction through a framework of regular monitoring and reporting against their actions and indicators of progress. The Government will report publicly on progress against the actions in the Carbon Plan on a quarterly basis and will provide more detailed updates by sector via its response to annual progress reports by the Committee on Climate Change (in October each year).

The Department also has a key role to play in ensuring that the transport sector plays its part in reducing emissions of harmful air pollutants, consistent with the Government's commitment to work towards full compliance with legally binding EU air quality standards. Progress is monitored by a DEFRA-chaired programme board of senior officials, and through regular Ministerial discussions.

The Department is also responsible for ensuring that its policies and programmes are consistent with the wider principles of sustainable development. It is held to account for its performance in delivering this by a Ministerial steering group comprising ministers from key Departments including DEFRA, DECC and the Cabinet Office.

Personal data related incidents

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

<table>
<tr><td colspan="5">Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office
No such incidents have been formally reported to the Information Commissioner's Office this year.</td></tr>
<tr><td>Statement on information risk</td><td colspan="4">I am aware that the handling of information and data carries with it a significant risk to Government Departments, which we take seriously. Over the last year, we have continued our work to fully embed a culture that values, protects, and makes proper use of information. We have introduced a new electronic Information Asset Management System, which allows easier management, assurance and reporting of our information assets. This is supported by a dedicated training programme for Information Asset Owners.</td></tr>
<tr><td>Date of incident (month)</td><td>Nature of incident</td><td>Nature of data involved</td><td>Number of people potentially Affected</td><td>Notification steps</td></tr>
<tr><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Further action on information risk</td><td colspan="4">The Department will continue to monitor and assess its information risks, in order to identify and address any weaknesses in our policies and procedures and ensure continuous improvement of our data handling systems.

All new and returning staff are expected to complete the Protecting Information e-learning course, and existing staff are required to take annual refresher training.</td></tr>
</table>

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENT IN 2010-11		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	**Nature of incident**	**Total**
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	**0**
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	**1**
III	Insecure disposal of inadequately protected electronic equipment, devices or paper document	**0**
IV	Unauthorised disclosure	**7**
V	Other	**0**

Auditors

The Comptroller and Auditor General carries out the audit of the Department's accounts, including agencies, under the Government Resources and Accounts Act 2000, at an annual notional cost of £774,000. The prior year figure was £855,000.

The reduction in notional fees between 2009-10 and 2010-11 relates to an additional charge of £112,000 being incurred in the prior year to cover the first time adoption of International Financial Reporting standards (IFRS).

Excluding this IFRS charge, audit fees have increased from £743,000 in the prior year to £774,000 in 2010-11. £12k of this increase represents the notional cost incurred by the auditor to review the Department's Whole of Government Accounts (WGA) submission to Treasury. The Whole of Government Account is an account that HM Treasury produces as a consolidated financial account covering the entire UK public sector. 2009-10 was the first time the Whole of Government Account was produced and laid in Parliament.

The National Audit Office also performs other statutory audit activity, including value for money and assurance work, at no cost to the Department.

Statement regarding the disclosure of information to the auditors

As Accounting Officer, I have taken all of the necessary steps to make myself aware of any relevant audit information and to establish that the National Audit Office has been made aware of that information in connection with its audit.

Insofar as I know, there is no relevant audit information of which the National Audit Office is not aware.

Reconciliation of resource expenditure between Estimates, accounts and budgets

		2010-11 £000	2009-10 £000
Net Resource Outturn (Estimates)	Note	**10,134,897**	**15,983,596**
Adjustments to additionally include:			
Consolidated Fund Extra Receipts in the Statement of Comprehensive Net Expenditure	4.1	(1,534,720)	(21,487)
Prior Year Adjustments	4.1	1,927,176	(416,307)
Net Operating Cost (Accounts)		**10,527,353**	**15,545,802**
Adjustments to remove:			
Gains/losses from sale of capital assets		-	(180)
Capital grants		(5,306,334)	(5,519,040)
European Union income related to capital grants		7,254	28,868
Voted expenditure outside the budget		(186,243)	(509,063)
Adjustments to additionally include:			
Other Consolidated Fund Extra Receipts		-	1,008
Resource consumption of non departmental public bodies		222,873	565,474
Other Non-voted resource in budget		42,788	
Other adjustments		1,031,884	369,683
Resource Budget Outturn (Budget)		**6,339,575**	**10,482,552**
of which			
Departmental Expenditure Limit (DEL)		5,833,623	6,594,728
Annually Managed Expenditure (AME)		505,952	3,887,824

The prior year Net Operating Costs have not been restated in line with Note 4.1 of the financial statements.

Lin Homer
Permanent Secretary and Accounting Officer
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

5th July 2011

Departmental Remuneration Report

Remuneration policy

Senior Civil Service (SCS) pay and conditions are not delegated to individual departments. The SCS is a corporate resource, employed with a common framework of terms and conditions.

Recommendations on SCS remuneration are provided by the Review Body on Senior Salaries in an annual report to the Prime Minister. Further information about their work and copies of the annual reports can be found on the Office of Manpower Economics website at www.ome.uk.com.

The Government's response to the recommendations of the Review Body on Senior Salaries is communicated to Departments by the Cabinet Office and the remuneration of the Department for Transport's senior civil servants is determined by the Department's Remuneration Committee in accordance with that central guidance.

Pay system and performance management

The Department has three levels of senior civil servant below the Permanent Secretary. These are underpinned by a tailored job evaluation scheme, (JESP - Job Evaluation for Senior Posts), which provides a consistent basis for comparing the relative value of jobs within and across departments. Each of these three levels has a pay range.

In 2010-11 there were no changes to the SCS pay ranges and no increases in base pay.

Delivery of in-year performance against objectives is rewarded through non-consolidated performance pay. Individuals who make the biggest contributions receive the largest payments. Individuals who make the weakest contributions receive none at all.

In order to determine relative performance, SCS members are ranked from strongest to weakest and divided into four Performance Groups:

- **Group 1**: top 25% of performers;
- **Group 2**: next 40% of performers;
- **Group 3**: next 20-30% of performers; and
- **Group 4:** bottom 5-15% of performers.

For 2010-11 non-consolidated performance pay was awarded to SCS in Groups 1 and 2, the top 65% of performers. Permanent Secretaries agreed that non-consolidated performance pay awards be limited to 5% of SCS pay bill.

Non-consolidated performance pay decisions are monitored by gender, ethnicity, disability and working pattern to guard against bias.

Remuneration Committee

This Committee comprises the Department for Transport's Permanent Secretary (as Chairman), all Directors General, and a Non-Executive Board member. For the year to 31 March 2011, its members were:

Lin Homer (from 10 January 2011)	Permanent Secretary, Department for Transport
Robert Devereux (to 3 January 2011)	Permanent Secretary, Department for Transport
Steve Gooding	Director General, Motoring and Freight Services

Richard Hatfield	Director General, International Networks and Environment
Bronwyn Hill (to 27 March 2011)	Director General, City and Regional Networks
Mike Mitchell (to 28 February 2011)	Director General, National Networks
Clare Moriarty	Director General, Corporate Support Functions
Lucy Chadwick (from 28th March 2011)	Acting Director General, Major Projects and London
Ed Smith	Non-Executive Director

The Committee makes pay decisions for directors and divisional managers. The Permanent Secretary decides on pay for Directors General, with advice from the Committee's Non-Executive Director.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Official	Contract period
Mike Mitchell	3 May 2008 to 31 December 2010 Contract extended to 28 February 2011
Notes: Mike Mitchell was subject to the termination agreements/notice periods as laid out in the standard Senior Civil Service contract for fixed-term appointments. Mike Mitchell's contract was extended to the 28th February 2011 only.	

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the Department. The Remuneration Report has been audited by the National Audit Office.

Remuneration (salary and payments in kind)

Ministers	**2010-11**		**2009-10**	
	Salary (£)	**Benefits in Kind**	**Salary (£)**	**Benefits in Kind**
Philip Hammond MP Secretary of State (from 12 May 2010)	61,056	-	-	-

Full-year equivalent	68,827			
Theresa Villiers MP Minister of State (from 13 May 2010) Full-year equivalent	29,188 33,002	-	-	-
Norman Baker MP Parliamentary Under Secretary of State (from 14 May 2010) Full-year equivalent	20,894 23,697	-	-	-
Mike Penning MP Parliamentary Under Secretary of State (from 14 May 2010) Full-year equivalent	20,894 23,697	-	-	-
Lord Andrew Adonis – Secretary of State (to 11 May 2010) Full-year equivalent	12,855[1] 113,856	-	95,523 113,856[5]	-
Lord Andrew Adonis – Minister of State (from 5 October 2008 to 5 June 2009) Full-year equivalent	-	-	15,204 83,043	-
Sadiq Khan MP – Minister of State (to 11 May 2010) Full-year equivalent	4,589 [2] 40,646	-	28,539 40,646	-
Paul Clark MP – Parliamentary Under Secretary of State (to 11 May 2010) Full-year equivalent	3,483 [3] 30,851	-	25,109 30,851	-
Chris Mole MP - Parliamentary Under Secretary of State (to 11 May 2010) Full-year equivalent	3,483 [4] 30,851	-	25,109 30,851	-

[1] In addition £26,589 in severance pay was received for loss of office
[2] In addition £10,162 in severance pay was received for loss of office
[3] In addition £7,713 in severance pay was received for loss of office
[4] In addition £7,713 in severance pay was received for loss of office
[5] The amount stated differs from the corresponding figure in last year's report due to the inclusion of a London allowance in this year's calculation

	2010-11			2009-10		
Officials	**Salary (£'000)**	**Bonus Payments ('000)**	**Benefits in kind (to nearest £100)**	**Salary (£'000)**	**Bonus Payments ('000)**	**Benefits in kind (to nearest £100)**
Lin Homer – Permanent Secretary (from 10 January 2011) Full-year equivalent	45-50 205-210[1]	-	-	-	-	-
Robert Devereux – Permanent Secretary (to 3 January 2011) Full-year equivalent	120-125 155-160	-[2]	-	155-160	-[2]	6,400
Mike Mitchell – Director General (to 28 February 2011) Full-year equivalent	160-165 175-180	20-25[3]	21,000	175-180	25-30	37,600
Richard Hatfield – Director General	145-150	5-10	-	145-150	12-15	-
Bronwyn Hill - Director General (to 27 March 2011) Full-year equivalent	130-135 130-135	-	-	130-135	15-20	-
Steve Gooding – Director General	125-130	5-10	-	125-130	10-15	-
Clare Moriarty – Director General Full-year equivalent	125-130	5-10	-	60-65 125-130	-	-
Lucy Chadwick – Acting Director General (from 28th March 2011) Full-year equivalent	0-5 115-120	-	-	-	-	-

Non-Executive Directors

The non-executive directors of the Board received the following remuneration for their services during the year:

Non-Executive Director	**2010-11 (£'000)**	**2009-10 (£'000)**
Ed Smith*	25-30	25-30
Alan Cook	20-25	20-25

1 Lin Homer's basic salary reduced to £170,000 from 1st April 2011.
2 Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to 2008-09 and the Permanent Secretaries' bonus pot for the period 2009-10 was donated to the Civil Service Benevolent Fund
3 Mike Mitchell was appointed on a fixed term contact therefore was exempt from the non-consolidated performance pay limit of 5% of SCS pay bill.

Sally Davis	20-25	20-25
Andy Friend (to 31 July 2010) Full-year equivalent	5-10 20-25	10-15 20-25
Sam Laidlaw (from 1 January 2011)	Chose to be unpaid	-
* Ed Smith is the Chair of the Group Audit Committee and his remuneration includes a fee for holding this position		

Salary

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

This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The Permanent Secretary is allowed the private use of a Government car and driver in the circumstances permitted by the Civil Service Management Code. Robert Devereux's benefits relating to the use of this car for the 2009-10 period was £6,395 (the amount quoted includes the tax and national insurance liability paid on behalf of the individual by the Department to HM Revenue and Customs). Robert Devereux ceased using this service in 2010-11. Mike Mitchell received benefits relating to reallocation expenses. For the 2009-10 period this was £37,559 and for the 2010-11 period this amount was £21,030 (the amount quoted includes the tax and national insurance liability paid on behalf of the individual by the Department to HM Revenue and Customs).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09.

Pension benefits

Minister	Accrued pension at age 65 as at 31/3/11	Real increase in pension at age 65	CETV at 31/3/11	CETV at 31/3/10[4]	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Philip Hammond MP Secretary of State (from 12 May 2010)	0-5	0-2.5	17	0	11
Theresa Villiers MP Minister of State (from 13 May 2010)	0-5	0-2.5	8	0	3
Norman Baker MP Parliamentary Under Secretary of State (from 14 May 2010)	0-5	0-2.5	7	0	5
Mike Penning MP Parliamentary Under Secretary of State (from 14 May 2010)	0-5	0-2.5	9	0	5
Lord Andrew Adonis – Secretary of State (to 11 May 2010)	25-30	0-2.5	258	256	1
Sadiq Khan MP – Minister of State (to 11 May 2010)	0-5	0-2.5	11	10	0
Paul Clark MP – Parliamentary Under Secretary of State (to 11 May 2010)	0-5	0-2.5	42	38	2
Chris Mole MP - Parliamentary Under Secretary of State (to 11 May 2010)	0-5	0-2.5	9	8	1

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5

[4] The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2009 members pay contributions of 5.9% of their Ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Officials	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10[5]	Real increase/ (decrease) in CETV
	£000	**£000**	**£000**	**£000**	**£000**
Lin Homer – Permanent Secretary (from 10 January 2011)	90-95	(2.5)-0	1,523	1,491[6]	(32)[7]
Robert Devereux – Permanent Secretary (to 3 January 2011)	60-65 plus lump sum of 190-195	0-2.5 plus lump sum of 0-2.5	1,190	1,144	(1)[7]

[5] The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.
[6] CETV at 10 January 2011
[7] Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Mike Mitchell – Director General (to 28 February 2011)	10-15	0-2.5	224	192	26
Richard Hatfield – Director General (from 26 August 2008)	65-70 plus lump sum of 200-205	(2.5)-0 plus lump sum of -2.5-0	1,485	1,383	(6) [7]
Bronwyn Hill - Director General (to 27 March 2011)	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	818	748	1
Steve Gooding – Director General (from 2 January 2009)	45-50 plus lump sum of 90-95	0-2.5 plus lump sum of (2.5)-5	752	686	2
Clare Moriarty – Director General (from 21 September 2009)	45-50	2.5-5	595	512	28
Lucy Chadwick – Acting Director General (from 28th March 2011)	25-30	0-2.5	292	292[8]	0

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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[8] CETV at 27 March 2011

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in value of CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Lin Homer 5th July 2011
Permanent Secretary and Accounting Officer
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, the Department for Transport is required to prepare departmental accounts for each financial year, in conformity with a direction from HM Treasury, detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

The departmental accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to the objectives, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* (*FReM*) and, in particular, to:

- observe the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on an ongoing basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department.

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

Statement on Internal Control

Scope of responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

2. I hold regular meetings with the Secretary of State and I attend those meetings that take place between the Secretary of State and his Ministers. This provides me with the opportunity to bring to their attention any significant issues relating to the management of risk. The Secretary of State for Transport chairs the Departmental Board meeting which I, the Directors General and Ministers of State, attend. This allows the Secretary of State to be fully aware of the challenges faced by the Department, as they arise. Officials consult ministers regularly on risk. Submissions to ministers incorporate assessments of key risks including, for example, to the operation of the transport system and to the successful delivery of new policies.

3. The entities listed below fall outside the Departmental accounting boundary and their accounts are not consolidated within the Departmental Account. The direct responsibility for maintaining the system of internal control within these organisations rests with the relevant body. However, should significant control weaknesses arise within these entities, it would be reported within this Statement on Internal Control:

    - the Department's three trading funds – the Driver and Vehicle Licensing Agency (DVLA), the Driving Standards Agency (DSA) and the Vehicle and Operator Services Agency (VOSA);
    - the Department's five executive non-departmental public bodies, which are referred to as NDPBs – Passenger Focus (formerly the Rail Passengers Council), the British Transport Police Authority (BTPA), the Renewable Fuels Agency (RFA), Directly Operated Railways (DOR) Ltd and High Speed 2 (HS2) Ltd;
    - the British Railways Board (Residuary), which is a Public Corporation; and
    - The Department's only tribunal NDPB, referred to as the Traffic Commissioners. The Traffic Commissioners are located within VOSA, which is a Trading Fund. By being located within a Trading Fund, the Traffic Commissioners fall outside the Departmental accounting boundary.

4. The entities that are within the Department's accounting boundary are listed below:

    - the Department's four Executive Agencies – the Maritime and Coastguard Agency (MCA), the Vehicle Certification Agency (VCA), the Government Car and Despatch Agency (GCDA) and the Highways Agency (HA);
    - a sixth executive NDPB, the Railway Heritage Committee, which exists as part of the main Department, rather than being separately accountable. This is due to its size and level of transactional activity; and
    - the Department's two advisory NDPBs (the Commission for Integrated Transport and the Disabled Persons Transport Advisory Committee) which also exist as part of the main Department.

5. The Chief Executive of each Executive Agency is responsible for the maintenance and operation of the systems of internal control within their organisation. Each Chief Executive signs a Statement on Internal Control at the year end relating to that system. These Statements are reproduced in the relevant body's annual accounts. Each Executive Agency's annual accounts is consolidated in the Department's departmental accounts. This Departmental Statement on Internal Control reports agency control issues only where they are significant in the context of the whole Department.

6. There are a number of public corporations and limited companies which are outside the Department's accounting boundary. All such organisations are listed in Note 33 of these accounts, including this year London and Continental Railways Ltd and East Coast Mainline Ltd. These organisations contribute to the Department's activities. Their control frameworks are not commented upon within the Department's Statement on Internal Control. The annual accounts produced by these bodies are not consolidated within the departmental accounts.

7. During the year the Department initiated a programme of organisational change. The first phase of the re-structure took effect from January with a new Group and high level structure. Staff in the Senior Civil Service grades were placed into the new structure at that time. All staff have moved into the new structure following the completion of a selection and allocation process just before Easter 2011. During the last quarter of the 2010-11 financial year, the Department operated under the old structure for reporting purposes whilst steps were taken to move the organisation in to the new structure early in the new financial year. Arrangements were made to ensure continuity of financial control and governance throughout the transitional period with additional processes and controls put in place to compensate the inherent risks associated with such organisational changes.

8. Within the central Department, the Director General of the Motoring and Freight Services (MFS) Group was an Additional Accounting Officer until 31st December 2010. The MFS Group comprises the Driver and Vehicle Licensing Agency (DVLA), the Driving Standards Agency (DSA), the Vehicle Certification Agency (VCA), the Vehicle and Operator Services Agency (VOSA) and the Government Car and Despatch Agency (GCDA). The Group did not produce separate financial statements but provided an additional layer of assurance via the activity of the Additional Accounting Officer. The mechanism through which the Additional Accounting Officer received assurance continued to operate in the final quarter of the year, providing assurance to senior staff over the activities of the Agencies within the MFS Group.

9. Also within the central Department, the Director General of the National Networks (NN) Group was an Additional Accounting Officer until 31st December 2010 with responsibility for the resources provided to the NN Group. The NN Group also undertakes the sponsorship function for the Highways Agency. The Group did not produce separate financial statements but provided an additional layer of assurance via the activity of the Additional Accounting Officer. Paragraph 12 details the additional layers of assurance that existed within NN during the final quarter of the year.

Purpose of the system of internal control

10. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for Transport for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

11. Leadership on risk management is provided by the Department's Board, which monitors performance and risk, making choices (or recommendations to ministers) on priorities across the DfT family. Significant risks to key objectives are identified by managers within the Department and escalated to the Board. The Department's Board is formed of Directors General, Non-Executive members and Ministers.

12. The following forums helped to ensure risks were managed effectively throughout 2010-11:
    - an Executive Committee, which assessed progress on and risks to key deliverables and budgets, and assessed the potential impact on plans of major new initiatives from ministers or beyond the Department, operated throughout the year;
    - the Management Board of the Motoring and Freight Services (MFS) Group, which monitored delivery against key objectives across the MFS Group agencies, including risks to their achievement, operated throughout the year;
    - A monthly 'risk' forum discussed and provided challenge to the risk registers across the MFS group. Regular sponsorship boards, with those Agencies within MFS, also provided a challenge forum for operational and other risks. These also operated throughout the year;
    - Up until 31st December 2010 the Management Board of the National Networks Group monitored delivery against key objectives across the Group, including the Highways Agency, and the controls for risk management. This Board ceased to meet in 2011 as National Networks was disbanded under the Department's organisational restructure and the National Networks Director General retired.

- In addition to the Management Board of the National Networks Group, separate Rail and Road Boards met throughout the entire 2010-11 financial period. Both of these Boards are chaired by a Director General, thereby providing a link to the Executive Committee and the Departmental Board. The Rail and Road Boards meet on a monthly basis and discuss solely Rail or Road related issues;
- A transitional Rail Finance Committee, attended by three Directors General, was established specifically to review rail related finance issues in the final quarter of 2010-11, with its functions transferring to the Rail Board from 11th April 2011.
- Up until the 31st December 2010 the Management Boards of the Cities and Regional Networks Group and the International Networks and the Environment Group, monitored delivery against key objectives, including risks to their achievement. In the last quarter of the year risk was managed through performance information being reviewed by Directors and Director's General.
- Senior Leadership Team meetings took place within the Corporate Support Functions Group (CSFG) until the 31st December 2010. These meetings continued within the Corporate Group following the Department restructuring. These meetings were chaired by the CSFG Director General who became the Corporate Group DG from 1st January 2011. The purpose of these meetings included monitoring and reviewing risks to the delivery of objectives; and
- the Boards of the Maritime and Coastguard Agency, the Highways Agency, the Vehicle and Operator Services Agency, Government Car and Despatch Agency, the Driver and Vehicle Licensing Agency, the Driving Standards Agency, the Vehicle Certification Agency and of the individual Executive NDPBs, which monitor and review risks to the delivery of their objectives.

13. The Department's Group Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes a Non-Executive chair, who is also a member of the Board, and three further Non-Executive members. Each agency has its own Audit Committee, which fulfils a similar function.

14. Where decision-making is devolved to local authorities or delegated to other bodies as a result of policy decisions by Government and Parliament, if any financial risks arise which affect the Department, these are identified and managed through the risk management framework described in paragraph 15 below.

15. The DfT Group Risk Management Framework introduced in 2008-09 is embedded in Departmental processes. This Framework establishes the criteria for Board-level risks and specifies the responsibilities of the Director General groups in relation to improving risk management within their groups. Each group has a risk management framework which is documented and communicated.

16. Resource Management Planning Teams (RMPTs), have continued to support their respective Director General on implementing and updating policies and procedures to improve the identification and mitigation of Board- and group-level risks. Risk management guidance is available to staff on the departmental intranet. In the final quarter of the 2010-11 financial year new Finance Business Partners were appointed and the Department began the process of moving from the RMPT structure. This change began to take effect from the 1st April 2011.

17. All Board level risks are reported monthly, grouped under themes identified by Board Members as part of a strategic risk identification exercise. At most meetings the Board has also undertaken an in-depth review of one of these themes.

18. Each Agency Chief Executive is responsible for ensuring that appropriate risk management guidance, support and training arrangements are in place within his or her agency which are consistent with the relevant DG Group Risk Management Policy and DfT Group Risk Management Framework.

19. The Department and its agencies recognise that there are a number of risks that may cause a severe disruption to transport networks and which may have a high reputational impact and an unquantified financial impact. Some of these risks can develop into civil emergencies. The Department (and its agencies) has contingency plans that would be initiated for any civil emergencies which result in severe disruption to transport. In doing so DfT engages fully with the wider Whitehall emergency crisis machinery overseen by the Cabinet Office's Civil Contingencies Secretariat. If the incident or emergency is sufficiently disruptive the Government's dedicated crisis management facilities, often referred to as COBR (Cabinet Office Briefing Room), would be invoked. COBR facilitates the rapid co-ordination of the Government's response to an emerging crisis.

20. In the period covered by this account the COBR crisis response was only activated for a transport related issue once, with regard to the Icelandic volcanic ash (May 2010).

21. DfT participates in regular cross Departmental exercises to test the DfT's resilience to simulated crisis situations and ability to act on lessons learned.

Risk and control framework

22. The Treasury published its Code of Good Practice on Corporate Governance in Central Government Departments in July 2005; the Department's practices are consistent with the principles set out in this Code.

23. The central Department has in place a Corporate Governance Framework, which includes the framework of accountabilities; the roles and responsibilities of agency Chief Executives, Directors General and directors; and the in-year and end-of-year reporting arrangements. The Corporate Governance Framework includes the risk management framework, described in paragraph 15; detailing how risks are escalated to the Department's Board for attention. The Framework is supported by delegations from the Accounting Officer to Directors General to maintain effective accountability and management of resources and each Director General group has a documented risk management framework for their area.

24. A number of well established programmes exist for involving the public in managing the risks associated with transport. These include campaigns, for instance, to encourage safer behaviour to reduce the number of people killed and injured on our roads every year.

Capability Review

25. In 2010, the Department underwent a Capability Review assurance check carried out by the Cabinet Office. The purpose of this check was to determine how well the Department was progressing since the Capability Review in 2009. The feedback to the Department's Board was positive with progress noted on leadership and management of change. A further review of capability is expected to be carried out in 2011.

Information and data handling

26. I am aware that the handling of information and data carries with it a significant risk to Government Departments and this is taken very seriously. Over the last year, the Department has made further progress in embedding a culture that values, protects, and makes proper use of information. Information Asset Owners (IAOs) have continued to be identified and trained; the Department's Information Asset Register has been published; and adequate measures to protect these assets have been implemented. All relevant staff have completed the National School for Government Protecting Information Level 1 course and undertaken the annual refresher training, with more specialist training provided for IAOs and relevant senior managers.

27. The Department, VOSA, DSA and DVLA have been assessed against the Information Assurance Maturity Model and Assessment Framework issued by the Cabinet Office and will use the results of this to continue to develop their information risk management and assurance regimes. This assessment was facilitated by an independent person from another Government Department or Agency.

28. A summary of the incidents that have occurred during 2010-11 is published within the Management Report.

Search and Rescue Helicopter Service (SAR-H)

29. The Maritime and Coastguard Agency (MCA) continued to work with the Ministry of Defence on a project to deliver a harmonised search and rescue helicopter service (SAR-H). On 16 December 2010, a joint Written Ministerial Statement by the Secretary of State for Transport and the Secretary of State for Defence explained that the preferred bidder has disclosed to the Ministry of Defence a potential issue in connection with its bid. A subsequent joint statement on 8 February explained that in the light of the information disclosed and with due consideration, it would not be appropriate to proceed with either the preferred bid or the wider procurement process. The MCA has been cooperating with the ongoing investigation into the issue disclosed by the preferred bidder. At the same time, DfT has been exploring options to maintain

continuity of search and rescue operations, drawing as much on the extensive evidence compiled in support of the SAR-H project as is appropriate and sensible.

Review of effectiveness

30. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and by the Group Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

31. The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government's Internal Audit Standards. The work of the Audit Risk and Assurance Division is based upon its analysis of the risks to which the Department is exposed. The annual audit plan was discussed and endorsed by the Department's Group Audit Committee and approved by me. The work completed in connection with the annual audit plan provides me, as the Department's Principal Accounting Officer, with an independent opinion on control and governance and the effectiveness of the Department's risk management systems. Regular reports are provided to the Department's management, as well as advice on risk and control issues. The Department's assessment of the control environment is also informed by the programme of external audits and value for money studies undertaken by the National Audit Office.

32. Each year the Group Head of Internal Audit provides me with a report on internal audit activity in the Department. This report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements.

33. The Group Head of Internal Audit has informed me that the arrangements for risk management, governance and control processes have been adequate and effective in 2010-11. However, there have been internal audit reports issued across DfT and its agencies with overall 'weak' or 'unacceptable' opinions. However, none of these, either individually or in aggregate, warranted specific mention in the overall opinion for the Department.

34. The Group Audit Committee has received summaries of Internal Audit reports and considers the Group Head of Internal Audit's annual opinion on the effectiveness of risk management, control and governance.

35. At each committee meeting, the Group Audit Committee receives from the Group Head of Internal Audit a summary of the most significant outstanding weaknesses that have been identified. This summary includes a progress note detailing the actions being taken by management to resolve each weakness against the time frame that has been agreed for resolution to be achieved. This report is shared with the Board following each meeting of the Group Audit Committee.

36. Directors General and directors have reviewed internal control within their areas of responsibility within the central Department and have completed management assurance returns which are communicated to the Group Audit Committee for review at six months and at the year end. The Group Audit Committee reviewed the responses provided and considered their importance.

37. At both 6 months and the year end a management assurance return was requested from each of the Department's Executive Agencies, Executive Non-Departmental Public Bodies and Trading Funds. Each organisation's Audit Committee was requested to endorse the return prior to its submission and review by the Group Audit Committee. This allows the Group Audit Committee to consider issues that may exist across the Departmental family and request action if required.

38. The Group Audit Committee is a sub-committee of the Department for Transport Board; the latter is chaired by the Secretary of State. The Chair of the Group Audit Committee reports regularly to the Departmental Board on the Committee's views on the effectiveness of internal control.

39. During the financial year the NAO published four VFM studies relating to the Department. These studies were; Increasing passenger rail capacity, Review of the data systems for Public Service Agreement 5, Procurement of the M25 private finance contract and the Intercity East Coast passenger rail franchise. The

report relating to Public Service Agreements (PSAs) has been superseded by events, with PSAs being withdrawn by the Government. Of the remaining three reports no internal control issues were raised which require comment within the Statement on Internal Control, with positive comments being made regarding how the Department has handled the East Coast passenger franchise over the last few years.

Shared Services

40. The way that the central Department manages its relationship with the DfT Shared Services changed during 2010, with the DfT Shared Service Client Function now providing the primary interface with Shared Services on behalf of all customers within the DfT family. The central Department monitors the performance of Shared Services in the key areas of transactional support through the DfT Client Function (and previously, directly with Shared Services). A service level agreement is in place and is subject to periodic review to help improve the governance arrangements between the core Department and Shared Services.

41. Throughout the year, the core Department has continued to take responsibility for ensuring that controls and processes are operating effectively, with manual checking of data integrity and accuracy where necessary. These factors, combined with the quarterly reports from Shared Services, ensure that the combination of controls is appropriate and adequate in terms of our overall internal and assurance requirements.

Net Cash Requirement exceeded the estimate

42. The Department's Net Cash Requirement exceeded the Estimate for the year by £335.2 million, leading to the Comptroller and Auditor General qualifying his audit opinion on the Department's Accounts.

43. The Department received significantly more income from Train Operating Companies than was forecast when the Department's Main and Supplementary Estimates were produced. This amount was in excess of the limit on Appropriations in Aid of £1,202,590 million set by Parliament and therefore must be surrendered to HM Treasury. Because the amount surrendered exceeded the surplus on the Department's Net Cash Requirement, there was a breach of this Parliamentary Control which leads automatically to a qualification of the auditor's opinion. The breach was technical in nature as Parliamentary approval should have been obtained to enable the Department to use the additional income generated to finance expenditure.

44. There are a number of reasons why monitoring Support for Passenger Rail Services is challenging. The current economic conditions and lengthy negotiations with Train Operating Companies to assess the financial impact of the Office of the Rail Regulator Determination Control Period 4 (CP4), made it difficult to forecast with reasonable certainty the income and expenditure relating to passenger rail services. Nonetheless, the Department did not have effective procedures to monitor income against the authorised limit. The limit on income is abolished with effect from 2011-12 as a result of changes in the budgeting and Estimates regime.

Lin Homer 5th July 2011

Permanent Secretary and Accounting Officer
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

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

I certify that I have audited the financial statements of the Department for Transport for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Management Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Basis for Qualified Opinion on Regularity

Parliament authorised a Net Cash Requirement for the Department of £13,514.1 million. Against this limit the Department incurred actual cash expenditure of £13,849.3 million, breaching the authorised limit by £335.2 million as shown in the Statement of Parliamentary Supply.

Qualified Opinion on Regularity

In my opinion, except for the excess described in the basis for qualified opinion paragraph, in all material respects the expenditure and income have been applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. More details are set out in my report on pages 79 to 81.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

- In my opinion:
  - the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
  - the information given in the Annual Report and Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse *8th July 2011*
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

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

EXCESS VOTE

Introduction

1. In 2010-11, the Department for Transport (the Department) spent more cash than its authorised Net Cash Requirement limit set by Parliament. This represents an “excess” for which further parliamentary authority is required. I have qualified my opinion on the Department’s 2010-11 Accounts in this regard.

2. The purpose of this report is to explain the reasons for this qualification and to provide information on the extent and nature of the breach to inform Parliament’s further consideration.

My responsibilities with regard to the breach of regularity

3. Under section 6(1) of the Government Resources and Accounts Act 2000, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Department’s Accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In doing so, I have had regard, in particular, to Parliamentary authority and the Supply limits Parliament has set on the Department’s expenditure.

Background to the cash excess

4. The Parliamentary Supply limits for the Department for Transport are set out in the Main Supply Estimate for 2010-11. The Department’s limit for Request for Resources 1 included expenditure of £12,881.3 million and Appropriations in Aid of £1,202.6 million. The Department’s Net Cash Requirement, its limit on cash spending, was set at £13,514.1 million. The breaches reported below are against these limits.

5. The Statement of Parliamentary Supply on page 82 of the Department’s 2010-11 Accounts shows that the Net Cash Requirement outturn was £13,849.3 million which is £335.2 million in excess of the amount authorised.

6. Departments are able to use Appropriations in Aid to cover any shortfalls in their budget as long as they do not exceed their authorised limit. Any income that Departments receive in excess of their Appropriation in Aid limit must be surrendered to the Consolidated Fund. In this case, as shown in the Analysis of Income Payable to the Consolidated Fund Note (Note 6 on page 107 of the Department’s Accounts) the Department received £527.7 million of cash Appropriations in Aid in excess of its authorised limit. The Department suffered an excess on its Net Cash Requirement as it spent £335.2 million of the £527.7 million of excess Appropriations in Aid that should have been surrendered to the Consolidated Fund.

7. Application of £335.2 million of the available excess Appropriations in Aid to the Department’s expenditure, on the authority of Parliament, will cover the excess.

Reasons for the cash excess

8. The main reason for the excess was that the Department monitored its overall budget for the operation of rail services on a net rather than gross basis.

9. The Department’s financial transactions with Train Operating Companies result in the recognition of both income and expenditure in its Accounts. As set out in Note 1.23 on page 100 of the Accounts, the Department’s accounting policies require transactions relating to net income generating Train Operating Companies and net expenditure Train Operating Companies to be recognised separately. The classification of each Train Operating Company depends on a variety of factors, including whether it pays premia or receives subsidies under the terms of its franchise agreement. The sum of the transactions with each Train Operating Company that generate net benefits for the Department is recognised as income; and the sum of the transactions with each Train Operating Company that result in net costs for the Department is recognised as expenditure.

10. As shown in the table below, the Department's 2010-11 Main Supply Estimate included a forecast budgetary shortfall of £435 million with respect to its overall programme of support for passenger rail services, reflecting the anticipated impact of the recession on revenues in the rail industry. The Department agreed this position with HM Treasury on the understanding that there would be additional budget available to the Department through Supplementary Estimates to meet this shortfall. This budget included income to be Appropriated in Aid from net income generating Train Operating Companies of £638 million and £567 million of resources for net expenditure Train Operating Companies, resulting in an overall Estimate position of an excess of Appropriations in Aid over expenditure of £71 million.

11. During 2010-11, however, the Department monitored its net rail budget of £71 million (£506 million when adjusted for the budgetary shortfall) rather than the separate income and expenditure figures within its Estimate. On this basis, by December 2010, the Department forecast net income on its rail franchises of £391 million for 2010-11, an increase of £320 million from the Estimate position and £115 million less than its budgetary shortfall. This was due to better than expected financial performance in the rail industry following the recession and the outcome of commercial negotiations between the Department and the Train Operating Companies. The Department expected the rail income position to improve further in the remainder of the year to 31 March 2011 and to achieve underspends elsewhere in its budget. Therefore, in December 2010, it concluded that it was able to fund the £435 million shortfall in the rail budget within its Main Supply Estimate. However, as the Department monitored its net budgetary position, it did not have the necessary information to assess accurately whether it needed to submit a Spring Supplementary Estimate to ensure that it had sufficient Appropriations in Aid to fund its expenditure.

12. The outturn for the year to 31 March 2011, for net income generating and net expenditure Train Operating Companies was £1,049 million and £467 million[1] respectively, resulting in a net outturn position of £582 million, a £511 million improvement on its Estimate position and sufficient to cover its budgetary shortfall. However, as the Department had not revised its Appropriations in Aid budget via a Spring Supplementary Estimate, the additional income of £411 million was in excess of its authorised Appropriations in Aid limit and should have been surrendered to the Consolidated Fund.

13. As a result, the Department did not have the authority to apply this £411 million of expected income to cover its expenditure. Therefore, after adjusting for savings in its expenditure elsewhere, the Department breached its 2010-11 Net Cash Requirement limit by £335.2 million.

Table 1: Movement in the Department's transactions with the Train Operating Companies during 2010-11

		Original budget (£m)	The Department's December 2010 forecast position (monitored on a net basis) (£m)	The Department's 2010-11 expected outturn (£m)	2010-11 actual outturn (£m)
Actual Position	Income	638		1049	1049
	Appropriations in Aid limit	638	638	1049	638
	Excess Appropriations in Aid	0		0	(411)
	Income to be retained by the Department	638		1049	638
	Expenditure	(567)		(467)	(467)
	Net position	71	391	582	171
Departmental Monitoring	Budgetary position	435	115	(76)	335
	Total	506	506	506	506

[1] Note 13 to the Department's Accounts includes £768 million of expenditure relating to support for passenger rail services. The figures here exclude £301 million related to Passenger Transport Executives, which are not subject to the same level of financial uncertainty as the Train Operating Companies.

Actions taken or proposed to be taken by the Department to help prevent a recurrence

14. The need to monitor income from Train Operating Companies separately, for budgetary control purposes, has been abolished from 2011-12 due to HM Treasury's revised approach to the preparation of Supply Estimates.

15. Nevertheless, the Department has recognised that it needs to improve its financial management of the overall rail budget and understand better the gross financial position in respect of each Train Operating Company. In addition, the Department intends to issue clearer guidance to its Directors General with regard to its parliamentary control totals, and will revise its approach to monitoring the need to request Supplementary Supply Estimates in future years.

Summary and conclusions

16. The Department for Transport breached its Net Cash Requirement limit authorised by Parliament by spending excess Appropriations in Aid it had received rather than surrendering them to the Consolidated Fund.

17. The Department's approach to monitoring its overall rail operating budget on a net basis did not enable it to monitor its Appropriations in Aid effectively. This meant that it did not identify that the £411 million of cash it received from overall improvements in the budgetary performance of its rail franchises during 2010-11 was not authorised by Parliament for the Department's use.

18. The Department will seek an increase in its Appropriation in Aid limits to fund the £335.2 million of excess cash expenditure by way of an Excess Vote.

Amyas C E Morse

Comptroller and Auditor General

8th July 2011

National Audit Office

157-197 Buckingham Palace Road

London

SW1W 9SP

Statement of Parliamentary Supply

for the year ended 31 March 2011

Summary of Resource Outturn 2010-11

								2010-11 £000	2009-10 £000
				Estimate			**Outturn**		Outturn
Request for Resources	Note	**Gross Expenditure**	**A in A**	**Net Total**	**Gross Expenditure**	**A in A**	**Net Total**	**Net Total outturn compared with Estimate: saving/ (excess)**	Net Total
Request for Resources 1	2	14,083,924	(1,202,590)	12,881,334	11,337,487	(1,202,590)	10,134,897	2,746,437	15,983,596
Total resources	4	14,083,924	(1,202,590)	12,881,334	11,337,487	(1,202,590)	10,134,897	2,746,437	15,983,596
Non-operating cost A in A	9			(31,937)			(31,937)		(26,854)

Net cash requirement 2010-11

				2010-11 £000	2009-10 £000
	Note	**Estimate**	**Outturn**	**Net Total outturn compared with estimate: saving/ (excess)**	Outturn
Net cash requirement	5	13,514,107	13,849,304	(335,197)	13,726,255

The Department has incurred an Excess of £335.2 million because of a breach in the net cash requirement. The Department will seek Parliamentary approval by way of an Excess Vote in the Statement of Excesses in Spring 2012. Further explanations are given in the Management Report on page 48.

Summary of the income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

			2010-11 £000 Forecast		**2010-11 £000 Outturn**
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Total	6	113,302	113,302	1,785,536	1,767,514

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Report.

The notes on pages 88 to 153 form part of these accounts.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

				2010-11 £000				2009-10 £000	
		Core Department			Consolidated			Core Department (restated)	Consolidated (restated)
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration Costs:									
Staff costs	11	101,981			167,670			108,337	179,090
Other administration costs	12		76,968			109,525		106,208	145,144
Operating income	14			(15,794)			(33,977)	(20,375)	(45,812)
Programme Costs									
Staff costs	11	26,781			150,013			28,199	149,599
Programme costs	13		10,535,742			12,845,279		9,021,079	11,641,080
Operating Income	14			(1,600,819)			(1,703,017)	(1,104,498)	(1,187,409)
EU income	14			(7,254)			(10,545)	(28,868)	(30,571)
Dividend receivable	14			(956,090)			(956,090)	(4,638)	(4,638)
Interest receivable	14			(23,471)			(41,505)	(22,751)	(38,890)
Totals		128,762	10,612,710	(2,603,428)	317,683	12,954,804	(2,745,134)		
Net Operating Cost	4			8,138,044			10,527,353	8,082,693	10,807,593

Other Comprehensive Expenditure

	Note	Core Department	Consolidated	Core Department (restated)	Consolidated (restated)
Net (gain)/loss on revaluation of Property Plant and Equipment	16	(3,177)	(10,784,751)	(3,958)	138,448
Net (gain)/loss on revaluation of Intangibles	17	-	38	-	(52)
Net (gain)/loss on pension scheme	36	(43,500)	(43,500)	(201,700)	(201,700)
Total Comprehensive Expenditure for the year ended 31 March 2011		8,091,367	(300,860)	7,877,035	10,744,289

All operations are continuing

The notes on pages 88 to 153 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

					31st March 2011 £000		31st March 2010 £000		01 April 2009 £000
	Note		Core Department		Consolidated	Core Department (restated)	Consolidated (restated)	Core Department	Consolidated
Non-current assets									
Property,plant and equipment	16	3,567,742		103,563,260		3,597,434	91,513,273	2,076,065	90,155,472
Intangible assets	17	7,891		23,750		7,619	30,190	25,911	55,085
Financial Assets	18	658,730		658,730		771,676	771,676	647,682	647,682
Trade and other receivables	21	3,195,574		3,509,145		2,998,001	3,284,094	2,980,844	3,254,993
Inventories	20	-		2,906		-	2,568	-	-
Total non-current assets			7,429,937		107,757,791	7,374,730	95,601,801	5,730,502	94,113,232
Current assets:									
Assets classified as held for sale	16.2	-		12,565		-	8,125	-	11,776
Inventories	20	15,281		105,151		55,030	146,122	37,223	68,103
Trade and other receivables	21	445,566		613,020		130,255	286,590	62,797	185,956
Cash and cash equivalents	22	159,034		166,604		232,261	268,449	163,892	219,254
Total current assets			619,881		897,340	417,546	709,286	263,912	485,089
Total assets			8,049,818		108,655,131	7,792,276	96,311,087	5,994,414	94,598,321
Current liabilities									
Trade and other payables	24	(1,628,837)		(2,208,877)		(2,191,766)	(2,949,072)	(793,988)	(1,464,006)
Provisions	25	(16,540)		(180,237)		(75,811)	(216,478)	(105,032)	(369,163)
Total current liabilities			(1,645,377)		(2,389,114)	(2,267,577)	(3,165,550)	(899,020)	(1,833,169)
Non-current assests plus/less net current assets/liabilities			6,404,441		106,266,017	5,524,699	93,145,537	5,095,394	92,765,152
Non-current liabilities									
Provisions	25	(76,092)		(224,444)		(359,294)	(635,314)	(690,969)	(1,067,615)
Other payables	24	(5,714,446)		(7,446,568)		(5,608,406)	(6,977,354)	(2,004,205)	(3,305,538)
Financial liabilities	18.6	(3,220,840)		(3,220,840)		(3,055,919)	(3,055,919)	(8,333,613)	(8,333,613)
Total non-current liabilities			(9,011,378)		(10,891,852)	(9,023,619)	(10,668,587)	(11,028,787)	(12,706,766)
Assets less liabilities excluding pension liability			(2,606,937)		95,374,165	(3,498,920)	82,476,950	(5,933,393)	80,058,386
Pension Liability	36		(1,012,542)		(1,012,542)	(1,242,927)	(1,242,927)	(1,299,743)	(1,299,743)
Assets less liabilities			(3,619,479)		94,361,623	(4,741,847)	81,234,023	(7,233,136)	78,758,643
Taxpayers' equity:									
General fund			(3,626,980)		36,193,125	(4,746,171)	34,147,307	(7,233,502)	31,352,355
Revaluation reserve			7,501		58,156,636	4,324	47,079,267	366	47,406,288
Other reserve			-		11,862	-	7,449	-	-
Total taxpayers' equity			**(3,619,479)**		**94,361,623**	**(4,741,847)**	**81,234,023**	**(7,233,136)**	**78,758,643**

(Signed) .... (Accounting Officer) 5^{th} July 2011

Lin Homer
Permanent Secretary and Accounting Officer
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

The notes on pages 88 to 153 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000 (restated)
Cash flows from operating activities			
Net operating costs		(10,527,353)	(10,807,593)
Adjustments for non-cash transactions	12,13,14	887,930	(990,566)
Adjustments for non-cash transactions related to pensions scheme	13, 36	(186,900)	144,900
(Increase)/Decrease in Inventories		40,633	(80,587)
(Increase)/Decrease in trade and other receivables		(551,481)	(129,735)
less movements in receivables relating to items not passing through the OCS		567,473	(188,986)
Increase/(Decrease) in trade payables		(270,981)	5,156,882
less movements in payables relating to items not passing through the OCS		(567,364)	(4,536,065)
Use of provisions	25	(185,962)	(315,085)
Non-cash movement in classification of provision	25	(4,612)	-
Adjustment for capital and interest element of PFI payments		58,856	52,968
Net cash outflow from operating activities		(10,739,761)	(11,693,867)
Cash flows from investing activities			
Purchase of property, plant and equipment - Cash Additions	16	(1,635,946)	(5,497,115)
Purchase of property, plant and equipment - Non-Cash Additions		0	3,545,644
Purchase of intangible assets - Cash Additions	17	(1,360)	(2,154)
Purchase of intangible assets - Non-Cash Additions		-	-
Proceeds of disposal of property, plant and equipment		433	307
Proceeds of disposal of intangible assets		-	-
Proceeds of disposal of assets held for sale		6,645	4,750
Proceeds of disposal of investments	18	86,877	-
Capital element of Lands Provision		86,109	9,125
Loans to other bodies	18	(69,048)	(49,617)
Repayments from the National Loans Fund	18,21	1,585	1,034
National Loan Funds Loans given	18	-	(6,000)
Repayments from other bodies	18	74,268	16,915
Net cash outflow from investing activities		(1,450,437)	(1,977,111)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		12,914,500	13,785,720
Advances from the Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-
Loans received from the National Loans Fund		-	6,000
Repayments of loans from the National Loans Fund	18,21	(1,585)	(1,034)
Capital element of payments in respect of on-balance sheet PFI contracts		(58,856)	(52,968)
Net financing		12,854,059	13,737,718
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		663,861	66,740
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	6	114,527	106,340
Payments of amounts to the Consolidated Fund		(898,888)	(123,885)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(120,500)	49,195
Cash and cash equivalents at the beginning of the period	22	268,449	219,254
Cash and cash equivalents at the end of the period	22	147,949	268,449

The notes on pages 88 to 153 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund (restated)	Revaluation Reserve (restated)	Other Reserves	Total Reserves (restated)
		£'000	£'000	£'000	£'000
Balance at 31 March 2009		**31,352,355**	**47,406,288**	**0**	**78,758,643**
Changes in taxpayers' equity for 2009-10					
Net gain/(loss) on revaluation of property, plant and equipment		-	(138,448)	-	(138,448)
Net gain/(loss) on revaluation of intangible assets		-	52	-	52
Receipt of donated assets		-	-	135	135
Receipt of grant		-	-	15,122	15,122
Release of reserves to the operating cost statement		-	589	(7,808)	(7,219)
Non-cash charges - auditor's remuneration	12	855	-	-	855
Non-cash charges - DfTc notional charges		-	-	-	-
Consolidated Fund Standing Services		-	-	-	-
Transfers between reserves		23,317	(23,317)	-	-
Net operating cost for the year		(10,807,593)	-	-	(10,807,593)
Reversionary interest on M6 toll road		(4,288)	-	-	(4,288)
Other prior year adjustments		(270,418)	(136,724)	-	(407,142)
Actuarial Gain recognised in pension scheme		201,700	-	-	201,700
Impairments through Revaluation Reserve		-	(275)	-	(275)
Other movements		(855)	-	-	(855)
Total recognised income and expense for 2009-10		**20,495,073**	**47,108,165**	**7,449**	**67,610,687**
Net Parliamentary Funding – drawn down		13,785,720	-	-	13,785,720
Net Parliamentary Funding – deemed		206,315	-	-	206,315
Supply payable/(receivable) adjustment		(265,779)	-	-	(265,779)
CFERs payable to the Consolidated Fund		(23,464)	-	-	(23,464)
Balance at 31 March 2010		**34,197,865**	**47,108,165**	**7,449**	**81,313,479**
Detrunking		(50,558)	(28,898)	-	(79,456)
Prior Period Adjustment / Changes in Accounting Policy		-	-	-	-
Restated balance at 1 April 2010		**34,147,307**	**47,079,267**	**7,449**	**81,234,023**
Changes in taxpayers' equity for 2010-11					
Net gain/(loss) on revaluation of property, plant and equipment		-	10,784,751	1	10,784,752
Net gain/(loss) on revaluation of intangible assets		-	(38)	-	(38)
Receipt of donated assets		-	-	-	-
Receipt of grant		-	-	3,503	3,503
Release of reserves to the operating cost statement		-	107	906	1,013
Non-cash charges - auditor's remuneration	12	774	-	-	774
Non-cash charges - DfTc notional charges		-	-	-	-
Transfers between reserves		31,161	(31,161)	-	-
Net operating cost for the year		(10,527,353)	-	-	(10,527,353)
Reversionary interest on M6 toll road		48,645	-	-	48,645
Other prior year adjustments		559,998	323,710	3	883,711
Actuarial Gain recognised in pension scheme	36	43,500	-	-	43,500
Impairments through Revaluation Reserve		-	-	-	-
PDC Dividend		(19,048)	-	-	(19,048)
Other movements		65,042	-	-	65,042
Total recognised income and expense for 2010-11		**24,350,026**	**58,156,636**	**11,862**	**82,518,524**
Net Parliamentary Funding – drawn down		12,914,500	-	-	12,914,500
Net Parliamentary Funding – deemed		265,779	-	-	265,779
Supply payable/(receivable) adjustment		333,828	-	-	333,828
CFERs payable to the Consolidated Fund		(1,671,008)	-	-	(1,671,008)
Balance at 31 March 2011		**36,193,125**	**58,156,636**	**11,862**	**94,361,623**

The notes on pages 88 to 153 form part of these accounts.

Core Department Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund (restated)	Revaluation Reserve	Other Reserves	Total Reserves (restated)
		£'000	£'000	£'000	£'000
Balance at 31 March 2009		**(7,233,502)**	**366**	**-**	**(7,233,136)**
Changes in taxpayers' equity for 2009-10					
Net gain/(loss) on revaluation of property, plant and equipment		-	3,958	-	3,958
Net gain/(loss) on revaluation of intangible assets		-	-	-	-
Receipt of donated assets		-	-	-	-
Receipt of grant		-	-	-	-
Release of reserves to the operating cost statement		-	-	-	-
Non-cash charges - auditor's remuneration	12	375	-	-	375
Non-cash charges - DfTc notional charges		-	-	-	-
Consolidated Fund Standing Services		-	-	-	-
Transfers between reserves		-	-	-	-
Net operating cost for the year		(8,082,693)	-	-	(8,082,693)
Reversionary interest on M6 toll road		-	-	-	-
Other prior year adjustments		-	-	-	-
Actuarial Gain recognised in pension scheme		201,700	-	-	201,700
Impairments through Revaluation Reserve		-	-	-	-
Other movements		1,213	-	-	1,213
Total recognised income and expense for 2009-10		**(15,112,907)**	**4,324**	**-**	**(15,108,583)**
Net Parliamentary Funding – drawn down		10,439,295	-	-	10,439,295
Net Parliamentary Funding – deemed		172,638	-	-	172,638
Supply payable/(receivable) adjustment		(242,283)	-	-	(242,283)
CFERs payable to the Consolidated Fund		(2,914)	-	-	(2,914)
Balance at 31 March 2010		**(4,746,171)**	**4,324**	**-**	**(4,741,847)**
Prior Period Adjustment / Changes in Accounting Policy		-	-	-	-
Restated balance at 1 April 2010		**(4,746,171)**	**4,324**	**-**	**(4,741,847)**
Changes in taxpayers' equity for 2010-11					
Net gain/(loss) on revaluation of property, plant and equipment		-	3,177	-	3,177
Net gain/(loss) on revaluation of intangible assets		-	-	-	-
Receipt of donated assets		-	-	-	-
Receipt of grant		-	-	-	-
Release of reserves to the operating cost statement		-	-	-	-
Non-cash charges - auditor's remuneration	12	332	-	-	332
Non-cash charges - DfTc notional charges		-	-	-	-
Transfers between reserves		-	-	-	-
Net operating cost for the year		(8,138,044)	-	-	(8,138,044)
Reversionary interest on M6 toll road		-	-	-	-
Other prior year adjustments		-	-	-	-
Actuarial Gain recognised in pension scheme	36	43,500	-	-	43,500
Impairments through Revaluation Reserve		-	-	-	-
PDC Dividend		(19,048)	-	-	(19,048)
Other movements		63,282	-	-	63,282
Total recognised income and expense for 2010-11		**(12,796,149)**	**7,501**	**-**	**(12,788,648)**
Net Parliamentary Funding – drawn down		10,265,500	-	-	10,265,500
Net Parliamentary Funding – deemed		242,283	-	-	242,283
Supply payable/(receivable) adjustment		310,327	-	-	310,327
CFERs payable to the Consolidated Fund		(1,648,941)	-	-	(1,648,941)
Balance at 31 March 2011		**(3,626,980)**	**7,501**	**-**	**(3,619,479)**

The General Fund serves as the chief operating fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Revaluation Reserve records the unrealised gain on revaluation of assets.

Other Reserve comprise a Grant Reserve from Highways Agency and a Donated Assets Reserve from the Maritime and Coastguard Agency

The notes on pages 88 to 153 form part of these accounts.

Notes to the Departmental Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 *Government Financial Reporting Manual* (*FReM*) issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Transport for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department for Transport are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.1 Prior Period Adjustments

In preparing these accounts, the Department identified the need for various changes to its Departmental accounts for 2009-10, which change the Net Resource Outturn for that year.

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the removal of the cost of capital charge were not included in Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that the PPA numbers could have been misleading. The impact of this and other PPAs arising from material errors or changes in accounting policy are disclosed in Note 34.

1.2 Transparency and clear line of sight

As part of the Clear Line of Sight programme, arrangements have been made to harmonise and simplify the mechanisms governing central government financial reporting, budgeting and control. The process by which departments seek funding from Parliament is to change, with only one, rather than two, Supplementary Estimate, and with expenditure measured net of income. Expenditure categories have been simplified, with most expenditure previously classified as non-cash DEL (Departmental Expenditure Limit) being reclassified to AME (Annually Managed Expenditure). Depreciation remains within DEL. The cost of capital charge/credit has been abolished retrospectively.

From 2011-12 the departmental accounts will reflect a new accounting boundary. In addition to the bodies that are currently consolidated within the departmental accounts, the following will be added; British Transport Police Authority, Passenger Focus, the Driver and Vehicle Licensing Agency, Directly Operated Railways Ltd, HS2 Ltd, LCR Ltd and its former subsidiaries, LCR Finance plc and CTRL Section 1 Finance plc. Most of these bodies are classified as Non-Departmental Public Bodies.

Bodies which recover more than half of their operating costs through trading activities will continue to be outside the accounting boundary. For the purposes of the Department for Transport's departmental accounts, the bodies that will not be consolidated include, the Department's trading funds, being the Driving Standards Agency, the Vehicle and Operator Services Agency, Public Corporations, such as British Railways Board (Residuary) Limited, the Civil Aviation Authority and various Port Authorities and Harbour Boards, as well as East Coast Mainline Limited and NATS Holdings Limited.

1.3 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2011, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may need to be adopted in subsequent periods:

- IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is required for reporting periods beginning on or after 1 January 2013. Earlier application is permitted, subject to endorsement by the EU and HM Treasury. It is planned that IFRS 9 will be applied initially in 2013-14. The impact of initial application of IFRS 9 is not expected to be significant, as the measurement requirements for the types of instruments that are material to the Department are largely unaffected.

- IAS 24 Related Party Disclosures has been revised. The revisions to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled, or significantly influenced by a government. Application of the revised IAS 24 is required for reporting periods beginning on or after 1 January 2011. Earlier application is permitted. It is planned that IAS 24 will be applied initially in 2011-12. Initial application of the revised IAS 24 will result in partial exemption from the disclosure requirements of IAS 24, and the relevant disclosures may be reduced from those presented in 2010-11.

Other amendments to the FReM due to come into effect in 2011-12 are considered to have no impact on the Department.

1.4 Trunkings/Detrunkings

The policy to transfer non-core network routes to local authorities, as outlined in the Government's policy announced in the 1998 White Paper is now complete. These transfers were treated as a transfer of function.

However, from time to time, in delivering the major schemes programme, when a new section of road has been built to improve the road network the old section is detrunked to the relevant local authority. In these circumstances, merger accounting principles are applied.

Details of any in year detrunking can be found in Note 16.3.

1.5 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core Department) and those entities which fall within the Departmental boundary as defined in the *FReM*. Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Departmental boundary is given at Note 33.

1.6 Non-current assets: Property, plant and equipment

Property, plant and equipment is sub-categorised into networked assets and non-networked assets. Networked assets relate to the motorways and trunk roads in England, which form a single integrated network. The network infrastructure consists of carriageways, including earthworks, tunnelling and road pavements, roadside communications, bridges and other structures, and land and buildings within the highway's perimeter. Non-networked assets include land and buildings outside the highways perimeter, non operational buildings, plant and equipment and information technology. All residential properties owned by the Department and not part of an existing scheme under construction are reported as dwellings and valued at open market value.

1.6.1 Capitalisation policy

The core Department's capitalisation threshold is £5,000. The thresholds in the Agencies range from £1,000 to £2,000 for individual or grouped assets, except for land, for which there is no minimum value, and infrastructure construction schemes in the Highways Agency, for which the minimum is £100,000. Expenditure falling below these values is charged as an expense in the Statement of Comprehensive Net Expenditure.

Those assets included within the road network, ring-fenced relocation projects, or computer equipment which, in substance, form a single asset, are capitalised as grouped assets. Where an item includes material components with significantly different useful economic lives, those components are capitalised separately and depreciated over their specific useful economic lives. Otherwise, assets usually comprise single items.

Expenditure on construction schemes in the course of design or construction is capitalised when it is reasonably certain the scheme will go ahead. Where a scheme is subsequently withdrawn from the capital programme, cumulative design expenditure is written-off to the Statement of Comprehensive Net Expenditure. Any retained land and property is transferred to surplus land and buildings or dwellings, as appropriate. Surplus land, buildings or dwellings to be sold within one year are valued and reported as assets held for sale, in accordance with IFRS 5.

Internal staff costs that can be attributed directly to the construction of an asset have been capitalised.

The road network is inspected regularly to enable maintenance to be planned on a priority basis and ensure the safety of the road user. All planned non-routine road renewals maintenance expenditure is capitalised as it is recognised if the maintenance spend enhances or replaces the service potential of the road network. Routine maintenance expenditure, such as repairing potholes, is regarded as day to day servicing and is charged to the Statement of Comprehensive Net Expenditure.

Expenditure on renewal of structures is capitalised when the planned maintenance spend enhances or replaces the service potential of the structure. All routine maintenance expenditure such as clearing structure drainage is charged to the Statement of Comprehensive Net Expenditure.

Internal staff costs attributed to capital renewal schemes have been capitalised.

Assets are recognised initially at cost, which comprises purchase price (including non-recoverable VAT), any costs of bringing assets to the location and condition necessary for them to be capable of operating in the manner intended, and initial estimates of the costs of dismantling and removing the assets where an obligation to dismantle or remove the assets arises from their acquisition or usage.

Subsequent costs of day-to-day servicing are expensed as incurred. Costs of replacing parts of assets are capitalised and the carrying values of replaced parts are derecognised. Where regular major inspections of assets are required for their continuing operation, the costs of such inspections are capitalised and the carrying value of the previous inspection is derecognised.

Operating software, without which the related hardware cannot be operated, is capitalised, with the value of the related hardware, as property, plant and equipment. Application software, which is not an integral part of the related hardware, is capitalised separately as an intangible non-current asset.

Legal title to the freehold land and buildings shown in the accounts is held in the name of the Secretary of State.

Any gains or losses on the eventual disposal of property, plant and equipment are recognised in the Statement of Comprehensive Net Expenditure when the asset is derecognised. Gains are not classed as revenue.

1.7 Valuation

Property, plant and equipment are expressed at their current value at regular valuation or through the application of Modified Historic Cost Accounting as a proxy for fair value.

Where assets are revalued through the use of indices, gross book values and accumulated depreciation balances are adjusted, and upwards movements are taken to the revaluation reserve and presented under Other Comprehensive Expenditure in the Statement of Comprehensive Net Expenditure. Downwards movements are analysed to determine whether they were caused by a clear consumption of economic benefits. Downwards movements that are caused by a clear consumption of economic benefits, or which reduce the value of the asset below its historic cost, are recognised as a part of the Net Operating Cost in the Statement of Comprehensive Net Expenditure, with the reduction then transferred from the General Fund to the Revaluation Reserve. Other downwards movements are recognised under Other Comprehensive Expenditure in the Statement of Comprehensive Net Expenditure.

Where assets are revalued through professional valuation, the previous gross book value and accumulated depreciation balances are released and the asset's gross book value is restated to that reported by the valuer. A net upward movement is taken to the revaluation reserve and presented under Other Comprehensive Expenditure in the Statement of Comprehensive Net Expenditure and a downwards movement is taken initially to the revaluation reserve and presented under Other Comprehensive Expenditure in the Statement of Comprehensive Net Expenditure (insofar as there is a balance related to the specific asset) and otherwise as part of the Net Operating Cost the Statement of Comprehensive Net Expenditure.

1.7.1 Networked Assets

The road network infrastructure asset consists of carriageways, structures, land and communication equipment which form a single integrated network. The network infrastructure is intended to be maintained at a specific level of service potential by continual replacement and refurbishment.

The network infrastructure assets are specialised (i.e. a market value is not available) and therefore must be valued using Gross Replacement Cost (GRC) in accordance with HM Treasury Financial Reporting Manual (FReM), before applying depreciation.

The purpose of the road valuation is to provide an asset value of the road network, including all classes of roads, structures, and land, for which the Department is responsible. This is to ensure the inclusion of all asset classes in the annual accounts.

The infrastructure asset valuation is based on a standard cost model. The gross replacement cost is calculated as if providing a replacement asset, on a 'green-field' site, constructed to modern build standards and then depreciated to take account of the condition of the network. This approach is undertaken in accordance with the general principles of the 'Appraisal and Valuation Manual' (Red Book) of the Royal Institution of Chartered Surveyors (RICS).

External professional surveyors undertake a full valuation of the network at intervals not exceeding five years using recent schemes actual cost and physical assets records to provide unit rates for all elements and components of the network.

Unit rates are determined for the following elements of the network infrastructure: road, structures, technology equipments and land. When calculating the unit rates for the various elements of the network, a number of assumptions are implicit in determining the network valuation. These assumptions are reviewed only once every five years when the Agency seeks to provide a new valuation of the network.

Determining unit rates for valuation

Unit Cost	**Unit cost determination**
Road	The standard costing for roads has a series of road types created to identify all roads and determine the unit costs. Each road type will have a width for the carriageway, hard-strip or hard-shoulder, central reservations etc.
Structures	The Highways Agency has developed unit cost rates for all bridges, tunnels, gantries (excluding Special), based on a number of criteria such as spans, deck areas etc. Special structures are structures that, due to a combination of their size, construction, character or some or all of these, cannot be quantified and valued in the same manner as other structures e.g. Dartford River Crossing. The valuation for special structures is based on unit rates and actual cost data.
Land	Land is an integral part of the road network and forms an important part of the valuation. Although some of the land occupied by the network may not actually be owned by the Department, it is considered that, as the Department had an entitlement to use the land in perpetuity, it is included within the valuation at freehold values. The unit costs rates for land are determined by a series of rates calculations based on Valuation Office indices.
Technology	Technology equipment unit costs are developed using rates from technology frameworks currently in place between the Department and their contractors and bulk purchase prices for materials procured direct by the Department. The unit costs also include a percentage of the subcontractors' preliminaries and other on-costs where applied to construction works.

Information on infrastructure assets is held on a number of operational asset management systems. Where appropriate, dimensional data is used from these systems to inform the valuation of individual roads and structures. Data held on individual assets is continually improving through ongoing surveys and other activities and this, together with the application of professional judgment by engineers, will impact the variability of dimensional data which in turn will impact the valuation of the infrastructure asset.

Between full valuations, the values are adjusted using indices. These are applied to the valuation of the network to ensure the final valuation is at current replacement cost. Indexation of network valuation is applied as follows:

Roads and structures	**Five year revaluation**	**Unit rates are calculated from projects opened to traffic over the last 5 years to value carriageways, structures and technology. Unit rates from projects with different opening dates are brought to a common baseline using Roadcon, a construction industry index. This index is calculated from tenders for highway works and reflects contractor's output costs.**
Roads and structures	**Year end revaluation**	**ROCOS is the index applied to roads and structures for yearly revaluation and reflects the movement in prices in the construction industry. ROCOS (resource cost index of road construction); published on a quarterly basis by the Department for Business, Innovation and Skills (BIS).**
Technology		**BEAMA (British Electrotechnical & Allied Manufacturers) index sourced from its website.**
Land		**Land indices published twice yearly by the Valuation Office Agency (VOA).**

Indexation based on indices is applied to all elements of the network. However there may be occasions where the use of indices for particular network assets may give an unrealistic outcome. This may happen for example where there has been substantial technological change when changes in the cost of specific assets are known to have been significantly different from the changes in the index; or where the historical purchase cost of assets was affected by special circumstances unlikely to be repeated and for which no allowance can be made. In such circumstances the gross current replacement cost is based on expert opinion or other evidence of the current cost of assets or groups of assets having a similar service potential.

The valuation of the network is based upon a non recoverable VAT rate of 20% which reflects a consistent long-term approach to valuing the network. Certain large structures are valued at historic prices appropriately indexed, or insurance valuations have been used as the best approximation of replacement cost.

A full valuation of the network infrastructure was carried out by EC Harris LLP, professional surveyors during the year ended 31 March 2010.

1.7.2 Assets Under Construction

All new projects in the course of design or construction are accounted as asset under construction (AUC) at their actual build cost. On completion of a project, the project is transferred out of AUC and into Infrastructure Assets at the current standard replacement cost (which will be different from the actual cost).

The difference between a project's actual cost of construction and the current replacement cost is treated as a write down which is charged to the Statement of Comprehensive Net Expenditure (SCNE).

1.7.3 Write downs

Write-downs arise due to the difference between the cost of construction and the current replacement standard costs. There are a number of reasons for this difference in cost including:

i) One of the assumptions in the standard cost is that all construction is new build on a 'green-field' site. This is not always the case, therefore cost of new constructions can be much higher due to building in non-rural areas or replacing existing roads etc.

ii) Generally it is cheaper to build a three lane motorway in the first instance rather than two lanes initially and then to widen at some point thereafter. In a road widening scheme, a significant amount of cost will be in traffic management and therefore will be written-down.

The Agency uses standard write-down percentages for different types of projects. These percentages are based on projects constructed over the previous 5 years. The write down percentages are applied to construction projects lasting more than one year, this ensures the Agency writes-down the asset on an on-going basis rather than when the project is opened for traffic.

1.7.4 Land and Buildings, including Dwellings

Freehold land and buildings have been valued on the basis of open market value for existing use. Assets held for resale within one year, being land and property released from road schemes, are valued at open market value, less provision for selling costs where material.

Land and buildings are freehold and leasehold. Some Regional Control Centres are leasehold properties under 50 years and defined as short leasehold properties.

Freehold land and buildings are restated to current value using professional valuations, in accordance with IAS 16. Such valuations are undertaken every five years. In intervening years, values are adjusted using appropriate methods, including indices.

The Core Department's land and buildings are valued by DVS (Commercial Arm of the Valuation Office Agency). The Land and Buildings used by the International Maritime Organization form the majority of the core Department's remaining balance and these were last valued by DVS in December 2008.

Information on how Land and Buildings are valued within the individual agencies consolidated into this account, can be found within the individual accounts produced by these agencies.

1.7.5 Plant and Equipment

Structural steelwork is stated at current cost using the current market value of steel. All other property, plant and equipment is restated to current value each year, using appropriate indices supplied by BIS.

1.7.6 Information Technology

Information Technology consists of IT Hardware and Database Development. Database Development is the development of Highways Agency IT databases and is stated at cost. Other information technology assets are stated at fair value using monthly plant and equipment indices supplied by BIS.

1.8 Depreciation

The depreciable amount of assets is allocated on a systematic basis over their useful lives. Residual values and useful lives are reviewed at each financial year end and any changes are accounted for prospectively. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

1.8.1 Networked Assets

The Highways Agency applies renewals accounting, as described in FReM, to calculate depreciation for the networked infrastructure assets that meet the renewals criteria. Expenditure incurred on network road surfaces and structures is capitalised, to the extent that it restores or enhances the service potential of the asset that has previously been consumed and reflected in depreciation. The value of materials replaced by subsequent expenditure is derecognised from gross book and accumulated depreciation values.

Road Surfaces

The road surface is recognised as a single asset and an annual condition survey of the asset is undertaken and any movement in the condition, measured by road surface rutting, is taken to the Statement of Comprehensive Net Expenditure as a depreciation charge or conversely an improvement credit:

Road surface assets comprise:

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

The road surface is subject to an annual impairment review. Impairments are recognised as required by IAS 36 Impairment of Assets.

Structures

Structures infrastructure assets have the following economic life and depreciate on a straight-line basis as follows:

Asset	Life in years
Road bridges, tunnels and underpasses	20 to 120
Road culverts	20 to 120
Retaining walls	20 to 120
Gantries	20 to 120

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

- Freehold land
- Sub pavement layer of long life pavements
- Earthworks

Technology
Depreciation for technology assets cover the following:

- Calculation of depreciation for technology assets is based on the linear 'straight line' depreciation method based on different technology assets being assigned different design life;
- The overall anticipated life span of technology equipment varies according to the type of equipment;
- Technology equipment economic life is between 15 to 50 years.

1.8.2 Non-Networked Assets
No depreciation is provided on freehold land. Other assets are depreciated at rates calculated to write off the assets over their expected useful lives on a straight-line basis as follows:

Property	Life in years
Freehold buildings	up to 60 years
Leasehold buildings	length of the lease
Historic leasehold building	length of the lease
Surplus properties awaiting sale	no depreciation
HS1 infrastructure asset	Over period to 2086 (Estimated life of asset from inception in 1996)
Plant and Equipment	
Winter maintenance equipment	10 to 25 years
Office equipment	5 to 10 years
Communications equipment	15 to 25 years
Vehicles	5 to 10 years
Test equipment	5 to 10 years
IT equipment	5 years
Structural steelwork	10 years
Assets in storage	no depreciation
Assets awaiting sale	no depreciation

Assets in storage (for example overhead gantries), become a network asset once issued from stores. These items are kept in controlled conditions and do not deteriorate. Whilst not depreciated, they are subject to an annual impairment review.

1.9 Non-current assets: Assets held for sale

Assets held for sale (comprise surplus land, buildings and dwellings), being land and property released from road schemes, which are available for immediate sale in their present condition and are being actively marketed for sale, are valued at the lower of carrying amount and fair value less costs to sell and are not depreciated.

1.10 Non-current assets: Intangible assets

1.10.1 Intangible assets acquired separately

Purchased computer application software licences are capitalised as intangible assets.

1.10.2 Internally generated intangible assets, including research and development

Internally produced intangible assets, such as application software or databases, expenditure on development in connection with a product or service, which is to be supplied on a full cost recovery basis, and other development expenditure is capitalised if it meets the criteria specified in IAS 38. The criteria are that completion is technically feasible; that there is an intention to complete and then use or sell the asset; that the Department is able to use or sell the asset; that the asset will generate future probable benefits; that there are sufficient resources to complete the development and to use or sell the asset, and that it is possible to measure the expenditure attributable to the asset during the development phase reliably.

Expenditure on research is not capitalised. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

1.10.3 Subsequent valuation

Intangibles are subsequently valued using the revaluation model, as described in IAS 38. Any increases in value are taken to the revaluation reserve. Any decreases are taken initially to the revaluation reserve (insofar as there is a balance for that specific asset) and otherwise to the Statement of Comprehensive Net Expenditure. If an intangible asset cannot be revalued because there is no active market for assets of that type these intangible assets are expressed at their current value through the application of Modified Historical Cost Accounting as a proxy for fair value less any accumulated amortisation or impairment losses.

Intangible assets are amortised over their useful lives, which are typically between two to five years, on a straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

Property, plant and equipment acquired for use in research and development are depreciated over the life of the associated project, or according to the asset category, if the asset is to be used for subsequent production work.

1.11 Impairment of non-current assets

At the end of each reporting period, the Department assesses whether there is any indication that an asset is impaired. The Department tests for impairment any such asset and also any intangibles with an indefinite useful life or in the course of construction. Assets are tested for impairment by comparing their carrying value with their recoverable amount, this being the higher of the value in use and the fair value less costs to sell. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined instead.

1.12 Investments and financial instruments

Financial instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity in another entity. Financial instruments in public sector entities outside the consolidation boundary (such as Public Dividend Capital, National Loans Fund loans and other shares or loans) are recognised at historic cost, adjusted for impairment where necessary and, in the case of loans, for interest and for repayments of interest and capital, as permitted by the *FReM*. Other financial instruments are recognised initially at fair value adjusted for transaction costs (except for assets and liabilities held at fair value through profit or loss), which is typically the amount specified in the contract. Thereafter, such instruments are classified in accordance with IAS 39 and measured as described below.

1.12.1 Assets and liabilities held at fair value through profit or loss

This classification is required for financial instruments that are held for trading, for derivatives (including embedded derivatives not closely related to the host contract) and for instruments that the entity has elected to classify in this way. Such instruments are recognised at market value, with movements recognised through the Statement of Comprehensive Net Expenditure. During the period covered by this account, the Department held no such instruments.

1.12.2 Held-to-maturity investments

This classification is required for non-derivative financial assets with fixed or determinable payments and fixed maturity (for example, listed bonds) that the entity intends to hold to maturity. These are held at amortised cost, using the effective interest method. During the period covered by this account, the Department held no such instruments.

1.12.3 Loans and receivables

This classification is required for non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, that are not held for trading and that the entity does not plan to sell. During the period covered by this account and at the end of the period, the Department had material loans and receivables. Where these are to other public sector entities, these are recognised at historic cost, adjusted for interest and repayments, as described above. Otherwise, these are held at amortised cost, using the effective interest method.

1.12.4 Available-for-sale financial assets

This classification is a new requirement under IFRS. For the Department, this typically comprises equity investments. Where these investments are in other public sector entities, they are recognised at historic cost less impairment adjustments where required.

Consequently, the Department's shareholding in LCR Ltd is recognised initially at its cost, being the value of liabilities assumed at the point of the purchase of the shareholding, and then impaired to the net consolidated liabilities of LCR Ltd, less any government-guaranteed liabilities included in those net liabilities that were subsequently assumed by government. Thereafter, the valuation is adjusted for transfers of value between the company and the Department; for example, the curtailment of the HS1 concession effective from August 2009, and the transfer to the Department of the cash LCR Ltd received on disposal of HS1 Ltd in November 2010.

Where these investments are in private sector entities, they are recognised at fair value. Where they are not traded in active markets, the fair value is calculated based on models, as defined under Accounting Estimates. Where such models produce a significant range of reasonable fair value estimates and the probabilities of the various estimates cannot be reasonably assessed, IAS 39 precludes fair value measurement and the investment is recognised at cost less any impairment adjustment. On this basis, the Department's shareholding in NATS is recognised at historic cost. Equity investments in British Railways Board (Residuary) Limited shares are valued at historic cost less any impairment. This is because there is no active market for shares in these companies, and the companies have no assets other than consideration received from the shareholder for those shares. The Secretary of State's holdings in companies, in the form of special shares, are each valued at a nominal value of £1. Further information is included in Note 18 to the accounts.

1.12.5 Other financial liabilities

These are financial liabilities other than those classified as held at fair value through profit or loss. They are valued at the amount initially recognised, using the effective interest method. All of the Department's financial liabilities are classified as 'other financial liabilities'. There are specific valuation requirements for financial guarantee contracts, however, and these are set out below.

1.12.6 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified repayments to reimburse the holder for a loss as it incurs, because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. Contracts that are financial guarantee contracts are recognised initially at fair value. Market participants typically value such contracts based on the reduction in risk to the lender provided by the guarantee, as reflected by the improvement in credit terms to the borrower, typically the reduction in interest payable by the borrower. Where the contract specifies the fee payable to the Department, and there is reasonable evidence that the fee was calculated on this basis, the guarantee is valued at the net present value of the fee. This approach has been applied to the guarantee provided to Network Rail. The fee is payable in instalments over the life of the guarantee. The guarantee is, therefore, recognised at the net present value of the fee, with a matching receivable being recognised, valued using the effective interest method.

Where no fee is specified, the Department values the guarantee using estimation techniques that reflect the market approach as closely as possible. For example, it will try to identify comparable unguaranteed debt, and observe the credit terms provided and the consequent reduction in interest payable by the borrower. The

Department would then value the guarantee at the net present value of the differential in interest payments over the life of the debt instrument. Where no examples of unguaranteed debt are identifiable, the Department may use techniques such as option pricing methods, or the expected value of borrower default or other statistical approaches.

After initial recognition, financial guarantee contracts are recognised at the higher of amortised cost or the amount required to be recognised under IAS 37. Thus, if the Department considers it more likely than not that it will have to transfer resources to settle its obligations under the contract, ie. if it thinks it more likely than not the guarantee will be called, and if the value of those resources is higher than the amortised cost, then this higher value will be used.

Other significant features of the valuation of financial instruments are defined below:

- Fair value - The fair value of the instrument is the amount for which an asset could be sold or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

- Amortised cost - Where a financial asset or liability is subsequently valued at amortised cost, IAS 39 specifies that this is the amount at which the item was recognised at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest method (defined below) and minus any reduction of financial assets for impairment or uncollectability.

- Effective interest rate method - The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest for the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the instruments. In calculating the effective interest rate, all contractual flows are considered but future credit losses are not.

- Adjustment for uncollectability and impairment of financial assets - These are calculated using the incurred loss method, reflecting events that occurred between the initial recognition of the asset and the end of the current reporting period that have an impact on future cash flows. The existence of evidence of the occurrence of such events as at the end of the current reporting period, is assessed individually, then collectively for other financial assets. This includes estimates based on historic experience of the incidence of such events, adjusted for recent factors that would affect incidence.

1.13 Inventories

Inventories, including properties on the proposed route of the high speed rail link acquired under the Exceptional Hardship Scheme held by the core Department, are valued at cost, or replacement cost, if materially different. Long-term inventory holdings for special structures (such as tunnels and bridges), where there are no recent purchases, are valued at estimated replacement cost. Where excess or obsolete inventory holdings have been identified, a provision has been made to reduce the carrying value to the estimated net realisable value. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.14 Operating income

Operating income is income that relates directly to the operating activities of the Department. It includes not only income appropriated in aid of the Estimate, but also income payable to the Consolidated Fund, authorised by HM Treasury to be treated as operating income. It is stated net of VAT. Operating income is measured at the fair value of the consideration received or receivable and is recognised in accordance with IAS 18, which requires specifically that:

- income from the sale of goods should be recognised on transfer of the risks and rewards of ownership in those goods;
- income from the performance of services should be recognised on the degree of performance;
- interest income should be recognised using the effective interest method;
- dividends receivable should be recognised when the Department becomes entitled to them; and
- income from permitting others to use the Department's assets should be recognised on an accruals basis in accordance with the terms of the contract.

1.15 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between programme and non-programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department. Both the Maritime and Coastguard Agency and the Vehicle Certification Agency have programme expenditure only.

1.16 Pensions and other employee benefits

Past and present employees of the Department its agencies are generally covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in Note 11. This defined benefit scheme is unfunded and is non-contributory, except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year. Past and present employees of other consolidated entities may be covered by sections of the Railways Pension Schemes. These defined benefit schemes are accounted for in accordance with IAS 19. Current service costs, unwinding the discount on scheme liabilities and financing gains and losses are recognised in the Statement of Comprehensive Net Expenditure, and actuarial gains and losses are recognised in equity, as required by the Financial Reporting Manual.

Pension benefits to ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). Further details are provided in the Remuneration Report.

The Department is also responsible for funding any shortfalls in a small number of historic funded pension arrangements, most of whose members are current pensioners. Where it is considered more likely than not that the Department has an obligation to make contributions in respect of any deficit, the deficit under the schemes is accounted for in accordance with IAS 19. All actuarial gains and losses are accounted for through reserves as required by the *Financial Reporting Manual (FReM).*

The Department has provided a guarantee to the General Lighthouse Authorities in respect of their unfunded pension obligations, which are met from the Authorities' current income. The Department has an obligation to make payments of pensions should the Authorities' income prove insufficient. This eventuality is considered unlikely to occur and so is treated as a contingent liability under IAS 37.

The Department accrues for short-term employee benefits (which fall due within twelve months of the period in which they are earned). The Department is required to pay, as termination benefits, the additional cost of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds. The Department provides for the full cost of benefits (including pensions payable up to the normal retirement age and lump sums) when it becomes demonstrably committed to providing those benefits.

1.17 Leases

A lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases. If a lease conveys substantially all the risks and rewards of ownership to the lessee (such as transfer of title, the lease term covering the major part of the asset's life, or the lease payments are substantially all of the fair value of the leased asset), it is classified as a finance lease. Otherwise, it is classified as an operating lease. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and the buildings are considered separately. Land is assumed to be held under an operating lease unless the title transfers to the Department at the end of the lease. The assessment is made at the inception of the lease, except in the case of leases pre-existing the transition to IFRS, when the assessment is made as at that date.

Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease. Transactions involving the legal form of a lease, such as sale and leaseback arrangements, are accounted for according to their economic substance.

Rentals under operating leases are charged to the Consolidated Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. Where the arrangement includes incentives, such as rent-free periods, the value is recognised on a straight-line basis over the lease term. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to the Consolidated Statement of Comprehensive Net Expenditure over the period of the lease at a constant periodic rate in relation to the balance outstanding.

1.18 Service concessions

Under a service concession, a government entity contracts with a private sector entity to develop, finance, operate and maintain infrastructure, to deliver services directly or indirectly to the public, but controls or regulates those services and controls any significant residual interest in the infrastructure. Services indirectly provided to the public include those related to assets held for administrative purposes in the delivery of services to the public.

The Department recognises the infrastructure associated with service concessions as an asset. The asset is accounted for in a manner consistent with other assets of that type. Where the operator has a right to receive consideration from the Department, for example, in the form of Unitary Charges, the Department recognises the related liability. Interest on the liability and expenditure on services provided under the service concession are recognised in the Consolidated Statement of Comprehensive Net Expenditure as they accrue. Unitary Charges are apportioned between three elements: an element to pay for services; an element to pay interest on the liability and an element to repay the initial liability. Where the operator has a right to charge the public, the Department recognises a deferred income balance initially at the same value as the asset, which is amortised to Statement of Comprehensive Net Expenditure over the life of the arrangement.

Where, at the end of the concession, all or part of the property constructed by the operator reverts to the Department for a specified value, the difference between the expected fair value of the residual asset on reversion at the start of the contract and any agreed payment on reversion is built up over the life of the contract to ensure proper allocation of payments between the cost of services under the contract and acquisition of the residual interest. Capitalisation of residual interest is disclosed within Non-Current Assets under Assets under Construction. However, for the HS1 rail link, the entirety of the property is recognised with effect from August 2009, being the date on which the most recent concession was granted to HS1 Ltd, and the rights to operate the infrastructure thereafter were withdrawn from the company. The residual asset has been valued using the enterprise value determined during the bidding process for the sale of HS1 Ltd, discounted to its present value.

The Department currently has fourteen PFI properties in service that are recognised as being assets of the Highways Agency. The capital value of the pre 2005-06 PFI schemes was estimated using the public sector comparator. From 2005-06, the capital value has been based on the PFI contractor’s best estimate of capital cost at the time the contract is awarded.

In respect of the M6 toll, the reversionary interest is based on the current net book value (NBV) of the M6 toll road. The NBV is projected forward then discounted back, with the balance being built up and indexed over the life of the assets until they revert back to the Department in 2054.

1.19 Grants payable

Grants payable are recognised in the period in which the underlying event or activity giving entitlement to the grant occurs. Where conditions, such as a specific milestone attaching to a grant, are waived then the amount is recognised as expenditure. Where the conditions of a grant require a specified form of verification from a grant recipient to provide assurance on compliance with grant terms and conditions, any subsequent adjustments are recognised in the next accounting period. Grant payments are outside the scope of VAT and are therefore made on a gross basis within the delegation.

1.20 Provisions

The Department makes provision for liabilities and charges in accordance with IAS 37 where, at the end of the current reporting period, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. When the discount is unwound, the adjustment is recognised as an interest expense.

1.21 Contingent liabilities

In accordance with IAS 37, the Department discloses as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the Department's control, unless their likelihood is considered to be remote. Guarantees, indemnities and undertakings are treated as contingent liabilities.

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department also discloses for Parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where a guarantee meets the IAS 39 definition of a financial guarantee contract, it will be recognised as a liability in accordance with the measurement requirements of that standard, and any additional disclosures required under IAS 37 as interpreted by the *FReM* will be provided with the disclosures for other contingent liabilities. Such additional disclosures will include an estimate of the amount required to settle the liability.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts and the amount reported to Parliament is noted separately. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.22 Value added tax

Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets. Income and expenditure is otherwise shown net of VAT.

1.23 Rail franchise agreements

Franchise agreements provide for each train operating company either to pay franchise premia or to receive subsidy in each franchise year. Premia received for the use of continuing rights under the franchise are recognised as revenue as the rights are used; subsidies are recognised as expenditure as they are earned. Franchise agreements include mechanisms to adjust the level of premia/subsidy dependent on performance and agreed events. Adjusting costs or revenues are recognised as they are earned or incurred. Adjusting transactions are not considered to be separately identifiable components, consequently, all adjusting transactions in respect of premium-generating franchises are accounted for as adjustments to income, all adjusting transactions in respect of subsidy-paying franchises are accounted for as adjustments to programme costs. Franchise subsidies and premiums are outside the scope of VAT.

1.24 Foreign currencies

The Department's functional and presentational currency is sterling. Foreign currency transactions are recorded at the spot exchange rate on initial recognition and foreign currency monetary items outstanding at the financial reporting date are translated using the closing rate.

1.25 Significant estimation techniques

The Department applies the following significant estimation techniques.

The recognition and valuation of provisions depends on assessments made as to the likelihood of future events outside of the Department's control, such as the outcome of legal cases, the future financial performance of other entities, and future changes in rates of inflation. The subsequent valuation of financial guarantee contracts, after initial recognition, is based on an assessment of the likelihood and magnitude of any call on the guarantee, which is informed by assessments of the performance of the entity issuing the guaranteed debt instrument.

In accounting for arrangements containing a lease and for service concessions, the apportionment of lease rentals between capital, interest and service elements of PFI contracts requires an estimate of the interest rate implicit in the contract, using HM Treasury's Pocket Databank.

In accounting for employee benefits, determining the value of post-termination benefits depends on judgements made as to the longevity of recipients and on their entitlements to post-retirement benefits, which is determined by their length of service. For those pension schemes for which IAS 19 applies, the values of scheme liabilities are determined by actuarial estimates regarding the longevity of current and deferred pensioners and long-term rates of inflation. The value recognised as the expected return on scheme assets is also advised by independent actuaries.

In calculating present values, the calculation of nominal discount rates and of future repayments of index-linked obligations, requires the estimation of future changes in the Retail Price Index. For this purpose, we use the forecast rate provided by HM Treasury, which is currently 2.75% per annum.

Where material, the cost of untaken staff leave has been estimated and accrued by individual entities and consolidated.

1.26 Critical judgements and key sources of estimation uncertainty

1.26.1 Value of financial guarantee to Network Rail and of the fee receivable from Network Rail

We have determined the fair value of the financial guarantee to Network Rail (the Financial Indemnity Memorandum) shown in Note 18.6 from an estimation of the value of the guarantee to Network Rail, being the reduction in interest costs arising from the existence of a government guarantee, obtained by comparing guaranteed and unguaranteed debt instruments. This estimation was prepared by independent experts (Cambridge Economic Policy Associates) for the ORR (Office of Rail Regulation). This reflects the ORR's expressed policy that Network Rail, as a private sector entity, should pay for the benefit they receive from the guarantee. If the ORR were to change their policy in this respect, the amount shown as receivable might not be received. The Department considers it unlikely that the ORR will change their policy in this respect.

1.26.2 Classification of legal claims as contingent liabilities or provisions, and then as current and non-current provisions

The Department occasionally faces legal claims and challenges, which may result in the possible outflow of economic benefits. These are classified as contingent or actual liabilities based on the Department's assessment of the likelihood of the claim succeeding, as informed by its legal advisors. For those claims recognised partly or entirely as provisions, the amount recognised is also informed by legal advice; however, in determining the timing of a possible settlement the Department must also make a judgement as to the present willingness of the counter-party to agree to what it considers to be a reasonable settlement amount within the next twelve months.

1.26.3 Useful lives of property, plant and equipment and valuation of provisions for dilapidations

Where items of plant and equipment are installed within properties, their useful lives may be curtailed by the useful life of the property. In determining their useful lives, the Department reflects its intention to remain in its freehold properties for the foreseeable future and in its leasehold properties until the end of the lease. For some leasehold arrangements there may be a dilapidation clause in the contract requiring the Department to restore the property to its original condition; the Department recognises dilapidation provisions based on a professional valuation of the costs of restoration, discounted to the date when the Department intends to vacate the leased property. This will therefore reflect its intention to remain in the leased properties until the end of the lease.

1.26.4 Valuation of provisions

The Department has recognised as provisions the amounts required to settle its obligations to those who have taken voluntary early retirement. The determination of these amounts is affected by estimates of the life expectancy of retirees.

1.26.5 Valuation of liabilities of defined benefit pension schemes

In valuing the liabilities of defined benefit pension schemes, the Department consults actuaries who provide valuations based on estimates of demographic factors, such as life expectancy.

1.26.6 Valuation of long-term financial obligations

The Department has recognised obligations to provide LCR Finance plc and CTRL Section 1 Finance plc with funds to meet the repayment of their long-term borrowings. The companies have issued debt instruments with maturity dates between 2028 and 2051. The valuation of the associated liabilities at amortised cost is based on judgements concerning the timing and amount of repayments. The timing of repayments assumes that the debt instruments will run to their planned maturity and will not be repaid early. The amount of repayments is fixed under most of the instruments, but repayments on the index-linked notes are determined by changes in the Retail Prices Index. These accounts have assumed an annual increase of 2.75%.

1.26.7 Valuation of the trunk road network

The significant estimation techniques for the Department include the valuation of the trunk road network where the application of indices and standard costs generate a valuation.

2. Analysis of net resource outturn by section

		2010-11 £000								2009-10 £000
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total compared with Estimate	Net Total
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government spending									
A	Ports and shipping Services	-	22,312	339	22,651	(2,054)	20,597	20,181	416	22,750
B	Maritime and Coastguard Agency	-	141,084	-	141,084	(13,740)	127,344	135,372	(8,028)	135,698
C	Aviation services, Transport Security and Royal Travel	-	37,552	56,325	93,877	(67,266)	26,611	40,278	(13,667)	47,793
D	Accident Investigation Branches	-	15,212	-	15,212	25	15,237	17,727	(2,490)	16,980
E	Trans European network payments for transport projects (net)	-	-	(12)	(12)	-	(12)	3	(15)	2
F	Cleaner Fuels and Vehicles	-	11,474	18,576	30,050	-	30,050	37,481	(7,431)	26,782
G	Bus Service Operators Grant	-	438,829	12,380	451,209	-	451,209	476,050	(24,841)	453,250
H	Tolled River Crossings	-	-	-	-	(85,982)	(85,982)	(86,679)	697	(61,777)
I	Accessibility & Equalities	-	563	(6)	557	(5)	552	3,235	(2,683)	4,540
J	Support construction of venues and infrastructure related to Olympic Games	-	2,060	233,800	235,860	-	235,860	233,800	2,060	202,901
K	Commission for Integrated Transport & Transport Direct	-	9,569	45	9,614	(535)	9,079	10,650	(1,571)	10,585
L	Highways Agency	76,659	1,639,671	-	1,716,330	(73,823)	1,642,507	1,935,994	(293,487)	1,966,584
M	Railways	-	731,799	3,772,460	4,504,259	(876,949)	3,627,310	2,790,779	836,531	3,714,046
N	Government Car & Despatch Agency	21,461	-	-	21,461	(16,766)	4,695	-	4,695	1,942
O	Freight grants	-	22,179	1,587	23,766	(1,188)	22,578	28,900	(6,322)	22,427
P	Transformation, Licensing, Logistics & Sponsorship	-	19,211	1,000	20,211	(7,570)	12,641	23,517	(10,876)	39,612
	Vehicle & Operator Services Agency trading fund	-	-	-	-		-	-	-	20,318
	Driving Standards Agency trading fund	-	-	-	-		-	-	-	-
Q	Vehicle Certification Agency	-	14,375	-	14,375	(15,309)	(934)	(160)	(774)	(750)

									2010-11 £000	2009-10 £000
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total compared with Estimate	Net Total
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government spending									
R	Central Administration	178,949	16,979	-	195,928	(17,770)	178,158	199,500	(21,342)	184,296
S	Research, statistics, publicity, consultancies & other services for roads and local transport	-	31,210	29,303	60,513	(801)	59,712	68,176	(8,464)	124,345
	Support for Local Authorities									
T	Area Based Grants	-	57	491,938	491,995	-	491,995	283,092	208,903	241,754
U	GLA transport grants (resource)	-	-	2,771,964	2,771,964	-	2,771,964	2,764,000	7,964	2,593,086
V	Other transport grants (resource)	-	179	576,546	576,725	(10,000)	566,725	639,834	(73,109)	601,109
W	Other transport grants (capital)	-	8	880,611	880,619	-	880,619	1,088,465	(207,846)	1,111,874
	Spending in Annually Managed Expenditure (AME)					-				
	Central Government Spending									
X	Highways Agency	-	637,768	-	637,768	-	637,768	1,266,231	(628,463)	3,639,310
Y	Railways and other expenditure	-	(242,280)	-	(242,280)	(126)	(242,406)	212,234	(454,640)	(284,682)
Y	Railways and other expenditure - Prior Period Adjustment	-	-	-	-		-	-	-	416,307
Y	Railways and other expenditure - Prior Period Adjustment: Derecognition of Financial Guarantee (June 2009)	-	(5,041,477)	-	(5,041,477)	-	(5,041,477)	-	(5,041,477)	-

		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	2010-11 £000 Net Total compared with Estimate	2009-10 £000 Net Total
	Spending in Annually Managed Expenditure (AME)									
	Central Government Spending									
Y	Railways and other expenditure - Prior Period Adjustment: Impairment of LCR asset (June 2009)	-	3,094,600	-	3,094,600	-	3,094,600	-	3,094,600	-
Y	Railways and other expenditure - Prior Period Adjustment: Depreciation of infrastructure asset	-	30,701	-	30,701	-	30,701	-	30,701	-
	Non-Budget									
Z	Driver and Vehicle Licensing Agency trading fund	-	-	189,613	189,613	(12,731)	176,882	216,100	(39,218)	238,066
AA	Grant in Aid funding of NDPB's & PC's	-	2	8,812	8,814	-	8,814	84,074	(75,260)	287,948
AA	Grant in Aid funding of NDPB's & PC's - Prior Period Adjustment: DOR Loan	-	-	(11,000)	(11,000)	-	(11,000)	-	(11,000)	-
AB	Other Grants to GLA	-	-	392,500	392,500	-	392,500	392,500	-	206,500
	Total	**277,069**	**1,633,637**	**9,426,781**	**11,337,487**	**(1,202,590)**	**10,134,897**	**12,881,334**	**(2,746,437)**	**15,983,596**

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown in the Management Report.

3. Segmental Reporting

	2010-11	2009-10 (restated)
	£000	£000
Motoring and Freight Services	224,688	465,332
Cities and Regional Networks	5,773,099	5,468,336
International Networks and Environment	219,090	247,925
National Networks	5,643,853	6,233,442
Corporate Support Functions	(1,343,539)	(1,620,260)
Stand Alone Units	10,162	12,818
Net Operating Cost	**10,527,353**	**10,807,593**

Reconciliation of Net Resource Outturn to Net Operating Cost is shown in Note 4.1

The segments reported above formed the basis of the management reporting to the Department's Board in 2010-11. The change to the organisation structure referred to in Chapter 3 of the Annual Report occurred towards the end of 2010-11, and management reporting under this structure took full effect in subsequent reporting periods.

4. Reconciliation of outturn to net operating cost and against Administration Budget

4.1 Reconciliation of net resource outturn to net operating cost

				2010-11	2009-10 (restated)
				£000	£000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	10,134,897	12,881,334	(2,746,437)	15,983,596
Prior Period Adjustments - Cost of capital		-	-	-	(2,774,775)
Prior Period Adjustments - Railways			-	-	(416,307)
Prior Period Adjustments - Derecognition of Financial Guarantee (June 2009)		5,041,477	-	5,041,477	(5,041,477)
Prior Period Adjustments - Impairment of LCR asset (June 2009)		(3,094,600)	-	(3,094,600)	3,094,600
Prior Period Adjustments - Depreciation of infrastructure asset		(30,701)	-	(30,701)	30,701
Prior Period Adjustments - Amortisation of deferred income		-	-	-	(36,258)
Prior Period Adjustments - Directly Operated Railways		11,000	-	11,000	(11,000)
Non-supply income (CFERs)		(1,534,720)	(1,150)	(1,533,570)	(21,487)
Non-supply expenditure		-	-		-
Net Operating Cost		10,527,353	12,880,184	(2,352,831)	10,807,593

4.2 Outturn against final Administration Budget

		2010-11		2009-10
		£000		£000
		Budget	Outturn	Outturn
Gross Administration Budget	2	302,367	277,069	324,069
Income allowable against the Administration Budget		(38,419)	(33,929)	(45,681)
Net outturn against final Administration Budget		263,948	243,140	278,388

5. Reconciliation of net resource outturn to net cash requirement

				2010-11
		£000	£000	£000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
Resource Outturn	2	12,881,334	10,134,897	2,746,437
Capital				
Acquisition of property, plant and equipment and Intangibles		1,714,433	1,637,306	77,127
Investments		-	69,048	(69,048)
Non-operating A in A				
Proceeds of asset disposals		(31,937)	(7,082)	(24,855)
Repayment of investments		-	(24,855)	24,855
Accruals adjustments				
Non-cash items	12,13	(2,280,386)	(887,930)	(1,392,456)
Non-cash movements related to Pension Scheme	36	-	186,900	(186,900)
Changes in working capital other than cash		1,176,980	709,379	467,601
Use of provision	25	53,683	185,962	(132,279)
Non-cash movement in provisions			(81,497)	81,497
Prior Period Adjustment				
Prior Period Adjustments - Derecognition of Financial Guarantee (June 2009)		-	5,041,477	(5,041,477)
Prior Period Adjustments - Impairment of LCR asset (June 2009)		-	(3,094,600)	3,094,600
Prior Period Adjustments - Depreciation of infrastructure asset		-	(30,701)	30,701
Prior Period Adjustments - Directly Operated Railways		-	11,000	(11,000)
Net cash requirement		13,514,107	13,849,304	(335,197)

The Department has incurred an Excess of £335.2 million because of a breach in the net cash requirement. The Department will seek Parliamentary approval by way of an Excess Vote in the Statement of Excesses in Spring 2012. Further explanations are given in the Management Report.

6. Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2010-11		Outturn 2010-11	
			£000		£000
	Note	Income	Receipts	Income	Receipts
Operating income and receipts – excess A in A		-	-	527,692	*527,692*
Other operating income and receipts not classified as A in A		1,150	*1,150*	77,574	*59,552*
		1,150	*1,150*	605,266	*587,244*
Non-operating income and receipts - excess A-in-A		-	-	46,761	*46,761*
Other non-operating income and receipts – excess A in A	10	2,152	*2,152*	1,018,982	*1,018,982*
Amounts collectable on behalf of the Consolidated Fund		110,000	*110,000*	114,527	*114,527*
Total income payable to the Consolidated Fund		113,302	*113,302*	1,785,536	*1,767,514*

Explanations of variances between Estimate and outturn are given in the Management Report.

7. Reconciliation of income recorded within the Consolidated Statement of Comprehensive Net Expenditure to the Consolidated Fund

	Note	2010-11	2009-10
		£000	£000
Operating income	14	2,745,134	1,307,320
Adjustments for transactions between RfRs			
Gross income		2,745,134	1,307,320
Income authorised to be appropriated in aid	2	(1,202,590)	(1,220,202)
Income netted off within subhead		(7,254)	(28,869)
Interest to be paid to National Loans Fund		(571)	(504)
Prior Period Adjustment - Amortisation of Deferred Income (non-cash)		-	(36,258)
Non-Operating income - Sale of Public Corporation		(929,453)	-
Operating income payable to the Consolidated Fund	6	605,266	21,487

8. Consolidated Fund Income

Consolidated Fund income shown in note 6 above does not include any amounts collected by the Department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2010-11	2009-10
Licence fees, penalties and fines	50,363	44,584
Less:		
Costs of collection – *where deductible*	-	-
Amount payable to the Consolidated Fund	50,363	44,584
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	(50,363)	(44,584)
Balance held on trust at the end of the year	-	-

9. Non-operating income – Excess appropriations in aid

	Note	2010-11 £000	2009-10 £000
Principal repayments of voted loans	18	71,616	14,941
Proceeds on disposal of property, plant and equipment		7,082	5,061
less Non-operating A in A Cover in Estimate		(31,937)	(26,854)
Non-operating income – excess A in A		46,761	(6,852)

10. Non-operating income not classified as appropriations in aid

	Note	Income £000	Receipts £000
Humber Bridge	18	500	500
Mersey Tunnel		2,152	2,152
Disposal of investments		86,877	86,877
Sale of Public Corporation		929,453	929,453
Total		1,018,982	1,018,982

11. Staff numbers and related costs

Staff costs comprise:

	2010-11					2009-10
	£000	£000	£000	£000	£000	£000
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total
Wages and salaries	249,648	235,712	13,687	156	93	261,074
Social security costs	21,316	21,289	-	13	14	21,391
Other pension costs	46,777	46,775	-	-	2	46,224
Sub Total	317,741	303,776	13,687	169	109	328,689
Less recoveries in respect of outward secondments	(58)	(58)				-
Total net costs*	317,683	303,718	13,687	169	109	328,689
Of which:						
Core department	128,762	121,816	6,668	169	109	136,536

*Of the total, £13,025,000 has been charged to capital

Of the Consolidated Staff Costs total, £167,670,000 (2009-10: £179,090,000) is classified as Administration cost and £150,013,000 (2009-10: £149,599,000) is classified as Programme. The equivalent split for the core Department is £101,981,000 (2009-10: £108,337,000) Administration and £26,781,000 (2009-10: £28,199,000) Programme.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2010. Details can be found in the departmental accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, employers' contributions of £45,957,569 were payable to the PCSPS (2009-10: £45,997,996) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners. In addition employers' contributions of £560,362 (2009-10 £444,152) were paid in respect of staff who transferred in to the Highways Agency during 2010-11 and remained in their existing pension scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £242,238 (2009-10: £205,584) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2009-10: 3.0 to 12.5%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £16,911, 0.8% (2009-10: £15,109, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £20,228 (2009-10: £5,019). Contributions prepaid at that date were £0 (2009-10: £0).

Five persons (2009-10: 3 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £6,616 (2009-10: £6,543).

11.1 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental account;

					2010-11 Number	2009-10 Number
	Permanent staff	Others	Ministers	Special advisers	Total	Total
Average number of persons employed	7,051	292	4	2	7,349	7,690
Of which:						
Core department	1,905	150	4	2	2,061	2,563

11.2 Reporting of Civil Service and other compensation schemes - exit packages

Comparative data shown (in brackets) for previous year.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed	Total number of exit packages by cost band (total cost)
<£10,000	0	(0)	8 (1)	8 (1)
£10,001 - £25,000	0	(0)	18 (0)	18 (0)
£25,001 - £50,000	0	(0)	37 (0)	37 (0)
£50,001 - £100,000	0	(0)	42 (0)	42 (0)
£100,001- £150,000	0	(0)	31 (0)	31 (0)
£150,001- £200,000	0	(0)	20 (0)	20 (0)
£200,001 plus	0	(0)	8 (0)	8 (0)
Total number of exit packages by type (total cost)	0	(0)	164 (1)	164 (1)
Total resource cost (£)	0	(0)	14,239,066 (1,032)	14,239,066 (1,032)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

During the financial year 2010 -2011, a number of payments were made which were not covered by the Civil Service Compensation Scheme. These are detailed below:

- The following ex-gratia payments were agreed with HM Treasury:
    - two payments between £10k and £25k of compensation for termination of employment;
    - five payments between £25k and £50k of compensation for termination of employment one of which included a payment for loss of office;
    - one payment between £25k and £50k relating to flexible early retirement;
    - one payment between £50k and £100k of compensation for termination of employment;

- The following payments did not require HM Treasury approval:
    - two payments of under £1k relating to legal costs.

12. Other Administration Costs

	Note	2010-11 Core Department	2010-11 Consolidated	2009-10 Core Department (restated)	2009-10 Consolidated (restated)
		£000	£000	£000	£000
Rentals under operating leases		15,758	22,248	14,169	19,358
Research and Development expenditure		205	180	550	595
Communication & Information Technology		12,050	13,641	12,066	14,406
Consultancy and Professional Services		17,717	18,509	45,906	48,000
Accomodation		11,197	19,040	11,223	18,288
Support Services		5,941	5,941	2,761	2,761
Travel and Subsistence		1,685	3,559	2,766	5,694
Vehicle Costs and Services		269	4,682	360	5,530
Other costs		6,135	10,642	7,809	13,922
Subtotal - Cash items		**70,957**	**98,442**	**97,610**	**128,554**
Non-cash items					
Depreciation	16	4,356	7,036	3,542	5,428
Amortisation	17	425	814	342	1,708
Impairment of Assets	19	-	179	1,723	1,723
Downward revaluation of assets		-	85	-	115
Profit on disposal of property, plant and equipment		-	-	-	(33)
Loss on disposal of property, plant and equipment		-	36	-	-
Auditors' remuneration and expenses		332	774	375	855
Provision provided for in year		892	2,233	2,616	6,778
Provision for bad/doubtful debt		6	(74)	-	16
Subtotal - Non-cash items		6,011	11,083	8,598	16,590
Statement of Comprehensive Net Expenditure		76,968	109,525	106,208	145,144

13. Programme Costs

	Note	Core Department	Consolidated £000	Core Department (restated)	Consolidated (restated) £000
Rentals under operating leases		2,656	4,301	1,101	1,429
Interest charges		237,495	237,579	300,857	300,873
PFI interest charges		-	105,330	-	78,822
Research and Development expenditure		16,683	24,652	40,146	50,115
Capital Grants		5,306,334	5,306,334	5,490,172	5,490,172
Current Grants		3,603,625	3,603,625	3,071,708	3,071,708
Grant in Aid		198,425	198,425	519,195	519,195
EU Capital Grants		7,242	7,242	28,870	28,870
Subsidies		504,514	504,514	518,049	518,049
Support for Passenger Rail Services		768,282	768,282	938,144	938,144
Road Network Current Maintenance		-	549,283	-	712,788
PFI Service charges		-	289,346	-	241,613
Eurocontrol Payments		43,259	43,259	58,143	58,143
SAR Helicopters		-	28,199	-	27,184
Emergency Towing Vessls		-	11,454	-	11,020
Disbursements					
Civil Hydrography		-	5,970	-	6,260
Weather bulletins & navigational warnings		-	5,522	-	5,390
Communication & Information Technology		7,807	37,361	10,166	41,418
Consultancy and professional services		21,955	23,610	85,173	88,751
Accommodation		2,924	12,388	1,855	12,059
Publicity		1,507	1,507	25,387	25,387
Support Services		17,202	17,202	36,765	36,765
Travel and Subsistence		2,371	6,744	2,318	7,088
Other costs		264,865	308,816	134,614	195,835
Cash items		11,007,146	12,100,945	11,262,663	12,467,078
Non-cash items					
Depreciation	16	51,228	481,960	37,631	861,435
Amortisation	17	466	7,932	418	8,241
Impairment of Fixed Assets and Assets Held for Sale	19	-	73,474	17,953	59,011
Impairment of Share Capital		-	-	3,094,600	3,094,600
Downward revaluation of fixed assets		-	22	-	474
Write down in value of assets		-	724,718	-	599,674
Profit on disposal of fixed assets		-	(493)	-	(385)
Loss on disposal of fixed assets		-	3,357	-	4,026
Pensions Scheme *	36	(186,900)	(186,900)	144,900	144,900
Provisions released in year		(298,904)	(344,709)	(226,591)	(292,611)
Unwinding of discount on provisions	22	-	58	6,616	6,647
Financial Guarantee charged in year		(37,318)	(37,318)	(5,359,549)	(5,359,549)
Unwinding of discount - Financial Guarantees		-	-	42,438	42,438
Provision for bad/doubtful debt		24	22,233	-	5,101
Non cash items		(471,404)	744,334	(2,241,584)	(825,998)
Statement of Comprehensive Net Expenditure		10,535,742	12,845,279	9,021,079	11,641,080

* Pension scheme expense had previously been captured within ‘Other Costs’ and so had been recognised as a cash transaction. This has been adjusted for and is now correctly recognised as a non-cash item.

14. Income

14.1 Income

	Note	2010-11 Core Department	2010-11 Consolidated	2009-10 Core Department	2009-10 Consolidated
		£000	£000	£000	£000
Rental Income		412	3,956	318	4,379
Fees & Charges to OGD		15,102	35,465	16,509	42,525
Fees & Charges to external customers		189,225	254,960	176,237	229,484
Eurocontrol Receipts		46,448	46,448	61,672	61,672
Dartford road user charges		71,326	71,326	72,972	72,972
Claims for Damages to Road Network		-	12,949	-	15,204
Income from TOCs		1,049,205	1,049,204	588,234	588,234
Other		190,508	208,299	172,673	182,493
Sub Total		1,562,226	1,682,607	1,088,615	1,196,963
Amortisation of Deferred Income (non cash)		54,387	54,387	36,258	36,258
Operating income	14.2	1,616,613	1,736,994	1,124,873	1,233,221
EU Income		7,254	10,545	28,868	30,571
Dividends receivable		956,090	956,090	4,638	4,638
Interest receivable		23,471	41,505	22,751	38,890
Statement of Comprehensive Net Expenditure		2,603,428	2,745,134	1,181,130	1,307,320

14.2 Operating Income is analysed by Admin and Programme income as follows:

	Note	2010-11 Core Department	2010-11 Consolidated	2009-10 Core Department (restated)	2009-10 Consolidated (restated)
		£000	£000	£000	£000
Operating income					
Administration		15,794	33,977	20,375	45,812
Programme		1,600,819	1,703,017	1,104,498	1,187,409
Operating Income	14.1	1,616,613	1,736,994	1,124,873	1,233,221

14.3 Fees and Charges information

	2010-11 Income	2010-11 Full Cost	2010-11 Surplus/ (Deficit)	2009-10 Income (restated)	2009-10 Full Cost (restated)	2009-10 Surplus/ (Deficit) (restated)
	£000	£000	£000	£000	£000	£000
Government Car and Despatch Agency						
Government Car Service	8,934	13,584	(4,650)	14,609	17,047	(2,438)
Inter Despatch Service	7,200	7,375	(175)	7,177	8,388	(1,211)
Highways Agency						
Road Damage Claims	12,949	13,630	(681)	15,204	16,004	(800)
Road Contract Income (S278 Schemes)	27,600	27,600	-	20,374	20,374	-
Rental Income	3,545	6,112	(2,567)	4,060	5,145	(1,085)
Maritime and Coastguard Agency						
Marine Surveys	5,537	5,182	355	5,513	6,079	(566)
Registration of Ships	352	602	(250)	-	1,133	(1,133)
Seafarers' Examination & Certification	2,634	2,725	(91)	2,203	1,895	308
Wider Market Initatives and EU Twinning Projects	1,253	1,073	180	1,380	1,067	313
Vehicle Certification Agency						
Product Certification	8,766	7,470	1,296	7,215	6,512	703
Management System Certification	1,559	2,194	(635)	1,382	1,732	(350)
	80,329	87,547	(7,218)	79,117	85,376	(6,259)

The prior year figures have been restated to bring them into line with Agency account disclosure

The information provided above is for fees and charges purposes, and is not for IFRS 8 purposes.

Additional information regarding these fees and charges (including the financial objective and performance against financial objective) can be found in the published accounts for each of the individual agencies.

15. Statement of Net Operating Cost by Spending Body

	2010-11 Outturn (restated)	2009-10 Outturn (restated)
	£000	£000
Spending Body:		
Core Department	2,897,742	2,782,039
GCDA	4,694	1,942
Highways Agency	2,258,948	2,590,940
MCA	126,605	132,876
VCA	(934)	(859)
NDPBs	185,696	526,014
Local Authorities	5,054,602	4,754,322
Other bodies	-	20,319
Total	10,527,353	10,807,593

16. Property, Plant and equipment

	National Trunk Road (restated)	Infrastructure Asset (restated)	Assets under Construction	Land	Buildings excluding Dwellings	Dwellings	Plant and Machinery	Furniture and Fittings	Transport Equipment	Information Technology	Total (restated)
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation											
Balance at 1 April 2010	100,811,797	3,546,000	725,126	153,031	212,526	38,492	150,252	2,955	5,862	127,450	105,773,491
Detrunkings	(91,324)	-	-	-	-	-	-	-	-	-	(91,324)
Restated balance at 1 April 2010	100,720,473	3,546,000	725,126	153,031	212,526	38,492	150,252	2,955	5,862	127,450	105,682,167
Prior year balance adjustment	632,945	-	48,645	796	77	2,404	128	-	21	-	685,016
Additions	335,813	-	1,266,040	8	15,909	613	16,650	1	262	650	1,635,946
Write down of capital additions	-	-	(724,718)	-	-	-	-	-	-	-	(724,718)
Disposals	-	-	-	(16)	(113)	-	(1,187)	(7)	(1,143)	(382)	(2,848)
Impairment	(118,253)	-	-	(86)	(19,405)	(284)	(7)	-	-	(7)	(138,042)
Transfers	313,838	-	(349,209)	2,240	8,543	17,363	6,094	777	-	354	-
Reclassifications	-	-	(882)	(11,900)	4,930	(5,872)	(20,093)	-	-	(1,094)	(34,911)
Revaluation	12,573,556	-	-	1,945	(3,575)	4,342	8,357	(18)	-	(3,087)	12,581,520
Balance at 31 March 2011	114,458,372	3,546,000	965,002	146,018	218,892	57,058	160,194	3,708	5,002	123,884	119,684,130
Depreciation											
Balance at 1 April 2010	13,895,320	30,701	-	-	57,362	-	82,437	1,985	3,202	109,755	14,180,762
Detrunkings	(11,868)	-	-	-	-	-	-	-	-	-	(11,868)
Restated balance at 1 April 2010	13,883,452	30,701	-	-	57,362	-	82,437	1,985	3,202	109,755	14,168,894
Prior year balance adjustment	(245,644)	-	-	-	(1,488)	-	132	-	(6)	-	(247,006)
Provided in year	411,703	46,052	-	-	6,131	-	12,503	317	708	11,582	488,996
Impairments	(64,536)	-	-	-	(37)	-	-	-	-	-	(64,573)
Disposals	-	-	-	-	(68)	-	(1,144)	(3)	(719)	(389)	(2,323)
Reclassifications	-	-	-	-	(98)	-	(18,972)	-	-	(817)	(19,887)
Transfers	-	-	-	-	-	-	-	-	-	-	-
Revaluation	1,799,218	-	-	-	(4,322)	-	4,095	(13)	18	(2,227)	1,796,769
Balance at 31 March 2011	15,784,193	76,753	-	-	57,480	-	79,051	2,286	3,203	117,904	16,120,870
NBV as at 31 March 2011	**98,674,179**	**3,469,247**	**965,002**	**146,018**	**161,412**	**57,058**	**81,143**	**1,422**	**1,799**	**5,980**	**103,563,260**
NBV as at 31 March 2010	**86,837,021**	**3,515,299**	**725,126**	**153,031**	**155,164**	**38,492**	**67,815**	**970**	**2,660**	**17,695**	**91,513,273**
Asset financing:											
Freehold	96,342,244	3,469,247	783,006	146,018	141,596	57,058	80,581	1,422	1,799	5,480	101,028,451
Short term lease	-	-	-	-	17,016	-	562	-	-	500	18,078
PFI contracts recognised in the Statement of Financial Position	2,331,935	-	-	-	2,800	-	-	-	-	-	2,334,735
PFI reversionary interest	-	-	181,996	-	-	-	-	-	-	-	181,996
NBV at 31 March 2011	**98,674,179**	**3,469,247**	**965,002**	**146,018**	**161,412**	**57,058**	**81,143**	**1,422**	**1,799**	**5,980**	**103,563,260**

	National Trunk Road	Infrastructure Asset (restated)	Assets under Construction	Land	Buildings excluding Dwellings	Dwellings	Plant and Machinery	Furniture and Fittings	Transport Equipment	Information Technology	Total (restated)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation											
Balance at 1 April 2009	101,490,315	-	320,611	2,140,296	200,641	40,804	136,563	2,926	5,913	115,052	104,453,121
Detrunkings	-		-	-	-	-	-	-	-	-	-
Prior year balance adjustment	(498,265)	-	(4,293)	-	(16)	-	(47)	3	-	276	(502,342)
Additions	732,963	3,546,000	1,188,836	37	900	-	27,094	17	681	587	5,497,115
Valuation Adjustment	(732,963)	-	-	-	-	-	-	-	-	-	(732,963)
Write down of capital additions	-	-	(599,695)	-	-	-	-	-	-	-	(599,695)
Disposals	-	-	-	(1,921)	(265)	-	(1,249)	-	(733)	(767)	(4,935)
Impairment	(90,582)		-	(361)	-	(422)	(148)	-	-	(1,723)	(93,236)
Transfers	171,965	-	(179,929)	35	357	-	1,831	-	-	5,741	-
Reclassifications	-	-	(404)	-	1,037	(3,225)	(13,847)	(18)	-	(718)	(17,175)
Revaluation	(261,636)	-	-	11,340	9,872	1,335	55	27	1	9,002	(230,004)
CTRL land Impairment	-	-	-	(1,996,395)	-	-	-	-	-	-	(1,996,395)
Balance at 31 March 2010	100,811,797	3,546,000	725,126	153,031	212,526	38,492	150,252	2,955	5,862	127,450	105,773,491
Depreciation											
Balance at 1 April 2009	14,072,216	-	-	-	45,651	-	90,761	1,713	3,554	83,754	14,297,649
Detrunkings	-		-	-	-	-	-	-	-	-	-
Prior year balance adjustment	(92,238)	-	-	-	-	-	(44)	4	2	-	(92,276)
Valuation Adjustment	(732,963)	-	-	-	-	-	-	-	-	-	(732,963)
Provided in year	798,861	30,701	-	-	7,229	-	7,661	262	634	21,515	866,863
Impairments	(50,484)	-	-	-	-	-	-	-	-	-	(50,484)
Disposals	-	-	-	-	(156)	-	(1,141)	-	(581)	(673)	(2,551)
Reclassifications	-	-	-	-	(16)	-	(13,674)	(11)	-	(219)	(13,920)
Transfers	-	-	-	-	-	-	-	-	-	-	-
Revaluation	(100,072)	-	-	-	4,654	-	(1,126)	17	(407)	5,378	(91,556)
Balance at 31 March 2010	13,895,320	30,701	-	-	57,362	-	82,437	1,985	3,202	109,755	14,180,762
NBV as at 31 March 2010	**86,916,477**	**3,515,299**	**725,126**	**153,031**	**155,164**	**38,492**	**67,815**	**970**	**2,660**	**17,695**	**91,592,729**
NBV as at 1 April 2009	**87,418,099**	**-**	**320,611**	**2,140,296**	**154,990**	**40,804**	**45,802**	**1,213**	**2,359**	**31,298**	**90,155,472**

	National Trunk Road (restated)	Infrastructure Assets (restated)	Assets under Construction	Land	Buildings excluding Dwellings (restated)	Dwellings (restated)	Plant and Machinery (restated)	Furniture and Fittings	Transport Equipment (restated)	Information Technology (restated)	Total (restated)
	£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Asset financing:											
Freehold	84,695,784	3,515,299	591,775	153,031	153,481	38,492	67,815	970	2,660	14,608	89,233,915
Short term lease	-	-	-	-	-	-	-	-	-	750	750
PFI contracts recognised in the Statement of Financial Position	2,220,693	-	-	-	1,683	-	-	-	-	2,337	2,224,713
PFI reversionary interest	-	-	133,351	-	-	-	-	-	-	-	133,351
NBV at 31 March 2010	**86,916,477**	**3,515,299**	**725,126**	**153,031**	**155,164**	**38,492**	**67,815**	**970**	**2,660**	**17,695**	**91,592,729**
Asset financing:											
Freehold	85,334,774	-	182,972	2,140,296	153,295	40,804	45,802	1,213	2,359	19,579	87,921,094
Short term lease	-	-	-	-	-	-	-	-	-	-	-
PFI contracts recognised in the Statement of Financial Position	2,083,325	-	-	-	1,695	-	-	-	-	11,719	2,096,739
PFI reversionary interest	-	-	137,639	-	-	-	-	-	-	-	137,639
NBV at 31 March 2009	**87,418,099**	**-**	**320,611**	**2,140,296**	**154,990**	**40,804**	**45,802**	**1,213**	**2,359**	**31,298**	**90,155,472**

16.1 Analysis of Property, Plant and Equipment

The net book value at 31 March of Property, Plant and Equipment:

	National Trunk Road	Infrastructure Assets	Assets under Construction	Land	Buildings excluding Dwellings	Dwellings	Plant and Machinery	Furniture and Fittings	Transport Equipment	Information Technology	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at 31 March 2011											
Core Department	-	3,469,247	11,416	11,260	61,856	-	11,187	1,375	3	1,398	3,567,742
Agencies	98,674,179	-	953,586	134,758	99,556	57,058	69,956	47	1,796	4,582	99,995,518
sub-total	98,674,179	3,469,247	965,002	146,018	161,412	57,058	81,143	1,422	1,799	5,980	103,563,260
as at 31 March 2010											
Core Department	-	3,515,299	6,251	10,340	45,732	-	11,719	901	3	7,189	3,597,434
Agencies	86,837,021	-	718,875	142,691	109,432	38,492	56,096	69	2,657	10,506	87,915,839
sub-total	86,837,021	3,515,299	725,126	153,031	155,164	38,492	67,815	970	2,660	17,695	91,513,273
as at 31 March 2009											
Core Department	-	-	6,682	2,005,746	45,631	-	7,757	1,134	16	9,099	2,076,065
Agencies	87,418,099	-	313,929	134,550	109,359	40,804	38,045	79	2,343	22,199	88,079,407
sub-total	87,418,099	-	320,611	2,140,296	154,990	40,804	45,802	1,213	2,359	31,298	90,155,472

16.2 Assets Held for Sale

	£000 consolidated
Cost or valuation	
At 1 April 2010	8,125
Reclassification	13,902
Disposals	(9,457)
Impairment	(5)
31st March 2011	12,565

	£000
Cost or valuation	
At 1 April 2009	11,776
Reclassification	2,924
Disposals	(6,271)
Impairment	(304)
31st March 2010	8,125

	£000
Cost or valuation	
At 1 April 2008	34,504
Reclassification	5,849
Transfers Out	(6,440)
Disposals	(22,129)
Impairment	(8)
At 31 March 2009	11,776

There were no Assets Held for Sale by the core department.

16.3 Infrastructure Assets

The opening position for Infrastructure Assets as at 1 April 2010 was restated to include amendments to the network asset databases. The amendments are not corrections to the existing data due to fundamental errors but are adjusted for the following reasons:

- Dimensional variance - an adjustment of £814,730,000 was made due to improved dimensional measurements for individual bridges and structures.
- Re-referencing variance – an adjustment of £63,859,000 to reflect changes in the asset databases from a number of schemes capitalised in prior year.

The policy to transfer non-core network routes to local authorities, as outlined in the Government's policy announced in the 1998 White Paper is now complete. However, from time to time, in delivering major schemes programmes, when a new section of road has been built to improve the road network the old section is detrunked to the relevant local authority. In year roads with an asset value of £79,456,000 were transferred to local authorities.

16.4 Valuation Adjustments

The Department spends capital on a wide range of infrastructure renewal schemes each year. In 2010-11 the Department spent £335,813,000 on capital renewal. This amount represents the gross value of materials replaced by the capital renewal expenditure and is therefore de-recognised from the books of account.

16.5 Write-down

This adjustment arises because of the difference between the actual cost of construction and the current replacement standard cost method in the valuation of the network infrastructure. The write-down of £724,717,000 in 2010-11 was impacted by the type of capital schemes undertaken during the year.

The write-down also includes £42,142,300 for a number of capital schemes that were cancelled due to change in Government policy.

16.6 Revaluation

The network infrastructure valuation increased by £10,774,000,000 during the year due to the following reasons:

- The change of VAT rate from 17.5% to 20% increased the valuation of the network.
- Indexation rates increases were applied to the annual revaluation of the network to ensure the valuation reflects movement in current prices.

16.7 Assets under Construction

The Assets under Construction balance at 1 April 2010 has been adjusted to include £48,645,000 of reversionary interest for the M6 toll road.

17. Intangible assets

	Software licences	Development costs	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2010	28,204	54,860	83,064
Prior-year balances adjustment	-	22,932	22,932
Additions	515	845	1,360
Transfers	(530)	530	-
Disposals	(41)	-	(41)
Impairment	-	(179)	(179)
Revaluations	(66)	-	(66)
Reclassification	1,971	-	1,971
At 31 March 2011	30,053	78,988	109,041
Amortisation			
At 1 April 2010	15,648	37,226	52,874
Prior-year balances adjustment	-	22,924	22,924
Charged in year	2,799	5,946	8,745
Disposals	(41)	-	(41)
Revaluations	(28)	-	(28)
Reclassifications	817	-	817
At 31 March 2011	19,195	66,096	85,291
Net book value:			
31 March 2011 - Statement of Financial Position	10,858	12,892	23,750

	Software licences	Development costs	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2009	25,184	72,739	97,923
Additions	946	1,208	2,154
Transfers	1,123	(1,123)	-
Disposals	(39)	-	(39)
Impairment	-	(17,953)	(17,953)
Revaluations	83		83
Reclassification	907	(11)	896
At 31 March 2010	28,204	54,860	83,064
Amortisation			
At 1 April 2009	12,434	30,404	42,838
Charged in year	2,901	7,048	9,949
Disposals	(25)	-	(25)
Revaluations	31		31
Reclassifications	307	(226)	81
At 31 March 2010	15,648	37,226	52,874
Net book value:			
31 March 2010 - Statement of Financial Position	12,556	17,634	30,190
31 March 2009 - Statement of Financial Position	12,750	42,335	55,085

17.1 Analysis of Intangible assets

The net book value at 31 March of intangible fixed assets comprises:

	Software licences	Development costs	Total
	£000	£000	£000
as at 31 March 2011			
Core Department	7,891	-	7,891
Agencies	2,967	12,892	15,859
sub-total	10,858	12,892	23,750
as at 31 March 2010			
Core Department	7,619	-	7,619
Agencies	4,937	17,634	22,571
sub-total	12,556	17,634	30,190
as at 31 March 2009			
Core Department	7,958	17,953	25,911
Agencies	4,792	24,382	29,174
sub-total	12,750	42,335	55,085

The Department recognises the Transport Direct web portal as a non-current asset, as it is used to deliver a service to the public. Transport Direct became fully functional in January 2005. Other websites are considered not to meet IAS 38 and SIC 32 requirements for recognition as, while they meet the definition of intangible assets, they do not deliver future benefits to the Department.

18. Financial Instruments

IFRS 7 requires specified minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that the Department faces in undertaking its activities.

The core Department for Transport is resourced almost entirely from funds voted by Parliament and so has limited dependency on revenues from customers. This substantially reduces many financial risks. These conditions apply also to the Highways Agency and the Maritime and Coastguard Agency. Other entities within the consolidation boundary, in particular the Government Car and Despatch Agency, are reliant on trading relationships. However, these entities are relatively immaterial in the context of the consolidated Department. Further financial risk disclosures are given in the accounts of these entities.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Department's customers or counterparties fail to fulfill their contractual obligations to the Department.

A significant number of the Department's customers and counterparties are other public sector organisations. No credit risk arises from these organisations.

For those customers and counter parties that are not public sector organisations, the Department has policies and procedures in place to ensure credit risk is kept to a minimum. The Train Operating Companies (TOC) generate significant amounts of income for the Department. Risk in relation to this income is minimised by the Department meeting with each TOC on a regular basis and reviewing its performance.

The Department is not exposed to material Credit Risk.

Liquidity risk

This is the risk that the Department is unable to meet its obligations when they fall due and to replace funds when they are withdrawn.

The Department draws down cash from the Government Banking Service. To reduce the overall costs of government banking, departments are required to provide forecasts of their cash needs on a monthly basis, with penalties imposed for poor forecasting. However, measures exist to cover unforeseen cash requirements. The Department has a dedicated cash management team with a track record of accurate cash forecasting. This risk is therefore expected to remain negligible.

Market risk

Some of the Department's rights and obligations under its financial instruments are linked to movements in the Retail Prices Index (RPI). These relate to the index-linked notes issued by CTRL Section 1 Finance plc, with a book value of £617m (2010: £600m). Pensions payable to former employees who have been granted early retirement are also linked to RPI. Movements in the RPI give rise to changes in interest charges and in cash flows, though changes to the latter are delayed, as they are linked to RPI seven months prior to the payment date. The value of the index-linked notes recognised in these statements assumed long-term RPI at 2.75% per annum, as advised by HM Treasury. However, during the financial year, RPI has approached 5% per annum. The following sensitivity analysis assumes the following three scenarios: a) RPI reverts to 2.75% per annum from April 2011 onwards; b) RPI reaches 5% per annum from April 2011 onwards; c) RPI reaches 7.5% per annum from April 2011 onwards.

Scenario	a)	b)	c)
Interest expense (£000)	31,905	44,618	58,731

Under central government funding regimes, increases in a liability due to an increase in RPI score as expenditure, which needs to be funded through the Estimates process. The Department manages this risk by ensuring its Estimates forecasts reflect actual RPI rates and prudent forecasts of changes in RPI for the remainder of that year.

The bonds and notes issued by LCR Finance plc and CTRL Section 1 Finance plc are traded. Based on prices of observed transactions at the end of the year, the fair value of the liabilities at 31 March 2011 were

Government Guaranteed Bonds issued by LCR Finance plc £2,887m and Asset-backed Notes issued by CTRL Section 1 plc £1,538m. The carrying values are disclosed in Note 24.

The Department has minimal transactions or balances that are either denominated in foreign currency, linked to a floating interest rate, or linked to any other market price. It therefore considers that changes in exchange rates, interest rates or other market prices would represent a negligible risk.

18.1 Financial Assets

Public Dividend Capital

	Vehicle and Operator Services Agency	Driver and Vehicle Licensing Agency	Driving Standards Agency	Total
	£000	£000	£000	£000
Balance at 1 April 2009	28,984	19,048	3,475	51,507
Balance at 31 March 2010	28,984	19,048	3,475	51,507
Balance at 31 March 2011	**28,984**	**-**	**3,475**	**32,459**

Loans

	Vehicle and Operator Services Agency	Driving Standards Agency	Mersey Tunnel	Humber Bridge Board	Other (restated)	Total (restated)
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	102,714	76,880	8,161	332,622	0	520,377
Advances	28,717	6,300	-	-	14,600	49,617
Repayments	(8,839)	(6,102)	(1,974)	-	-	(16,915)
Balance at 31 March 2010	122,592	77,078	6,187	332,622	14,600	553,079
Advances	-	-	-	-	69,048	69,048
Repayments	(24,017)	(7,599)	(2,152)	(500)	(40,000)	(74,268)
Balance at 31 March 2011	**98,575**	**69,479**	**4,035**	**332,122**	**43,648**	**547,859**

Share Investments

	National Air Traffic Holdings Ltd	LCR (restated)	Total
	£000	£000	£000
Balance at 1 April 2009	68,761	-	68,761
Additions	-	5,041,477	5,041,477
Disposals	-	-	-
Impairments	-	(3,094,600)	(3,094,600)
Reclassification:Concession Asset	-	(1,860,000)	(1,860,000)
Balance at 31 March 2010	68,761	86,877	155,638
Disposals	-	(86,877)	(86,877)
Impairments	-	-	-
Balance at 31 March 2011	**68,761**	**-**	**68,761**

National Loans Fund

	Civil Aviation Authority	Kings Lynn Harbour Conservancy	Total
	£000	£000	£000
Balance at 1 April 2009	6,997	40	7,037
Advances	6,000	-	6,000
Loans repayable within one year transferred to debtors	(1,580)	(5)	(1,585)
Balance at 31 March 2010	11,417	35	11,452
Loans repayable within one year transferred to receivables	(1,796)	(5)	(1,801)
Balance at 31 March 2011	**9,621**	**30**	**9,651**

Total Investments at 31 March 2009 - Statement of Financial Position	647,682
Total Investments at 31 March 2010 - Statement of Financial Position (restated)	771,676
Total Investments at 31 March 2011 - Statement of Financial Position	658,730

18.2 Investments in other public sector bodies

The Secretary of State holds the following shares:

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

- A redeemable special share of £1 in Eurostar International Ltd (formerly Eurostar (UK) Limited (EUKL)) lapsed in September 2010, following the restructuring of the company.

- One redeemable special participating share of £1 in Inter-Capital and Regional Rail Limited (which is the manager of the Eurostar UK business). The share carries the right to 5% of the dividends or other distributions declared as payable on the ordinary shares of that company.

The Secretary of State is a member of Network Rail and has certain special membership rights under Network Rail's Articles of Association. As a company limited by guarantee, Network Rail has no share capital and, therefore, no shareholders. Members of Network Rail do not receive dividends (Note 35).

Further information about all of the Department's investments can be found in each entity's audited annual reports and accounts.

18.3 Share investments that have not been consolidated

The following share investments have not been consolidated into the Department's departmental accounts because they are outside the Department's consolidation boundary (see Note 33). These investments have been shown at historic cost less any impairment:

- 49% of the £1 ordinary share capital in National Air Traffic Services Holdings Limited (NATS). 47% of the £0.80 ordinary share capital is also held. NATS reported Capital and Reserves of £527.2 million as at 31 March 2010 and Operating Profit of £157.8 million for the period ending 31 March 2011;

- one share in British Railways Board (Residuary) Limited (nominal value £1). This represents 100% of the share capital. BRBR reported Capital and Reserves of £235.6m as at 31st March 2011 and Profit before Tax of £0.3m for the period ending 31st March 2011 ; and

  - 100% of the issued share capital in the following companies:
  - Goldings Rail Limited;
  - Hays Rail Limited;
  - OQS Rail Limited;
  - Strutton Rail Limited;
  - Orchard Rail Limited;
  - Broadway Rail Limited; and
  - Westminster Rail Limited.

  These companies were dormant for the period of account and so recorded no profit/loss and held negligible assets.

- The Secretary of State for Transport provided debt finance for the construction of the Humber Bridge, which is owned and managed by the Humber Bridge Board (a joint local authority board). The bridge was completed in 1981. In 1998, the Department agreed to a restructuring of the loan arrangement with the Board so that, under the Humber Bridge (Debts) Order 1998, interest on £240 million of the £359 million principal due was suspended on 1 April 1998; thereafter, the proportion of the debt being charged with interest increased each year until the whole principal again became subject to the interest charge, which would happen on 1 April 2014. At 31 March 2011 the amount of suspended debt was £57.1 million out of a total of £332 million.

- Under the Humber Bridge (Debts) Order 2007 (No: 1828), the rate of interest was set at 4.25% effective from 1 April 2006. A five-yearly review will take place to inform a new order from 1 April 2011.

18.4 Other investments – Wholly-owned subsidiaries

In accordance with the Financial Reporting Manual, the Department does not consolidate the following wholly-owned subsidiaries, as these are classified as Non-Departmental Public Bodies (NDPBs), Public Corporations (PCs), or as private sector entities:

18.4.1 Directly owned

LCR Ltd – Group Accounts consolidating the activities of the London and Continental Railways Group	
Function	Was the parent of HS1 (sale completed on the 18th November 2010), 40% shareholding in Eurostar International Limited; participator in property investments
Status	Central Government (not NDPB)
Year end date	31 December
2010 Pre-tax profit	£394,400,000 group
2010 Net assets	£453,300,000 group
2009 Pre-tax loss	(£1,348,600,000)[1] group
2009 Net assets	£981,200,000 group
Notes: [1] LCR Ltd group loss largely attributable to £2.9bn charge of impairment of rail infrastructure asset, offset by accelerated amortization of £1.8bn government grant.	

LCR Finance plc	
Function	Issuer of government guaranteed bonds • £1.225bn 4.5% due 2028; • £0.425bn 4.5% due 2038; and • £1.1bn 5.1% due 2051 Repayments of interest and capital are being financed by the Department; this obligation is recognised as a payable in Note 24. LCR Finance plc recognises a balance receivable from the Department (formerly from LCR Ltd) and interest receivable from the same source, which exactly offset its liabilities and interest payable to the bondholders
Status	Central Government (not NDPB)
Year end date	Moved from 31 December to 31 March (from 2011)
2010-11 Pre-tax profit/(loss) [1]	nil
31st March 2011 Net assets[1]	£50,000
2009 Pre-tax loss/(loss)	nil
2009 Net assets	£50,000
[1] LCR Finance PLC had a reporting period of 1st January to 31st December up to and including 2009. The company then moved to a 31st March year end in 2011 and so experienced a 15 month reporting period.	

CTRL Section 1 Finance plc	
Function Issuer of asset-backed notes: - £748 million 5.234%fixed rate notes due 2035; and - £500 million 2.334% index-linked notes due 2051. Repayments of interest and capital are being financed by the Department; this obligation is recognised as a payable in Note 24. CTRL Section 1 Finance plc recognises a balance receivable from the Department (formerly from HS1 Ltd), and interest receivable from the same source, which largely offset its liabilities and interest payable to the noteholders. The values of interest payable and receivable, and therefore of balances payable and receivable, will fluctuate in line with movements in the Retail Price Index, affecting the index-linked notes	
Status	Central Government (not NDPB)
Year end date	Moved from 31 December to 31 March (from 2011)
2010-11 Pre-tax profit [1]	£398,000
31st March 2011 Net assets[1]	£5,204,000
2009 Pre-tax loss	(£578,000)
2009 Net assets:	£4,806,000
[1] CTRL Section 1 Finance PLC had a reporting period of 1st January to 31st December up to and including 2009. The company then moved to a 31st March year end in 2011 and so experienced a 15 month reporting period.	

Directly Operated Railways Ltd	
Function	Directly Operated Railways Ltd fulfils the Secretary of State's requirements under Section 30 of the Railways Act to secure the continued provision of passenger railway services should an existing franchise not be able to complete its full term. Directly Operated Railways Ltd has East Coast Main Line Company Limited (East Coast) as a subsidiary.
Status	NDPB
Year end date	31 March
2010-11 Pre-tax profit/(loss)	Not available at date of issue
31st March 2011 Net assets	Not available at date of issue
2009-10 Pre-tax profit	£1,820,000
31st March 2010 Net assets	£1,322,000

18.4.2 Indirectly owned

HS1 Ltd	
Function	Operator of High Speed Rail link between London and the Channel.
Status	HS1 Ltd was sold on the 18th November 2010 to a joint venture between Borealis Infrastructure Management Inc and the Ontario Teachers' Pension Plan Board for £2,063m.

18.5 Other investments – Associates and Joint Ventures

In accordance with the *Financial Reporting Manual*, the Department does not consolidate the following holdings as associates or joint ventures:

18.5.1 Directly owned

NATS Holdings Limited	
Function	Providing air traffic control services
Status	Private sector company limited by shares. Shares held by the Department (49%), the Airline Group (42%), BAA (4%) and the Employees' Share Ownership Scheme (5%)
Year end date	31 March
2010-11 Pre-tax profit	£106,100,000
31st March 2011 Net assets	£527,200,000
2009-10 Pre-tax profit	£78,300,000
31st March 2010 Net assets	£537,000,000

18.5.2 Indirectly owned

Eurostar International Limited (formerly Eurostar (UK) Limited)	
Function	Eurostar International Limited (EIL) is the operator of the Eurostar service operating between London, Paris and Brussels.
Status	Prior to the creation of EIL on the 1st September 2010 the UK, France and Belgium had been responsible for operating the Eurostar service within their own countries. EIL is owned as follows; London and Continental Railways (LCR) 40%, NMBS/SNCB 5% and SNCF 55%. We await the formal classification of this entity by the Office of National Statistics.
Year end date	31 December*
2010 Pre-tax profit	£31,900 (group)
2010 Net liabilities	(£1,484,200) (group)
2009 Pre-tax profit	£63,500,000 (group)
2009 Net liabilities	(£1,589,000,000) (group)

* EIL was involved in a significant corporate restructure on 31 August 2010. The 2010 figure stated relates to the period 01 January 2010 to 30 August 2010. A separate statutory account is to be prepared for the 4 month period from 31 August 2010 to 31 December 2010. It is intended that from 1 January 2011 onwards EIL will revert back to an annual financial reporting period.

Kings Cross Central Limited Liability Partnership	
Function	Development of the area around Kings Cross station
Status	Limited Liability Partnership, comprising LCR Ltd, Argent and Exel
As a Limited Liability Partnership there is no further data in the public domain	

18.6 Financial Liabilities

18.6.1 Financial Guarantee Contracts

	London & Continental Railways (restated)	Network Rail[1]	Other Financial Guarantees	Total (restated)
	£000	£000	£000	£000
Balance at 1 April 2009	**(5,352,666)**	**(2,979,043)**	**(1,904)**	**(8,333,613)**
Charged in year	(39,741)	(60,616)	-	(100,357)
Released	5,397,527	173,500	1,764	5,572,791
Unwinding of the discount	(42,438)	(152,302)	-	(194,740)
Balance at 31 March 2010	**(37,318)**	**(3,018,461)**	**(140)**	**(3,055,919)**
Charged in year	-	(226,167)	-	(226,167)
Released	37,318	186,500	-	223,818
Unwinding of the discount	-	(162,572)	-	(162,572)
Balance at 31 March 2011	**-**	**(3,220,700)**	**(140)**	**(3,220,840)**

[1] The sum released passes through the Statement of Comprehensive Net Expenditure as income. The amount charged in year together with the unwinding of the discount are also charged through the Statement of Comprehensive Net Expenditure, but this is offset by a corresponding sum released from receivables.

Between 1999 and 2003, the Department provided guarantees supporting financial instruments sold by LCR Finance plc and CTRL Section 1 Finance plc, valued at approximately £5 billion. The money raised from the sale financed the construction of the Channel Tunnel Rail Link, High Speed 1. The Department also provided guarantees supporting debt raised by CTRL (UK) Limited, now High Speed 1 Limited. These guarantees were recognised in the Department's 2008-09 departmental accounts as financial guarantee contracts.

In June 2009 the Department acquired the entire share capital of LCR Finance plc and CTRL Section 1 Finance plc from the previous owner, LCR Limited. It assumed responsibility for providing these companies with funding to meet their liabilities to the holders of the financial instruments as they fall due. This liability is now reported via the Trade Payables and other current liabilities Note, split between less than and greater than one year.

19. Impairments

Core Department	**2010-11**	**2009-10 (restated)**
	£'000	£'000
Impairments through the Statement of Comprehensive Net Expenditure - Fixed Assets and Assets Held for Sale	-	19,676
Impairments through the Statement of Comprehensive Net Expenditure - Share Capital	-	3,094,600
Impairments through the revaluation reserve	-	-
	-	3,114,276

Consolidated	**2010-11**	**2009-10 (restated)**
	£'000	£'000
Impairments through the Statement of Comprehensive Net Expenditure - Fixed Assets and Assets Held for Sale	73,653	60,734
Impairments through the Statement of Comprehensive Net Expenditure - Share Capital	-	3,094,600
Impairments through the revaluation reserve	-	275
	73,653	3,155,609

20. Inventories

Core Department	31-Mar-11	31-Mar-10	31-Mar-09
	£000	£000	£000
Non Current:			
Stocks	-	-	-
Work-in-progress	-	-	-
	-	-	-
Current:			
Stocks	15,281	55,030	37,223
Work-in-progress	-	-	-
	15,281	55,030	37,223

Consolidated Department	31-Mar-11	31-Mar-10	31-Mar-09
	£000	£000	£000
Non Current:			
Stocks	2,906	2,568	-
Work-in-progress	-	-	-
	2,906	2,568	-
Current:			
Stocks	104,620	145,838	67,869
Work-in-progress	531	284	234
	105,151	146,122	68,103

21. Trade receivables and other current assets

	2010-11		2009-10		2008-09	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000	£000	£000
Amounts falling due within one year:						
Trade Receivables	16,843	30,946	24,360	38,538	6,305	20,505
Deposits and Advances	627	11,772	744	10,164	764	8,461
VAT	2,416	92,942	2,558	113,472	9,209	89,145
Other receivables	1,450	1,824	666	1,771	2,853	13,847
Midlands Expressway Limited M6 concession	-	10,613	-	9,622	-	-
Financial Indemnity Mechanism receivable	25,127	25,127	22,260	22,260	-	-
Prepayments and accrued income	32,588	49,773	78,082	89,104	42,632	52,964
Current part of NLF loan	1,801	1,801	1,585	1,585	1,034	1,034
Amounts due in respect of Consolidated Fund Extra Receipts	54,387	54,394	-	74	-	-
Amounts due from the Consolidated Fund in respect of supply	310,327	333,828	-	-	-	-
Total	445,566	613,020	130,255	286,590	62,797	185,956
Amounts falling due after more than one year:						
Deposits and advances	-	4,653	-	58	-	67
Other receivables	-	81	1,800	1,920	1,800	1,956
Severn River Crossing Plc subordinated loan	-	100,045	-	95,481	-	96,868
Midland Expressway Limited M6 concession	-	153,977	-	144,338	-	138,995
Financial Indemnity Mechanism receivable	3,195,574	3,195,574	2,996,201	2,996,201	2,979,044	2,979,044
Prepayments and accrued income	-	-	-	-	-	-
Severn River Crossing Plc deferred interest	-	54,815	-	46,096	-	38,063
Total	3,195,574	3,509,145	2,998,001	3,284,094	2,980,844	3,254,993

21.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	2010-11	2009-10	2008-09	2010-11	2009-10	2008-09
		£000			£000	
Balances with other central government bodies	491,504	122,752	94,878	-	1,800	1,800
Balances with local authorities	6,468	3,920	1,659	-	-	-
Balances with NHS Bodies	41	77	81	-	-	-
Balances with public corporations and trading funds	9,916	12,186	203	-	-	-
Subtotal: intra-government balances	507,929	138,935	96,821	-	1,800	1,800
Balances with bodies external to government	105,091	147,655	89,135	3,509,145	3,282,294	3,253,193
Total receivables at 31 March	**613,020**	**286,590**	**185,956**	**3,509,145**	**3,284,094**	**3,254,993**

22. Cash and cash equivalents

The department held only cash at the end of the year.

	2010-11		2009-10		2008-09	
	Core department	Consolidated	Core department	Consolidated	Core department	Consolidated
	£000	£000	£000	£000	£000	£000
Balance at 1 April	232,261	268,449	163,892	219,254	155,702	101,932
Net change in cash and cash equivalent balances	(73,227)	(120,500)	68,369	49,195	8,190	117,322
Balance at 31 March	159,034	147,949	232,261	268,449	163,892	219,254
The following balances at 31 March were held at:						
Government Banking Service	158,872	162,856	232,120	265,243	163,756	216,851
Commercial banks and cash in hand*	162	(14,907)	141	3,206	136	2,403
Balance at 31 March	159,034	147,949	232,261	268,449	163,892	219,254

* In 2010-11 a bank overdraft of £18,655,000, was recorded in the Highways Agency accounts. This overdraft is included in Note 24 'Trade and other payables'. The overdraft is also included within the cash balance of £147,949,000 reported above. The 'Cash and cash equivalents' figure reported in the Statement of Financial Position of £166,604,000, excludes this overdraft.

23. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2010-11	2009-10	2008-09
	£000	£000	£000
Net cash requirement	(13,849,304)	(13,726,255)	(12,347,695)
From the Consolidated Fund (Supply) -current year	12,914,500	13,785,720	12,520,000
From Contingencies Fund	-	-	(3,500)
Amounts due to the Consolidated Fund received in a prior year and not paid over	-	-	(8,401)
Amounts due to the Consolidated Fund received in a prior year and paid over	(2,669)	(12,937)	(53,791)
Amounts due to the Consolidated Fund received and not paid over	816,975	2,669	12,937
Movement in Third Party Balances	-	(1)	(2,228)
Other	(2)	(1)	-
Increase/(decrease) in cash	(120,500)	49,195	117,322

24. Trade payables and other current liabilities

		2010-11		2009-10		2008-09	
		Core department	Consolidated	Core department (restated)	Consolidated (restated)	Core department	Consolidated
		£000	£000	£000	£000	£000	£000
Amounts falling due within one year							
VAT		-	382	-	669	-	653
Other taxation and social security		1,997	4,945	1	3,252	2,455	2,816
Pensions		-	1,932	-	-	-	-
Trade payables		14,872	44,970	35,994	42,108	46,418	131,588
Other payables		110,066	119,806	85,309	96,140	57,306	64,319
Payables to Channel Tunnel and LCR Finance PLC's		34,964	34,964	1,191,483	1,191,483	-	-
Accruals and deferred income		593,908	1,057,689	632,851	1,288,812	510,601	992,179
Bank Overdraft		-	18,655	-	-	-	-
Current part of finance leases		-	52,364	-	56,501	-	52,164
Current part of NLF loans		1,801	1,801	1,585	1,585	1,034	1,034
Third Party payables		-	-	-	-	1	1
Amounts issued from Consolidated Fund for supply but not spent at year-end		-	-	242,283	265,779	172,638	206,315
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund	- received	816,842	816,975	2,260	2,669	3,535	12,937
	- receivable	54,387	54,394	-	74	-	-
Total		1,628,837	2,208,877	2,191,766	2,949,072	793,988	1,464,006
Amounts falling due after more than one year:							
Imputed finance lease elements of on-balance sheet PFI contracts		-	1,497,871	-	1,162,369	-	1,107,588
NLF loans		9,651	9,651	11,452	11,452	7,037	7,037
Consolidated Fund Extra Receipts due to the Consolidated Fund		-	116,312	-	98,291	-	82,181
Accruals and deferred income		1,595,355	1,595,355	1,649,742	1,649,742	-	-
Other payables		-	117,939	1,267	109,555	1,268	112,832
Payables to Channel Tunnel and LCR Finance PLC's		4,109,440	4,109,440	3,945,945	3,945,945		
CTRL Land liability		-	-	-	-	1,995,900	1,995,900
Total		5,714,446	7,446,568	5,608,406	6,977,354	2,004,205	3,305,538

24.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	2010-11	2009-10 (restated)	2008-09	2010-11	2009-10 (restated)	2008-09
		£000			£000	
Balances with other central government bodies	984,637	1,594,248	222,747	5,921,152	5,789,460	2,175,411
Balances with local authorities	17,034	273,966	347,282	-	-	-
Balances with NHS bodies	2	-	-	-	-	-
Balances with public corporations and trading funds	24,576	10,006	4,677	9,651	11,452	7,037
Subtotal: intra-government balances	1,026,249	1,878,220	574,706	5,930,803	5,800,912	2,182,448
Balances with bodies external to government	1,182,628	1,070,852	889,300	1,515,765	1,176,442	1,123,090
Total Payables at 31 March 2011	2,208,877	2,949,072	1,464,006	7,446,568	6,977,354	3,305,538

24.2 National Loans Fund (NLF) loans

NLF loans are repayable by the following bodies:

			2010-11	2009-10
	Civil Aviation Authority Fixed Rates	Kings Lynn Harbour Conservancy Fixed Rates	Total	Total
	£000	£000	£000	£000
Within one year	1,796	5	1,801	1,585
Over one and under two years	1,892	5	1,897	1,801
Over two and and under five years	4,681	18	4,699	5,483
More than five years	3,048	7	3,055	4,168
Total	**11,417**	**35**	**11,452**	**13,037**

The Department has lent money made available by the National Loans Fund to the Civil Aviation Authority and to the Kings Lynn Harbour Conservancy. The profile of repayments receivable by the Department is set out in Note 18; the profile of repayments payable by the Department to the National Loans Fund is set out above. The loans are repayable at interest rates varying between 4.3% and 7.875%.

25. Provisions for liabilities and charges

	Early departure costs (i)	Greater London Authority (ii)	National Freight Company (iii)	Highways scheme costs (iv)	CTRL (v)	Others (vi)	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Balance at 1 April 2009	**23,905**	**62,000**	**55,200**	**628,833**	**585,120**	**81,720**	**1,436,778**
In year adjustment	(86)	-	-	-	-	248	162
Provided in year *	2,537	-	4,552	53,681	17,494	13,260	91,524
Provisions released *	(9,051)	-	-	(116,989)	(223,837)	(18,357)	(368,234)
Provisions utilised in year	(4,559)	(62,000)	(8,552)	(168,632)	(54,489)	(16,853)	(315,085)
Unwinding of discount	20	-	-	-	6,616	11	6,647
Provisions reclassified	(1)	-	-	-	-	1	-
Balance at 1 April 2010	**12,765**	**-**	**51,200**	**396,893**	**330,904**	**60,030**	**851,792**
Provided in the year*	19,078	-	1,006	137,745	-	4,499	162,328
Provisions not required written back	(1,993)	-	-	(102,531)	(301,854)	(12,317)	(418,695)
Provisions utilised in the year	(7,881)	-	(7,906)	(135,293)	(29,050)	(5,832)	(185,962)
Unwinding of discount	5	-	-	-	-	53	58
Prior Year Adjustment	54	-	-	-	-	(282)	(228)
Reclassification*	-	-	-	-	-	(4,612)	(4,612)
Balance at 31 March 2011	**22,028**	**-**	**44,300**	**296,814**	**-**	**41,539**	**404,681**

* Includes land provision adjustments of £81.5m (2009-10 £9.1) and reclassifications of provisions of £4.6m (2009-10 £0.0m) which are not recognised via the Statement of Comprehensive Net Expenditure

	Early departure costs (i)	Greater London Authority (ii)	National Freight Company (iii)	CTRL (v)	Others (vi)	Total
	£000	£000	£000	£000	£000	£000
Core Department						
Balance at 1 April 2009	**20,461**	**62,000**	**55,200**	**585,120**	**73,220**	**796,001**
In year adjustment	-	-	-	-	-	0
Provided in year	411	-	4,552	17,494	3,614	26,071
Provisions released	(8,995)	-	-	(223,837)	(17,214)	(250,046)
Provisions utilised in year	(3,282)	(62,000)	(8,552)	(54,489)	(15,214)	(143,537)
Unwinding of discount	-	-	-	6,616	-	6,616
Provisions reclassified	-	-	-	-	-	0
Balance at 1 April 2010	**8,595**	**-**	**51,200**	**330,904**	**44,406**	**435,105**
Provided in the year	15,052	-	1,006	-	881	16,939
Provisions not required written back	(1,993)	-	-	(301,854)	(11,104)	(314,951)
Provisions utilised in the year	(5,800)	-	(7,906)	(29,050)	(1,853)	(44,609)
Unwinding of discount	-	-	-	-	-	0
Prior Year Adjustment	-	-	-	-	-	0
Reclassification	-	-	-	-	148	148
Balance at 31 March 2011	**15,854**	**-**	**44,300**	**-**	**32,478**	**92,632**

25.1 Analysis of expected timing of discounted flows

	Early departure costs (i)	Greater London Authority (ii)	National Freight Company (iii)	Highways scheme costs (iv)	CTRL (v)	Others (vi)	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
No later than one year	6,423	-	7,906	156,798	-	9,110	180,237
Later than one year and not later than 5 years	13,587	-	35,274	136,467	-	22,297	207,625
Later than five years	2,018	-	1,120	3,549	-	10,132	16,819
Balance at 31 March 2011	22,028	-	44,300	296,814	-	41,539	404,681
Core Department							
No later than one year	4,328	-	7,906	-	-	4,306	16,540
Later than one year and not later than 5 years	9,839	-	35,274	-	-	19,463	64,576
Later than five years	1,687	-	1,120	-	-	8,709	11,516
Balance at 31 March 2011	15,854	-	44,300	-	-	32,478	92,632

25.2 Included in the amounts not expected to be called until after 2020 are:

There are no amounts to report that are not expected to be called until after 2020.

25.3 Early departure costs

The department and its agencies meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The department and its agencies provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.90 per cent in real terms.

25.4 National Freight Company

National Freight Company plc (NFC) pension trustee (1 April 2010 - £37.3m; 31 March 2011 - £32.8m) - reimbursement to NFC pension trustees in respect of payments covering unfunded pension service with NFC before 1 April 1975 (Part III, Transport Act 1980);

NFC travel concession (1 April 2010 - £13.9m; 31 March 2011 - £11.5m) - reimbursements to NFC and its subsidiaries for providing travel concession to staff previously employed by the road transport division of British Rail (s21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

25.5 Highways Schemes

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

25.6 Other

This heading covers a range of smaller provisions, including:

- South Eastern Trains (SET) (1 April 2010 - £10m; 31 March 2011 - £1.6m) - covers the potential liability faced by the Department upon the transfer of the previous SET franchise to the incoming franchisee, Govia;
- British Railways Board’s ex-employees’ pensions (1 April 2010 - £21.1m; 31 March 2011 - £19.7m) - reimbursement to trustees of railway pension schemes in respect of pension payments, covering the unfunded proportion of pensions deriving from service with British Railways Board before 1 January 1975 (Part III, Transport Act 1980);

- Dilapidations of core Department buildings (1 April 2010 - £10.8m; 31 March 2011 - £11m) - the Department recognises as a provision its best estimate as at the end of the current reporting period of the costs of reversing the accumulated wear and tear on the properties it occupies as a tenant, where this is a requirement under the relevant tenancy agreements; and
- Highways Agency compensation claims (1 April 2010 - £2.5m; 31 March 2011 - £2.1m) - third parties who have suffered damage or injury as a result of the road network being damaged and are entitled to submit a claim to the Highways Agency for compensation.

26. Capital commitments

	2010-11		2009-10		2008-09	
	Core department	Consolidated	Core department	Consolidated	Core department	Consolidated
	£000	£000	£000	£000	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements						
Property, plant and equipment	-	418,622	115	1,070,206	-	1,141,263
Intangible assets	-	2,066	-	959	-	-

Commitments under leases

26.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2010-11		2009-10		2008-09	
	Core department	Consolidated	Core department (restated)	Consolidated (restated)	Core department (restated)	Consolidated (restated)
	£000	£000	£000	£000	£000	£000
Obligations under operating leases for the following periods comprise:						
Land						
Not later than one year	-	646	-	670	-	634
Later than one year and not later than five years	-	2,128	-	2,070	-	1,925
Later than five years	-	2,440	-	2,639	-	2,717
	-	5,214	-	5,379	-	5,276
Buildings						
Not later than one year	15,320	25,868	13,817	25,011	13,530	26,226
Later than one year and not later than five years	40,844	85,174	46,442	88,186	48,483	99,897
Later than five years	27,388	101,313	39,765	116,799	49,804	137,893
	83,552	212,355	100,024	229,996	111,817	264,016
Other:						
Not later than one year	-	274	-	2,208	-	678
Later than one year and not later than five years	-	325	-	669	-	1,558
Later than five years	-	-	-	-	-	-
	-	599	-	2,877	-	2,236

26.2 Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods.

	2010-11		2009-10		2008-09	
	Core department	Consolidated	Core department	Consolidated	Core department	Consolidated
	£000	£000	£000	£000	£000	£000
Obligations under finance leases for the following periods comprise:						
Buildings						
Not later than one year	-	174	0	174	0	174
Later than one year and not later than five years	-	696	0	696	0	696
Later than five years	-	696	0	870	0	1,107
	-	1,566	0	1,740	0	1,977
Less interest element	-	(258)	0	(317)	0	(382)
Present Value of obligations	-	1,308	0	1,423	0	1,595
Other						
Not later than one year	-	998	0	250	0	250
Later than one year and not later than five years	-	307	0	500	0	751
Later than five years	-	0	0	0	0	
	-	1,305	0	750	0	1,001
Less interest element	-	0	0	0	0	0
Present Value of obligations	-	1,305	0	750	0	1,001

27. Commitments under PFI and other service concession arrangements

27.1 Recognised in the Statement of Financial Position

The Agency has entered into the following on balance sheet PFI contracts for the design, build, finance and operation of sections of the network:

- M1-A1 Yorkshire link
- A1 (M) Alconbury to Peterborough
- A419/A417 Swindon to Gloucester
- A50/A564 Stoke - Derby link
- M40 Junctions 1-15
- A19 Dishforth to Tyne Tunnel
- A30/A35 Exeter to Bere Regis
- A69 Carlisle to Newcastle
- A1(M) Darrington to Dishforth
- A249 Iwade to Queenborough
- \- National Traffic Control Centre
- \- National Roads Telecommunications Services
- M25 London Orbital Motorway contract

The substance of the PFI contract is that the Agency has a finance lease, with the asset being recognised as a non-current asset of the Agency. Payments under PFI contracts comprise two elements – imputed finance lease charges and services charges.

27.2 Imputed finance lease obligations under on balance sheets PFI contracts comprise

	2010-11		2009-10		2008-09	
	Core department	Consolidated	Core department	Consolidated	Core department	Consolidated
	£000	£000	£000	£000	£000	£000
Not later than one year	-	164,186	-	131,792	-	121,369
Later than one year and not later than five years	-	627,348	-	480,819	-	450,688
Later than five years	-	2,266,542	-	1,502,107	-	1,364,167
	-	3,058,076	-	2,114,718	-	1,936,224
Less: Interest element	-	(1,508,960)	-	(896,214)	-	(776,469)
	-	1,549,116	-	1,218,504	-	1,159,755

27.3 Charge to the Statement of Comprehensive Net Expenditure and future commitment

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on balance sheet PFI transactions was £289,346,000 (2009-10 £241,613,000).

The future total service element payments which the Department is committed to for each of the following periods are given in the table below, analysed according to the period in which the commitment expires.

	2010-11		2009-10		2008-09	
	Core department	Consolidated	Core department	Consolidated	Core department	Consolidated
	£000	£000	£000	£000	£000	£000
Not later than one year	-	402,845	-	387,920	-	280,847
Later than one year and not later than five years	-	1,778,124	-	1,828,448	-	1,053,546
Later than five years	-	11,916,188	-	9,967,084	-	2,561,245
	-	14,097,157	-	12,183,452	-	3,895,638

28. Other financial commitments

In accordance with a Deed of Grant entered into in December 2008, the Department is committed to making direct payments of £16,582m to Network Rail spread over the financial years 2009-10 – 2013-14. This sum is expressed in November 2008 prices. Actual sums payable under the Deed of Grant are subject to indexation with reference to the Retail Price Index. Any direct payments to Network Rail beyond this period will be contracted following a review of Network Rail's income requirement which will be conducted by the Office of Rail Regulation in due course.

In addition, as at 31 March 2011, the Department had 16 contracts with Train Operating Companies for the provision of rail services. One contract is with the East Coast Main Line Company Ltd (ECML). ECML is owned by Directly Operated Railways Ltd which is in turn a wholly owned subsidiary company of the Department for Transport.

These contracts are not leases or PFI contracts and are only cancellable prior to their expiry or break date in certain circumstances, normally following an event of default under an individual contract.

The figures below show the base contract payments committed under the suite of franchise agreements. The actual amounts payable under each franchise contract are subject to variation in accordance with the terms of the individual contracts which take account of a number of factors including changes to assumed passenger revenues and variations to Network Rail's income requirements as determined by the Office of Rail Regulation. In addition, the figures in the table below do not attempt to forecast any commitments by the Department for the provision of rail services beyond the expiry of the current suite of contracts with the rail industry.

		2010-11		2009-10
	Core department	Consolidated	Core department	Consolidated
	£000	£000	£000	£000
Not later than one year	3,874,531	3,874,531	3,822,998	3,822,998
Later than one year and not later than five years	7,232,250	7,232,250	10,966,879	10,966,879
Later than five years	-	-	76,428	76,428
Total	11,106,781	11,106,781	14,866,305	14,866,305

29. Contingent liabilities and contingent assets

As a government department, the Department for Transport discloses contingent liabilities under requirements that are more pervasive than those applicable to commercial entities. In accordance with IAS 37, it discloses contingent liabilities for which the risk of crystallisation is greater than remote but not probable. However, it also discloses contingent liabilities for which the risk of crystallisation is remote, where such contingent liabilities have been reported to Parliament in accordance with the guidance provided in *Managing Public Money*, because as guarantees, indemnities and letters of comfort, they expose the taxpayer to financial risk. These disclosure requirements are presented under separate headings, so that readers of the accounts can assess the level of risk that they represent.

29.1 Contingent liabilities disclosed under IAS 37

The Department has the following contingent liabilities for which the risk of crystallisation is considered greater than remote but is not thought probable. These are summarised by the nature and purpose of the contingent liability:

	31 March 2011 £m	31 March 2010 £m
Indemnities in respect of Crossrail funding and delivery		
To support delivery of the Crossrail project, the Department has provided indemnities to parties carrying risks that they would be unable to bear.	2,570	1,020

Legal claims		
From time to time, the Department experiences legal claims and challenges which it defends vigorously.	20	724
Highways Agency		
The process of constructing and maintaining the strategic road network may bring the Highways Agency into disagreement with parties affected by this work. This can result in counter-claims, which are aggregated under the following sub-headings:		
Possible obligations in relation to land and property acquisition.	169	286
Possible obligations in relation to engineering and construction services.	7	1
Third-party claims.	4	7
General Lighthouse Authorities' pension fund deficiency		
The Department has guaranteed benefits payable from this unfunded pay-as-you go scheme, in the event that the Authorities' operational revenues and investment returns prove insufficient. The value given is the most recent deficit on the scheme and thus reflects the Department's exposure if the Authorities receive no further operational revenues or investment returns, an outcome which is thought unlikely to materialise.	362	408
Letter of comfort in respect of London Underground PPP contract		
To support the PPP contract for certain London Underground lines, the Department has provided a letter of comfort, indicating the Secretary of State's intention to provide support under certain occurrences. Following the acquisition by Transport for London of Metronet in May 2008 and Tube Lines in May 2010, the letters are no longer in force.	-	500

The Department has responsibility for a number of legacy pension schemes formerly part of the British Railways Board. The Department is required to fund the employer's share of any deficits arising on these schemes (see note 36) and thus they are recognised on the Department's balance sheet.

29.2 Unquantifiable contingent liabilities

The following guarantees, indemnities and letters of comfort cannot be quantified with any degree of accuracy:

Agreements were entered into by the Director of Passenger Rail Franchising (novated to the Strategic Rail Authority and then to the Department), prior to the privatisation of each of the three rolling-stock companies (ROSCOs). It is not possible to quantify the liabilities associated with these agreements because they will depend on the circumstances that arise at the time.

Guarantees were given by the Strategic Rail Authority (and previously by the Director of Passenger Rail Franchising), and novated to the Department, in relation to new, replacement and extended passenger rail franchise agreements. It is not possible to quantify the potential liability that might arise as a result of these undertakings.

Letters of comfort have been issued, providing an indemnity in relation to legal action taken against the judge, counsel, solicitors and secretariat to the Thames Safety Inquiry and the Victim Identification Inquiry, which reported in 2000 and 2001 respectively, following major transport disasters.

The DfT is liable for potential claims by ex-seafarers or ship repairers employed on, or engaged in work on ships owned by nationalised shipping companies between 1939-1971 where they were exposed to hazardous materials.

The Secretary of State has a legal obligation to order and finance the re-hearing of a formal investigation if new and important evidence has been discovered or there are grounds for suspecting that a miscarriage of justice may have occurred. The Secretary of State may also have a constructive obligation to order and finance formal investigations into any marine accident if there is a great loss of life and the accident occurred on a UK registered vessel or the accident happened in UK waters. Technological developments mean that such new evidence can be discovered more readily. This means that, unless and until all marine accidents have been investigated to the satisfaction of all parties, the Department may be required to order and finance investigations at any time.

The Department is party to a NATO agreement relating to indemnification of civil aircraft in respect of their use on NATO tasks in time of crises and war.

Indemnities have been issued to non-executive members of the departmental Board, and to civil servants appointed to represent the Department on the boards of other organisations. An individual board member who has acted honestly and in good faith will not have to meet out of his or her personal resources any personal civil liability which is incurred in the execution or the purported execution of his or her board functions, save where the board member has acted recklessly. This cover is comparable to what is obtainable on the commercial insurance market.

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

Some EU legislation needs to be transposed into Member States' domestic law in order to have effect. The Department for Transport has responsibility for transposing EU legislation that relates to transport issues. To ensure that all EU citizens receive the same benefits from this legislation, the EU sets deadlines for transposition and has the power to impose financial penalties on Member States that do not meet those deadlines or that incorrectly implement obligations. Under the Lisbon Treaty, which came into effect on 1st December 2009, the powers to impose penalties have been enhanced, increasing the likelihood that Member States will be fined. In addition, there is a risk that individuals who suffer loss and damage though late or faulty implementation may be awarded damages by the courts.

29.3 Contingent assets disclosed under IAS 37

	31 March 2011	31 March 2010
	£m	£m
Transfer of legal claims to a third party	0	25
The Department has agreed with a third party that the third party will meet legal claims that would otherwise have fallen to the Department.		

29.4 Quantifiable contingent liabilities disclosed because they have been reported to Parliament in accordance with Managing Public Money

29.4.1 The Department has entered into the following quantifiable guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

Contractual arrangements may also fall to be measured according to the requirements of IAS39, as financial guarantee contracts. See note 18 (financial instruments) for further details.

	31 March 2011 £m	31 March 2010 £m	Amount reported to Parliament by depart-mental minute £m
Guarantees to support Network Rail's borrowings			
To reduce Network Rail's cost of borrowing and increase the amount invested in the rail infrastructure, the Department has provided the following measures of financial support:			
Indemnity			
A financial indemnity in support of Network Rail's Debt Issuance Programme.	25,100	23,800	26,600
Letter of comfort			
A standby credit facility, with a term of 50 years, to act as a long-term contingency buffer. This has not been used to date.	4,000	4,000	4,000
These measures of financial support of Network Rail's borrowings are recognised as a financial guarantee contract in the Financial Liabilities section of note 18, with a market value of £3.2bn, payable by Network Rail to the Department over the life of the Debt Issuance Programme.			
Other guarantees, indemnities and letters of comfort			
Should the International Maritime Organization building be partially or completely destroyed, the government would be obliged to reconstruct the building, suspend or reduce the rent for a period of three years and fund alternative accommodation.	69	69	Unquanti-fied
A guarantee has been offered to the Air Travel Trust Fund to enable the trustees to borrow to meet the claims of package holidaymakers in the event of the failure of tour operators.	42	55	55
A guarantee in respect of lease obligations of Eurostar (UK) Limited at Ashford International Passenger Station to 2022.	-	51	133

29.4.2 Managing Public Money requires that the full potential costs of such guarantees, indemnities and letters of comfort be reported to Parliament. These costs are reproduced in the table below.

	1 April 2010	Increase/ (decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2011	Amount reported to Parliament by depart-mental minute
Listed in Note 29.4.1	£'000	£'000	£'000	£'000	£'000	£'000
Guarantees	175,000	-	-	(64,000)	111,000	Unquantified
Letters of Comfort	4,000,000	-	-	-	4,000,000	Unquantified
Indemnities	23,800,000	1,300,000	-	-	25,100,000	26,600,000

30. Losses and special payments

30(a) Losses Statement

	2010-11	2009-10	2008-09
Total number of cases	2,024	1,987	3,011
Total amount (£'000)	48,578	6,895	8,355

The losses disclosed above include 1,863 cases valued at £4,510,000 (2009-10 1,920 cases, valued at £5,763,000) for damages to the road network where the culprit could not be identified, or otherwise pursued for costs.

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £250,000 in total and those that, individually, exceed £250,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation.

The following losses require separate disclosure:

- Two losses of £252,805.03 and £401,613.05 were recorded by the core department during 2010-11 in relation to the operation of the Bus Service Operators' Grant (BSOG). The BSOG scheme allows payments to be made in advance to bus operators and on these two occasions the companies which received payments in advance subsequently went into liquidation before satisfying the terms of their funding. Attempts were made to recover funds but these concluded that there was no prospect of recovery.

- During 2010–11 there was one case of £336,000 where debt from a third party has been written-off due to a book-keeping error in prior years and a further case of £483,000 where a debt from a third party was abandoned as the amount could not be recovered. These were recorded in the Highways Agency accounts.

- During 2010-11, eight road schemes in the course of development were cancelled as a result of the Governments' decision, taken as part of the 2010 Spending Review, to proceed with fourteen other schemes to be started between 2011-12 and 2014-15. This decision resulted in £42,142,300 costs needing to be written off during the year.

- The Highways Agency reviews on an ongoing basis the level of technology equipment held as inventory and how this will be used across the network. Where there is a risk that inventory will not be used, a provision is made. In the current year, a specific provision was made against technology equipment inventory of £10,875,000.

30(b) Special Payments

	2010-11	2009-10	2008-09
Total number of cases	48	30	29
Total amount (£'000)	1,945	643	178

During the year the Maritime and Coastguard Agency made payments made under the Coastguard Rescue Officers Injury Compensation Scheme. These totalled £700,628. Two payments were over £250,000.

31. Related-party transactions

The Department is the parent of the Highways Agency, the Maritime and Coastguard Agency, the Government Car and Despatch Agency, the Vehicle Certification Agency and a number of sponsored bodies listed in Note 33. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

The Highways Agency had transactions with QinetiQ, a public limited company in which the Ministry of Defence holds shares and Yorkshire Forward, an organisation sponsored by BIS. In addition, the Department has had a small number of transactions with other government departments and central government bodies.

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

No Board members, key managerial staff or other related parties have undertaken any material transactions with the Department during the year other than those reported.

32. Third-party assets

The Highways Agency, under Section 278 of the Highways Act 1980, receives payment in advance of works. These are paid into interest bearing Escrow Accounts at Lloyds TSB Bank. Monies are drawn down from the Escrow accounts by the Agency as work progresses.

The Highways Agency was appointed as the co-ordinator for a Coordination Action under the EU Sixth Framework Programme. It holds a Lloyds TSB Euro bank account where funding from the EU is deposited and subsequently distributed to the eleven partners across Europe. Funding provided by Brussels will be up to 2.5 million euros. The final action of this project is to reimburse partners, including the Agency, for the remaining costs incurred in this collaboration action.

These are not Highways Agency assets and therefore are not included in the accounts.

The amounts held are shown in the table below:

	31 March 2010	Gross Inflows	Gross Outflows	31 March 2011
	£000	£000	£000	£000
Lloyds TSB Escrow bank accounts	4,163	1,577	2,796	2,944
Lloyds TSB Euro bank account	151	0	40	111
	4,314	1,577	2,836	3,055

33. Entities within the Departmental boundary

33.1 Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2010-11 and are reported for as part of the Department's departmental accounts:

Advisory Non Departmental Public Bodies

Commission for Integrated Transport

Disabled Persons' Transport Advisory Committee

These entities are reported within the main Department and do not produce their own accounts.

Executive Agencies

Highways Agency

Maritime and Coastguard Agency

Government Car and Despatch Agency

Vehicle Certification Agency

These entities are separate to the main department and publish their own annual reports and accounts.

Executive Non Departmental Public Bodies

Railway Heritage Committee

This entity is reported within the accounts of the Core Department. Separate accounts are not produced.

33.2 Not reported within the Departmental Accounting boundary

The following entities are not reported as part of the Department's 2010-11 departmental accounts:

Tribunal Non Departmental Public Body

Traffic Commissioners and Licensing Authorities (Traffic Areas).

This entity is reported within the accounts of the Vehicle and Operator Services Agency.

Financial information for the following entities can be obtained from their separately published annual reports and accounts.

Executive Non Departmental Public Bodies

British Transport Police Authority

Passenger Focus

Renewable Fuels Agency

Directly Operated Railways Limited

HS2 Ltd

Trading Funds

Driving Standards Agency

Driver and Vehicle Licensing Agency

Vehicle and Operator Services Agency

Public Corporations

Aberdeen Harbour Board

British Railways Board (Residuary) Limited

Civil Aviation Authority

Dover Harbour Board

East Coast Mainline Limited

Eurostar International Limited (formerly Eurostar (UK) Ltd)

General Lighthouse Fund, incorporating:

- Commissioner for Irish Lights;
- Northern Lighthouse Board (also recognised as an Executive NDPB); and
- Trinity House Lighthouse Service (also recognised as an Executive NDPB).

ITSO Ltd

ITSO Services Ltd

Milford Haven Port Authority

Poole Harbour Commissioners

Port of London Authority

Port of Tyne Authority

Shoreham Port Authority

Other Entities
Cross Rail Complaints Commissioner
London and Continental Railways Limited
Channel Tunnel Section 1 Finance PLC
London and Continental Railways Finance PLC
Marine and Aviation Insurance (War Risks) Fund
NATS Holdings Limited
Network Rail Limited

34. Restatement of prior year balances

Restatement of prior year balances

Prior Period Adjustments relating to the sale of HS1

HS1
The accounting treatment of the Department's involvement in the restructuring and sale of HS1 Ltd has been amended in the following ways.

A financial asset of the shares in LCR Ltd has been recognised under Investments on the Statement of Financial Position with effect from June 2009. It is valued initially at £5.1bn then impaired to £2bn, to reflect the company's net assets. On recognition of the shares, a financial guarantee contract has been released to create a £5bn credit to the Statement of Comprehensive Net Expenditure.

An infrastructure asset, valued at £3.5bn has been recognised in Property, Plant and Equipment on the Statement of Financial Position, with effect from August 2009. Depreciation of £30.7m has been recognised on this asset for the period from August 2009 to March 2010 in the Statement of Comprehensive Net Expenditure.

The recognition of the asset has been matched firstly by the impairment of the LCR Ltd shareholding, and secondly by recognition of a deferred income balance in Current and Non-current trade and other payables on the Statement of Financial Position. £36.3m amortisation of the deferred income balance for the period from August 2009 to March 2010 has been recognised in the Statement of Comprehensive Net Expenditure, but not in the Department's Net Resource Outturn as the amortisation is classified as Excess Appropriations in Aid. The transfer of the current part of the balance from Non-current payables has also been effected.

Cost of capital charge
Treasury direction has removed the need for the Department to recognise Cost of Capital. Accounting Policies Note 1.1 provides further information regarding this. This adjustment causes Programme Costs for the 2009-10 comparative to be restated with a balance reduced by £2,775,403,000 and the Administrative Costs to increase by £627,000. This change has been taken directly to reserves and has no impact on the Statement of Financial Position.

Other
A grant was recorded in the 2009-10 accounts for £11m which should have been recorded as a loan. This correction reduces programme expenditure in the prior year and causes recognition of the loan under the Investments category.

Property Plant and Equipment has been reduced by £79,456,000 on the transfer of elements of the road network to Local authorities as set out in Note 16.3. This has reduced Taxpayers' equity by the same amount and has no impact on the Statement of Comprehensive Net Expenditure.

Summary of Prior Period Adjustments

Statement of Comprehensive Net Expenditure

	Core	Consolidated
	Net Operating Costs	**Net Operating Costs**
	£000	**£000**
For 2009-10 under before restatement	**9,823,566**	**15,545,802**
Adjustments for:		
HS1		
Derecognition of guarantee	(5,041,477)	(5,041,477)
Impairment of financial asset	3,094,600	3,094,600
Depreciation	30,701	30,701
Amortisation of deferred income	(36,258)	(36,258)
Cost of capital charge/credit	222,561	(2,774,775)
Other		
Reversal of payment to DOR, reclassified from grant to loan	(11,000)	(11,000)
For 2009-10 after restatement	**8,082,693**	**10,807,593**

Statement of Financial Position

	Core	Consolidated
	£000	£000
Property Plant and Equipment (Note 16)		
Before restatement	82,135	88,077,430
Detrunking	0	(79,456)
recognition of HS1 infrastructure	3,546,000	3,546,000
depreciation charge	(30,701)	(30,701)
Property Plant and Equipment after restatement	**3,597,434**	**91,513,273**
Investments (Note 18.1)		
Before restatement	673,799	673,799
Recognition of shares in LCR Ltd	5,041,477	5,041,477
Impairment of shareholding	(3,094,600)	(3,094,600)
Recognition of concession asset	(1,860,000)	(1,860,000)
Directly Operated Railways (Loan)	11,000	11,000
Investments after restatement	**771,676**	**771,676**
Current liabilities: trade and other payables (Note 23)		
Before restatement	(2,191,766)	(2,949,072)
amortised to income	36,258	36,258
reclassified from non-current liabilities	(36,258)	(36,258)
Current trade and other payables after restatement	**(2,191,766)**	**(2,949,072)**
Non-current liabilities: trade and other payables (Note 23)		
Before restatement	(3,958,664)	(5,327,612)
Recognition of non-current part of deferred income	(1,686,000)	(1,686,000)
reclassified to current liabilities	36,258	36,258
Non-current trade and other payables after restatement	**(5,608,406)**	**(6,977,354)**

Statement of Changes in Taxpayers' Equity

	Taxpayers' Equity Core £'000	Taxpayers' Equity Consolidated £'000
Taxpayers' equity at 31 March 2010 before restatement	**(6,705,281)**	**79,350,045**
change in net operating costs from SCNE impact above		0
Derecognition of guarantee	5,041,477	5,041,477
Impairment of financial asset	(3,094,600)	(3,094,600)
Depreciation	(30,701)	(30,701)
Amortisation of deferred income	36,258	36,258
Directly Operated Railway (reversal of grant)	11,000	11,000
Highways Agency - Detrunking	0	(79,456)
Taxpayers' equity at 1 April 2010 after restatement	**(4,741,847)**	**81,234,023**

35. Network Rail

35.1 Body outside the consolidation boundary

Many functions of the Strategic Rail Authority transferred to the Department in 2005-06. This included a transfer of the lead responsibility for the Government's relationship with Network Rail Limited (Network Rail), a private company limited by guarantee, which is the parent company of the Network Rail Group of companies. Network Rail owns and operates the main rail network in Great Britain. Its primary aim is to provide a safe, reliable and efficient rail infrastructure. The main focus of Network Rail is on the operation, maintenance and renewal of Britain's railway, and facilitating enhancements. Whilst operating on a commercial basis, Network Rail is a not-for-dividend company and all profits made are reinvested in the industry. Its members include the train operating companies and other stakeholders. The Secretary of State is a Special Member. The Secretary of State has no rights to any dividend or other distribution.

The Department's principal financial interest in Network Rail arises from indemnities issued in support of Network Rail's debt. Agreements were made between the Department and Network Rail in connection with the acquisition of Railtrack plc by Network Rail, which relate to the financial support provided to Network Rail, together with its output and enhancement obligations. These agreements operate alongside the contractual arrangements that exist between the Department and Network Rail. The Department considers that the likelihood of Network Rail having to rely upon these letters for financial support is remote. Consequently, these agreements represent contingent liabilities and are disclosed under Note 29 'Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability'.

The support facilities for Network Rail's borrowings consist of a financial indemnity mechanism (FIM) in respect of net borrowings of Network Rail Infrastructure Finance PLC, (NRIF), under which £25.1billion had been borrowed at 31 March 2011. The FIM is available until 2052. The indemnity also covers guarantees provided by NRIF in respect of certain financial obligations of Network Rail Infrastructure Limited.
Network Rail is outside the Department's resource accounting boundary and is not consolidated in these accounts. In order to maintain openness and transparency regarding the relationship between the Department and Network Rail, the summary results and other details concerning Network Rail are shown below. For further details, of Network Rail, copies of the financial statements of Network Rail Limited can be obtained from the Company Secretary, Kings Place, 90 York Way, London, N1 9AG. In addition, Network Rail's annual report and financial statements are available by visiting www.networkrail.co.uk.

Network Rail reports to its members in the manner of a listed PLC and therefore follows European Union regulations requiring companies listed in any member state to adopt International Financial Reporting Standards ("IFRS") for financial years commencing on or after 1 January 2005. Therefore, the financial information shown below taken directly from Network Rail's accounts is prepared and presented in accordance with the requirements of IFRS. The figures shown below are an extract from the published accounts of Network Rail.

35.2 Key Financial Figures

Income Statement for year ended 31 March 2011

	2010-11	2009-10
		(restated)
	£m	£m
Revenue	5,712	5,668
Operating costs	(3,684)	(3,687)
Operating profit	2,028	1,981
Revaluation gains/(losses) on disposals of properties	11	62
Net investment and finance costs	(1,601)	(1,648)
Profit before tax	438	395
Taxation	(125)	(111)
Profit for the year	**313**	**284**

Statement of Financial Position as at 31 March 2011

	31-Mar-11	31-Mar-10
		(restated)
	£m	£m
Non-current assets		
Intangible assets	71	72
Property plant and equipment - the railway network	39,577	36,629
Investment property	778	764
Financial assets	984	1,106
	41,410	38,571
Current assets	1,889	3,478
Current liabilities	(5,534)	(5,533)
Non-current liabilities	(30,076)	(29,961)
Net assets	**7,689**	**6,555**

36. Pension Schemes

The Secretary of State for Transport fulfils the role of the 'designated employer' for the following defined benefit schemes:

- The 1994 Pensioners' Section of the Railways Pension Scheme (RPS);
- The BR Section of the RPS (which includes some DfT staff members); and
- The British Railways Superannuation Fund (BRSF).

The Department applies IAS 19 to all these schemes. In accordance with IAS 19, the share of any deficits or recoverable surplus in the pension funds is recognised in the Statement of Financial Position. Interim valuations have been carried out as at 31 March 2011 by the Government Actuary's Department (GAD), for the purpose of providing these disclosures.

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

Analysis of pension liability recognised in the Statement of Financial Position

	2010-11	2009-10
	£m	£m
Deficit at beginning of period	(1,243.0)	(1,299.8)
Contributions paid	2.2	3.9
Current service cost	(1.0)	(1.1)
Past service cost	270.9	-
Other finance charges	(85.1)	(147.7)
Employees share of deficit	-	-
Actuarial gain	43.5	201.7
Deficit at end of period	**(1,012.5)**	**(1,243.0)**

The deficit at the end of period appears in the Statement of Financial Position as (£1,012,542,000) for 2010-11 and as (£1,242,927,000) for 2009-10.

The deficit comprises the following balances:

	2010-11	2009-10
	£m	£m
Scheme:		
BR Shared Cost Section	(12.4)	(18.1)
1974 Section	(10.1)	(12.7)
1994 Section	(979.0)	(1,184.2)
British Railways Superannuation Fund (BRSF)	(11.0)	(28.0)
Total deficit at the end of the period	**(1,012.5)**	**(1,243.0)**

1994 Pensioners Section of the RPS

The 1994 Pensioners Section is a defined benefit scheme representing the majority, by value, of the Department's financial relationships with railway pension schemes. The Secretary of State has been the 'employer' and guarantor of the 1994 Pensioners Section (which consists mainly of those who were either pensioners or preserved pensioners at the time of privatisation) since 1994. Although the 1994 Pensioners Section is part of the industry-wide RPS, its assets and liabilities are identified separately from the remainder of the scheme. Further details are shown below.

The last actuarial review for funding purposes was carried out as at 31 December 2007 by the RPS Joint Scheme Actuaries, Towers Watson and GAD. Assets and accrued liabilities were valued using the market-related method.

	31 March 2011	31 March 2010
	£m	£m
Present value of funded obligations	4,525	4,877
Fair value of plan assets	(3,546)	(3,694)
Net liability	979	1,183
Amounts in the statement of financial position		
Liabilities	979	1,183
Assets	-	-
Net liability	979	1,183

The amounts recognised in the operating cost statement are as follows:

	31 March 2011	31 March 2010
	£m	£m
Past Service cost*	(250)	-
Interest on obligation	267	293
Expected return on plan assets	(189)	(157)
Total	(172)	136

The amounts recognised in the Statement of Changes in Total Equity are as follows:

	31 March 2011	31 March 2010
Gain/(loss) on assets	51	729
Experience gain/(loss) on liabilities	(11)	139
Gain/(loss) on change of assumptions	(8)	(678)
Total gain/(loss)	**32**	**190**

* The item 'past service cost' (a gain) arises from the change in indexation from Retail Prices Index (RPI), to Consumer Prices Index (CPI). The move to CPI arose following a change in Government policy.

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2011	31 March 2010
	£m	£m
Opening defined benefit obligation	4,877	4,452
Interest cost	267	293
Experience gain/(loss) on liabilities	11	(139)
Actuarial gain/(loss)	(630)	271
Closing defined benefit obligation	**4,525**	**4,877**

Changes in the fair value of plan assets are as follows:

	31 March 2011	31 March 2010
	£m	£m
Opening fair value of plan assets	3694	3215
Expected return	189	157
Gain/(loss) on assets	51	729
Actuarial gain/(loss)	(388)	(407)
Closing fair value of plan assets	**3,546**	**3,694**

Principal actuarial assumptions at the balance sheet date (expressed as weighted average):

	31 March 2011	31 March 2010
Discount rate at 31 March	5.5%	5.7%
Expected return on plan assets at 31 March	*	5.4%
Future pension increases	2.6%	3.6%
Consumer Price Index	2.6%	n/a
Rate of increase for deferred pensions	2.6%	3.6%

*In the opinion of the actuaries, the volatility of market conditions as at 31 March 2011 precludes the calculation of a meaningful Expected Rate of Return. On this basis, no figure has been included in the above table.

Amounts for the current and previous four periods are as follows:

	2011*	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Defined benefit obligation	(4,525)	(4,877)	(4,452)	(4,785)	(5,015)
Plan assets	3,546	3,694	3,215	4,549	4,918
Surplus/(deficit)	(979)	(1,183)	(1,237)	(236)	(97)
Experience adjustments on plan liabilities	(11)	139	12	111	(67)
Experience adjustments on plan assets	51	729	(1,221)	(258)	112

* For 2009-10 and the preceding periods data was calculated by reference to the Retail Prices Index (RPI), the measure used to increase pension benefits at that time. Following a change in Government policy, pension benefits in the Section are now indexed in line with increases in the Consumer Prices Index (CPI).

Other schemes

The Department's relationships with other schemes are described below. Given the relatively low value of the balances and transactions in respect of these schemes, detailed disclosures are not provided.

Railways Pension Scheme: BR Shared Cost Section

The BR Shared Cost Section of the RPS is a defined benefit scheme that covers most of BRB (Residuary) Limited's employees, and some former Strategic Rail Authority employees who are now employed by DfT.

The last actuarial review for funding purposes was performed at 31 December 2007 by the RPS Joint Scheme Actuaries, Towers Watson and the Government Actuary's Department, using the projected unit method. Assets and accrued liabilities were valued using the market-related method.

The market value of assets, net of additional voluntary contribution (AVC) amounts, of the BR Section was £63.7m at 31 March 2011. This is approximately 84 per cent of the corresponding value of the projected accrued liabilities.

The Fund is closed to new members.

British Railways Superannuation Fund

The Department is also responsible for funding the British Railways Superannuation Fund. This is a defined benefit scheme which the Department has inherited from the BRB. The Department has no employees participating in it. The latest actuarial valuation of this fund was carried out on 31 December 2007 by the Joint Scheme Actuaries, Towers Watson and the Government Actuary's Department.

37. Events after the reporting period

37.1 Non-adjusting Post-Balance Sheet Events

As outlined in Note 36, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.

37.2 Authorised for issue

These Financial Statements are laid before the House of Parliament by HM Treasury. International Accounting Standard (IAS) 10 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the audit certificate.

Part 3: List of Abbreviations

Chapter 8: List of Abbreviations

A

A in A	Appropriations in Aid
AME	Annually Managed Expenditure
AUC	asset under construction
AVC	additional voluntary contribution
AWDL	Average Working Days Lost

B

BEAMA	British Electrotechnical & Allied Manufacturers
BICC	Board Investment and Commercial Committee
BIS	Department for Business, Innovation and Skills
BRSF	British Railways Superannuation Fund
BTPA	British Transport Policy Authority

C

CD	Communication Directorate
CETV	Cash Equivalent Transfer Value
CFER	Consolidated Fund Extra Receipts
CLoS	Clear Line of Sight
COBR	Cabinet Office Briefing Room

D

DfT	Department for Transport
DfT (C)	Department for Transport (Central)
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DG	Director General
DOR	Directly Operated Railways Ltd
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency

E

ECML	East Coast Main Line
ERG	Efficiency and Reform Group
EU	European Union
ExCo	Executive Committee

F

FCG	Finance Control and Governance division
FOI	Freedom of Information
FreM	Financial Reporting Manual
FRS	Financial Reporting Standard(s)
FSP	Financial Strategy and Planning

G

GAD	Government Actuary's Department
GCDA	Government Car and Despatch Agency
GHIA	Group Head of Internal Audit
GLA	Greater London Authority
GRC	Gross Replacement Cost

H

HA	Highways Agency
HR	Human Resources

HS1	High Speed 1
HS2	High Speed 2
I	
IAO	Information Asset Owner
IAS	International Accounting Standard(s)
IFRS	International Financial Reporting Standard(s)
IT	Information Technology
ITT	Invitation To Tender
J	
JESP	Job Evaluation for Senior Posts
L	
LCR	London and Continental Railways Ltd
M	
MCA	Maritime and Coastguard Agency
MFS	Motoring and Freight Services
MoD	Ministry of Defence
MP	Member of Parliament
MPL	Major Projects and London
MPA	Major Projects Authority
N	
NAO	National Audit Office
NATS	National Air Traffic Services
NBV	Net Book Value
NDPB	Non-Departmental Public Body
NFC	National Freight Company
NN	National Networks
O	
O&M	Operation and Maintenance
ORR	Office of Rail Regulation
P	
PAC	Public Accounts Committee
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PFI	Private Finance Initiative
PPA	Prior Period Adjustment
PPP	Public Private Partnership
PSA	Public Service Agreement
R	
RFA	Renewable Fuels Authority
RICS	Royal Institution of Chartered Surveyors
RMPT	Resource Management and Planning Team
ROCOS	Resource Cost Index of Road Construction
RoSCo	Rolling Stock Company
RPC	Regulatory Policy Committee
RPI	Retail Prices Index
RPS	Railways Pension Scheme
S	
SAR-H	Search and Rescue Helicopter(s)
SCNE	Statement of Comprehensive Net Expenditure
SCS	Senior Civil Service
SET	Southeastern Trains

SI	Statutory Instrument
SNCF	Société Nationale de Chemin de Fer Français
SOGE	Sustainable Operations on the Government Estate
SRP	Structural Reform Plan

T

tCO2	tonnes of carbon dioxide
TO	Treat Official
TOC	Train Operating Company

V

VCA	Vehicle Certification Agency
VfM	value for money
VOA	Valuation Office Agency
VOSA	Vehicle and Operator Services Agency

W

WGA	Whole of Government Accounts

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ISBN 978-0-10-297223-8

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