Department
for Transport

Department for Transport Annual Report and Accounts 2012–13

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Department for Transport Annual Report and Accounts 2012–13

(For the year ended 31 March 2013)

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Part 1: Annual Report

Foreword by the Secretary of State

Transport matters. It gets goods to the shops, people to work and children to school. When it goes wrong, our economy suffers. When it goes well, it is an engine for growth. Demand is rising fast and we need to invest to ensure our country can compete with the best.

That's my focus at the Department for Transport and as this report shows we've made good progress over the last year.

On our railways we've backed over £16 billion of new investment to help create a more efficient and reliable network. Great projects like Reading Station are nearing completion and we've taken big steps forward in planning High Speed Two.

On our roads, in 2012-13 we invested nearly £1 billion in the Strategic Road Network. In January 2013 we announced a £170 million Local Pinch Point Fund to remove bottlenecks on local highways in England. The Fund is aimed at schemes that can be delivered quickly, and provide the fastest benefits for our economy. I announced the first ten to receive funding in March 2013.

This year saw a number of major achievements for the Department. Most notably, we helped deliver one of the most successful Olympic and Paralympic Games in history. By working closely with many partners – from airport operators to Transport for London and the Olympic Delivery Authority – we ensured that our transport system was able to cope with a huge surge in demand during the Games.

Other successes included signing a new contract to provide Search and Rescue helicopter services for the whole of the UK from early 2015 – a contract that will see the creation of over 350 new jobs in the UK; the continued progress of Crossrail, which is estimated to deliver economic benefits of at least £42 billion; and the launch of the Better Bus Areas scheme, which will see local transport authorities and bus operators working in partnership to improve bus services.

It's important we reform regulation to make things simpler for passengers and businesses. For example, the Civil Aviation Act 2012 aims to modernise the economic regulation of our major airports. We continue to make our roads safer, and this year we have worked with the Home Office to introduce drug driver screening technology. Our rail fares and ticketing review, to be published in the summer, will detail further ways to make travel simpler and clearer for passengers. By making sure that passengers are always able to find the best deal for their journey, we will reduce the cost of using the railway.

However, the past year also brought difficulties. Above all it saw the cancellation of the Intercity West Coast franchise. This was a major blow to the Department. As I said at the time, unacceptable mistakes were made in what was a complex and high profile procurement process. Reports from Sam Laidlaw and Richard Brown have highlighted what went wrong, and what we need to do to put it right. I am very grateful to Sam and Richard for their work. Since the cancellation we have taken action to address the issues outlined in these reports, much of which is detailed in this document. I am confident that the Department is learning the lessons it needs to from this experience.

Over the coming year the Department will continue to build on its successes, as well as rectify the issues that the InterCity West Coast cancellation exposed. We will promote economic growth and make Britain a better place to live. This is work we can all be proud of.

Rt Hon Patrick McLoughlin MP

Secretary of State for Transport

Foreword by the Permanent Secretary

This has been a significant year for the Department for Transport, with many notable achievements, and one notable failure – the cancellation of the InterCity West Coast franchise.

The Secretary of State has already highlighted some of the Department's achievements in 2012-13, and we continue to play a critical role in the Government's agenda, not only in promoting UK economic growth, but also in supporting the Government's efforts to reduce the deficit and to transform public services.

The Department is undertaking an ambitious programme of efficiency reforms, which has delivered significant savings this year and will continue to do in the future. We continue to review our programme of major projects, the second largest of any government department, to identify where more can be achieved for less. For example, the Highways Agency is delivering more than 20% efficiency savings across major roads schemes, and Crossrail is being delivered for almost £1 billion less than its original budget. We are reforming the way we do business to reduce our operating costs. Reform of the Maritime and Coastguard Agency is reducing the number of Coastguard operation centres needed to run its operations from 19 to 11, and this year we signed a contract to create the Government's first Independent Shared Service Centre which will provide back office services across the whole of DfT and beyond. We also continue to drive value in our major procurements. For example, the cost of the recently signed contract for Search and Rescue helicopter services was some £1.5 billion less than originally estimated, a reduction of about half.

We are making strong progress in reforming our public services, in line with the Government's aim to improve openness, accountability, diversity, fairness, and decentralisation. In June we published DfT's Open Data Strategy and over the past year we have released large swathes of transport datasets, including rail real-time train running, bus timetables and next buses information, roadworks and rail fares data. This has led to the creation of numerous new smart phone applications and is providing travellers with information and tools that enhance their travel experience. In December, we published the Accessibility and Equalities Action Plans. These set out how we are making transport more accessible, particularly for disabled people, and how we promote equality and fairness through the transport system. In December 2012 we announced the Department was providing an additional £215 million split over 2013-14 and 2014-15 for highways maintenance in order for local highway authorities in England to renew, repair and extend the life of the local highway network they are responsible for. We are devolving aspects of the Bus Service Operators Grant to local authorities and TfL, and are working with cities across the country on the transport aspects of their City Deals.

2012 will, however, also be remembered as the year in which the Department cancelled the InterCity West Coast franchise. We now know that a series of significant mistakes were made by the Department. The report into the franchise cancellation by Sam Laidlaw, the CEO of Centrica, supported by Ed Smith, former strategy chairman at PwC, provided a thorough examination of what went wrong, as well as a clear set of recommendations to put the Department back on track. The report by Richard Brown, the Chairman of Eurostar, provided a clear path forward for the future of the Rail Franchising Programme.

Immediately following these reviews, we put in place a comprehensive programme of actions to address the issues and recommendations within them, including:

- **planning and preparation:** We have revised the franchising programme schedule, reflecting the Brown review recommendations. The new programme provides a more sustainable schedule for rail franchising as well as certainty to the market. We are also appointing appropriate external advisors to support each franchise, and have clarified the cycle of reviews that each franchise is expected to undertake.
- **organisation structure and governance:** We have put in place clearer organisation structures, with a single Rail Group, led by a director general. We have appointed a single senior responsible owner of the rail franchising programme, and have undertaken a skills review of each franchise competition team. We have also completed a review of the Department's governance arrangements. A new DfT Corporate Governance Framework provides clarity on the composition and constitution of the bodies involved in the delivery of rail franchising.
- **resources:** We have significantly increased the resources available to the rail franchising programme and are recruiting internally and externally to ensure that franchising teams have the right mix of skills and experience. We are focused on building the capability of our staff, and are delivering enhanced training for the senior responsible owners of major projects, as well as broader programme and project management training for staff across the Department.
- **audit and assurance:** We have reviewed our internal audit programme and refocused it on the Department's major projects. In line with the Macpherson cross-government review of modelling, we have completed a review of the quality assurance surrounding a number of our business critical models, and introduced a new analytical assurance framework. This will ensure that a wide range of quality assurance checks are undertaken on all key aspects of the Department's analysis. A Procurement Assurance Framework is also being developed to refine and enhance quality assurance applied to procurements across the DfT family.

I am determined we learn all we can from this episode. I believe the actions we have undertaken are a strong start in addressing the issues it uncovered. But we have more to do. In the coming year I will be ensuring that we continue to deliver, and that the need for clarity of process, clarity of responsibility, adequacy of resourcing, openness to challenge and escalation is well understood and applied in all parts of the Department's business.

2012-13 will also be remembered as the year in which we lost one of our highly respected traffic officers. John Walmsley tragically died on 25 September 2012 whilst working to clear an incident on the M25 in Kent. Our thoughts are with John's family, friends and colleagues.

I would like to thank all the staff across DfT for their continued commitment and contribution to the achievements of the Department. Our ability to serve the public and the Government is very much dependent on their efforts. I know that, across all areas of the Department, we will build on what we have learnt this year to ensure that we continue to deliver the Department's vital agenda effectively and efficiently in the future.

Philip Rutnam

Permanent Secretary

1. How we are organised

DfT team

1.1 The Department for Transport comprises the core Department, four executive agencies and two trading funds. The Department also has significant responsibilities for a range of other entities including executive, advisory and tribunal non-departmental public bodies (NDPBs), and public corporations. For a full list of the entities related to DfT's activities, see Note 25 to the accounts.

1.2 Our organisation structure charts (organograms) can be found on our website.[1] For information about the DfT Board please see paragraphs 6-9 of the Governance Statement.

Organisational groups

1.3 The Department was restructured in January 2013.

1.4 The core Department for Transport is now organised into five director general groups, plus the General Counsel's Office, Governance Division, Group Communications and the Private Offices which report directly to the Permanent Secretary.

- **International, Security and Environment**
  The Group's responsibilities include international aspects of the Department's work, including aviation and maritime policy, transport security and safety, and leading the drive to decarbonise transport and manage and minimise transport's impact on the environment.
- **Roads, Traffic and Local**
  The Group covers the development of policy in relation to roads, traffic, road safety, bus travel and logistics, open data and transparency, the Department's relationship with local government, London and the devolved administrations and its contribution to the Government's localism and Big Society agendas.
- **Rail**
  The Group leads for the Department on the sponsorship of major rail projects including Crossrail, Thameslink and the Intercity Express Programme, as well as all Network Rail enhancement projects (including electrification, Great Western Upgrade, Tram Train projects and Railways for All). The Group leads on policy and funding for the rail sector, and on the rail franchising programmes.

1 https://www.gov.uk/government/publications/department-for-transport-and-ndpb-structure-charts-organisational-and-salary-disclosure-data.

- **High Speed 2**
  The Group is responsible for ensuring that the High Speed 2 (HS2) programme meets its demanding timetable and delivers long term strategic national planning for this major addition to national infrastructure.
- **Resources and Strategy Group**
  The Group incorporates a range of functions including HR, Finance, Internal Audit and Analysis and Strategy. Its aim is to strengthen the Department's capability to achieve results by thinking strategically and managing resources very effectively. The Group is responsible for building the capability of people in DfT, as well as protecting its reputation – for example, through its internal audit function and its responsibility for supporting the business planning process.
- **Non-Group**
  The General Counsel's Office (GCO) provides assurance to the Secretary of State and the Permanent Secretary. It provides assurance as to legal sustainability, compliance with our information and security obligations, and compliance with (and delivery of) the Government's Better Regulation agenda. The Governance Division works with the Department's Board and Board sub-committees to ensure the Department is run effectively. The Private Offices provide support and assistance to ministers and the Permanent Secretary.

1.5 The changes to DfT's organisation are also outlined in the Governance Statement in paragraph 7.

Executive agencies and trading funds

1.6 The Department's executive agencies and trading funds are central to delivering the Government's transport priorities and services. Each of these bodies is headed by a Chief Executive appointed by the Permanent Secretary.

Executive agencies

Driver and Vehicle Licensing Agency (DVLA)

1.7 The Agency's key purpose is to keep complete and accurate registers of drivers and vehicles and make them as accessible and as flexible as possible to those who have the right to use them. DVLA is responsible for the collection of vehicle excise duty (VED), helping to ensure that the public is protected from untaxed, uninsured and unsafe vehicles and driving, and supports the police and intelligence authorities in dealing with vehicle related crime. DVLA contributes significantly to the delivery of the Government's e-services agenda.

Highways Agency (HA)

1.8 The Agency is responsible for approximately 4,300 miles of motorways and all-purpose trunk roads (the Strategic Road Network), which represents 2% of England's road network and carries around a third of all traffic.[2] The Agency's role is to support the sustainability of the UK's economy by operating, maintaining and improving the Strategic Road Network in England.

2 2% is by length; one-third is by mileage.

Maritime and Coastguard Agency (MCA)

1.9 The MCA facilitates economic growth though the development, delivery and implementation of 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 standards. It works to prevent loss of life at the coast and at sea, to ensure that ships are safe, and to prevent coastal pollution. The Agency is currently implementing the next stage of its Coastguard modernisation programme.

Government Car and Despatch Agency (GCDA)

1.10 The GCDA was used to provide secure transport to ministers and senior officials in government, and also provided secure distribution of official documents. As of 1 October 2012, the Government Car Service became a division in Motoring Services Directorate in the central Department. At this point GCDA ceased to be an agency. The Government Mail Despatch Service finished operations in July 2012. More information can be found in the Management Report in section 3.4.

Vehicle Certification Agency (VCA)

1.11 VCA is the approval authority for new types of road vehicle, agricultural tractors and off-road vehicles. It provides internationally recognised testing and certification for vehicles, their systems and components.

Trading funds

Driving Standards Agency (DSA)

1.12 DSA’s mission is ‘safe driving for life’. DSA sets standards for pre-driver education and driver trainers, supervises trainers, and carries out theory and practical driving and motorcycle riding tests.

Vehicle and Operator Services Agency (VOSA)

1.13 VOSA provides a range of licensing, testing and enforcement services principally in relation to heavy goods vehicles and public service vehicles with the aim of improving the roadworthiness standards of vehicles and ensuring the compliance of operators and drivers to improve road safety. It also supports the independent Traffic Commissioners.

1.14 On 20 June 2013, Stephen Hammond, Parliamentary Under Secretary of State for Transport, announced that a new single agency would bring together all of the services that are currently provided by the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA).[3] Further detail is given in the Management Report in section 4.10.

3 https://www.gov.uk/government/speeches/dft-motoring-services-strategy?utm_source=rss&utm_medium=rss&utm_campaign=statement-to-parliament-dft-motoring-services-strategy

Non-departmental public bodies

1.15 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 exist.

1.16 Following the public bodies review in autumn 2010, the Public Bodies Act achieved Royal Assent in December 2011.[4] In 2012-13 the Department developed proposals to abolish three statutory bodies – the Railway Heritage Committee (RHC), the Disabled Persons' Transport Advisory Committee, and BRB (Residuary) Ltd.[5] The Order to abolish the RHC and transfer its designation function to the Board of Trustees of the Science Museum came into force on 1 April 2013. The abolition of BRB (Residuary) Ltd will fall in 2013-14. More information is given in the Management Report in section 3.1. More information on all the organisations listed below can be found on the Department's website. This includes details about their remit, work and funding.[6]

1.17 Further information on NDPBs is also available from *Public Bodies 2012* published 31 December 2012 and available online.[7]

Executive NDPBs

1.18 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
HS2 Ltd	www.hs2.org.uk
Directly Operated Railways	www.directlyoperatedrailways.co.uk
Railway Heritage Committee	www.railwayheritage.org.uk (RHC has been abolished and its website archived at The National Archives.)
Northern Lighthouse Board	www.nlb.org.uk
Trinity House Lighthouse Service	www.trinityhouse.co.uk

4 See the DfT Press release at: https://www.gov.uk/government/news/dft-announces-reform-of-public-bodies
5 In June 2013, a decision was taken to retain and restructure DPTAC. This was announced in a Written Ministerial Statement: https://www.gov.uk/government/speeches/future-of-the-disabled-persons-transport-advisory-committee
6 https://www.gov.uk/government/organisations#department-for-transport
7 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/79258/public-bodies-2012_1.pdf

Advisory NDPBs

1.19 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
Disabled Persons' Transport Advisory Committee (DPTAC)	www.dptac.independent.gov.uk/

Tribunals

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

Name	Website
Traffic Commissioners and Deputies	www.gov.uk/government/organisations/traffic-commissioners

Public corporations

1.21 These are public bodies receiving most of their income from selling goods and services or from charges levied for regulatory activities rather than from grant or voted supply.

Name	Website
Civil Aviation Authority (incorporating the Air Travel Trust Fund)	www.caa.co.uk
General Lighthouse Fund Bodies	Commissioners of Irish Lights: http://commissionersofirishlights.com/ The General Lighthouse Fund includes Northern Lighthouse Board and Trinity House Lighthouse Service which are also classified as executive NDPBs and are listed as such under paragraph 1.17
Trust Ports	www.dft.gov.uk/pgr/shippingports/ports/trust/
BRB (Residuary) Ltd	www.brbr.co.uk

Other central government entities

1.22 Other central government entities relating to DfT's activities which are within the Departmental accounting boundary are listed below:

Name	Website
London and Continental Railways Ltd	www.lcrhq.co.uk
LCR Finance plc	No website
CTRL Section 1 Finance plc	No website

Other organisations

1.23 Other entities relating to DfT's activities include National Air Traffic Services (NATS) Holdings Ltd, the Office for Rail Regulation (ORR) and Network Rail. These are not reported within the Departmental accounting boundary. For a full list of entities within and outside the Departmental accounting boundary see Note 25 to the accounts.

2. Our aims and objectives

2.1 The Government's vision is for a transport system that is an engine for economic growth, and that makes Britain a great place to live.

2.2 Our priorities as set out in our 2012-15 Business Plan[8] are to:

- deliver the Coalition's commitments on high speed rail;
- deliver a sustainable and customer-focused railway;
- support sustainable local travel;
- invest in our roads to promote growth while reducing congestion and tackling carbon;
- promote sustainable aviation;
- reform the Coastguard and Search and Rescue Helicopter capability; and
- implement the Department's key cross-cutting reform priorities.

2.3 Quick, efficient and reliable transport links are absolutely essential for people and businesses. They allow businesses to operate productively by enabling them to save time, cut costs, access the best employees from a wider labour market, to share expertise and compete with other businesses. Good transport is also important for individuals, giving them a wider choice of potential jobs, goods and services. We aim to put the customer at the heart of our thinking.

2.4 Work continues with our ambitious project of delivering a high speed rail network. High Speed 2 (HS2) is the most significant transport infrastructure project in the UK since the motorways were built in the 1950s and 1960s. It will provide a high speed rail line between London and Birmingham and on to Manchester and Leeds.

2.5 Improving our railway network is central to supporting economic growth. The Department is driving improvements to rail services, delivering on major infrastructure projects, and putting passengers at the heart of a revitalised rail franchising system.

2.6 We are working hard to improve local transport to improve the quality of life in our communities. We are doing this by investing in local transport, decentralising funding and powers, tackling local congestion and making public transport (including light rail), walking and cycling more attractive.

2.7 Road safety is one of our priorities and we also want our roads to become safer, less congested and less polluted. We are investing in the Strategic Road Network to promote growth and to address the congestion that affects people and businesses, and we are also improving road safety. We are currently developing options for new approaches to the management and funding of the Strategic Road Network. We also continue to promote low emission transport, supporting the market for electric and other ultra-low emission vehicles.

8 The DfT Business Plan can be accessed at: https://www.gov.uk/government/publications/department-for-transport-business-plan

2.8 We want to support the development of aviation to ensure that the UK maintains its hub connectivity. The Department is supporting the independent Airports Commission chaired by Sir Howard Davies, tasked with identifying and recommending to government options for maintaining this country's status as an international hub for aviation.

2.9 The Department is working on reforming the Coastguard to deliver a resilient and fully integrated national rescue co-ordination service for the 21st century. We are also working on providing highly advanced Search and Rescue helicopters to help save lives.

2.10 The Department's cross-cutting reform priorities included ensuring transport's contribution to a successful Olympics. The reform priorities now include promoting a transport system that is accessible and socially inclusive, through measures such as providing better information for disabled and young travellers, and making buses and trams more physically accessible. Other cross-cutting priorities include reducing the burden of transport regulation, supporting innovation and growth in transport systems, and improving the quality and efficiency of services the Department by delivering exemplar digital services.

2.11 One of the Department's priorities is to drive forward progress on all of the Civil Service Reform Plan actions. We are currently leading progress within government on the creation of the first shared service centre; a major divestment is now under way. The Department's agencies continue to drive their own transformation programmes, for example by taking testing to the customer and by driving up the number of customer transactions that are carried out digitally. The Department looks to find innovative ways to engage with its stakeholders to ensure that our policy is informed by the widest possible range of views.

2.12 Taken in concert, the priorities the Department is pursuing aim to provide world class connectivity for our towns and cities, both nationally and internationally. They aim to meet the needs of people and businesses for safe, secure, reliable and accessible transport. They aim to build a competitive transport sector that is efficient and innovative in providing the transport solutions needed by the country. They aim to do all this while also protecting the environment. It is by delivering against all these areas that the Department aims to achieve our vision of transport that is an engine for growth and makes Britain a great place to live.

3. Measurement of performance and progress

3.1 This chapter reviews DfT's performance and progress during the period 1 April 2012 to 31 March 2013. More detailed information on the performance of DfT's agencies and non-departmental public bodies (NDPBs) is set out in the individual annual report of each organisation.

Key achievements

3.2 The Department for Transport continues to play a leading role in supporting the Government's growth agenda. We encourage economic growth through investing in the country's transport infrastructure, reducing the regulatory burden and driving forward new initiatives such as High Speed 2. We support efforts to reduce the deficit through improving the efficiency of the Department's own operations as well as continually seeking efficiencies in the programmes and projects we support. We are also reforming and improving the public services for which we are responsible, identifying new ways to deliver, making more services digital and opening up data, in order to provide better public services across the UK.

3.3 In contributing to this agenda during 2012-13, the Department for Transport took a number of significant steps across each of the Coalition Priority areas outlined in the Department's Business Plan:

High Speed 2:

- setting out the Government's initial preferences for the route, stations and depots for phase two of the high speed network which takes the HS2 route from Birmingham to Manchester and Leeds, meaning that HS2 will link eight out of Britain's 10 biggest cities;
- publishing draft safeguarding orders for the HS2 route between London and Birmingham (HS2, Phase One); and
- preparing for the introduction of a hybrid Bill for the HS2 route between London and Birmingham.

Rail:

- announcing the Rail Investment Strategy which outlines our plans to invest over £16bn in the railways in the period 2014-19 and supports better railway services for passengers and freight;
- starting work on delivering improved electrified services in the North West and Trans-Pennine routes, and on the Great Western Mainline, working with Network Rail; and
- completing over 7,000 metres of Crossrail tunnelling.

Local Transport:

- allocating £170m for a Local Pinch Point Fund to remove bottlenecks on the local highway network and to help boost economic growth – the first 10 successful schemes were announced in March;
- giving final approval to 57 more Local Sustainable Transport Fund projects, enabling 96 low cost, high value interventions in local communities in total; and
- starting the bidding process for designation of Better Bus Areas. These are an innovative way of supporting the bus market for local transport authorities and bus operators working in partnership, enabling local transport authorities to tackle the local problems that hold back the bus market.

Road Investment:

- winning gold for our THINK! drink drive campaign at the Institute of Practitioners in Advertising Effectiveness Awards in October 2012. We demonstrated how communications changed drink driving behaviour between 1979 and 2009. During this period we estimate the campaign saved 2,000 lives, prevented over 10,000 serious injuries, and created a value to society of £3bn;
- starting construction on four major schemes on the Strategic Road Network, contributing to over 300 additional lane miles that will be added through the 24 schemes starting construction in this Parliament. All eight schemes under construction at the time of the October 2010 Spending Review are now open for traffic;
- completing the Plugged in Places infrastructure programme, helping to deliver plug-in vehicle charge points and build a sustainable market for plug-in infrastructure across the UK; and
- continuing to improve road safety through making practical changes to the driving test so that it reflects real road conditions; and working with the Home Office to support their work to secure authorision of the use of drug screening technology in police stations, as well as working to introduce a new drug driving offence.

Aviation:

- consulting on and delivering the Aviation Policy Framework for the UK which sets out the Government's aims for aviation and takes account of the positive and negative impacts of aviation, as well as integrating aviation policy with wider government objectives, including delivering sustainable economic growth, combating climate change and protecting the local environment;
- promoting passenger interests by reforming the financial protection regime for passengers (the Air Travel Organisers' Licensing scheme or ATOL), securing powers to protect more holidays; and
- supporting the independent Airports Commission, chaired by Sir Howard Davies, tasked with identifying and recommending to the Government options for maintaining this country's status as an international hub for aviation.

Coastguard and Search and Rescue:

- procuring a state of the art civilian Coastguard Search and Rescue helicopter capability by signing a vital contract that will provide Search and Rescue helicopter services for the whole of the UK from early 2015. The contract was signed at a cost of some £1.5bn less than originally envisaged and the Department successfully incorporated 'lean' processes into this pathfinder procurement; and

- implementing the first stages of the Coastguard modernisation programme by transferring operations from, and closing centres at, Forth and Clyde in 2012 and preparing the ground for the planned closure of the centre at Great Yarmouth on 1 May 2013.

Cross-cutting priorities:

- ensuring delivery of the Olympic Route Network, working with Transport for London (TfL) and ensuring delivery partners, including local authorities and TfL, were able to deal with anticipated demand on their transport networks during Games time. This also included the MCA's provision of additional support for the Olympic sailing events in Weymouth;
- developing and publishing a Disability Action Plan for improving the customer experience of the disabled passenger, as part of the Government's wider Disability Strategy; and
- reporting on the first year of operation of the new Blue Badge Improvement Service, including improvements in efficiency and reduction in fraud.

Progress against Business Plan commitments

3.4 The Business Plan sets out the Department's key commitments and activities for the period 2012–2015. These are detailed in the Structural Reform Plan (Section B of the Business Plan). This outlines specific actions the Department is committed to complete, including start and end dates for each of these.[9]

3.5 The 2012–13 period contained a wide-ranging and challenging set of commitments for the Department, with 30 actions due to be completed within the year. Progress against our commitments in comparison with last year is outlined in the table below:

Structural Reform Plan actions	2012 13	2011 12
Total number of actions completed during the year	26	37
Total number of actions overdue at the end of the year	4	6
Number of overdue actions that are attributable to external factors	0	1
Total number of actions ongoing	27	20

3.6 Over 80% of Structural Reform Plan (SRP) actions were completed within one month of the original deadline. Two actions which were due in 2013-14 were also achieved early: the introduction of legislation in Parliament to bring HGV road user charging into effect was achieved in October, seven months ahead of schedule; reforming the financial protection regime for passengers (the Air Travel Organisers' Licensing scheme or ATOL) was carried out five months ahead of schedule.

9 The DfT Business Plan can be accessed at: https://www.gov.uk/government/publications/department-for-transport-business-plan.

3.7 Late completion of actions arose for a variety of reasons, including the impact of the ministerial reshuffle in September, delays in obtaining cross-Whitehall clearance for announcements, and external factors impacting on the timetable for initiatives.

3.8 All SRP commitments are tracked and reported upon on the No 10 website.[10]

Departmental indicators

3.9 The Business Plan also sets out the Department's input and impact indicators, as well as a small number of other data sets which are reported as part of the Business Plan. The input indicators show the cost to the Government of delivering certain products and services (eg rail subsidy per passenger mile). The impact indicators show the performance or output of public services (eg proportion of trains running on time).

3.10 These indicators aim to provide useful information to enable transport users and the wider public to make informed choices, and to make up their own minds about how the Department and transport service operators are performing.

3.11 The tables below set out the latest available data and the previous comparable figure. Some explanatory text on the context and trends in data is included below. Further information on each indicator, including a technical note, is available online.[11]

Input indicators	Current[12]	Previous[13]
Rail subsidy per DfT franchised operator passenger mile (pence, current data = 2011-12, previous = 2010-11)	7.5	8.1
Bus subsidy per passenger journey (pence, current data = 2011-12, previous = 2010-11)	9.2	9.2
Cost of maintaining the Highways Agency's motorway and A road network per lane mile (£, current data = 2012-2013, previous = 2011-2012)	40,000[14]	43,000
Cost of operating the Highways Agency's motorway and A road network per vehicle mile (pence, current data = 2012-2013, previous = 2011-2012)	0.3	0.3
Cost of running the rail network[15] (£billion, current = 2011-12, previous = 2010-11)	9.6	9.3
Percentage of DfT's approved project spending that is assessed as high or very high value for money (%, current data = January to end June 2012, previous data = 2011)	100	100

10 The No 10 Transparency website can be accessed at: http://transparency.number10.gov.uk/business-plan/11
11 https://www.gov.uk/government/publications/input-and-impact-indicators
12 Year used varies between indicators. The precise year used is referred to in the indicator description
13 Ibid.
14 Expenditure on maintenance, particularly in relation to capital renewals, reflects the varying demands of maintenance activity which is not necessarily comparable year-on-year.
15 These costs refer to DfT's franchised operators. Cost figures published previously used data from train operators' statutory accounts. This year's data are based on an Office of Rail Regulation (ORR) study titled *Costs and Revenues of Franchised Passenger Train Operators in the UK*. ORR sourced their data from train operating company management accounts. Using the management accounts ensures that the time period to which the data applies are consistent across operators, and allows comparisons to be made across time.

Impact indicators	Current	Previous
Reliability of journeys on the Highways Agency's motorway and A road network (%, current data = 2012-13, previous = 2011-2012)[16]	77.1	81.5
Proportion of trains running on time (% current data = 2012-2013, previous = 2011-2012)[17]	90.6	91.6
Proportion of bus services running on time (%, current data = 2011-12, previous = 2010-11)	82.7	81.4
Proportion of urban trips under 5 miles taken by (i) walking or cycling (ii) public transport (%, current data = 2011, previous = 2010)	(i) 39 (ii) 9	(i) 37 (ii) 10
Total greenhouse gas emissions from transport (MtCO2e, current data = 2011, previous = 2010)	161.3	160.6
Annual road fatalities (current data = 2011, previous = 2010)	1901	1850
Households with good transport access to key services or work (index, current data = 2011, previous = 2010)[18]	97	100
Numbers of newly registered ultra low emission vehicles (current data = 2012-13, previous = 2011-12)	3,782	2,039

Other data sets	Current	Previous
Average new car CO_2 emissions (g/km, current data = 2012-13, previous = 2011-12)	131.5	136.6
Franchised rail passenger miles (billion, current data = 2012-13, previous = 2011-2012)	36.0	35.4
Bus passenger journeys, England (billion, current data = 2011-12, previous = 2010-11)	4.7	4.7

Input indicators

3.12 The total subsidy to DfT franchised train operators fell again between 2010-11 and 2011-12, largely driven by extant franchise agreements, and the change in the premium/subsidy balance in the agreements between those years. Bus subsidy per journey is unchanged from the previous year.

3.13 In 2012–13 the cost of maintaining the Highways Agency's motorway and A road network per lane mile decreased by 6% compared with 2011–12. The condition of the network has improved marginally despite the slightly reduced spend on maintenance and the adverse weather.

16 The indicator is measured by the percentage of 'journeys' on these roads that are 'on time'. A 'journey' represents travel between adjacent junctions on the network. An 'on time journey' is defined as one which is completed within a set reference time, based on historic data on that particular section of road. Data to December 2012 were revised in March 2013 as a result of the implementation of planned methodology changes.
17 These annual figures are the official full financial year PPM figures (all operators). This statistic differs from that reported on the DfT website, which is the latest rail industry 4-weekly (periodic) statistic for Great Britain. Periodic totals are also published for individual DfT franchised train operating companies.
18 Values are indexed with a base of 100 for 2010. A number over 100 would imply an increase in access compared to 2010 and a number below 100 a decrease. This index combines information on household access to a car with information on public transport access times to seven types of key local services.

3.14 The increase in franchised rail costs is driven largely by inflation with costs falling slightly in real terms. Within the total, train operating costs increased by more than the Network Grant. The Office of Rail Regulation (ORR) study, on which the numbers are based, observes that train operators have argued that this increase is driven by an improvement in service provision and quality.

3.15 Value-for-money measures the expected benefits for each pound of spending. The value for money indicator reports the value for money ratings of approved spending decisions within the Department. In particular the indicator shows that in the six months to end June 2012, 100% of the projects approved represented at least 'high value for money' for the taxpayer. Of this, 26% of projects approved were considered high value for money (a benefit of £2–4 for each £1 spent) and 74% were assessed as very high value for money (a benefit of more than £4 per pound spent).

Impact indicators

3.16 The reliability of journeys on the Highways Agency's motorway and A road network decreased by 4.4 percentage points from the year ending March 2012, when 81.5% of journeys were 'on time', to the year ending March 2013, when 77.1% of journeys were 'on time'. Annual reliability is now at its lowest point since the measure was introduced in 2010-11. 2012 was the second wettest year since records began with substantial rainfall during the final three quarters of the year. Significant amounts of rainfall compared to 2011 will have led to slower speeds on the network, slower journeys and therefore a fall in reliability. In addition, periods of heavy snowfall across much of the country during the first quarter of 2013, particularly during January, caused considerable disruption on the roads.

3.17 The deterioration in train performance over the last year, notably for long distance services, is disappointing. While there have been difficult operating conditions at times during the period, especially as a result of severe weather and flooding events, the underlying performance of Network Rail in particular continues to be a concern. The Department and the Office of Rail Regulation (ORR) are working closely with the industry to monitor the position, and ORR has already indicated its intention to take enforcement action against Network Rail in relation to long distance performance if there is not a substantial improvement this year.

3.18 In 2011-12, an estimated 82.7% of non-frequent bus services in England ran on time (defined as between 1 minute early and 5 minutes 59 seconds late), an increase from 79.4% in 2007-8. However, trends over time should be interpreted with caution as they can be affected by changes in methods used or reflect random variability arising from the nature of the data collection.

3.19 The proportion of urban trips taken by walking or cycling has increased between 2010 and 2011, while those by public transport decreased slightly; however the long term trend remains steady. This is a survey-based indicator: small year-to-year fluctuations are quite common and do not necessarily mean that long-term trends have altered. Figures for 2012 are due for publication in July 2013.

3.20 Total greenhouse gas emissions from transport include those from domestic transport as well as international shipping and aviation. From 2010 to 2011 transport emissions increased by 0.4% from 160.6m to 161.3m tonnes of carbon dioxide equivalents and formed slightly more than a quarter of total UK greenhouse gas emissions. Longer term they increased by 22% from 1990 to 2007, and then decreased by 9% to 2011. In 2011 cars and taxis contributed around two fifths of transport emissions, light vans and heavy goods vehicles slightly under a quarter, with another fifth from international aviation.

3.21 2011 saw the first annual increase in road fatalities since 2003, but the 2011 figure remains below the 2009 figure of 2,222. Adverse weather (heavy snow falls) experienced in the first and last quarters of 2010, but not in 2011, is likely to be a factor in the increase in fatalities between 2010 and 2011 because extreme winter weather tends to reduce the number of serious road casualties as less traffic is on the roads and those motorists who do venture out tend to drive much more slowly and carefully than usual.

3.22 For the indicator 'households with good transport access to key services or work' the 2011 score is slightly down from the score of 100 in 2010, suggesting there was a decrease in accessibility to key services. A number of distinct underlying factors can bring about a decrease in this measure: decreases in the frequency of public transport services or the number of routes; closures or relocation of key service locations; or improvements to the service destinations dataset used in the calculations. All three of these factors probably played a part, although it is not possible to be precise about the exact contribution of each to the overall indicator result. As far as public transport services were concerned, local authority supported bus services in non-metropolitan areas in England decreased by around 10% between 2010 and 2011, and this may have contributed to the overall trend.[19]

3.23 For the indicator number of newly registered ultra low emission vehicles, most of these vehicles use electric engines, so the Plug-In Car and Plug-In Van Grants introduced by DfT in January 2011 and February 2012 respectively, and an increase in the supply of electric and plug-in hybrid cars to the UK, market will have contributed to this increase.

3.24 All impact indicators are official statistics and their release arrangements are, therefore, governed by a statutory Code of Practice. One of the requirements is that all statistics producers commit to a timetable of release dates. The latest timetable for DfT can be accessed online.[20] The release dates reflect the time required to collect, validate and analyse the underlying data, which varies from indicator to indicator depending on the data source used.

Other data

3.25 With regards to average new CO_2 emissions: EU-wide targets for manufacturers are set under an EU Directive. The overall target for all new cars sold in the EU in 2015 is 130g/km CO_2.

3.26 Apart from a slight drop in 2009–10, growth in the number of rail passenger miles travelled each year has been on an upward trend since the early 1990s. Franchised passenger miles rose again in 2012-13 to reach a total of 36 billion.

3.27 Bus passenger journeys for England have been broadly stable for England as a whole, with increases in London offset by decline elsewhere.

Other statistical information

3.28 The Department continues to publish a wide 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.

19 Measured as vehicle kilometres, see table bus0205a, *Annual Bus Statistics: Great Britain 2011/12,* https://www.gov.uk/government/organisations/department-for-transport/series/bus-statistics
20 https://www.gov.uk/government/organisations/department-for-transport/about/statistics#forthcoming-publications

Quarterly Data Summary

3.29 The Quarterly Data Summary (QDS) was first published in July 2011. Its primary purpose is to make available to the Whitehall community and to the public more of the management information currently held by government departments. For the financial year 2012-13 the QDS has been revised in line with the Civil Service Reform Plan to better enable comparisons of operational performance across government so that departments and individuals can be held to account.

3.30 Under the new QDS framework departments' spending data is published online to show the taxpayer how the Government is spending their money.[21]

3.31 The new QDS breaks down the total spend of the Department in three ways: by Budget, by Internal Operation and by Transaction. Departmental headline figures for these sections are offered below. The information given below is for the full financial year 2012-13 and figures exclude depreciation.

Quarterly Data Summary 2012 13 spending		
		Actual (millions)
	Total Spend	**£12,359.3m**
(A) Spend by budget type	(A1) Organisation's Own Budget (DEL), Sub-Total	£12,140.3m
	(A2) Expenditure Managed by the Organisation (AME), Sub-Total	£219.0m
	(A3) Other Expenditure Outside DEL and AME	£0.0m
	(A1 + A2 + A3) Total Spend	**£12,359.3m**
(B) Spend by type of internal operation	(B1) Cost of Running the Estate, Sub-Total	£81.4m
	(B2) Cost of Running IT, Sub-Total	£136.1m
	(B3) Cost of Corporate Services, Sub-Total	£86.9m
	(B4) Policy and Policy Implementation, Sub-Total	£8,249.0m
	(B5) Other Costs	£3,586.9m
	(B1 + B2 + B3 + B4 + B5) Total Spend	**£12,140.3m**
(C) Spend by type of transaction	(C1) Procurement Spend, Sub-Total	£2,596.5m
	(C2) People Costs, Sub-Total	£653.9m
	(C3) Grants, Sub-Total	£11,141.2m
	(C4) Other Costs	-£2,251.3m
	(C1 + C2 + C3 + C4) Total Spend	**£12,140.3m**

21 https://www.gov.uk/government/publications/business-plan-quarterly-data-summary-qds

4. Regulation, Parliament and the public

4.1 This chapter covers the Department's interaction with business, reducing its burden on business, and relationships with Parliament and the public.

Better Regulation

4.2 Reducing regulation remains a key priority for the Coalition Government. The government is committed to producing less regulation, better regulation and regulation only as a last resort.

4.3 DfT is committed to this agenda. The Department sets a framework for transport delivery, balancing the need to drive transport outcomes against responsible and proportionate regulation to protect safety, security and the environment. Reflecting the cross-border and global nature of transport, the majority of transport regulation now derives from EU and international measures. Well-designed regulation is important to ensure a level playing field, which means fair treatment for UK operators, but it is crucial that the Department engages effectively in the EU and internationally to shape regulation to ensure it is proportionate and well targeted.

4.4 To achieve this, DfT maintains a robust governance structure (including a high-level Steering Group, reporting to the Executive Committee and the DfT Board) to oversee implementation of the Coalition's regulatory agenda. This helps ensure DfT remains at the forefront of this agenda across Whitehall and puts a deregulatory mindset at the core of how it works.

One-in, one-out

4.5 The One-in, One-out (OIOO) policy applies to domestic regulation that impacts on business and civil society organisations. It aims to bear down on the cost and volume of regulation in the economy by requiring that for any direct net cost imposed on business and civil society organisations ('Ins'), departments must identify and remove existing regulations with at least an equivalent value ('Outs').

4.6 Owing to its robust challenge process and governance structure, DfT introduced only one 'In' with a cost to business over the past year. This was to reform the Air Travel Organisers' Licensing scheme (ATOL). DfT has also reduced the regulatory burden on business by introducing one 'Out', the Air Navigation (Amendment) Order 2012, which provided savings to business of £0.17m. In addition to the one 'Out' implemented, DfT also introduced four measures with zero net cost. One of these measures, the Historic Vehicles MOT Exemption, was an 'Out', although any savings for business could not be quantified. However, DfT's OIOO balance for the 2012-13 period yielded an overall increase in burdens on business of £6.33m due to the impact of the ATOL reforms.

4.7 DfT's closing balance at the end of the period of operation of OIOO (January 2011 to December 2012) yielded an overall increase in the burden on business of £4.06m. This comprised 4 'Ins', 3 'Outs' and 11 measures with zero net cost.

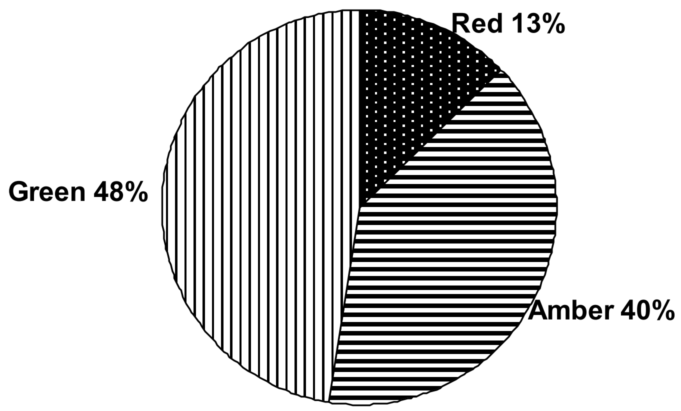
Regulatory Policy Committee (RPC)

4.8 Between April 2012 and March 2013 DfT received 42 opinions on Impact Assessments (IAs) from the RPC, all of which were rated according to the Red-Amber-Green system:[22]

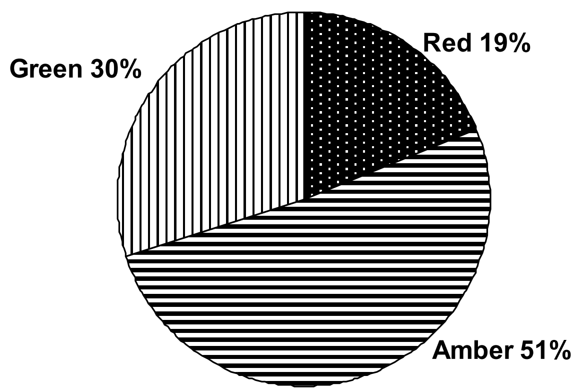
- 5 reds (12%)
- 13 ambers (31%)
- 24 greens (57%)

4.9 The RPC's latest report provides information on the quality of IAs across government and by department during January-August 2012, examining the proportion of first time submission IAs that are rated fit for purpose and the proportion rated green.[23] On both measures DfT is above average (see charts below) and shows improvement in 2012 compared to 2011. In 2012 88% of DfT IAs were rated fit for purpose, compared to 77% in 2011 and 48% were rated green, compared to 35% in 2011. RPC's commentary noted that the quality of DfT IAs was continuing to improve and that the Department should continue to build on the improvements made over the last year.

Impact Assessment ratings for DfT in 2012



Impact Assessment ratings for the whole of government in 2012



Source: *Assessing Regulation: An independent report on the evidence and analysis supporting regulatory proposals, January-August 2012*.[24]

Micro moratorium

4.10 On 1 April 2011 the Government introduced a three-year freeze on new UK regulation for businesses with fewer than ten employees, including start-up businesses. This micro moratorium applies to business regulations that come into force before 31 March 2014. It has not been appropriate to apply the micro moratorium to any transport measures over the past year.

Red Tape Challenge

4.11 DfT has four Red Tape Challenge themes. The first of these was Road Transportation, which was completed and announced last year with 40% of the regulations published for comment to be scrapped or improved. This year Road Transportation work has focused

22 This figure includes multiple opinions on some impact assessments, where they initially obtained a red 'not fit for purpose' rating and were subsequently revised and resubmitted for another opinion.
23 http://regulatorypolicycommittee.independent.gov.uk/wp-content/uploads/2012/12/RPC-Report-November-2012-Final.pdf
24 Ibid.

on implementation of our commitments. To date, 18 reforms have been implemented with a combined cost benefit to business of £47.7m per annum.

4.12 The results of the Rail theme were announced in July 2012 and 40% of the live regulations published for comment are to be scrapped or improved.[25]

4.13 Six improvements have already been implemented, of which four have a deregulatory impact. The measures that are likely to offer the most significant benefits for business and individuals are:

- streamlining the licence application process;
- a review of the closures process;
- a review of certain safety requirements; and
- measures to reduce costs for historic cableways.

4.14 The Aviation and Maritime themes results were announced in March 2013.

4.15 A total of 63% of Maritime regulations have been identified for improvement or scrapping. As soon as Parliamentary time allows, we intend to amend the Merchant Shipping Act 1995 so there is a clear power to give effect to international conventions by ambulatory reference, where appropriate. This is an important amendment for industry and would help to speed up implementation of international conventions: it would allow for a radical simplification and consolidation of the existing maritime legislative framework.[26]

4.16 The Government will scrap or improve 58% of active aviation regulations that were identified under the Red Tape Challenge, reducing the regulatory burden on airports, airlines and other operators. As part of wider work to reduce the regulatory burden on the sector, the Civil Aviation Authority is also launching a major efficiency drive to significantly review its costs and move services online, saving businesses and taxpayers time and money. General Aviation was launched as a theme in its own right in April 2013 in order to give business and the public a further opportunity for comment.[27]

Alternatives to regulation

4.17 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.

4.18 DfT uses a broad range of alternatives across different areas. For example:

- THINK! campaigns provide road safety information for road users to encourage safer behaviour and reduce the number of people killed and injured on our roads every year.
- The Maritime & Coastguard Agency published Human Element – guide to human behaviour in the shipping industry, guidance which explains human behaviour across the maritime industry, bringing together a wealth of insight and good practice to help run safer, more successful shipping.
- A voluntary Code of Conduct for driving instructors, agreed between DSA and the main bodies representing Approved Driving Instructors, provides a framework for professional standards and business ethics within which all instructors should operate.

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25 https://www.gov.uk/government/speeches/red-tape-challenge
26 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/159272/maritime-transport-announcement.pdf
27 https://www.gov.uk/government/publications/aviation-red-tape-challenge-results

It is hoped that all driving instructors will formally agree to adhere to the terms of the Code.

- DfT asked bus companies to bring together information from around the country on the bus deals that are available for young people. As a result the Confederation for Passenger Transport is working with bus companies to provide better online information for young people – the BusForUs website uses sophisticated mapping tools to locate and direct visitors to their nearest bus stops and aims to become a one stop shop for bus information for young travellers.[28]
- The Civil Aviation Authority led publicity campaign Pack Peace of Mind designed to increase public awareness and understanding of how the Air Travel Organisers' Licensing (ATOL) scheme works and the levels of coverage available.

Implementation and guidance

4.19 DfT seeks opportunities to implement simplified processes and improve guidance wherever possible, including removing any obsolete requirements or guidance.

4.20 For example, the Highways Agency is promoting the cancellation of two existing DfT Circulars which set out planning policy in relation to the Strategic Road Network (SRN) and roadside facilities policy respectively and their replacement by a single, much simplified document. The new Circular will bring DfT policy into alignment with the National Planning Policy Framework. It will place enhanced emphasis on the Highways Agency's role as a delivery partner promoting growth and on the role that the SRN can play in enabling economic growth. It will set out a proactive approach to the discharge of those responsibilities based on early engagement and a strong presumption in favour of sustainable development proposals.

4.21 The new document dealing with policy for roadside facilities will retain only those minimum standards and requirements necessary in the interests of the safety and comfort of the motorist, leaving other issues to be decided by local planning and market forces, within the context of wider equality and sustainability legislation. This approach will lead to the removal of minimum spacing requirements between signed roadside facilities and policy blocks on new sites and will free up the potential for greater sector competition and customer choice.

Focus on enforcement

4.22 DfT has engaged with the Focus on Enforcement Review of Coastal Projects and Developments, which was published in February 2013. DfT is working with the Department for Environment, Food and Rural Affairs and others to agree a marine and coastal development concordat by early autumn. This would promote sustainable growth in the coastal areas by enabling the different consenting bodies to work with developers to provide consistent advice on evidence requirements. It would also allow for parallel consideration of the different consents, permissions or licences that are required.

EU regulations

4.23 DfT has a robust system to support EU-level Better Regulation in the transport sector. Engagement with Europe and internationally is vital, because so many of DfT's regulatory proposals are EU or internationally derived.

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28 www.busforus.co.uk/

4.24 The Department has successfully built a Better Regulation alliance with several other Member States, and through this the Department continues to engage effectively with the Directorate-General for Mobility and Transport (DG MOVE) on EU Better Regulation issues. We will be hosting a conference on EU-level transport-related Better Regulation issues in September, to which all Member States and DG MOVE will be invited.

4.25 The Department applies an evidence-based approach and better regulation principles in shaping EU legislation. A major part of this is the internal EU Challenge process, which tests the potential regulatory impacts of proposed new legislation at an early stage. This aims to help establish engagement priorities for DfT, ensuring resources are focused to try and minimise potential burdens. This pilot programme proved successful and we are building on it this year with a further round.

4.26 The Department also aims to implement EU-derived legislation in the least burdensome way, always avoiding ‘gold-plating’, which we have succeeded in doing. One specific example of minimising burdens is in our recent implementation of the Real Total Mass provisions of Directive 2000/56, which required heavy goods vehicles to be loaded during driving tests. For this the Driving Standards Agency avoided the potential cost from the need for driving instructors to hold an operator’s licence by stating that the load should consist of inert substances such as aggregates, sand or water.

Complaints to the Parliamentary and Health Services Ombudsman (PHSO)

4.27 The Department is committed to providing a high quality service to the public and, as such, welcomes all feedback, both positive and negative, which is used to assist with the improvement of our services. The central Department and each of the executive agencies outline their complaints procedures on the Department’s website and on each agency website.

4.28 In 2011-12 four cases were accepted for investigation. In 2011-12 one investigation was concluded and this was fully upheld. The other three investigations were carried into 2012-13.

4.29 During this time one Parliamentary and Health Services Ombudsman (PHSO) recommendation was made and the Department complied with this.

4.30 We have now concluded the first full year of the new complaints process following recommendations by the PHSO and lessons have been learned about its application. The feedback from the Independent Complaints Assessor goes into our business improvement plans.

4.31 Revision and refining of the complaints process is to continue into 2013-14 and has informed the setting of a new Departmental objective to reduce complaints that escalate. Through improving the way we manage complaints at first contact, then designing complaints out of processes we are making service provision more customer focused across the DfT family.

4.32 The Ombudsman’s 2011–12 annual report is expected to be published later in the summer and will contain this year’s figures. Please visit their website for more information.[29]

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29 www.ombudsman.org.uk/about-us/publications/annual-reports

Performance in responding to correspondence from the public

4.33 In 2012-13 the Department responded to 93% of correspondence from members of the public within 20 working days. Our target is to respond to 80% of cases in 20 working days.

4.34 Official correspondence, including that received via email and the contact form on the DfT website, is the term given to:

- correspondence addressed to ministers which is answered by officials; and
- mail addressed to the Department, rather than to a named official or specific unit.

4.35 This correspondence is referred to officials in the relevant policy team or to an executive agency to reply direct to the writer.

Percentage of Treat Official (TO) correspondence answered within 20 working days (target 80%)					
Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012
93%	94%	93%	96%	86%	94%
Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013
94%	96%	94%	96%	93%	93%
Full year total: 93%					

4.36 Ministerial correspondence handling performance is reported annually via a Written Ministerial Statement issued by the Cabinet Office. The most recent statement was issued on the 13 May 2013 and is available online.[30]

30 www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130513/wmstext/130513m0001.htm – 1305133000008

5. Staff and communications

5.1 This chapter sets out details of senior staff numbers and salaries (overall staff numbers are set out in Core Table 5); expenditure on consultancy, temporary and off-payroll staff; talent development; health and safety; and communications and marketing. Further details on pay and remuneration, including pension entitlements, are set out in the Remuneration Report. Pension liabilities are treated in accordance with the accounting policy in Note 1.16 to the Accounts and a summary of assets and liabilities of the relevant pension schemes is in Note 28.

Number of Senior Civil Service (SCS) staff by salary range

5.2 The number of senior civil servants employed by the Department, including its executive agencies, as at 31 March 2013, is disaggregated by salary range in Table 5.1.

Table 5.1: Distribution of senior civil service salaries within the Department

Salary Range	Staff numbers	Salary Range	Staff numbers
£55,000-£59,999	10	£115,000-£119,999	5
£60,000-£64,999	19	£120,000-£124,999	4
£65,000-£69,999	24	£125,000-£129,999	3
£70,000-£74,999	17	£130,000-£134,999	1
£75,000-£79,999	18	£135,000-£139,999	2
£80,000-£84,999	24	£140,000-£144,999	1
£85,000-£89,999	15	£145,000-£149,999	2
£90,000-£94,999	8	£150,000-£154,999	0
£95,000-£99,999	6	£155,000-£159,999	0
£100,000-£104,999	6	£160,000-£164,999	0
£105,000-£109,999	5	£165,000-£169,999	1
£110,000-£114,999	4	£170,000-£174,999	0
		Total SCS Staff Numbers	**175**

Notes:

The minimum annual salary for SCS is £58,200.

Staff numbers are actual, not full-time equivalents, so a part-time member of staff counts as 1.

Information is for all senior civil servants in the Department and its agencies at 31 March 2013 and includes those on fixed-term contracts (but excludes outward loans and secondments). Salary is the basic annual full-time equivalent salary effective from 31 March 2013 and excludes non-consolidated performance related pay.

Expenditure on consultancy, temporary and off-payroll staff

5.3 During the year 2012-13 the Department employed a number of consultancy and temporary staff. DfT's expenditure on consultancy and temporary staff in 2012-13 is shown in Table 5.2a.

Table 5.2a: Expenditure on consultancy and temporary staff (£m)

Organisation	Consultancy	Temporary staff	Total
DfT Central	10.30	6.85	17.15
DVLA	0.56	3.13	3.69
DSA	0.00	0.01	0.01
HA	0.19	1.01	1.20
MCA	0.10	0.14	0.24
VCA	0.00	0.17	0.17
VOSA	0.07	2.28	2.35
GCDA	0.00	0.18	0.18
British Transport Police	0.00	0.37	0.37
Directly Operated Railways	0.03	0.05	0.08
Passenger Focus	0.40	0.49	0.89
Northern Lighthouse Board	0.00	0.16	0.16
Trinity House Lighthouse Service	0.00	0.09	0.09
HS2	0.61	3.59	4.20
Total	**12.26**	**18.52**	**30.78**

5.4 The figures for consultancy and temporary staff for the central Department have been produced based on Cabinet Office definitions for these categories of expenditure. Consultancy is defined as work of an advisory nature relating to strategy, structure, management or operation of an organisation, in pursuit of its purposes and objectives. Temporary staff are staff who cover business-as-usual or service delivery activities within an organisation. Temporary staff are also often referred to as contingent labour.

5.5 The figures reported in Notes 8 and 9 to the Departmental Accounts show higher consultancy costs than those reported in this table, as they capture activity which falls outside Cabinet Office definitions, eg technical consultancy. There may also be differences between the data shown for individual agencies in the table above and the figures shown in their annual reports and accounts for similar reasons.

5.6 The 2011-12 Annual Report included consultancy expenditure of £7.32m and temporary staff expenditure of £13.32m. The increased expenditure levels result from the release of large infrastructure projects such as Thameslink and Intercity Express, plus increased activity linked to HS2, requiring additional legal and technical expertise.

5.7 As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments have been asked to report on the tax arrangements of public-sector appointees.[31] The following two tables show the Department's off-payroll engagements and related tax arrangements for the periods outlined by HM Treasury.

Table 5.2b: Off payroll engagements at a cost of over £58,200 (pro rata) per annum that were in place as of 31 January 2012

	DfTc	DVLA	VOSA	HA	DOR	BTPA	HS2 Ltd	Total
No. in place on 31 January 2012	12	6	1	3	2	7	12	43
of which:								
No. that have since come onto the organisation's payroll	0	2	0	0	0	0	1	3
of which:								
No. that have since been re-negotiated/re-engaged, to include contractual clauses allowing the Department to seek assurances as to their tax obligations	7	0	0	0	0	0	3	10
No. that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the Department to seek assurance as to their tax obligations	0	1	0	2	2	0	2	7
No. that have come to an end	5	3	1	1	0	7	6	23

5.8 Of those 43 individuals who were engaged off payroll for more than £58,200 per annum on 31 January 2012, only seven remain unchanged and there is a reason for each provided in 5.9 below. Twenty three contracts have come to an end, and three individuals have come onto payroll. Ten contracts have been renegotiated to allow DfT to seek assurances that they are fulfilling their tax obligations. DfT has requested such assurances and is in the process of reviewing the responses.

5.9 As at 31 March 2013, there were seven contracts that did not include clauses to allow DfT to seek assurances on their tax obligations. One contract ended in April 2013, three of these contracts are set to expire between May and July 2013 and have not been renegotiated due to the short length of time left on the contract. These individuals will either move onto payroll, or a replacement will be recruited on payroll. Another contract ends in December 2013 as the individual was uniquely placed to advise HS2 Ltd on successfully delivering the HS2 bill, and the contract will be renegotiated to include clauses to check tax arrangements. There are two contracts that do not include assurances; the Department is currently reviewing the contracts.

31 https://www.gov.uk/government/publications/tax-arrangements-of-public-sector-appointees--2

5.10 Table 5.2c below shows all new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and for more than 6 months.

Table 5.2c: For all new off payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and for more than 6 months

	DfTc	MCA	VCA	HA	SSC	DVLA	HS2 Ltd	BTP	VOSA	Total
No. of new engagements	21	2	2	11	2	1	1	2	2	44
of which										
No. of new engagements which include contractual clauses allowing the Department to seek assurances as to their tax obligations	20	2	2	11	2	1	1	2	2	43
of which										
No. for whom assurance has been requested and received	17	2	0	6	1	1	0	1	2	30
No. for whom assurance has been provided, and is still being clarified	2	0	0	3	0	0	1	0	0	6
No. for whom assurance has been requested but not received	0	0	0	0	0	0	0	1	0	1
No. that sought early termination of contract as a result of not providing assurances	0	0	2	0	0	0	0	0	0	2
No. that have come to an end before assurances were sought	1	0	0	2	1	0	0	0	0	4

5.11 One contract does not include the tax assurances clause, as it was procured as an urgent business need, however, the individual has provided sufficient assurances to the Department and we are renegotiating the contract to include the clause.

5.12 DfT is still continuing to clarify evidence provided in a small number of cases.

Recruitment practice

5.13 The Department has centralised control systems requiring recruitment to be approved by the Departmental Approvals Committee and controlled from a single point across DfT. In 2012–13 recruitment was undertaken only for front line, security and business critical roles.

5.14 The number of posts agreed for external recruitment this year was 554.6 for front line, security or business critical roles.

5.15 In 2012-13 there was only one exception to the recruitment principles, a senior civil servant with highly specialised skills and experience.[32]

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32 http://civilservicecommission.independent.gov.uk/wp-content/uploads/2012/04/Recruitment-Principles.pdf

Talent development

5.16 DfT's talent management strategy aims to help our staff maximise their potential through a clearer understanding of their capability, career aspirations and the development needed to achieve career goals.

5.17 The Nomination and Governance committee, a sub-committee of the Board, reviewed the talent and succession plans for the most senior leadership roles in the organisation in 2012.

5.18 Additionally the Department's Pay and Performance Committee has responsibility for reviewing talent and succession plans for the Senior Civil Service (SCS) and building a strong senior management team.

5.19 Successful implementation of talent and career development conversations for SCS talent enabled all SCS staff to have career development conversations in 2012-13. We offer a range of opportunities to support longer term career development including coaching, cross-Civil Service Senior Leaders Programme and eight people on the Major Project Leadership Academy.

5.20 The talent and career review process has been implemented for all pay bands six and seven in DfT(c) (grades 7 and 6). This has provided a clearer view of the talent and potential we have at this level and will support our succession planning to enable us to be more flexible and responsive to change.

5.21 On reviewing development needs we have provided a number of leadership events for this group and sessions to raise awareness of the skills required for those who wish to apply for a Senior Civil Service post.

5.22 In 2013-14 we will be reviewing how we will identify talent and build capability of staff below our pay band 6 (grade 7) to bring on talent and develop the skills needed for the future.

Health and safety

5.23 Improving the management of health and safety continues to be a priority for the Department, and DfT aims to refresh its health and safety policy development arrangements, to ensure a DfT Group approach is adopted where feasible.

5.24 The tragic death of John Walmsley reminds us of the importance of health and safety. John Walmsley, Highways Agency Traffic Officer, died in the course of his duty on the M25 in Kent on 25 September 2012.

5.25 We were again reminded of the risks involved with working on the road network when in October 2012 a roadworker employed by a Balfour Beatty-Mott MacDonald Joint Venture was killed on the A2 in Kent whilst carrying out barrier repairs.

5.26 The Highways Agency (HA) and the Department take the safety of road workers very seriously and continue to work to improve road worker safety. The Agency is currently working with the Health and Safety Executive to review the lessons learned from such incidents.

5.27 In order to reduce risks to road workers, the Agency and its supply chain has trialled and implemented innovative temporary traffic management techniques. HA has identified the hazards to which traffic officers are exposed, completed health and safety risk assessments on these, and introduced associated risk management arrangements. An assurance and compliance process for on-road traffic officers has also been implemented to provide assurance that workers are operating safely and are adhering to operational policy and procedures.

5.28 The Agency is driving forward its 'Raising the bar' initiative, launched in 2012. This involves working collaboratively with delivery partners to identify current best practice and expecting this to form the minimum standard for construction and maintenance activities.

5.29 At the end of March 2013 the numbers of significant incidents reported by DfT, including its agencies to the Health and Safety Executive (HSE) under Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1998 (RIDDOR) were as set out in Table 5.3.

Table 5.3: Number of RIDDOR reportable incidents

Organisation	RIDDOR reportable incidents
DfT(c)	1
DSA	41[33]
DVLA	10
HA	18[34]
MCA	3
VCA	0
VOSA	4

Communications

5.30 Group Communications 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.

5.31 In 2012–13 major communications projects included:

- the London Olympics and Paralympics;
- consultation and decision to go ahead with phase two of high speed rail (HS2);
- reforming our railways, including the Rail Investment Strategy and relaunch of the franchising programme;
- Coastguard reform;
- the Department's Change Programme; and

33 The figure of 41 accounts for nine staff incidents and 32 incidents where members of the public were taken from a DSA site direct to hospital. The latter mainly consisted of Module One motorcycle test candidates using incorrect braking or avoidance techniques resulting in them falling off their motorcycle. This is the same as the 32 and nine incidents from the previous financial year, which remains lower than previous years due to alterations to the Module One motorcycle test.

34 This figure excludes 28 incidents relating to the Highways Agency's (HA) supply chain (sub-contractors). HA employ a number of businesses (referred to as their supply chain) to carry out maintenance and construction work on their behalf. HA, as a major client of the construction and maintenance industry have a duty of care to ensure this work is carried out safety and monitor the number of RIDDOR incidents happening within their supply chain.

- finalising work with the Government Digital Service to rationalise DfT websites and transfer our Directgov, Business Link and corporate material to the new GOV.UK single domain.

Marketing

5.32 Since May 2010 marketing campaigns require the approval of the Efficiency and Reform Group.

5.33 Approved activity included THINK! road safety campaigns aimed at reducing drink driving, improving child pedestrian road safety and motorcyclist safety.

Third-party support

5.34 As in previous years the central Department has not received any cash sponsorship, but has received in kind support from three key partners who have linked with our THINK! drink drive road safety campaign. We are grateful to:

- **Coca-Cola** for rerunning their Designated Driver campaign in support of our Christmas Drink drive campaign. Coca Cola ran a promotion across 8,000 pubs across the country offering a BOGOF (buy one get one free) on selected soft drinks over the Christmas period. Each pub carried posters promoting the offer and our drink drive messages.
- **Enterprise Inns** who carried drink drive posters in their pubs.
- **The AA** who offered us access to their monthly public polling to explore attitudes to drink driving which had a response rate of just under 20,000.

5.35 We are currently finalising partnership activity with various motorcycling organisations such as Yamaha, the Motorcycling Industry Association, and Motorcycling Monthly, which will launch in spring 2013 and be reported in next year’s annual report.

6. Climate change, sustainability and the environment

Mainstreaming sustainable development

6.1 DfT seriously considers the principles of sustainable development in the advancement and delivery of transport policies and investments – considering the long term needs of the economy, society, and the natural environment. Transport is a key enabler of sustainable economic growth and vital in underpinning wider sustainable development in the UK. Many of our policies are aimed at creating growth and cutting carbon. We support this by developing policies and delivering investments in transport that maximise value, limit adverse environmental impacts and, where reasonably practicable, enhance our natural environment and enable social inclusion and mobility.

6.2 The Department for Transport's impact assessments require assessment of sustainable development to be carried out if impacts exist. Further to this, we also consider other specific impact tests, for example greenhouse gas, equalities and rural proofing. This is checked through the clearance processes in the Better Regulation team and is also subject to peer review by an economist.

6.3 A wide range of environmental factors are considered in appraising transport schemes, using a mixture of monetary, quantitative and qualitative techniques. The Department has recently commissioned research on how the ecosystem services approach described in Supplementary Green Book guidance could be incorporated in transport appraisal and is considering the next steps for implementation.

6.4 DfT ministers take decisions on investments in support of their objectives for transport, informed by a business case. We are continuously seeking to improve the tools and techniques that inform this decision making process. For instance we ensure that our carbon appraisal guidance remains consistent with latest guidance from the Department of Energy and Climate Change and incorporate consideration of electric vehicles into appraisal.

6.5 To enhance staff learning and knowledge on issues such as those relating to climate change and sustainability, regular briefing and awareness sessions on topical and related issues are organised throughout the year and are open to all employees. Occasional events are also opened to invitees from other government departments who have a specialist interest in the seminar topic.

6.6 To ensure that our approach to decision making is transparent, and that the views of interested parties are understood and given consideration, DfT engaged in 52 consultations in 2012.

6.7 During the past year we have worked internally on improvements to procurement procedures. Our website sets out our small and medium-sized enterprise (SME) Action

Plan and case studies of good practice.[35] The Department expects to achieve a total of 18.6% procurement spend with SMEs by March 2015 and continues to promote use of government buying standards in its procurement activity.

6.8 High Speed 2 (HS2) will be the UK's new high speed rail network and is being designed and built to resolve impending capacity issues for both passengers and freight on existing routes, particularly the West Coast Main Line. HS2 teams have undertaken design and environmental work for Phase One, while also working closely with local authorities, communities and other stakeholders to develop the network's routes, identify potential impacts and explore the best opportunities to reduce or avoid them through consultations and discussions in community and planning forums.

Climate change adaptation and mitigation

6.9 Priorities for the Department include promotion of lower carbon transport, support for the development of the market for electric and other ultra-low emission vehicles and encouraging sustainable local travel. *The Carbon Plan*, published in December 2011, details our ambitious aims to deliver major reductions in carbon emissions from the transport and other sectors over the coming decades. It sets out a radical vision for the almost complete decarbonisation of cars and vans by 2050.

6.10 We are committed to ensuring that the transport sector plays a full part in delivering the emissions reductions needed to meet our Climate Change Act targets. Many of our policies to deliver growth have a strong environmental and green transport focus and either complement or form key actions DfT is undertaking to implement the carbon reduction element of the Coalition priorities (actions 4.5 & 4.6 in our 2012-15 Business Plan). For example, we are:

- supporting the development and deployment of ultra-low emission vehicles, which will help create and safeguard UK jobs as well as having environmental benefits;
- investing in rail electrification schemes across the country, to boost capacity for passengers and freight and provide carbon savings as well as reliability and journey time benefits;
- supporting low-carbon rail freight by making it easier to get new rail freight terminals built;
- implementing a fourth round of the Green Bus Fund which will now provide a total of £95m, supporting the purchase of around 1,300 low carbon emission buses;
- putting a total of £11.3m towards trialling low emission heavy goods vehicles and their supporting infrastructure; and
- enabling Local Authorities through additional funding under the £540m Local Sustainable Transport Fund (LSTF) to implement schemes which will help deliver local economic growth whilst cutting carbon emissions from transport.

6.11 We recognise that the consequences of climate change present challenges to the long term resilience of transport. We are, therefore, incorporating consideration of the potential implications in our investment and policy decisions, favouring an approach focused on early risk identification and avoidance.

35 https://www.gov.uk/government/organisations/department-for-transport/about/procurement

6.12 This year we have contributed transport adaptation actions to the first National Adaptation Programme, which will be published in July 2013 and run for five years to 2018. The actions build on work we started via our 2010-12 Departmental Adaptation Plan and use evidence from the 2012 national Climate Change Risk Assessment. The main objectives are:

- to ensure infrastructure is located, planned, designed and maintained to be resilient to climate change and increasingly extreme weather events;
- to develop regulatory frameworks to support and promote a resilient and adaptive infrastructure sector;
- to better understand the particular vulnerabilities facing local infrastructure eg local highways from extreme weather and long term climate change so as to determine actions to address the risks; and
- to develop understanding and promote expertise in managing interconnected and interdependent services to minimise risks of cascade failures which could be exacerbated by climate changes and to identify how systems thinking can support this objective.

Rural proofing of DfT policies and programmes

6.13 There has been a long standing commitment that all departments should rural proof their new policies and programmes.

6.14 Rural proofing requires policy-makers to consider three key questions on how any policy (including both new policies and significant changes to existing ones, eg as a result of expenditure cutbacks) may affect rural people and places. Specifically, policy-makers are required to:

- consider whether the policies they are developing will have any impacts on rural areas;
- assess the significance of those impacts; and
- where appropriate, adjust the policy to ensure that the needs of those who live in rural areas are addressed fairly.

6.15 While rural proofing requires policy-makers to adjust their policies to take due account of rural impacts, it does not, for instance, require exactly the same policy outcome or the provision of exactly the same level of service, in rural as in urban locations.

6.16 Impact Assessments (IAs) have been undertaken when required by and in accordance with the IA guidance dated August 2011. When required, rural proofing assessments have been undertaken and are included in the Social Impacts section of the IA.

6.17 DfT has actively contributed to relevant rural initiatives led by other departments to ensure they are rural proof in terms of their transport impacts. DfT has worked on preparation of the Rural Statement, led by the Department for Environment, Food and Rural Affairs (Defra) that was published in September 2012. DfT are working with Defra to update the Rural Proofing guidance for government departments that is referred to in the Rural Statement.

7. Core tables

Table 1: Total departmental spending, 2006 07 to 2015 16 (£'000)										
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Estimated outturn**	**Plans**	**Plans**	**Plans**
Resource DEL										
Section A: Tolled Crossings	-83,663	-83,749	-84,225	-87,558	-85,767	-87,715	-86,163	-99,729	-119,963	-
Section B: Local Authority Transport	39,033	41,966	54,947	50,443	335,768	250,520	234,681	227,338	320,703	-
Section C: Highways Agency	1,632,707	1,693,538	1,756,767	1,977,593	1,652,564	1,881,488	1,855,032	1,942,558	1,875,788	-
Section D: Network Rail	-	-189,226	-193,409	-166,475	-187,237	-199,226	-218,382	-225,606	-220,936	-
Section E: Funding of ALBs (net)	4,014	-2,109	3,496	26,406	7,212	27,930	199,902	248,587	12,101	-
Section F: Other railways	151,757	236,237	281,001	234,081	254,638	237,213	190,359	272,942	305,259	-
Section G: Sustainable Travel	52,597	64,121	89,425	111,583	105,591	52,376	150,709	150,651	67,062	-
Section H: Bus Subsidies & Concessionary Fares	445,961	517,279	713,714	733,861	736,856	518,875	350,765	316,155	328,265	-
Section I: GLA transport grants	2,392,549	2,523,513	2,471,155	2,558,911	2,774,169	2,804,060	2,835,008	1,988,489	1,687,288	-
Section J: Crossrail	80,577	103,528	157	-	-	-	-	-	-	-
Support For Olympic and Paralympic Games	-	-	-	-	2,060	2,162	5,510	-	-	-
Section K: Aviation, Maritime, Security and Safety	54,289	131,189	161,964	163,569	115,157	28,386	26,118	85,597	108,639	-
Section L: Maritime and Coastguard Agency	119,991	125,173	127,959	131,976	127,025	136,838	136,849	117,919	135,591	-
Section M: Motoring Agencies	-1,861	14,173	14,710	51,071	15,875	183,543	173,604	203,523	225,379	-
Renewable Fuels Agency (Net)	-	-	-	-	-265	-	-	-	-	-
Section N: Science, research and support functions	27,579	62,538	57,356	100,872	41,429	26,090	48,894	61,391	52,241	-
Section O: Central Administration	225,394	232,976	228,969	216,288	175,681	158,319	164,929	173,475	145,591	-
Section P: Departmental Unallocated Provision	-	-	-	-	-	-	-	975	-8,054	-
Section Q: Support for Passenger Rail Services	948,127	777,678	-104,692	230,998	-483,236	-475,619	-788,476	-598,946	-566,625	-
Section R: High Speed Two	-	-	-	-	13,961	31,796	3,569	13,700	198,556	-

Table 1: Total departmental spending, 2006 07 to 2015 16 (£'000)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
Section S: Funding of ALBs (net)	-	-	-	-	-	-	-	92,989	10,161	-
Driver and Vehicle Licensing Agency trading fund (net)	225,203	242,951	250,132	196,814	171,394	-				
Other Railways	-	-	3,534	18,938	22,489	-				
Central Administration	-	-	-	62	-	789				
Highways Agency	-	-	-	-1,339	-21,328	-				
Total Resource DEL	**6,314,254**	**6,491,776**	**5,832,960**	**6,548,094**	**5,774,036**	**5,577,825**	**5,282,908**	**4,972,008**	**4,557,046**	**-**
Of which:										
Staff costs	535,198	555,612	585,352	614,779	611,552	600,941	597,036	592,984	300,676	-
Purchase of goods and services	1,520,386	1,631,427	1,920,647	1,910,133	1,727,207	1,822,565	1,941,873	2,369,574	1,955,671	-
Income from sales of goods and services	-454,339	-618,857	-468,105	-574,296	-838,095	-920,874	-955,756	-1,031,107	-712,950	-
Current grants to local government (net)	2,946,310	3,111,286	3,275,639	3,335,059	3,814,501	3,493,763	3,515,034	2,689,046	2,208,030	-
Current grants to persons and non-profit bodies (net)	169,997	300,024	156,044	70,998	64,584	38,715	41,437	103,770	349,300	-
Current grants abroad (net)	46,260	5,232	-1,389	421	-197	-2,087	3,268	4,107	-	-
Subsidies to private sector companies	1,164,616	1,133,684	-982	865,245	844,528	789,483	756,403	757,555	1,662,936	-
Subsidies to public corporations	17,851	34,740	19,472	80,143	58,142	6,706	18,141	23,250	24,050	-
Net public service pensions [2]	-	-	6,845	9,906	8,750	9,940	8,872	20,500	-	-
Rentals	642	655	16,165	-3,289	17,708	10,214	6,886	-	-1,184	-
Depreciation [1]	307,433	392,368	397,176	895,875	630,760	898,470	969,978	985,546	936,048	-
Change in pension scheme liabilities	-40,282	-66,424	-	-	20,000	-100	-	-	-	-
Unwinding of the discount rate on pension scheme liabilities	-	-	-	-	-	17,300	-	-	-	-
Other resource	100,182	12,029	-73,904	-656,880	-1,185,404	-1,187,211	-1,620,264	-1,544,192	-2,157,477	-
Unallocated funds – resource	-	-	-	-	-	-	-	975	-8,054	-
Resource AME										
Tolled Crossings	-	-	-	-	-	150,000	-	-	-	-
Section T: Highways Agency	758,007	822,470	647,115	636,431	627,712	491,676	390,784	969,172	924,638	945,126
Section U: Other Railways	-851,685	-16,078	12,911	596,338	-312,425	197,886	196,974	275,466	206,005	206,005
Section V: GLA transport grants	248,000	-124,000	-61,888	-61,960	45	-60	84	-9	-	-
Section W: Maritime and Coastguard Agency	-257	3,490	1,133	2,002	24	1,725	533	2,700	2,200	2,200
Section X: Motoring Agencies	-	637	-	-	-	47,030	3,148	-26,200	-6,100	-6,100

Table 1: Total departmental spending, 2006 07 to 2015 16 (£'000)										
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Estimated outturn**	**Plans**	**Plans**	**Plans**
Section Y: Renewable Transport Fuels Obligation	-	-	-	-	-	-	-	-	363,845	343,357
Section Z: Central Administration	-5,523	-7,325	-6,753	-9,178	11,529	-10,324	-6,921	295,766	-772	-772
Section AA: Funding of ALBs (net)	-	-	-	-	-	-	-	-426	-	-
FUNDING OF ALBs (net)	-	-	-	-	-	-	5,704	-	-	-
Driver and Vehicle Licensing Agency trading fund (net)	-1,898	-4,368	-4,091	775	-3,362	-	-	-	-	-
Other Railways	-3,046	-	-	2,587	188,360	-	-	-	-	-
Central Administration	-	-	-	-62	-	-789	-	-	-	-
Highways Agency	-	-	-	-21,745	-	-	-	-	-	-
Aviation, Maritime, Security and Safety	-	88	-1,643	-1,728	-	-	-	-	-	-
Support for Passenger Rail Services	-	-	-15,209	-39	-10,800	-1,600	-	-	-	-
Total Resource AME[4]	**143,598**	**674,914**	**571,575**	**1,143,421**	**501,083**	**875,544**	**590,306**	**1,516,469**	**1,489,816**	**1,489,816**
Of which:										
Purchase of goods and services	-	-	-	10,100	-	75	72	336,553	-	-
Depreciation [1]	596,567	686,577	669,245	395,278	691,331	507,353	310,463	1,265,725	927,200	947,200
Take up of provisions	611,861	134,346	62,115	305,231	-340,185	56,397	6,404	300,066	618,366	598,878
Release of provision	-1,105,826	-190,936	-200,868	-118,113	-87,347	-57,301	-29,340	-53,322	-59,750	-60,262
Other resource	40,996	44,927	41,083	550,925	237,284	369,020	302,707	-332,553	4,000	4,000
Total Resource Budget	**6,457,852**	**7,166,690**	**6,404,535**	**7,691,515**	**6,275,119**	**6,453,369**	**5,873,214**	**6,488,477**	**6,046,862**	**1,489,816**
Of which:										
Depreciation [1]	904,000	1,078,945	1,066,421	1,291,153	1,322,091	1,405,823	1,,280,441	2,251,271	1,863,248	947,200
Capital DEL										
Section A: Tolled Crossings	-4,231	-2,195	-2,011	-	-2,652	19,961	-2,013	-1,722	43,589	-
Section B: Local Authority Transport	950,010	1,361,872	1,738,298	1,774,851	1,598,692	1,679,928	1,349,715	1,668,220	1,873,,000	-
Section C: Highways Agency	1,115,366	1,054,456	1,130,112	1,926,999	1,601,856	1,281,519	967,882	1,607,956	2,007,704	-
Section D: Network Rail	3,102,583	3,154,462	3,899,158	3,366,096	3,395,356	3,541,928	3,696,008	3,442,214	3,451,000	-
Section E: Funding OF ALBs (net)	10,922	8,444	11,000	13,875	8,967	11,011	18,907	15,200	10,190	-
Section F: Other railways	1,078,165	25,841	207,324	484,745	251,466	52,370	54,587	157,253	36,000	-
Section G: Sustainable Travel	11,603	4,877	3,394	51,091	54,346	28,714	144,776	210,563	114,640	-
Section H: Bus Subsidies & Concessionary Fares	-69	-534	-	14,803	20,636	110,108	-1,047	20,000	80,000	-

Table 1: Total departmental spending, 2006 07 to 2015 16 (£'000)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Estimated outturn**	**Plans**	**Plans**	**Plans**
Section I: GLA transport grants	-	150,000	100,000	100,000	-	439,000	352,000	184,000	-	-
Section J: Crossrail	-	-	-	-	220,000	517,000	1,205,000	1,122,776	1,082,000	-
Support For Olympic and Paralympic Games	-	-	75,027	202,901	233,799	-	-	-	-	-
Section K: Aviation, Maritime, Security and Safety	46,903	33,416	23,395	23,979	9,919	-837	4,261	-1,408	14,675	-
Section L: Maritime and Coastguard Agency	6,350	10,642	9,032	9,751	4,504	6,888	8,879	9,688	9,906	-
Section M: Motoring Agencies	29,159	47,661	29,672	23,808	-29,940	-4,809	3,734	21,102	45,032	-
Section N: Science, research and support functions	4,402	1,561	23	1,508	1,054	1,598	332	5,455	1,583	-
Section O: Central Administration	776	4,415	2,960	7,848	6,650	1,508	1,446	2,719	553	-
Section P: Departmental Unallocated Provision	-	-	-	-	-	-	-	100,000	103,128	-
Section Q: Support for Passenger Rail Services	-	-	-	11,000	21,000	-	-	-	-	-
Section R: High Speed Two	-	-	-	-	1	399	22,890	100,000	-	-
Section S: Funding of ALBs (net)	-	-	-	-	-	-	-	8,984	-	-
Supported Capital Expenditure (Revenue)	700,261	390,565	-	208,758	211,871	-	-	-	-	-
Driver and Vehicle Licensing Agency trading fund (net)	41,219	39,863	24,329	30,865	19,062	-	-	-	-	-
Other GLA Transport Grant	-	454,000	-	-	-	-	-	-	-	-
Other Railways	-	-	-	-	-241,000	-	-	-	-	-
Tolled Crossings	-	-	-	-	-86,877	-	-	-	-	-
Total Capital DEL	**7,093,419**	**6,739,346**	**7,251,713**	**8,252,878**	**7,298,710**	**7,686,286**	**7,827,357**	**8,673,000**	**8,873,000**	**-**
Of which:										
Capital support for local government (net)	1,664,510	1,932,805	1,870,898	2,170,124	2,114,279	2,788,737	3,048,892	3,133,774	3,,087,945	-
Capital grants to persons & non-profit bodies (net)	7,510	5,006	-	854	8,743	19,305	818	-	89,997	-
Capital grants to private sector companies (net)	3,135,885	3,186,825	4,042,180	3,713,938	3,624,369	3,558,921	3,759,130	3,724,547	3,456,879	-
Capital grants abroad (net)	-29,959	-20,952	-24,603	-28,868	-6,862	-16,284	-37,590	-50,000	-13,527	-
Capital support for public corporations	1,120,293	531,142	84,509	185,771	-241,536	-36,674	-30,563	-10,781	15,333	-
Purchase of assets	1,206,239	1,174,049	1,202,752	2,001,905	1,653,509	1,361,405	1,083,984	1,726,795	2,131,674	-
Income from sales of assets	-10,115	-6,957	-22,130	-8,542	-6,519	-8,624	-11,879	-13,475	-10,000	-

Table 1: Total departmental spending, 2006 07 to 2015 16 (£'000)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
Net lending to the private sector and abroad	-944	-62,572	-	3,600	-86,877	-	-360	-360	-360	-
Other capital	-	-	98,107	214,096	239,604	19,500	19,925	62,500	11,931	-
Unallocated funds – capital	-	-	-	-	-	-	-	100,000	103,128	-
Capital AME										
Highways Agency	-	-	-	-	-	-33,464	-60,819	1	-	-
Total Capital AME	**-**	**-**	**-**	**-**	**-**	**-33,464**	**-60,819**	**1**	**-**	**-**
Of which:										
Purchase of assets	-	-	-	-	-	-	-	1	-	-
Total Capital Budget	**7,093,419**	**6,739,346**	**7,251,713**	**8,252,878**	**7,298,710**	**7,652,822**	**7,766,538**	**8,673,001**	**8,873,000**	**-**
Total departmental spending [3]	**12,647,271**	**12,827,091**	**12,589,827**	**14,653,240**	**12,251,738**	**12,700,368**	**12,359,311**	**12,910,207**	**13,056,614**	**542,616**
Of which:										
Total DEL	13,100,240	12,838,754	12,687,497	13,905,097	12,441,986	12,365,641	12,140,287	12,659,462	12,493,998	-
Total AME	-452,969	-11,663	-97,670	748,143	-190,248	334,727	219,024	250,745	562,616	542,616

Notes:

1 Includes impairments.

2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash item.

3 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.

4. Detail below control totals for 2014-15 plans is indicative and will be updated as part of the planning round during 2013-14.

5. The information is provided by HM Treasury. 2015-16 is blank because the Spending Review process has not been finalised.

Table 2: To supplement Table 1, 2012 13 outturn figures (from Table 1) against the original and final budgetary control limits (£'000).

	2012-13	2012-13	2012-13	2012-13
	Provision	**Final Provision**	**Estimated outturn**	**Variance**
	Main Estimate	**After Supplementary**	**As per Departmental Accounts**	**Between Final Provision and Estimated outturn**
Voted Resource DEL Administration				
Section C: Highways Agency	68,549	65,549	63,643	1,906
Section E: Rail NDPBs (net)	11,300	10,160	11,178	-1,018
Section M: Maritime and Coastguard Agency	12,031	12,031	8,486	3,545
Section N: Motoring Agencies	4,300	-	1,213	-1,213
Section P: Central Administration	168,028	175,966	157,967	17,999
[Section S Aviation NDPBs (net)][1]		502	444	58
Voted Resource DEL Programme				
Section A: Tolled Crossings	-94,864	-94,864	-86,163	-8,701
Section B: Local Authority Transport	242,660	242,660	234,681	7,979
Section C: Highways Agency	1,928,132	1,886,132	1,791,389	94,743
Section D: Network Rail	-207,806	-207,806	-218,382	10,576
Section E: Rail NDPBs (net)	186,126	186,221	221,424	-35,203
Section F: Other railways	327,330	246,960	190,359	56,601
Section G: Sustainable Travel	72,292	167,302	150,709	16,593
Section H: Bus subsidies and Concessionary Fares	456,368	361,348	350,765	10,583
Section I: GLA transport grants	2,829,016	2,829,016	2,835,008	-5,992
Section J: Crossrail	-	-		-
Section K: Support for Olympic and Paralympic Games	9,643	9,642	5,510	4,132
Section L: Aviation, Maritime, Security and Safety	33,968	35,497	26,118	9,379
Section M: Maritime and Coastguard Agency	138,548	138,548	128,363	10,185
Section N: Motoring Agencies	223,698	204,557	172,391	32,166
Section O: Science, research and support functions	60,799	58,864	48,894	9,970
Section P: Central Administration	16,637	49,306	6,962	42,344
Departmental Unallocated Provision[2,4]	316,390	-	-	-
[Section Q]: Support for Passenger Rail Services[3]	-715,866	-688,588	-788,476	99,888
[Section R]: High Speed Two[3]	3,410	3,410	3,569	-159
[Section S Aviation NDPBs (net)][1]		-29,724	-33,144	3,420
Non-Voted Resource DEL				
Resource DEL Sub total	**6,090,689**	**5,662,689**	**5,282,908**	**379,781**
Of which:				
Voted	6,090,689	5,662,689	5,282,908	379,781
Non-voted	-	-	-	
Depreciation[5]	1,031,713	1,031,713	969,978	61,735
Departmental Administration limit	264,208	264,208	242,931	21,277

Table 2: To supplement Table 1, 2012 13 outturn figures (from Table 1) against the original and final budgetary control limits (£'000).

	2012-13	2012-13	2012-13	2012-13
	Provision	**Final Provision**	**Estimated outturn**	**Variance**
	Main Estimate	**After Supplementary**	**As per Departmental Accounts**	**Between Final Provision and Estimated outturn**
Departmental Programme limit	5,826,481	5,398,481	5,039,977	358,504
Total Resource DEL[7]	**5,058,976**	**4,630,976**	**4,312,930**	**318,046**
Depreciation[5]	-1,031,713	-1,031,713	-969,978	-61,735
Voted Resource AME				
Section T: Highways Agency	826,613	827,113	390,784	436,329
Section U: Other railways	282,000	305,000	206,572	98,428
Section V: GLA transport grants	-16	-16	84	-100
Section W: Maritime and Coastguard Agency	2,200	2,200	533	1,667
Section X: Motoring Agencies	-2,400	-2,400	3,148	-5,548
Renewable Transport Fuels Obligations (net)[2, 6]	-	-		-
[Section Y]: Central Administration[3]	273,709	239,064	-6,921	245,985
[Section Z Aviation NDPBs (net)][1]		11,145	-3,894	15,039
Resource AME Subtotal	**1,382,106**	**1,382,106**	**590,306**	**791,800**
Of which:				
Voted	1,382,106	1,382,106	590,306	791,800
Non-voted				
Depreciation[5]	1,100,467	1,064,422	310,463	753,959
Total Resource AME[7]	**281,639**	**317,684**	**279,843**	**37,841**
Depreciation[5]	-1,100,467	-1,064,422	-310,463	-753,959
Total Resource Budget[7]	**5,340,615**	**4,948,660**	**4,592,773**	**355,887**
Of which:				
Depreciation[5]	-2,132,180	-2,096,135	-1,262,305	-833,830
Voted Capital DEL				
Section A: Tolled Crossings	-629	-629	-2,013	1,384
Section B: Local Authority Transport	1,366,750	1,457,689	1,349,715	107,974
Section C: Highways Agency	1,036,023	1,033,646	967,882	65,764
Section D: Network Rail	3,658,008	3,658,008	3,696,008	-38,000
Section E: Rail NDPBs (net)	20,605	20,605	18,907	1,698
Section F: Other railways	45,150	74,931	54,587	20,344
Section G: Sustainable Travel	120,060	150,951	144,776	6,175
Section H: Bus subsidies and Concessionary Fares	64,000	-	-1,047	1,047
Section I: GLA transport grants	352,000	352,000	352,000	-
Section J: Crossrail	1,205,000	1,205,000	1,205,000	-
Section K: Support for Olympic and Paralympic Games	-	-		-
Section L: Aviation, Maritime, Security and Safety	-2,632	-2,632	4,261	-6,893

Table 2: To supplement Table 1, 2012 13 outturn figures (from Table 1) against the original and final budgetary control limits (£'000).				
	2012-13	**2012-13**	**2012-13**	**2012-13**
	Provision	**Final Provision**	**Estimated outturn**	**Variance**
	Main Estimate	**After Supplementary**	**As per Departmental Accounts**	**Between Final Provision and Estimated outturn**
Section M: Maritime and Coastguard Agency	9,475	9,475	8,879	596
Section N: Motoring Agencies	19,214	10,830	3,734	7,096
Section O: Science, research and support functions	877	877	332	545
Section P: Central Administration	8,399	8,399	1,446	6,953
Departmental Unallocated Provision[2,4]	350	-		-
[Section Q]: Support for Passenger Rail Services[3]	-	-		-
[Section R]: High Speed Two[3]	128,500	30,000	22,890	7,110
[Section S Aviation NDPBs (net)][1]		-		-
Non-Voted Resource DEL				
Capital DEL Subtotal	**8,031,150**	**8,009,150**	**7,827,357**	**181,793**
Of which:				
Voted	8,031,150	8,009,150	7,827,357	181,793
Non-voted	-	-	-	-
Capital AME				
Section T: Highways Agency	-	1	-60,819	60,820
Total Capital AME	**-**	**1**	**-60,819**	**60,820**
Total Capital Budget	**8,031,150**	**8,009,151**	**7,766,538**	**242,613**
Total departmental spending[7]	**13,371,765**	**12,957,811**	**12,359,311**	**598,500**
Of which:				
Total DEL	**13,090,126**	**12,640,126**	**12,140,287**	499,839
Total AME	**281,639**	**317,685**	**219,024**	98,661

Notes:

1 Subhead letter and title in [square brackets] is new subhead – change actioned in Supplementary Estimates.

2 Subhead removed in Supplementary Estimates as a consequence of budgets being removed.

3 Subhead letter in [square brackets] is amended letter – change actioned in Supplementary Estimates.

4 Budget allocated elsewhere as part of reprioritisation of provision as Supplementary Estimate.

5 Includes impairments.

6 Budget removed for Renewable Transport Fuels Obligations in the Supplementary Estimates to reflect derogation letter received from HM Treasury.

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.

8 Explanations for major variances between final budget and outturn can be found in the management report of the Accounts.

9 Figures do not include Non Budget items such as Prior Period Adjustments.

Table 3: Capital Employed

	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 plans	2014-15 plans
Assets and Liabilities on the Statement of Financial Position at end of year:							
Assets							
Non-Current assets							
Intangible	142,234	125,394	119,067	107,576	101,549	104,392	107,315
Tangible	90,240,576	91,600,661	103,860,369	112,147,270	113,210,570	116,380,466	119,639,119
Of which:							
National Trunk Road	87,418,099	86,837,019	98,674,177	107,388,626	108,918,044	111,967,749	115,102,846
Infrastructure Assets	0	3,515,299	3,469,247	3,422,678	3,377,143	3,471,703	3,568,911
Assets Under Construction	320,628	725,918	1,176,336	763,856	368,234	378,545	389,144
Land	2,144,376	157,360	150,642	168,782	163,917	168,507	173,225
Buildings	206,010	210,233	217,875	225,233	223,222	229,472	235,897
Dwellings	40,804	38,494	57,060	60,979	60,715	62,415	64,163
Plant and machinery	47,077	71,264	85,009	76,849	69,962	71,921	73,935
Furniture and Fittings	26,485	21,852	19,643	17,021	14,015	14,407	14,811
Transport Equipment	2,359	2,661	1,848	2,237	1,986	2,042	2,099
Information Technology	34,738	20,561	8,532	21,006	13,332	13,705	14,089
Investments	647,682	752,626	639,681	733,485	719,830	739,985	760,705
Trade and Other receivables	3,258,826	3,292,108	3,514,284	3,628,379	4,065,139	4,178,963	4,295,974
Inventory (non current)	0	2,568	2,906	2,882	2,931	3,013	3,097
						0	0
Current assets	594,506	869,904	1,007,485	936,313	850,037	873,838	898,306
Liabilities							
Payables (<1 year)	(1,547,396)	(3,025,253)	(2,236,505)	(1,744,892)	(1,535,059)	(1,578,041)	(1,622,226)
Payables (>1 year)	(3,345,476)	(7,011,147)	(7,478,704)	(7,684,637)	(7,732,822)	(7,949,341)	(8,171,923)
Provisions	(1,451,429)	(867,185)	(416,626)	(413,900)	(340,921)	(350,467)	(360,280)
Financial Instruments	(8,333,613)	(3,055,920)	(3,220,839)	(3,310,477)	(3,730,120)	(3,834,563)	(3,941,931)
Pension Liability	(1,299,743)	(1,242,927)	(1,012,542)	(1,249,242)	(1,462,801)	(1,503,759)	(1,545,865)
Capital employed within core department	78,906,167	81,440,829	94,778,576	103,152,755	104,148,333	107,064,486	110,062,292
ALB net assets	(253,568)	504,461	388,106	294,406	226,566	232,910	239,431
Total capital employed in Departmental group	78,652,599	81,945,290	95,166,682	103,447,161	104,374,899	107,297,396	110,301,723

Table 4: Administration budget, 2006 07 to 2014 15 (£'000)									
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Estimated outturn**	**Plans**	**Plans**
Resource DEL									
Section C: Highways Agency	93,969	91,678	86,122	82,202	79,261	58,594	63,643	67,154	65,468
Section E: FUNDING OF ALBs (net)	4,239	4,261	5,167	6,214	9,600	8,826	11,622	11,405	11,925
Section L: Maritime and Coastguard Agency	12,847	13,215	13,579	13,806	14,000	9,143	8,486	10,062	10,162
Section M: Motoring Agencies[1]	-327	-5	-55	1,980	4,511	6,230	1,213	-	-
Section O: Central Administration	192,740	192,896	190,578	193,472	168,886	133,951	157,968	155,789	139,469
Section S: FUNDING OF ALBs (net) Non-voted[2]	-	-	-	-	-	-	-	10,281	10,161
Total administration budget	**303,468**	**302,045**	**295,391**	**297,674**	**276,258**	**216,744**	**242,932**	**254,691**	**237,185**
Of which:									
Staff costs	170,117	174,955	175,617	193,685	191,432	129,157	128,567	123,470	141,732
Purchase of goods and services	148,869	142,415	116,948	123,785	88,847	94,537	94,537	130,443	113,479
Income from sales of goods and services	-29,927	-25,672	-26,105	-35,839	-31,634	-27,984	-27,984	-12,597	-31,626
Current grants to persons and non-profit bodies (net)	175	-	-	-	-	-	-	-	-
Rentals	411	402	17,320	13,729	15,117	10,843	10,843	-	-
Depreciation	13,260	9,042	9,094	9,382	8,359	6,623	8,736	13,100	12,900
Other resource	563	903	2,517	-7,068	4,137	3,568	28,232	275	700

Notes:

1 Government Car & Despatch Agency disbanded during 2012-13 and continuing work is being undertaken as part of the Main Department and as such the Administration will fall under Central Administration section for 2013-14 onwards.

2 General Lighthouse Authorities consolidated into the Department's accounts for 2013-14 and beyond.

3 Subhead letter in [square brackets] is amended letter – change actioned in Supplementary Estimates.

Table 5: Permanent staff (payroll) and non payroll in post at 31 March		2010-11 Actual	2011-12 Actual	2012-13 Actual
Department for Transport	Payroll	1773.3	1627.2	1696.4
	non-payroll	65.0	59.0	80.3
Driving Standards Agency	Payroll	2434.3	2407.6	2266.4
	non-payroll	0.0	0.0	0.0
Driver & Vehicle Licensing Agency	Payroll	5561.3	5520.1	5641.0
	non-payroll	6.0	4.8	3.5
Shared Service Centre	Payroll	250.0	246.1	215.5
	non-payroll	11.0	15.0	15.0
Government Car & Despatch Agency	Payroll	225.0	170.5	82.0
	non-payroll	4.0	1.0	0.0
Highways Agency	Payroll	3545.0	3385.3	3218.9
	non-payroll	20.0	11.8	28.0
Maritime & Coastguard Agency	Payroll	1077.3	1055.8	1020.6
	non-payroll	12.0	7.0	8.0
Vehicle Certification Agency	Payroll	141.8	148.1	146.4
	non-payroll	4.0	3.0	35.7
Vehicle & Operator Services Agency	Payroll	2235.0	2128.4*	2178.7
	non-payroll	47.2	64.2	43.7
Department Total	Payroll	17243.0	16689.1	16465.7
	non-payroll	169.2	165.8	214.2

Notes:

1 This table shows numbers of staff on payroll and numbers of consultants and contingent labour, i.e. interim managers, specialist contractors and agency, as non-payroll.

2 The staff numbers are full-time equivalents (FTE); two staff each working 50% of conditioned hours count as one FTE.

3 The data is for the end of the financial year to which it relates, so the 2010–11 figures are for 31 March 2011.

4 For data prior to 2010 please refer to Department for Transport Annual Report and Accounts 2011–12.

5 Payroll data is calculated using the ONS definition of ‘headcount’. This includes all employees with an employment contract who are being paid by the organisation. It excludes self-employed, contract workers and agency workers. This cannot be directly compared to Note 7 of the Departmental Accounts figures for Permanently employed staff, which excludes short-term contract staff who are being paid by the organisation, which is captured under the Others heading.

6 The 2011-12 Payroll FTE figure for the Vehicle & Operator Services Agency has been re-stated. The Department for Transport Annual Report and Accounts 2011–12 reported a figure of 2,136.4 inclusive of eight Assistant Traffic Commissioners.

7. Staff costs in Note 7 to the accounts have increased by £25m. Other staff costs have risen due to rail activity, for example, High Speed 2, Crossrail and the Intercity Express Programme.

Staff in the executive non-departmental public bodies

	2010-11		2011-12		2012-13	
	Payroll	Non-Pay	Payroll	Non-Pay	Payroll	Non-Pay
British Transport Police Authority	7.5	2.0	9.1	1.0	8.5	1.0
Directly Operated Railways Ltd	2.8	1.1	2.8	1.6	2.8	1.9
High Speed 2	47.4	30.7	64.8	45.1	204.2	73.9
Northern Lighthouse Board	193.4	2.7	185.8	3.7	180.7	1.7
Passenger Focus	61.8	1.8	41.4	2.6	44.6	3.0
Railways Heritage Committee	1.0	0.0	1.0	0.0	0	0
Trinity House Lighthouse Service	310.0	38.0	306.0	1.0	298.0	5.0
NDPB Total	**623.9**	**76.3**	**610.9**	**55.0**	**738.8**	**86.5**

Notes:

1 This table shows the number of staff on payroll and the number of consultants and contingent labour, ie interim managers, specialist contractors and agency as non-payroll.

2 The numbers are full-time equivalents (FTE); two staff each working 50% of conditioned hours count as one FTE, and are at the end of the financial year to which they relate, so the 2010–11 figures are for 31 March 2011.

3 The increase in HS2 staff from 2010-11 follows the Secretary of State's decision in January 2012 to proceed with the high speed rail programme. The growth reflects the need for HS2 Ltd to increase resources to deliver its revised remit.

Table 6: Total identifiable expenditure on services by country and region, 2007 08 to 2011 12

Department for Transport	£million National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	303	347	361	299	264
North West	1,092	995	1,149	896	798
Yorkshire and the Humber	600	690	913	805	820
East Midlands	631	547	709	576	503
West Midlands	835	766	883	637	568
East	644	688	839	1,043	994
London	1,173	835	1,316	1,298	1,366
South East	1,630	1,839	1,494	1,224	1,104
South West	756	700	627	522	496
Total England	**7,665**	**7,406**	**8,292**	**7,300**	**6,914**
Scotland	145	123	152	130	154
Wales	131	206	296	269	200
Northern Ireland	20	32	20	17	16
UK identifiable expenditure	**7,962**	**7,768**	**8,759**	**7,716**	**7,284**
Outside UK	100	36	8	10	7
Total identifiable expenditure	**8,061**	**7,804**	**8,767**	**7,726**	**7,290**
Non-identifiable expenditure	186	258	397	418	200
Total expenditure on services	**8,247**	**8,062**	**9,164**	**8,144**	**7,490**

Table 7: Total identifiable expenditure on services by country and region, per head 2007 08

Department for Transport	£ per head National Statistics 2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	118	135	140	116	102
North West	157	143	164	127	113
Yorkshire and the Humber	116	133	175	153	155
East Midlands	144	123	159	128	111
West Midlands	152	139	159	114	101
East	113	120	145	179	170
London	149	105	164	160	167
South East	194	217	175	143	128
South West	147	135	120	99	94
England	**148**	**142**	**158**	**138**	**130**
Scotland	28	24	29	25	29
Wales	44	68	98	88	65
Northern Ireland	12	18	11	9	9
UK identifiable expenditure	**129**	**125**	**140**	**123**	**115**

Notes to Tables 6, 7 and 8: Regional Analysis

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 October 2012 as part of the National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2012 and the regional distributions were completed by the following autumn. The tables may therefore not show the latest position and are not consistent with other tables in the Departmental Report. Please note that totals may not sum due to rounding.

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 2012.

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 A of the CRA October 2012 release. These are not the same as the strategic priorities shown elsewhere in the report.

7 On Table 8, n.e.c is not elsewhere classified, taken from the *Organisation for Economic Cooperation and Development (OECD) Classification of the functions of Government*.

Table 8: Total identifiable expenditure on services by function, country and region, for 2011 12

Data in this table are National Statistics

£m

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	-	-	-	-	-	-	6	-	-	6	-	-	-	6	-	6	-	6
Total general public services	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**-**	**6**	**-**	**-**	**-**	**6**	**-**	**6**	**-**	**6**
Defence																		
Civil defence	1	1	1	1	1	1	2	1	1	8	1	1	1	10	-	10	-	10
Total defence	**1**	**1**	**1**	**1**	**1**	**1**	**2**	**1**	**1**	**8**	**1**	**1**	**1**	**10**	**-**	**10**	**-**	**10**
Environment protection																		
Police services	12	31	23	20	25	26	36	38	23	234	23	14	-	271	-	271	-	271
of which: other police services	12	31	23	20	25	26	36	38	23	234	23	14	-	271	-	271	-	271
Public order and safety n.e.c.	0	1	0	0	1	1	1	1	0	5	0	0	0	6	-	6	-	6
Total environment protection	**12**	**32**	**24**	**20**	**25**	**26**	**37**	**39**	**24**	**239**	**24**	**14**	**0**	**276**	**-**	**276**	**-**	**276**
Economic affairs																		
Transport	248	756	790	477	536	960	1,307	1,051	466	6,591	124	182	14	6,911	6	6,916	164	7,080
of which: local public transport	27	51	44	41	60	26	113	49	30	441	0	0	-	441	-	441	-	441
of which: national roads	112	190	310	269	192	648	34	445	221	2,420	13	9	12	2,454	0	2,454	-	2,454
of which: other transport	9	24	22	16	18	26	35	32	16	198	6	4	2	209	0	209	164	373
of which: railway	99	491	414	151	266	261	1,126	526	199	3,532	105	169	0	3,807	6	3,812	-	3,812
R&D economic affairs	1	2	1	1	1	1	3	2	1	13	1	0	0	14	1	15	35	50
Total economic affairs	**249**	**758**	**791**	**478**	**536**	**961**	**1,311**	**1,054**	**467**	**6,604**	**125**	**182**	**14**	**6,925**	**7**	**6,931**	**199**	**7,131**
Environment protection																		
Pollution abatement	1	3	2	2	2	2	3	3	2	20	2	1	1	24	-	24	-	24
Environment protection n.e.c	1	2	2	1	2	2	3	3	2	16	2	1	1	19	-	19	-	19
Total environment protection	**2**	**5**	**4**	**3**	**4**	**4**	**6**	**6**	**4**	**37**	**4**	**2**	**1**	**44**	**-**	**44**	**-**	**44**
Recreation, culture and religion																		
Recreational and sporting services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0
Total recreation, culture and religion	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**0**
Social protection																		
Old age	1	3	2	1	2	2	5	5	2	21	1	1	-	23	-	23	-	23
of which: pensions	1	3	2	1	2	2	5	5	2	21	1	1	-	23	-	23	-	23
Total social protection	**1**	**3**	**2**	**1**	**2**	**2**	**5**	**5**	**2**	**21**	**1**	**1**	**-**	**23**	**-**	**23**	**-**	**23**
TOTAL DEPARTMENT FOR TRANSPORT	**264**	**798**	**820**	**503**	**568**	**994**	**1,366**	**1,104**	**496**	**6,914**	**154**	**200**	**16**	**7,284**	**7**	**7,290**	**200**	**7,490**

Part 2: Departmental Accounts

Management Report

1. Introduction

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 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 strategies.

2. Scope

2.1 Entities consolidated

The Departmental Accounts present the consolidated results for the financial year ended 31 March 2013 for the following entities:

The Department for Transport and:

- Highways Agency;
- Maritime and Coastguard Agency;
- Government Car and Despatch Agency (six months to 30 September 2012);
- Vehicle Certification Agency;
- Driver and Vehicle Licensing Agency;
- British Transport Police Authority;
- Directly Operated Railways Limited;
- HS2 Ltd;
- Passenger Focus;
- London & Continental Railways Limited;
- CTRL Section 1 Finance PLC;
- LCR Finance PLC; and
- Air Travel Trust Fund.

The stated bodies are also listed in Note 25 of the Accounts together with further classification information. Those entities linked to the Department but excluded from these Departmental group Accounts are also detailed within Note 25.

3. Reform of public bodies

A number of organisations were included in the Departmental consolidation in 2011-12 and the Department expected to add five further entities in 2012-13, reflecting their reclassification to the Central Government sector. The Department made substantial progress towards the consolidation of these entities. However, following a representation from the Northern Lighthouse Board, HM Treasury agreed to defer the consolidation of the General Lighthouse Fund, incorporating the three General Lighthouse Authorities (GLAs) into the Department's Accounts until 2013-14. This means that there is only one additional account consolidated for 2012-13, the Air Travel Trust Fund. The Department continues to work with the GLAs to progress these issues. It also needs to incorporate them into its Estimates and financial management from April 2013.

3.1 BRBR reform

BRB (Residuary) Ltd (BRBR) is a limited company, created in 2001, to manage the majority of the remaining property, rights and liabilities of the British Railways Board (BRB). Those responsibilities include the management of a diverse property portfolio and the settlement of industrial injury claims submitted by former British Rail employees.

As BRBR was a residuary company, it was always the Government's intention to wind it up at the appropriate time. It is the Government's view that the point has now been reached where the remaining functions of BRBR can be managed by other bodies without any loss of effectiveness or accountability. BRBR was, therefore, listed as one of the bodies scheduled for abolition under the Public Bodies Act 2011. It is expected that all functions, property, rights and liabilities will be transferred from BRBR to successor bodies on or around 30 September 2013 and that the company will be abolished on the same date (the Abolition date is deemed also to be the company dissolved date – as agreed with Companies House).

In May 2012 a consultation on the proposed abolition of BRBR was opened. This proposed that the properties with potential for commercial development should transfer to London and Continental Railways, a limited company wholly owned by the Secretary of State. The properties that are closely linked to the operational railways should transfer to Network Rail and, therefore, out of the public sector. Properties and structures that are of low value and carry significant maintenance liabilities should transfer to the Secretary of State and be managed on his behalf by the Highways Agency. Properties which are, or may be likely in the future to be of strategic importance to the rail network and may also have development potential over the longer term, should transfer to the Secretary of State and be managed on his behalf by LCR. The responsibility for settling ill health claims from former BR employees should transfer to the Secretary of State, as should the remaining residual estate of BRBR. The consultation closed on 9 July 2012 and a summary of responses has been published on the DfT web site.[36]

In the past BRBR has funded the payment of ill health claims and the cost of maintaining low value properties from its profits on property sales. In recent years a reduction in BRBR's property portfolio (more than 90% of the properties have now been sold), unfavourable conditions in the property market, and an increase in the number of successful ill health claims have meant that BRBR has had to call on DfT for additional Grant-in-Aid. From 1 October 2013 provision will be made within DfT's Accounts to make payments to successful ill health claimants (approximately £15m per annum) and to cover the costs of maintaining the remaining low value properties and structures that will be managed by the Highways Agency (approximately £8m per annum).

36 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8603/brb-consultation-response.pdf

3.2 DVLA reform

In 2012-13 DVLA continued with the transformation and modernisation of its network services after considerable planning and public consultation. This will mean the phased closure of 39 local offices and 10 area enforcement centres to centralise operations in Swansea by December 2013.

The centralisation and modernisation of DVLA services are in response to changing customer needs. At the heart is a programme of changes which will make it easier for motorists and our commercial customers to conduct their business. These changes include increasing the range of transactions that can be carried out online, directly or through intermediaries, and moving to more digitalised services.

DVLA will continue to provide current levels of customer service at its local offices up until their scheduled closure date. The closure of the local offices will contribute significantly to the £100m cost savings target by 2015.

3.2.1 DVLA ICT systems

During 2012-13 we held discussions about our future data structures, application and technology architectures with the Government Digital Service (GDS) and stakeholders. We decided which direction to take and have started developing our new approach. We are developing high level plans that allow our ICT to be flexible.

We have started the move away from a reliance on proprietary, closed platform, closed standard products and have started to make increased use of open source products wherever possible, as guided by the Government ICT Strategy.

The Contract Let Procurement Programme is driving this work forward by developing an IT transformation plan to inform the move away from our current set-up.

3.3 MCA reform

During the year the MCA progressed the implementation of the Future Coastguard proposals outlined by the Shipping Minister in November 2011.

In line with this announcement the Maritime Rescue Coordination Centres (MRCC) at Forth and Clyde were closed, with their areas of responsibility transferring to Aberdeen, Belfast and Stornoway respectively. Preparations have been made for the closure of the MRCC at Yarmouth on 1 May 2013 when its area of responsibility is transferred to the MRCC at Humber.

Throughout the year the MCA has maintained a close working relationship the Trade Unions, enabling it to develop and publish the final operational structure and grading. The MCA has also undertaken a national Expressions of Interest exercise to enable staff to set out their preferences for the future, which will enable MCA to undertake more detailed planning on the transition.

The MCA has secured the transfer from the Department for Communities and Local Government of the vacant, former Fire Control Centre in Fareham, which will become HM Coastguard’s National Maritime Operations Centre (NMOC).

The core IT network server infrastructure has been installed and commissioned at the NMOC. Test systems of the upgraded Coastguard communications and information systems have also been installed and development works have begun.

3.4 GCDA reform

For several years GCDA had been working hard to drive efficiency and reform across all its operations so that it could deliver services for customers and the taxpayer that were good value for money. However, declining demand for both car and mail services meant that, for the last two years, the Agency was unable to recover all its costs through charges to customers. A programme of reform was, therefore, launched to drive efficiencies and improve value for money and transparency for taxpayers from the services provided.

In April 2012 GCDA introduced a new Departmental Pool Car service to provide vehicles for ministers' official travel, whilst maintaining appropriate levels of security. The new car service was smaller in scale than previous operations and is being managed by the Departments to which cars are allocated to improve flexibility and maximise utilisation of the service.

In July 2012 as a direct result of changes to the way that Government departments and other agencies deliver information and the greater use of digital mail, GCDA closed all its Government Mail operations, including its screening service and Regional Plus. At the same time, GCDA closed its three regional depots and centred all its operations in its Ponton Road site.

During the year ministers decided that the size and functions of the residual GCDA organisation could not justify executive agency status. GCDA lost agency status on 30 September 2012 and was integrated within the Department for Transport as the Government Car Service (GCS) from 1 October 2012.

3.5 Independent review of the Strategic Road Network

The Highways Agency's non-executive chairman, Alan Cook, published his strategic review of roads at the end of 2011, with the response from the Secretary of State following in May 2012. Both the DfT and the Highways Agency have been working to respond to the recommendations as outlined below.

3.5.1 Performance specification for the network

The DfT-led performance specification outlines the high level outcomes, outputs and specific requirements that the Government wants to secure from the Strategic Road Network (SRN) and the Highways Agency as network operator. It has been developed around the vital role that the SRN and the Agency play in delivering key government priorities in:

- facilitating and promoting economic growth and competitiveness;
- driving efficiency and best value for the taxpayer; and
- enhancing the road user experience, whilst minimising the impacts of the SRN on local communities and the environment.

The first specification covers the period up to March 2015 in order to align with the end of the current four-year spending review period. The 2015-16 spending round is due to complete at the end of June 2013. Depending on the outcome of that spending round, a decision will be taken to either extend this specification by one year, or to develop a new five-year specification.

In the longer term government intends to take a more strategic role in setting the performance specification, thus resulting in the Agency having greater autonomy as to how outcomes and outputs should be delivered. In future the Agency will respond to the requirements set out in the performance specification through its business plan, which will explain how the outcomes will be achieved. This first specification aims to build the foundations towards this, resulting in a more mature and robust performance regime over time.

4. Factors affecting performance during 2012-13 and future financial years

4.1 Fiscal position and Spending Round

Investment in transport infrastructure and services is playing a vital role in boosting economic growth and ensuring the UK is a great place to do business. However, a balance needs to be struck between any further increases in spending and dealing with the deficit and national debt. Tackling the deficit is essential to ensuring a strong and stable British economy in the future.

The Chancellor announced in his Autumn Statement 2012 a package of investment to support economic growth, create jobs and deliver lasting prosperity. This was funded by switching expenditure from departmental resource to capital budgets, and further investment in transport infrastructure continues to be a key part of this economic strategy.

Alongside this the Department is delivering an ambitious programme of reform and efficiency and developing plans to devolve more funding to local areas to drive local economic development. This will ensure the Department is competitive at the local, national and international level.

The Spending Round for 2015-16 will be announced on 26 June 2013. This sets the Department's overall budget for 2015-16 and elements of the capital budget up to 2020-21. This does not significantly alter the strategic direction of the Department. The additional capital funding announced in the Spending Round will be used to drive forward the objectives and initiatives outlined in this annual report.

4.2 Olympics

The Department played an important role in the Government’s final preparations for, and successful delivery of, the Olympic and Paralympics Games. Strong collaborative cross-industry working and enhanced communications with customers contributed greatly to the hugely successful transport operation around the Games, which helped to showcase Great Britain as a place to invest, do business and visit.

In the Summer of 2012 London’s public transport system carried more people than ever before. Compared with the same period in 2011, there were 30% more passengers on the Underground (including a record breaking 4.5 million journeys on a single day), and 100% more on the Docklands Light Railways (DLR). On the Olympic and Paralympics Route Networks vehicles carrying athletes, officials, the media and others working at the Games exceeded the journey time reliability target of 95%. TfL kept disruption to a minimum by opening the Games Lanes to normal traffic whenever possible, using Variable Message Signs. Surveys of spectators indicated that 83% rated their experience of getting home after an event as ‘extremely good’.

One third of Londoners changed their weekday travel habits and avoided the busiest times and places. Government Whitehall departments exceeded this, with over 45% of Civil Servants (59% in DfT) changing the way they travelled to and from work.

The Government’s Games-time operations, including the Department’s own Olympic Co-ordination Room, provided a larger cadre of operationally experienced staff. It also provided valuable experience in more flexible ways of working that will be built on across the civil service as part of the Civil Service Reform Plan.

The £6.5bn public transport investment delivered before the Games leaves a legacy of increased capacity and improved accessibility for generations to come. The Department remains committed to building on the successes of the Games, particularly in the provision of better travel information and choices for both freight and individuals.

4.3 West Coast franchise

The NAO's report on the Lessons from cancelling the InterCity West Coast franchise competition issued on 7 December 2012 included, at paragraph 5.7, a statement setting out the costs that the Department either has incurred or will incur as a result of the cancellation.[37] The paragraphs below provide a summary of the full costs of the decision, together with reference to the Notes in the Annual Accounts, where appropriate.

- Staff costs and the costs of external advisers working on the cancelled competition were £1.9m. This comprises £0.9m on internal and agency staff costs and £1.0m for external advice on the competition (see Note 22.1).
- The cost of professional fees which related to the judicial review was £1.8m.
- The cost of external advisers for the Brown and Laidlaw reviews was £4.4m.
- The Department agreed to refund the 'reasonable direct costs' that bidders incurred on the Intercity West Coast competition. The Department paid claims amounting to £39.7m. These are treated as Special Payments as they are ex gratia and are disclosed in Note 22.2.
- The Department spent £6.2m on franchise mobilisation costs comprising £4.9m for First Group plc and £1.3m for Directly Operated Railways Limited.

4.4 Intercity Express programme

The Intercity Express Programme (IEP) results from a decision in 2004 by the Secretary of State for Transport to restrain train operators from replacing or life-extending existing High Speed Trains (HST) fleets, pending consideration of other options. Launched in 2005, it was, and remains, a central plank of the Department's long term strategy for rail.

On 25 July 2012 the Secretary of State announced that the Department had signed a £4.9bn contract with Agility Trains – a consortium made up of Hitachi and John Laing – to build the new rail vehicles as part of the Intercity Express Programme.

IEP focuses on the two main routes currently served by HSTs, namely the East Coast Main Line (ECML) and Great Western Main Line (GWML).

So far it has been decided that 369 vehicles will be delivered on the GWML and 227 on the ECML. The East Coast contract contains a pre-priced option to buy a pre-priced option to buy a further 270 vehicles to replace the Intercity 225 fleet. The Department is currently assessing the business case for exercising this option.

DfT has procured from Agility Trains a service, defined in output terms, whereby the Train Service Provider will enter into a Train Availability and Reliability Agreement (TARA) with Train Operators, who will operate the new trains in service via normal franchise arrangements. DfT is procuring the required infrastructure changes (platforms, gauge, power, etc.) from Network Rail via the normal regulatory process.

The IEP is currently in the delivery stage of the project, with Agility Trains designing the new intercity express trains. During this phase of the project there is a three- to four-year programme through design, manufacture, testing, commission and first deployment of the new trains, and completion of the associated infrastructure changes. Currently, six out of 14 Design Review Panels have taken place.

37 www.nao.org.uk/report/lessons-from-cancelling-the-intercity-west-coast-franchise-competition/

Hitachi is planning to locate its European rail assembly facility at Newton Aycliffe in County Durham. Hitachi has stated that this will create 730 jobs, and 200 additional jobs during construction of the factory.

4.5 Crossrail

The Crossrail project will deliver a new high-frequency rail service in London and the South East, connecting Shenfield and Abbey Wood in the east to Maidenhead and Heathrow in the west. A key part of this is the construction of twin tunnels, each 13 miles long, through the heart of central London, and eight new stations in the central section. Crossrail will create economically vital new transport infrastructure to support London's growth, delivering faster journey times and providing a 10% uplift in rail-based transport capacity. It will put an additional 1.5 million people within 45 minutes of London's business centres, facilitating employment growth of up to 30,000 jobs by 2026 in central London. Crossrail services are on schedule to be operational from 2018, with full services operating from late 2019. The project is jointly sponsored by the Department for Transport and Transport for London (TfL). The project is being delivered by Crossrail Ltd, a wholly-owned subsidiary of TfL, with Network Rail responsible for the delivery of a package of works on the existing rail network. When operational, train services will be provided by a train operator appointed by TfL. The project is expected to cost no more than £14.5bn.

The Crossrail project has achieved a number of significant milestones in the last year including:

- training over 2,000 people at the Tunnelling and Underground Construction Academy;
- launching a total of five tunnel boring machines (TBMs) and completing over 7,000 metres of new tunnels under central London. Two machines are operating from Royal Oak Portal, two from a shaft at the Limmo Peninsula (near Canning Town) and one from Plumstead Portal;
- commencing sprayed concrete lining works to create the station platform tunnels at Bond Street, Liverpool Street, Whitechapel and Tottenham Court Road;
- progressing the procurement of Crossrail rolling stock and a new depot at Old Oak Common;
- launching the creation of a new man made nature reserve at Wallasea Island in Essex, to where more than 4.5 tonnes of excavated material will be taken; and
- continuing construction on the surface sections of the Crossrail route, such as the Stockley flyover near Heathrow and the Acton dive-under.

On 1 March 2013 the Government, at the request of the Mayor of London and Transport for London, announced that the Rolling Stock and Depot contract will be fully publicly funded. This change was made because of the potential programme risks associated with the PFI style procurement and the fact that Crossrail has no inherited train fleet with which services can operate, if delivery of the trains is delayed.

Looking ahead, 2013-14 is a key year for the project, with significant tunnelling progress expected through central London and major works continuing at all the construction sites in the central section.

Three further TBMs will be launched, two of which will begin their journey from Pudding Mill Lane in the east of London. The third machine will be the second of the TBMs, from Plumstead Portal. The reconstruction of Connaught Tunnel is under way.

The procurement phase for the construction project will draw to a close with the award of the key Railway Systems contracts and the conclusion of the Rolling Stock and Depot competition.

At the same time Transport for London has started the process of procuring an operator for the new Crossrail service, whilst the Department ensures that new rail or extended rail franchise contracts reflect and facilitate the planned introduction of Crossrail services.

4.6 Thameslink

The approximate capital value of the Thameslink programme is around £6bn. This figure includes the investment in trains, depots and Network Rail infrastructure.

Infrastructure works include upgrades to track and signalling to significantly increase capacity and a major redevelopment of London Bridge station to improve the passenger experience and reduce congestion on the railway.

A new fleet of 1,140 new carriages (115 trains) and supporting depots will provide rail passengers with fast and efficient services through London

The combination of infrastructure enhancements and new rolling stock will deliver a 24 trains per hour service in each direction through the London Bridge to St. Pancras International core.

At the peak of construction activity, we expect an additional 3,000 people to be directly employed on the Thameslink infrastructure works as a whole, with as many again employed in related jobs in the wider community.

Although the new trains will be built in Germany, the rolling stock contract will create an estimated 2,000 jobs in the UK, for the manufacture of train components, construction of the depots and subsequent maintenance of the new fleets of trains.

4.6.1 Principal benefits:

These include:

- an increase of over 100% on top of December 2009 capacity in the core section through additional train paths and the ability to accommodate 12-car trains. This leads to a major reduction in overcrowding on suburban services, particularly to the north of London;
- the enabling of an additional 20,700 morning peak trips on the rail network, of which three-quarters will be to inner London;
- time savings for existing passengers who no longer need to change onto LUL or bus services – in particular at King’s Cross and London Bridge, but can make use of through services to get to their final destinations;
- crowding relief on London Underground (LUL) services across central London, particularly on the most crowded sections of the Northern and Victoria Lines, as people switch to using direct rail services and no longer need to use LUL services. In particular, this improves passenger dispersal at St. Pancras and King’s Cross;
- a wide range of new journey opportunities for passengers on routes from existing Great Northern, Southern and Southeastern services, who will be able to access stations beyond their traditional terminus. In particular Thameslink provides much better access to the major development areas around King’s Cross and London Bridge for people from the south and north of London, respectively;
- improved dispersal at St. Pancras station – necessary to accommodate additional passengers from Eurostar and Southeastern High Speed services;
- benefits for road users from reduced congestion as a result of other road users switching to rail;

- substantial improvement in the station environment in and around London Bridge with the potential for increased commercial revenues from retail in the station as well as from regeneration of the surrounding area. Similar improvements to the station environments at Blackfriars and Farringdon; and
- wider benefits to the UK economy as a result of increased accessibility to key job markets and agglomeration, estimated to be worth £1,293m over the lifetime of the scheme over and above the user benefits estimated in the conventional economic appraisal.

4.6.2 Principal 2012-13 milestones

Rolling stock:

- Commercial agreement was reached in December 2012 on key elements of the Thameslink rolling stock contract with the Cross London Trains consortium.

Infrastructure:

- Main Borough viaducts works completed in June 2012.
- Farringdon station substantially completed in June 2012 and Blackfriars substantially completed in July 2012 in time for the Olympics.
- Outline design for KO2 works (Key Output 2, being the final phase of the project, primarily the 24 trains per hour service through the London Core from December 2018, and which includes the London Bridge redevelopment) completed by September 2012 and were approved.
- Formal contracts for final design and implementation of KO2 works were in place by January 2013.

4.7 HS2

HS2 Ltd was initially asked by government to conduct a feasibility study into the development of a high speed rail link from London to the West Midlands, and in 2011-12, it carried out one of the largest national consultations ever undertaken and oversaw the analysis of responses. Following consultation HS2 Ltd reviewed and refined aspects of the proposed route in order to provide advice to the Secretary of State for Transport to inform the Government’s decision on whether to proceed with a high speed rail line from London to the West Midlands. HS2 Ltd also worked closely with DfT to produce an economic case which considered the overall benefits and costs of the scheme and addressed issues of value for money, affordability and the deliverability of the proposals.

In January 2012 the Government announced its intention to proceed with the development of a new high speed rail network in the UK. An updated remit was given to HS2 Ltd under which it has undertaken further design and environmental impact assessment work to enable the Secretary of State for Transport to deposit a hybrid bill with Parliament by the end of 2013 for the first phase high speed rail route from London to the West Midlands.

On 29 March 2012 HS2 Ltd also submitted a report to government on the feasibility of phase two of the high speed rail link and on 28 January 2013 the Government announced its preferred routes from Birmingham to Manchester and from Birmingham to Leeds respectively. Consultation on these routes will begin in spring 2013 to inform the Government on its route options. The Manchester and Leeds route extensions will require a further hybrid bill in due course.

The total cost of the entire network is estimated at £32.7bn (2011 prices). The majority of expenditure on HS2 is incurred by HS2 Ltd, a DfT owned company limited by guarantee and classified as an NDPB, which the Department fully funds through a grant. The Department also has a capital budget for property purchases. As the project has impacted the property market near the proposed route, the Department has launched an Exceptional Hardship Scheme to purchase properties from vendors with an urgent need to sell who have been prevented by the proposals from selling at a reasonable price.

4.8 East Coast franchise

In 2010-11 it was anticipated that the East Coast franchise would be re-let in 2012. This could not be achieved and is now expected to take place in 2015. The franchise is currently operated by East Coast Mainline Company Limited and managed by Directly Operated Railways Limited on behalf of the Secretary of State, following National Express's decision to relinquish the franchise with effect from November 2009.

4.9 Rail Infrastructure

The Government is determined to build on the continued success of our railways and that is why our rail investment strategy provides over £16bn over the five years from April 2014 to support the network and make sure it can respond to demand and help economic growth.

The draft determination by the Office of Rail Regulation confirms that our plans, which will provide significant benefits to passengers by increasing capacity and delivering faster and more reliable trains, are on the right track.

We also welcome the regulator's work in identifying further efficiency savings, which will allow Network Rail and the industry to deliver better long-term value for farepayers and taxpayers.

4.10 Motoring Agencies Transformation programme

During 2012-13, the Department took significant steps towards transforming its Motoring Services agencies to make savings and increase efficiency. In December 2012 the Department published, and launched a consultation on, its Motoring Services Strategy. In line with the government's broader vision for public services, the Strategy set out the broad direction for the future of our four motoring services executive agencies – Driving Standards Agency (DSA), Driver and Vehicle Licensing Agency (DVLA), Vehicle and Operator Services Agency (VOSA) and the Vehicle Certification Agency (VCA). A response to the consultation will be published in 2013-14, and work is under way to review the business model of VCA, an announcement on which will be made in 2013-14.

As part of the Department's commitment to making efficiency savings, during the year 2012-13 DfT closed the Government Mail Service and brought the Government Car Service back into the Department, reducing the size and cost of the Service by half.

During 2012-13 DSA exceeded its efficiency target of delivering savings of £2m, achieving £4.8m savings across the year. This was achieved through initiatives including encouraging take-up of electronic test bookings, reducing administration costs, continuing to seek efficiencies in procurement, and reviewing DSA's operating structure to ensure it remains cost effective. In 2012-13 DSA also undertook voluntary redundancy schemes for non-examiner staff. The savings achieved from this will be realised in 2013-14.

In 2012-13 the DVLA continued its programme of efficiencies, with the aim of making operating cost savings of £100m by the end of 2014-15. At the end of March 2013 DVLA reported delivery of total cumulative efficiencies of £40.6m, representing significant progress towards delivery of the efficiency target.

These efficiencies were realised by reducing the Agency's operational expenditure by:

- reviewing internal business processes, including applying stricter rules on travel and subsistence, movement to second class postage and using no/low cost marketing, which resulted in sustainable savings of £21.3m;
- making efficiencies through procurement based activities, which resulted in savings in excess of £15m; and
- encouraging customer contact by digital methods. Shifting communications channels from expensive, resource intensive manual routes to less expensive electronic methods has resulted in £4.3m savings.

VOSA exceeded its efficiency target in 2012-13, delivering a surplus of £13.9m against a target of £7.0m. This was achieved through a combination of cost-saving measures, including reducing operating costs by £2.5m. VOSA also made almost £4m savings through reductions in rent, equipment maintenance, IT and telecoms costs. These efficiencies were realised despite a further downturn in income of £3.4m (there was no general fee increase in the year) and increases in costs such as business rates. The value of VOSA's outstanding loans has reduced from £76m to £62m following a reduction of £22.5m in the previous year. During 2012-13 VOSA also moved to delivering over half of vehicle testing from private sector premises, a strategic decision that will generate future sustainable cost savings for the Agency.

One of the proposals in the Motoring Services Strategy Consultation was to rationalise the roles and number of agencies delivering motoring services. Respondents to the consultation were broadly supportive of this proposal. On 20 June 2013, Stephen Hammond, Parliamentary Under Secretary of State for Transport, announced that a new single agency would bring together all of the services that are currently provided by the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). This will enable a single agency to deliver the same high quality service, but with greater efficiency. It will make it easier for customers to navigate the services offered, and will reduce the administrative burden for those individuals and businesses that currently have regular contact with both DSA and VOSA. The initial move will take place in July 2013 – a single Chief Executive and transitional board will oversee the two agencies, which will continue in their current form for at least the next twelve months By that time it is expected that the work to determine the detail of the structural reorganisation will be complete.

4.11 Shared Services Futures project

During 2011 the Department began the process to divest its Shared Service Centre in Swansea, which provides back office services (including HR, Payroll and Finance) to parts of the DfT family. The divestment aims to achieve efficiencies for the Department and wider government through the standardisation of processes and services. The Department has been working with the Cabinet Office to contractualise a framework and call off contracts. The contract was awarded on 28 February 2013, with the successful bidder taking over operations from 1 June. Following contract award, the Department will start working on the migration of its business units (due during 2014) to the new Shared Service provider's solution. The new Shared Service provider will deliver current services on the existing platform to the central Department, DVLA and DSA until migration.

4.12 Contingent liabilities

Government departments are required to report specifically on contingent liabilities arising from guarantees, indemnities and letters of comfort. The Department has provided these where they would benefit the taxpayer and where the benefits outweigh the risk. Further disclosures are given in Note 21 of the Accounts.

Two of these contingent liabilities increased significantly during the year. One was the financial indemnity issued for Network Rail's net debt (Note 21.3). The amount of debt covered by this indemnity increased by £3.1bn. New investment by Network Rail significantly exceeded this increase in debt.

The other large increase was from the Crossrail project, in which the total quantifiable contingent liabilities increased by £1.1bn (Note 21.1). This increase is in relation to a guarantee given to Transport for London (TfL) in November 2008 to pay certain costs in the event that the Department decided to cancel the project from cost escalation above defined levels. The contingent liability covers expenditure involved in closing down the project and repaying the major part of the debt raised by TfL and the Greater London Authority (GLA). The likelihood of the contingent liability crystallising is considered to be very low, primarily due to the fact that the project's costs remain clearly within the agreed funding envelope. The increase in the potential exposure during 2012-13 reflects the increase in spending on the project and consequential additional TfL and GLA funding. This pattern will continue until completion of the project.

5. Financial performance

5.1 2012-13 Outturn versus Estimate

The Net Resource Outturn reported in Note 2.1 of £5,873m is £1,203m (17.0%) below the Estimate of £7,076m. Within these amounts, the outturn of Departmental net Administration control total of £243m is £21m (8.0%) below the Estimate limit of £264m.

The Net Capital Outturn reported in Note 2.2 of £7,767m is £243m (3.0%) below the Estimate of £8,009m.

Explanations of the material components of the net underspend by Estimate line are set out below.

Departmental Expenditure Limit (DEL)

Section B: Local Authority Transport – Capital DEL underspend £108m

The majority of the variance (£103m) relates to slippage on various Local Authority Major Capital Schemes, while the remainder is due to delays to the Sheffield PFI scheme which resulted in lower than planned payments to the South Yorkshire Passenger Transport Authority.

Section C: Highways Agency – Capital DEL underspend £66m

The outturn on the capital investment programme was an underspend of 6.4% on the £1.0bn budget. This was due mainly to the over-delivery of efficiencies on major projects, changes to the profiling of activity on major projects and additional efficiency savings from capital renewal activities where the full programme was delivered at lower cost.

In addition, the Agency recovered £83m from the Agency's share of a gain-share arrangement on the upgrade of the M25. This has the effect of reducing the cost of the completed M25 widening. However this credit has not been reflected in reducing the capital outturn as it has to be surrendered to HM Treasury.

Section C: Highways Agency – Resource DEL underspend £97m

The main elements are: £41m from savings on the Traffic Officer Service and delivery of smaller local schemes; reduced costs for traffic management activity; reduced shadow toll payments on the PFI contracts; and more income than expected. Depreciation is £56m lower than expected, partly as a result of the detailed review undertaken by the Highways Agency.

Section D: Network Rail – Capital DEL overspend £38m

This is mainly due to the planned rebate of £50m not materialising in 2012-13 because the Office of the Rail Regulator ruled that there was insufficient evidence of efficient performance from Network Rail to enable a payment to be made. This is partly offset by a £12m underspend on the Network Rail Grant as RPI indexation was lower than predicted.

Section D: Network Rail – Resource DEL underspend £11m

This is due to the Financial Indemnity Management Fee being greater than budgeted, and reflects Network Rail's 2012-13 average debt used for calculating the fee, being higher than we budgeted.

Section E: Rail NDPBs (net) – Resource DEL overspend £36m

This is due to a revised spending profile for High Speed 2 Ltd in the light of greater clarity on tasks to be performed for major milestones.

Section F: Other railways – Capital DEL underspend £20m

The main elements of the variance are £10m repayment of a loan made to the British Railways Board (Residuary) and £4m slippage on the Sheffield-Rotherham Tram Train project due to contract closures taking longer than planned and not being signed in the 2012-13 financial year.

Section F: Other railways – Resource DEL underspend £57m

The main elements of the variance are due to revised spending profiles totalling £37m on areas such as Thameslink, national rail passenger survey, rail related research projects and contributions to London Overground (the new East London Line); £7m relates to recovery of French VAT in respect of 2011-12 being received in 2012-13; £2m on grant expenditure as the actual level of indexation (RPI) applied was lower than expected.

Section G: Sustainable Travel – Resource DEL underspend £17m

While there was an overspend on the Local Sustainable Transport Fund of £15m due to accelerated scheme payments, this was more than offset by: a revised spending profile on the South East Flexible Ticketing (SEFT) project which generated savings of £13m; less than expected spending of Freight grants of £2m; and £17m as a result of slower than expected take-up of Low Carbon Vehicles.

Section H: Bus subsidies and Concessionary Fares – Resource DEL underspend £11m

This if from the Bus Service Operators Grant (BSOG) – such grants being dependent on journeys undertaken by the bus operators and are difficult to predict.

Section M: Maritime and Coastguard Agency – Resource DEL underspend £14m

The underspend is split between Programme (£10m) and Administration (£4m), caused by slippage of the Agency's major change programmes, including those relating to Emergency Response, Infrastructure and Equipment programmes.

Section N: Motoring Agencies – Resource DEL underspend £31m

The main elements of the variance relate to a combination of: slippage on ICT spend; increased volumes on income streams in the Driver and Vehicle Licensing Agency of £13m; efficiencies on enforcement work of £7m; and £7m due to the level of activity associated with EU Directives being lower than expected.

Section P: Central Administration – Resource DEL underspend £60m

£21m relates to the Departmental administration control total as mentioned in the opening paragraph of this section. The underspend is due to a combination of: contingencies of £6m (cash) and £8m (non-cash) not being required; £4m slippage on consultancy; £2m from the capitalisation of costs relating to the Great Minster House split project; and £1m from rent rebates.

£39m relates to programme expenditure. The main elements are £28m on planned contingency for risks that subsequently did not materialise, and £11m from the slippage of the shared services divestment such that costs will now arise in 2013-14.

Section Q: Support for Passenger Rail Services – Resource DEL underspend £100m

The main elements of the positive variance have arisen from a combination of: the release of provisions; lower than expected reimbursements; lower contract costs; and higher income from the train operators.

Annually Managed Expenditure (AME)

Section T: Highways Agency – Capital AME underspend £61m

Variances have arisen due to the unpredictable nature and timing of capital provisions, including claims for lands and property on the Agency's major schemes, the need to cover risks of unforeseen additional provisions at year end and the unpredictable timing of provision utilisations.

Section T: Highways Agency – Resource AME underspend £436m

The main item within this £827m budget is the write-down of the Highways Agency's infrastructure asset, which reflects the accounting policy of writing-off the difference between the actual cost of construction of a new road scheme and the standard replacement cost. The significant underspend reflects the difference between the prudent assumptions used at the time of deriving the AME write-down budget and the actual capital investment programme that was subsequently agreed as part the Spending Review 2010.

Section U: Other railways – Resource AME underspend £98m

The major part is a £91m provision for actuarial pension adjustments not required.

Section Y: Central Administration – Resource AME underspend £246m

A planned contingency was held and this variance represents the difference between the original budget and forecast relating to Renewable Transport Fuel Obligation Certificates. At the time of the Supplementary Estimates there was a possibility that cover would be required to set up provisions relating to High Speed 2 and any consequences of the West Coast franchise decision, neither of which materialised.

Section Z Aviation NDPBs (net) – Resource AME underspend £15m

At the time of the Supplementary Estimates the cost of failures (repatriation and refunds) in respect of the Air Travel Trust Fund were budgeted in AME. However, subsequent advice from HM Treasury indicated that such items are to be classified as DEL.

Non-Budget Section AA – underspend £32m

The risk of prior period adjustments being required for the Highways Agency's revaluation of structures and the consequence of Maritime and Coastguard Agency's legal action over technical software issue did not come to fruition.

6. Reconciliation of resource expenditure between Estimates, Accounts and Budgets

Reconciliation of resource expenditure between Estimates, Accounts and Budgets		
	2012-13	**2011-12**
	£'000	**£'000**
Net Resource Outturn (Estimates)	**5,873,214**	**6,233,521**
Adjustments to remove non-budget elements:		
Prior Year Adjustment		211,049
Total Resource Budget Outturn	**5,873,214**	**6,444,570**
Of which:		
Departmental Expenditure Limits (DEL)	5,282,908	5,567,646
Annually Managed Expenditure (AME)	590,306	876,924
Adjustments include:		
Capital grants (net of related EU contributions)	6,794,590	6,352,790
Non-supply income (CFERs)	(183,444)	(84,650)
Adjustments to remove		
Net Operating Cost (Accounts)	**12,484,360**	**12,712,710**

7. Public interest

7.1 Staff relations

During 2012-13 instances of industrial action were as follows:

10 May 2012: Civil Service wide PCS national day of strike action

1 June to 29 June 2012: Department for Transport wide PCS targeted action

13 July to 4 August 2012: Department for Transport wide PCS targeted action including all day action in DVLA SSC

28 August 2012 to 13 September 2012: Department for Transport wide PCS targeted action

21 September 2012: Department for Transport wide PCS full day's strike action

30 November 2012: Department for Transport wide PCS full day's strike action

28 December 2012: DVLA only PCS full day of strike action

20 March 2013: Civil Service wide PCS national day of action

The Department continues to manage its pay remit within the bounds of the wider public sector pay policy. It 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 assist managers and improve their performance 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 31 March 2012 the Department reported AWDL as 7.9. For the 12 month period ending 30 September 2012 it was 7.8. For the 12 month period ending December 2012 it was 7.7. 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.

7.2 Payment of suppliers

The Department complies with the Prompt Payment Code of paying 80% of undisputed supplier invoices within five working days of receipt, and 98% within 30 days of receipt. For the year 2012-13, the Department paid 94.30% of supplier invoices within five working days of receipt, in comparison with 94.56% in 2011-12. The performance against the 30-working-days measure in 2012-13 was 99.06%, in comparison with 98.83% in 2011-12.

7.3 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 *Carbon Plan* published in December 2011. The Government has put in place a legally binding carbon budget framework to ensure progress in delivering emissions reductions from all sectors.

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 independent Committee on Climate Change monitors and reports annually on the Government's progress towards its carbon budgets, and its reports provide some detail on the emissions performance of individual sectors, including transport.

Consistent with the Government's commitment to work towards full compliance with legally binding EU air quality standards, the Department is responsible for ensuring that the transport sector plays its part in reducing emissions of harmful air pollutants. Progress is monitored by a DEFRA-chaired programme board of senior officials, and through regular ministerial discussions. A wide range of annual air quality indicators are published by DEFRA, and annual reports on the UK's air quality are submitted to the European Commission.

7.4 Personal data related incidents

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 7.1: Summary of protected personal data related incidents formally reported to the information commissioner's office in 2012 13				
Date of incident (month)	**Nature of incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification steps**
July 12	Unauthorised disclosure of paper documents	Name, address, photo, signature, driver number, date of birth, endorsements, entitlement details, full history of driving licence	129	ICO, MOJ & CO. All companies that received the information were asked to delete and confirm deletion.
Further action on information risk	The Department will continue to monitor and assess its information risks, in light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its 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.			

Table 7.2: Summary of other protected personal data related incident in 2012 13

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	8
V	Other	0

7.5 External stakeholders

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

The Communication Directorate leads the delivery of external and internal communications to support the Department's conduct of business and the delivery of its policy objectives. The Department works to achieve effective and efficient communication of DfT's priorities for transport, targeting the press, stakeholders, the general public and our own staff, through a wide range of communication channels.

Major communications projects undertaken in 2012-13 are disclosed at paragraphs 5.30 to 5.33 within the Annual Report section.

7.6 Information rights

In 2012 the Department as a whole, including the five executive agencies (Government Car and Despatch Agency – six months to 30 September 2012) and the two trading funds, received 3,142 requests for information which were handled under either the Freedom of Information Act or the Environmental Information Regulations. We met the statutory response deadlines in 96% of these cases. This was a slight increase on our performance during 2011 (92%). We were able to provide all the information requested in approximately 57% of cases.

We publish details of FoI responses to requests on our disclosure log on DfT's website at www.dft.gov.uk/foi/. Our comprehensive FoI publication scheme is published at www.dft.gov.uk/publications/dft-publication-scheme/.

7.7 Public Sector Information Holder requirements

The Department has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

7.8 Equality of opportunity

As a public authority the Department is required to demonstrate how it complies with the public sector equality duty. The Department has agreed equality objectives which set out our aims for promoting equality of opportunity and which reflect the breadth of our work, covering both our business priorities and our workforce. The Department has also published an Equality Action Plan and an Accessibility Action Plan to support delivery of those objectives.

The Department considers the effects of our policies and programmes on different groups of people to ensure that it treats people fairly and delivers better and more cost-effective policy outcomes. This includes looking at available evidence and engaging with staff, service users and others to understand the impacts of our work programme on the whole community.

8. 2012-13 Sustainability report

8.1 Introduction

Our vision is 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. Whilst we strive to deliver a more sustainable transport system, it is recognised that we need to demonstrate that we manage our own estate and business travel in an equally sustainable manner.

In addition to a Departmental desire to improve our internal sustainability performance, there are cross government drivers in the form of the Greening Government Commitments (GGC) which provide structure and the standard to be achieved. It is our performance against the GGC this year which forms the basis of this sustainability report, in line with HM Treasury's Government Financial Reporting Manual.

This Sustainability Report covers the operations of the core Department, Driver & Vehicle Licensing Agency, Government Car Service, Highways Agency, Maritime & Coastguard Agency, Vehicle Certification Agency and British Transport Police. Whilst this report will highlight some of the activities undertaken by these organisations to improve sustainable performance, more detail can be found in the individual annual reports and accounts for each organisation.

We have updated our Operations Sustainability Strategy (OSS) over the course of 2012-13 to reflect any changes to the DfT estate, performance to date and any new initiatives introduced. The revised OSS will be published on the DfT website by the end of June 2013.

8.2 Summary of performance

In 2012-13 we have continued to make good progress towards achieving our sustainability commitments. An overview of our sustainability performance is set out in the table below. Details of our sustainability performance metrics are set out in the tables on pages 76 and 77.

Performance Summary	Measure	2012 13	2011 12	2010 11
Energy Emissions	tCO_2e[38]	136,188	143,815	159,546
Energy Costs	£m	30.40	28.33	25.11
Business Travel Emissions	tCO_2e	6,690	7,090	7,573
Business Travel Costs	£m	10.51	8.78	12.04
Waste Arising	tonnes	2,719	3,101	3,303
Water Consumption	cubic metres (m^3)	121,015	121,308	123,538

8.3 Greenhouse gas emissions

Over the year we have continued to implement measures to reduce our greenhouse gas emissions from our estate and business related travel.

We achieved a 5.32% reduction in greenhouse gas emissions in 2012-13, in comparison to our 2011-12 performance, and a 17.3% reduction against the GGC 2009-10 baseline. Those savings have been achieved through:

- a range of energy saving interventions including switching off lighting on the road network at a further two sites. We continue to replace lighting and roadside equipment with more energy efficient equipment at the end of the existing equipment's useful life;
- rationalisation of our built estate through the closure of two sites. The core Department has vacated a third of its London headquarters, relinquishing 7,480m^2 of floor space. By the end of 2013 the Driver & Vehicle Licensing Agency will have closed 39 local office sites, relinquishing 29,184 m^2 of floor space;
- reducing the floor space, through building or floor closure, in offices that we are required to light and heat at less busy times (eg over the Christmas holidays);
- improving the efficiency of our ICT operations. DVLA has implemented a server; virtualisation programme, which has reduced the number of their physical servers by 90%;
- deployment of two electric vehicles in the Vehicle Certification Agency to reduce inner city emissions in Bristol and lower emissions in and around their site at Nuneaton; and
- greater granularity of hire car emissions data by working with suppliers to provide vehicle specific emissions rather than the previously reported average vehicle emissions.

We continually aim to improve the data we collect, working with our suppliers to get a better understanding of the make-up of our carbon footprint, which will enable us to identify further opportunities to effect reductions.

8.4 Waste

In 2012-13 we reduced the volume of waste arising from our administrative estate by approximately 12.3% when compared with 2011-12. This reduction is despite additional waste arising from the closure and rationalisation of office space. Some 61.1% of our office waste was sent for recycling. We seek to minimise the amount of office waste that goes to landfill by working with waste contractors to understand which waste streams they are able to divert from landfill disposal.

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38 tCO2e = tonnes of carbon dioxide equivalent emissions.

8.5 Water

In the core Department headquarters building we have installed half hour monitors on our water meters to gain a better understanding of our water use. This enables us to identify periods of high usage and develop a strategy for reducing and monitoring future consumption.

Our office water consumption has reduced by 24.9% when compared with the 2009-10 GGC baseline. We will seek to improve our management and understanding of water use and so reduce our overall water consumption and the consumption per staff member (full time equivalent).

8.6 Climate Change adaptation and mitigation

Our actions to reduce the carbon emissions from our administrative estate can be seen in our Operations Sustainability Strategy. Our adaptation actions can be seen in the National Adaptation Programme due to be published in summer 2013. This follows our 2010-2012 Departmental adaptation programme. Action by the HA and MCA can be seen in their individual adaptation reports and in the MCA's and HA's Climate Change Act Reporting Power reports. Information on our external facing climate change policy can be seen in Chapter 6 of the Annual Report.

8.7 Biodiversity and the natural environment

We contributed to the development of the Government's Natural Environment White Paper and support the ambition to create coherent and resilient ecological networks.[39] A new Highways Agency Biodiversity Action Plan (BAP) is being developed and will be published later this year. Meanwhile, we continue to work to meet the aspirations of wider government policies for the protection and enhancement of the natural environment. DVLA is currently finalising a BAP for their headquarters site in the Morriston suburb of Swansea and this will be published on their website later in 2013.

8.8 Sustainable procurement

To maximise the opportunities which the procurement process offers in relation to sustainability and in line with government best practice, we are:

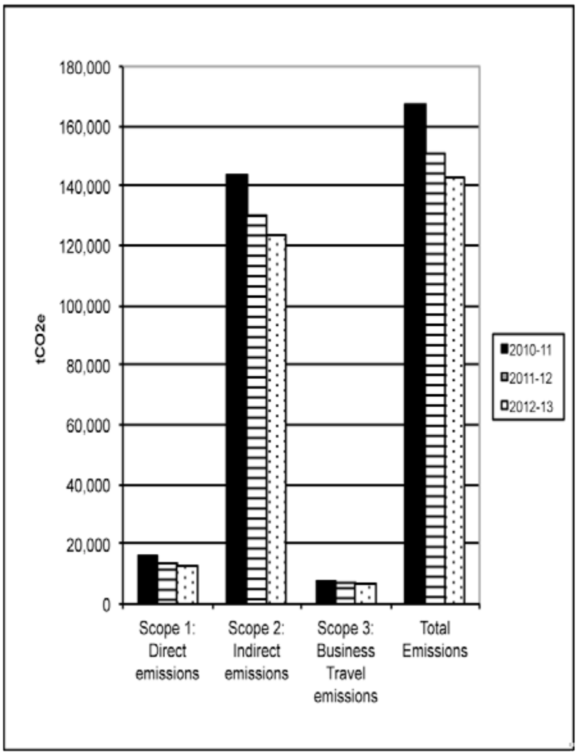
- looking to incorporate Government Buying Standards (GBS), where relevant, in all new contracts and additionally to all existing contracts that exceed the Official Journal of the European Union threshold;
- looking to ensure, where practical, that goods purchased through Government Procurement Service frameworks meet the relevant GBS;
- removing barriers to SMEs (Small and Medium sized Enterprises) participation in our contracts and also to improving sub-contracting opportunities for smaller suppliers. During the past year, the number of contracts let to SMEs increased by 11%. This is as a result of improvements made to the procurement information on our website and a number of supplier events held to inform SMEs of the contracting avenues open to them. Our SME action plan and some case studies can be seen at https://www.gov.uk/government/organisations/department-for-transport/about/procurement; and
- looking to identifying significant supply chain impacts and work with the key suppliers to reduce them, the initial focus being on carbon but, over time, widening to incorporate water and waste.

39 www.defra.gov.uk/environment/natural/whitepaper/

8.9 Governance

We monitor our sustainability performance as an integral part of our monthly performance management reporting regime. The DfT Executive Committee receives quarterly reports on DfT performance against the Greening Government Commitments. During 2012-13, DfT Internal Audit undertook a review of sustainability reporting, focussing primarily on the validation of our reporting methodology that supports the external report for the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, but it also covered the reporting requirements for the Greening Government Commitments. That review produced a 'substantial' rating for our reporting processes, with only two low priority discrepancies identified, both of which we have remedied through minor changes to the reporting processes.

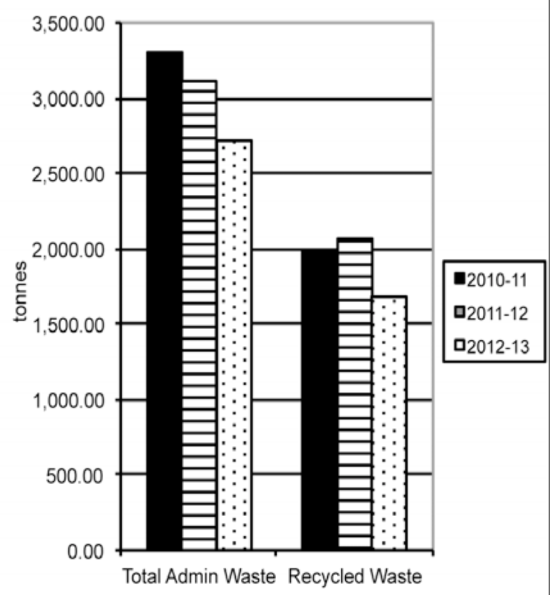
Greenhouse gas (GHG) emissions		**2010-11**	**2011-12**	**2012-13**
Gross Emissions (tonnes CO_2e)	Scope 1: Direct emissions	15,712	13,547	13,057
	Scope 2: Indirect emissions	143,834	130,268	123,131
	Scope 3: Business Travel emissions	7,573	7,090	6,690
	Total Emissions	167,118	150,906	142,877
Related Consumption Data	Estates Electricity (kWh)	49,037,559	45,873,943	47,884,521
	kWh Per head	3,100	3,011	3,062
	Estates (HA road network) Electricity (kWh)	205,000,000	193,333,676	188,496,743
	Private Car Usage (million road miles)	2.84	3.11	3.09
	Hire Car Usage (million road miles)	2.99	3.69	4.03
Financial Indicators	Total Energy Expenditure	£25,108,393	£28,334,928	£30,397,297
	CRC Related Expenditure	£ 8,960	£ 1,376,210	£ 1,265,756
	Expenditure on Business Travel	£12,043,738	£ 8,779,501	£10,509,126



Performance commentary and targets
In 2012-13 DfT (as defined in this Sustainability Report) saw an overall reduction in its greenhouse gas emissions of 5.3% compared to emissions in 2011-12. Overall our emissions have reduced by 17.3% since 2009-10, the Greening Government Commitment baseline year. DfT consumed 2.83m less kWh of energy compared to 2011-12. This saving was achieved through the reduction and removal of street lighting on the Strategic Road Network, where it was safe to do so and the rationalisation of the DfT estate.

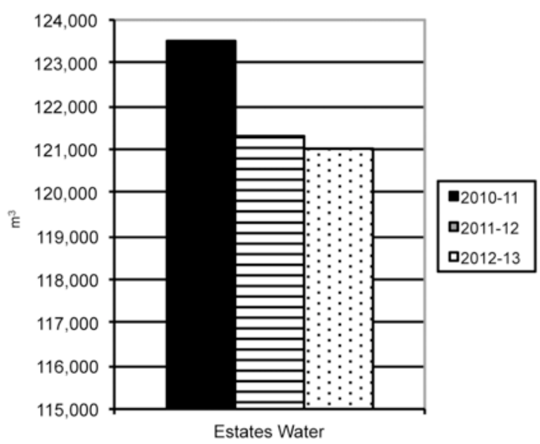
Direct impacts
Scope 1 – This includes direct consumption of gas, LPG, Gas Oil and fuel consumption by vehicles owned by DfT and its Agencies. The gas, LPG and Gas Oil usage encompass in excess of 600 sites across the UK, ranging from large office blocks to remote coastguard stations. Scope 2 – This covers electricity supplies to our buildings, our surplus property portfolio and the strategic road network. Scope 3 Business Travel – Business travel undertaken by DfT and Executive Agency staff using 3rd party transport (including hire car use).
Indirect impacts
One of the biggest contributors of Greenhouse Gas emissions for the UK is the emissions from vehicles travelling on the road network. Across the Department for Transport we are working to reduce this impact through policy change that encourages the use of lower emissions vehicles (i.e. promoting the installation of electric vehicle charging points) or alternative lower emission forms of transport, improving the information that is available to drivers to reduce fruitless journeys and the active management of the network (i.e. variable speed limits, hard shoulder running) to reduce emissions by minimising time spent in queues.

Waste		**2010-11**	**2011-12**	**2012-13**
Non-Financial Indicators	Total Admin Waste	3,303.29	3,111.75	2,719.18
	Recycled Waste	1,992.96	2,066.45	1,675.22
	Kg per head	192.02	195.18	162.52
	Percentage recycled	60.33	66.41	61.61



Performance commentary and targets
In 2012-13 DfT (as defined in this Sustainability Report) saw a reduction in its waste arising of 12.3% compared to arising in 2011-12. Overall our waste arising have reduced by 18.6% since 2009-10, the Greening Government Commitment baseline year. Paper usage continues to show a 36% reduction in comparison to the baseline. DfT has also continued to keep the percentage of waste that is recycled above 60% which reduces the volumes going to landfill.
Direct and indirect impacts
The Highways Agency's "Bag it Bin it!" campaign has reduced the amount of litter collected on the Strategic Road Network by 25%, but road workers still collect more than 180,000 sacks of rubbish each year.

Water		**2010-11**	**2011-12**	**2012-13**
Non-Financial Indicators	Estates Water	123,538	121,308	121,015
	m^3 per head	8.38	7.53	7.18
	Emissions from Water Consumption (tonnes CO_2e)	37.06	41.24	41.15



Performance commentary and targets
In 2012-13 DfT (as defined in this Sustainability Report) saw a small reduction in its water consumption of 0.24% compared to volumes in 2011-12. Overall our water consumption has reduced by 13.8% since 2009-10, the Greening Government Commitment baseline year. Our consumption per head has also reduced from 8.38m^3 to 7.18m^3 which is significant as staffing levels have also reduced over the same period.

9. Auditors

The Comptroller and Auditor General carries out the audit of the Department's consolidated accounts and the Department's core accounts, as well as the audits of the following subsidiary accounts:

- Highways Agency
- Maritime and Coastguard Agency
- Government Car and Despatch Agency (6 months to 30 September 2012)
- Driver and Vehicle Licensing Agency
- Vehicle Certification Agency

These audits are conducted under the Government Resources and Accounts Act 2000, at an annual notional cost of £886,610 (2011-12, £881,200).

The audits of the following entities are completed by the National Audit Office but incur a cash or real charge of £181,000 (2011-12, £154,000) for the completion of their audit.

- British Transport Police Authority
- HS2 Ltd
- Passenger Focus

KPMG audits the following entities, providing audit assurance to the Comptroller and Auditor General as the group auditor. These audits incur a real cost charge of £62,280 (2011-12, £113,600):

- London & Continental Railways Limited
- CTRL Section 1 Finance PLC
- LCR Finance PLC

PWC audits the following entity, providing audit assurance to the Comptroller and Auditor General as the group auditor. This audit incurs a real cost charge of £10,400 (2011-12, £10,000):

- Directly Operated Railways Limited

Deloitte audits the following entity, providing audit assurance to the Comptroller and Auditor General as the group auditor. This audit incurs a real cost charge of £34,000 (2011-12, £29,500):

- Air Travel Trust Fund

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

10. 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.

Philip Rutnam 21 June 2013

Permanent Secretary and Accounting Officer

Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

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 Pay and Performance Committee in accordance with that central guidance.

Pay system and performance management

The Senior Civil Service pay system is based on simple broad bands, underpinned by a tailored job evaluation scheme (JESP – Job Evaluation for Senior Posts). JESP provides a consistent basis for comparing the relative value of jobs within and across departments. It broadly ensures that people with particular levels of responsibility have access to salaries within the same range and supports equal pay. DfT has three SCS pay bands:

- Pay band 1 (Deputy Director) JESP range of 7–12 points
- Pay band 2 (Director) JESP range of 13–18 points
- Pay band 3 (Chief Executive) JESP range of 19–22 points.

Each pay band has a minimum and a maximum base salary:

- Pay Band 1 (Deputy Director) £58,200 to £117,800
- Pay Band 2 (Director) £82,900 to £162,500
- Pay Band 3 (Chief Executive) £101,500 to £208,100.

SCS in DfT have objectives in the following categories:

- Leadership objectives: the DfT common leadership objective plus leadership behaviours and providing direction for the organisation; delivering results; and building capability in the organisation to address current and future challenges.
- Business delivery objectives: defining business outcomes for the specific post, and assigning accountability and responsibility for each business plan or structural reform plan commitment.
- Finance/Efficiency objectives: capturing what the jobholder will do to ensure that costs are minimised and budgets are managed to ensure maximum value to the taxpayer.

- People/Capability objectives: ensuring that individuals, the Department and Civil Service have the right capability to deliver business outcomes now and in the future.
- Personal development objectives: emphasis on the importance of continuous personal development and an individual's growth in competence.

Objectives incorporate diversity by embedding it in business, people/capability or finance/efficiency objectives, or through a separate diversity objective.

Performance against objectives, and relative to SCS peers, determines allocation to Performance Group, to which non-consolidated variable pay is linked. There are three performance groups:

- Top – top 25% of performers
- Achieving – next 65% of performers
- Low – bottom 10% of performers

To be allocated to the top Performance Group an individual must deliver to the highest standards in all objective categories.

The annual value of non-consolidated performance pay and base pay is set by the Government's response to the recommendations of the Review Body on Senior Salaries.

Performance Group is the starting point for non-consolidated performance pay determination. For 2012-13, only the top 25% of performers, those in the top Performance Group, will receive an award.

In 2012-13, no base pay increases are available for members of the SCS.

Pay and Performance 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 2013, its members were:

Clare Moriarty (up to 10 April 2012)	Acting Permanent Secretary, Department for Transport
Philip Rutnam (from 11 April 2012)	Permanent Secretary, Department for Transport
Peter Strachan (to 31 December 2012)	Director General, Major Projects and London Group
Lucy Chadwick	Director General, International Security and Environment
Steve Gooding	Director General, Domestic Group
Clare Moriarty (from 11 April 2012)	Director General, Corporate Group
Ed Smith	Non-Executive Board Member
Sally Davis	Non-Executive Board Member

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.

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

Remuneration (including salary) and pension entitlements (audited)

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.

Remuneration (salary and payments in kind)

Ministers	2012 13			2011 12	
	Salary (£)	Benefits in Kind		Salary (£)	Benefits in Kind
Patrick McLoughlin MP Secretary of State (from 4 September 2012) Full-year equivalent	37,100 68,827	-		-	-
Simon Burns MP Minister of State (from 4 September 2012) Full-year equivalent	16,501 33,002	-		-	-
Stephen Hammond Parliamentary Under Secretary of State (from 4 September 2012) Full-year equivalent	13,559 23,697	-		-	-
Norman Baker MP Parliamentary Under Secretary of State	23,697	-		23,697	-
Justine Greening MP Secretary of State (to 3 September 2012) Full-year equivalent	34,413 68,827	-		30,740 68,827	-
Theresa Villiers MP Minister of State (to 3 September 2012) Full-year equivalent	16,501 33,002	-		33,002	-
Mike Penning MP Parliamentary Under Secretary of State (to 3 September 2012) Full-year equivalent	11,848 23,697	-		23,697	-
Philip Hammond MP Secretary of State (to 14 October 2011) Full-year equivalent	-	-		40,149 68,827	-

Officials	2012 13			2011 12		
	Salary (£000)	**Bonus Payments (£000)**	**Benefits in kind (to nearest £100)**	**Salary (£000)**	**Bonus Payments (£000)**	**Benefits in kind (to nearest £100)**
Clare Moriarty Acting Permanent Secretary (to 10 April 2012) Full-year equivalent	0-5 140-145	-	-	25-30[40] 140-145	-	-
Philip Rutnam Permanent Secretary (from 11 April 2012) Full-year equivalent	160-165 165-170	10-15[41]	-	-	-	-
Peter Strachan[42] Director General (to 31 December 2012) Full-year equivalent	115-120 160-165	-		70-75 160-165	-	-
Steve Gooding Director General	125-130	-		125-130	5-10	-
Clare Moriarty Director General (from 11 April 2012) Full-year equivalent	125-130 125-130	10-15		100-105 125-130	10-15	-
Lucy Chadwick Director General Full-year equivalent	115-120	5-10		65-70[43] 105-110	5-10[44] -	-
David Prout Director General (from 7 January 2013) Full-year equivalent	30-35 130-135	-			-	-
Brian Etheridge Acting Director General (to 10 April 2012) Full-year equivalent	0-5 90-95	-		15-20[45] 90-95	-	-
Lin Homer Permanent Secretary (to 22 January 2012) Full-year equivalent		-		140-145 170-175	-	-
Richard Hatfield Director General (to 31 March 2012)		-		145-150		-
Band of highest paid director's total remuneration	175 – 180			160 – 165		
Median total remuneration[46]	£21,545			£22,315		
Ratio	8.24			7.28		

40 Clare Moriarty's salary includes Temporary Responsible Allowance (TRA) of £0-5K as Acting Permanent Secretary from 23 January 2012.
41 Philip Rutnam received a bonus in 2012-13 which is related to his 2011-12 performance as Director General in his previous Department, BIS. DfT agreed to pay this bonus and did not reclaim this money back from BIS.
42 As a consequence of the Department's restructuring announced on 21 December 2012, Peter Strachan decided to move on from the Department. A payment of £5,000 to £10,000 was made as a contribution to the costs of legal advice.
43 Lucy Chadwick's salary includes Temporary Responsibly Allowance of £5-10K as Acting Director General to 23 October 2011.
44 Lucy Chadwick received a bonus in 2011-12 which is related to her 2010-11 performance as Director Roads and Rail Projects.
45 Brian Etheridge was appointed and started as Managing Director Motoring Services on 1 November 2011. The Cabinet Office paid full- month salaries until end of January 2012. The disclosed salary includes TRA of £0-5K as Acting Director General.
46 The median salary reduced in 2012-13 compared with 2011-12 due to a change in basis of calculation as per the guidance. In 2011-12, severance payments were included but in 2012-13 are excluded.

In 2012-13 no employees (2011-12, zero employees) received remuneration in excess of the highest paid director. Remuneration for employees other than the highest paid director ranged from £13,594 to £160,000 (2011-12, £14,003 to £157,100).

Pay multiples

Reporting bodies are required to disclose the relationship between the salary of the most highly paid individual in their organisation and the median earnings of the organisation's workforce.

A change of appointment of the highest paid director has lead to an increase in the ratio for 2012-13. The highest paid director earned more than the previous individual in 2011-12. An increase in the median salary of the workforce has meant that the ratio increase was limited. The median salary of the workforce increased slightly due to the Department's contractual pay progression, which is exempt from the pay freeze. The Department considers pay arrangements on an annual basis in accordance with the Civil Service pay guidance which is published each year.

The ratio is calculated by taking the mid-point of the banded remuneration of the highest paid director, and calculating the ratio between this and the median remuneration of the Department's staff.

This ratio is based on the full-time equivalent staff of the Department at the end of March on an annualised basis. This calculation excludes arm's length bodies within the consolidation boundary.

Non-executive board members

From the beginning of last year each of the four Departmental non-executive board members (NEBMs), Sam Laidlaw, Ed Smith, Alan Cook and Sally Davis have been entitled to claim an annual fee of £20,000 per annum in addition to claiming reasonable expenses (including travel and subsistence in line with the Department's policy on such expenses) that were properly and necessarily incurred in respect of their duties.

Alan Cook was entitled to claim this fee on top of the fee he is paid for his role as Chairman of the Highways Agency. Ed Smith was entitled to claim an additional £5,000 per annum to reflect the additional days and duties entailed in his chairmanship of the Departmental Audit Committee. Ed Smith's additional payment ceased in June 2012 when Hanif Lalani was appointed as a non-executive board member and Chair of the Departmental Audit Committee. Hanif Lalani was entitled to claim an annual fee of £15,000 and an additional annual fee of £5,000 in recognition of his role as Chair of the Departmental Audit Committee. Hanif Lalani resigned his DfT position on 1 November 2012. Sam Laidlaw is also entitled to an additional £5,000 in recognition of his role as Lead Non-Executive. Sam Laidlaw has waived his entitlement to a fee and to date has never claimed either this fee nor any funds to cover expenses.

Cabinet Office guidance states that Departmental NEBMs should not be paid more than Bank of England non-executives, who are currently paid £15,000 per annum (2011 Bank of England Annual Report). The Department's contracts with Alan Cook, Ed Smith and Sally Davis pre-dated this guidance, which was published in July 2011, and when the contracts for all three were renegotiated in December 2011, it was agreed that, in recognition of their high calibre, their reputation externally and their strong experience of commercial issues, the Department would continue to pay them at the pre-existing level. Alan Cook's appointment as DfT NEBM was renewed in January 2013 with a revised annual fee of £15,000.

The NEBMs are expected to dedicate a minimum estimated total time commitment of about fifteen days per year for their roles in DfT. Our experience to date shows that they each currently far exceed this commitment to varying degrees.

The Non-Executive Directors of the Board received remuneration within the ranges shown for their services during the year:

Non Executive Board Members	2012 13	2011 12
	(£000)	(£000)
Sam Laidlaw	Chose not to be paid	Chose not to be paid
Ed Smith	20-25	25-30
Alan Cook[47]	20-25 (to Dec 2012) 15-20 (from Jan 2013)	20-25
Sally Davis	20-25	20-25
Hanif Lalani (18 June 2012 to 1 November 2012)	7	n/a

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. There were no benefits in kind reported in 2012-13 for either ministers or senior staff.

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 in which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2011-12 and the comparative bonuses reported for 2011-12 relate to the performance in 2010-11.

47 Alan Cook is also the Chair of Highways Agency Board.

Pension Benefits – Ministers

Ministers	Accrued pension at age 65 as at 31/3/13	Real increase in pension at age 65	CETV at 31/3/13	CETV at 31/3/12	Real increase in CETV
	£000	£000	£000	£000	£000
Patrick McLoughlin MP Secretary of State (from 4 September 2012)	15-20	0-2.5	314	291	5
Simon Burns MP Minister of State (from 4 September 2012) Full-year equivalent	0-5	0-2.5	74	65	5
Stephen Hammond Parliamentary Under Secretary of State (from 4 September 2012) Full-year equivalent	Opted out	Opted out	Opted out	Opted out	Opted out
Norman Baker MP Parliamentary Under Secretary of State	10-15	0-2.5	23	15	5
Justine Greening Secretary of State (to 3 September 2012)	0-5	0-2.5	26	18	3
Theresa Villiers Minster of State (to 3 September 2012)	0-5	0-2.5	23	19	2
Mike Penning MP Parliamentary Under Secretary of State (to 3 September 2012)	0-5	0-2.5	24	19	2

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 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 of 28.7% of the ministerial salary paid by the Exchequer representing the balance of cost as advised by the Government Actuary. Increases to member and Exchequer contributions will apply from 1 April 2012.

The accrued pension quoted what the minister is entitled to receive when he/she reaches 65, or immediately on ceasing to be an active member of the scheme if he/she is already 65.

Cash Equivalent Transfer Value (CETV) – Ministers

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 in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 – Ministers

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.

Pension Benefits – Officials

Officials	Accrued pension at pension age as at 31/3/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/13	CETV at 31/3/12	Real increase in CETV
	£000	£000	£000	£000	£000
Philip Rutnam Permanent Secretary	15-20	15-17.5	218	1	208
Clare Moriarty Director General	50-55	2.5-5	771	695	26
Steve Gooding Director General	55-60	2.5-5 Plus lump sum of 2.5-5	980	872	55
Lucy Chadwick Director General	25-30	2.5-5	387	327	23
David Prout Director General (from 7 January 2013)	5-10	0-2.5	119	109	6
Peter Strachan Director General (to 31 December 2012)	0-5	2.5-5	58	21	29

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** or **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 salary related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions apply from 1 April 2013. 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).

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 civilservice.gov.uk/pensions.

Cash Equivalent Transfer Values (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 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 in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 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.

Philip Rutnam 21 June 2013

Permanent Secretary and Accounting Officer

Department for Transport
Great Minster House
33 Horseferry Road
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.

Governance statement

Accounting Officer's introduction

1. The DfT Governance Statement for 2012-13 explains the Department's approach to corporate governance – the way in which the organisation is directed and controlled good governance being vital to effective financial and risk management. The Statement describes how the Board and its supporting governance structures work and how they have performed, including a report by the Lead Non-Executive Director, Sam Laidlaw. It also comments on how the Department's governance could be strengthened. In addition, it provides our assessment of how the Department has been managed, including the effectiveness of the systems of internal control, risk management and accountability.

2. HM Treasury's *Managing Public Money* guidance summarises the purpose of the Governance Statement as being to record the stewardship of the organisation to supplement the accounts.[48] The Statement should provide a sense of how successfully the organisation has coped with the challenges it faces, and how vulnerable its performance is, or might be.

3. The principles of good corporate governance for central government departments, in particular for ministerial departments, are set out in *Corporate governance in central government departments: Code of good practice 2011* which is published jointly by HM Treasury and the Cabinet Office.[49] This Governance Statement sets out the Department's compliance with the principles set out in the code with clear reasons for any departures.

4. Aside from the central Department, the other entities in the DfT family that fall within the Department's accounting boundary are described in Note 25 of the Annual Accounts. This Statement covers the DfT group, including DfT's agencies and non-departmental public bodies. However, these organisations have published their own governance statements as part of their annual reports. This Statement does not seek to duplicate the information contained in those, but rather to explain group-wide and central Department governance arrangements, and any issues that are of significance to the group as a whole.

48 www.hm-treasury.gov.uk/psr_mpm_index.htm
49 www.hm-treasury.gov.uk/d/corporate_governance_good_practice_july2011.pdf

DfT corporate governance framework

5. Figure 1 sets out the DfT's corporate governance boards. This is intended to illustrate the top level bodies that control, scrutinise or oversee the work of the Department – providing varying layers of control and assurance and, ultimately, providing sufficient assurance that, in achieving its aims and objectives, the Department has done so in line with an appropriate level of control. A summary of each of these boards, and their input into and impact on the overall governance of the Department, will be outlined below.

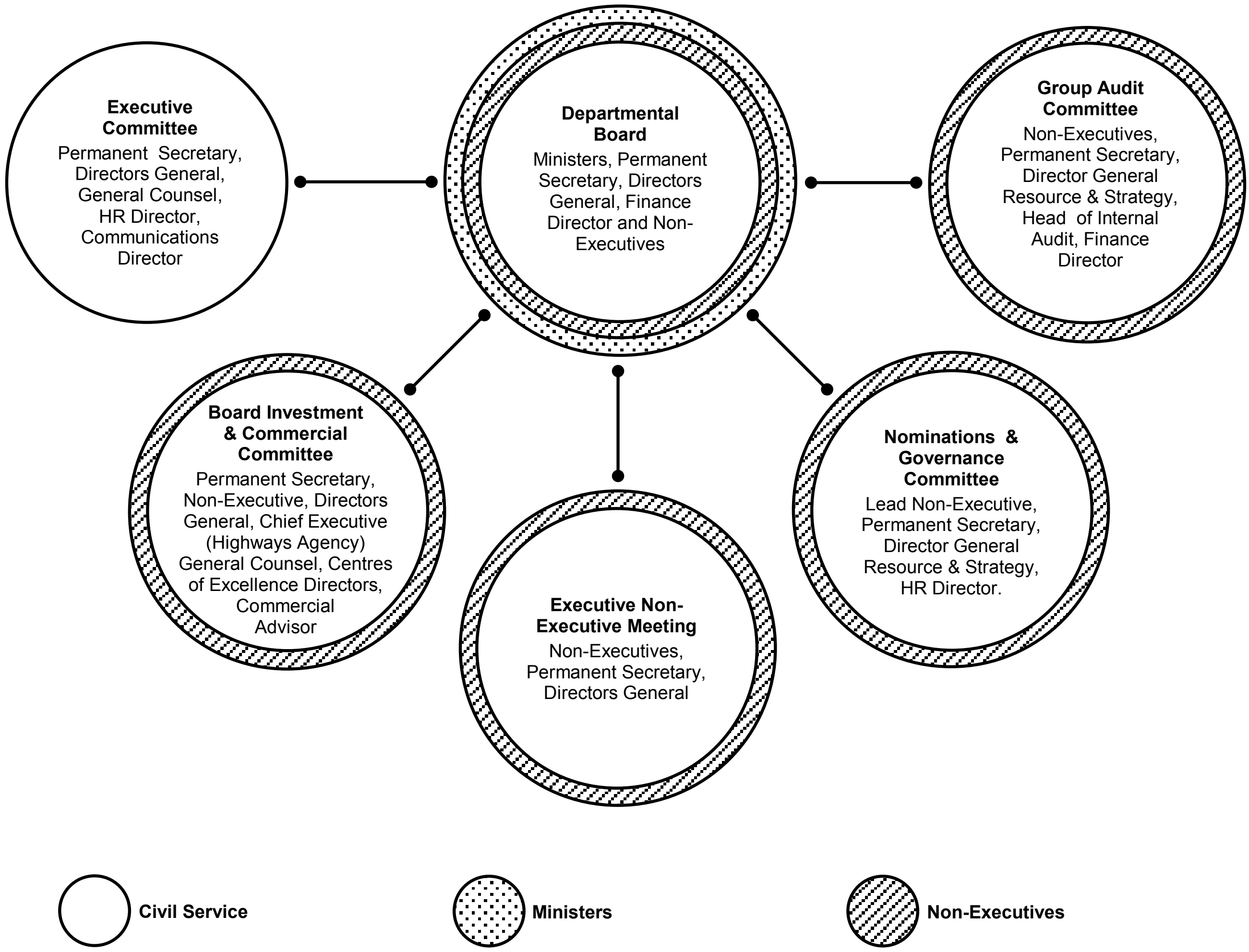


Figure 1: DfT's corporate governance boards

DfT Board

Membership

6. The DfT Board is chaired by the Secretary of State. Board membership, as shown in Figure 2, comprises all ministers, the Permanent Secretary, the non-executive board members (including a lead non-executive) and the directors general. All ministers are encouraged to attend the Board in order to promote Coalition balance.

<table>
<tr><th colspan="30">Figure 2: Board membership as at 31 March 2013</th></tr>
<tr><td colspan="30">Secretary of State
Rt Hon Patrick McLoughlin MP</td></tr>
<tr><td colspan="30">Ministers</td></tr>
<tr><td colspan="10">Stephen Hammond MP (Parliamentary Under Secretary)</td><td colspan="10">Rt Hon Simon Burns MP (Minister of State)</td><td colspan="10">Norman Baker MP (Parliamentary Under Secretary)</td></tr>
<tr><td colspan="30">Non-Executive Board Members (NEBM)</td></tr>
<tr><td colspan="6">Sam Laidlaw (Lead NEBM)</td><td colspan="6">Alan Cook</td><td colspan="6">Ed Smith</td><td colspan="6">Sally Davis</td><td colspan="6">Vacant</td></tr>
<tr><td colspan="30">Permanent Secretary
Philip Rutnam</td></tr>
<tr><td colspan="30">Directors General</td></tr>
<tr><td colspan="6">Clare Moriarty</td><td colspan="6">Lucy Chadwick</td><td colspan="6">Steve Gooding</td><td colspan="6">David Prout</td><td colspan="6">Vacant (DG Resources and Strategy)</td></tr>
<tr><td colspan="30">Finance Director
Stephen Park</td></tr>
</table>

Changes in year

7. The following changes to Board membership occurred during 2012-13:

- In September 2012 the Rt Hon Patrick McLoughlin MP replaced the Rt Hon Justine Greening MP as Secretary of State for Transport; the Rt Hon Simon Burns MP replaced the Rt Hon Theresa Villiers MP as Minister of State and Stephen Hammond MP replaced Mike Penning MP as Parliamentary Under Secretary of State.
- In November 2012 Hanif Lalani resigned his position as a non-executive board member. A replacement non-executive board member has been appointed. Mr Lalani was also Chair of the DfT Group Audit Committee. Mike Brooks, non-executive board member at the DVLA, is acting as interim Chair of the Group Audit Committee until a permanent replacement is appointed.
- In January 2013, the Department was restructured in response to the Laidlaw Inquiry into the InterCity West Coast competition, resulting in the following changes in Director General responsibilities:
- Clare Moriarty moved from Director General of Corporate Group to become Director General of the Rail Group, a newly formed Group bringing together all aspects of the Department's rail operations.
- David Prout joined the Department as Director General of the newly formed High Speed Rail Group.
- Peter Strachan, Director General of the former Major Projects and London Group, chose to leave the Department as a result of the restructuring.
- The post of Director General for the restructured Resources and Strategy Group was created. This post is in the process of being filled.
- Stephen Park, the Department's interim Finance Director, has also since been appointed as a Board Member.

Purpose

8. The DfT Board advises and challenges the Department on its strategic direction and on the operational implications and effectiveness of its policy portfolio. The Board achieves this by drawing on the commercial, operational and political experience and expertise of its members – a combination of Civil Service leaders, ministers and non-executives, who bring external expertise. The DfT Board's primary responsibilities during 2012-13 included:

Scrutiny

- The oversight and scrutiny of performance and the financial position for the central Department and its sponsored bodies and executive agencies.
- Helping to ensure the design, capability and capacity of the organisation matches current and future commitments and plans.

Monitoring

- Monitoring progress against the published Business Plan commitments for 2012-2015, and corporate planning objectives.
- Reviewing key risks and effectiveness of risk management processes.

Advisory

- Contributing towards the Department's strategic vision, and advising on major projects or programmes such as Crossrail and High Speed 2.
- Considering a series of policy and management themes in order to inform and develop the Secretary of State's thinking, obtaining non-executive input at the early stages of policy development.

9. During 2012-13 the Board has focused on the High Speed Rail programme; the Laidlaw Inquiry and the Brown Review, and the Department's responses to those reports; the Transport and Roads Strategies; localism; aviation policy; the Rail Investment Strategy and the 2012 Olympic and Paralympic Games readiness. It also scrutinised key performance data by discussing the Annual Report and Departmental Accounts; Group Audit Committee Annual Report 2011-12 and regular management information reports which included details on delivery, risk, resources and financial performance.

Register of interests

10. In accordance with Cabinet Office Guidance, non-executive board members are required to declare any personal or business interests that may influence, or appear to influence, their judgement in performing their obligations to the Department. This includes personal pecuniary interests, directorships, shareholdings or public appointments, and any such interests of close family members. This information was last updated during 2012-13, identifying no significant interests which may conflict with their management responsibilities to the Department.

11. With regards to other Board members, a register of Ministers' interests is maintained by the Cabinet Office.[50] Under the terms of the Ministerial Code, ministers must ensure that no conflict arises, or could reasonably be perceived to arise, between their ministerial position and their private interests, financial or otherwise. All staff are contractually

50 The Cabinet Office publishes the list of ministers' interests at https://www.gov.uk/government/publications/list-of-ministers-interests.

obliged to adhere to the standards of behaviour set out in the Civil Service Code, which includes requirements with respect to integrity and impartiality. In line with this, guidance is issued periodically to all staff reminding them of the obligation to declare any conflicts of interests. No significant interests have been identified which may conflict with the management responsibilities of Board members to the Department.

Meetings and attendance during 2012–13

12. During 2012–13, the DfT Board met on five occasions. These occurred monthly from May to July, and then paused until December due to summer Parliamentary recess and changes to the Department's ministerial team.

Figure 3: Board member meeting attendance during 2012 13[51]

Member:		Board	ENEM	Group Audit Committee
Rt Hon Patrick McLoughlin MP	Secretary of State for Transport 04/09/12 – 31/03/13	2 (2)	-	-
Rt Hon Justine Greening MP	Secretary of State for Transport 01/04/12 – 03/09/12	3 (3)	-	-
Rt Hon Simon Burns MP	Minister of State 04/09/12 – 31/03/13	0 (2)	-	-
Rt Hon Theresa Villiers MP	Minister of State 01/04/12 – 03/09/12	1 (3)	-	-
Norman Baker MP	Parliamentary Under Secretary of State 01/04/12 – 31/03/13	1 (5)	-	-
Mike Penning MP	Parliamentary Under Secretary of State 01/04/12 – 03/09/12	0 (3)	-	-
Stephen Hammond MP	Parliamentary Under Secretary of State 04/09/12 – 31/03/13	0 (2)	-	-
Sam Laidlaw	Lead Non-Executive 01/04/12 – 31/03/13	4 (5)	1 (3)	-
Alan Cook	Non-Executive 01/04/12 – 31/03/13	5 (5)	3 (3)	-
Ed Smith	Non-Executive 01/04/12 – 31/03/13	4 (5)	3 (3)	2 (2)
Sally Davis	Non-Executive 01/04/12 – 31/03/13	5 (5)	3 (3)	-
Hanif Lalani	Non-Executive 18/06/12 – 01/11/12	0 (2)	0 (1)	1 (1)[52]
Philip Rutnam	Permanent Secretary 11/04/12 – 31/03/13	5 (5)	3 (3)	5 (5)
Clare Moriarty	Director General 01/04/12 – 31/03/13	5 (5)	3 (3)	4 (4)
Lucy Chadwick	Director General 01/04/12 – 31/03/13	4 (5)	1 (2)	-
Steve Gooding	Director General 01/04/12 – 31/03/13	5 (5)	3 (3)	-
David Prout	Director General 07/01/13 – 31/03/13	2 (2)	2 (2)	-
Peter Strachan	Director General 01/04/12 – 31/12/12	3 (4)	1 (1)	-

51 Bold figures indicate meetings attended; figures in brackets indicate possible attendances.
52 Hanif Lalani attended a second meeting as an observer at the beginning of his tenure.

Board effectiveness review

13. The Government Corporate Governance Code requires all government departments to undertake an annual evaluation of the effectiveness of their Board arrangements. Cabinet Office guidelines recommend a three-stage approach to this exercise: an external review in year one; an internal questionnaire-based exercise in year two, resulting in a short report by the Lead Non-Executive Board Member; and ending with a further external evaluation in year three. Margaret Exley CBE's December 2011 year one external report found that there is a clear and common purpose for the Board with a focus on improving delivery and overall management and leadership. Amongst other suggestions for improvement she recommended more focus on strategic, people and leadership issues.

14. This year (year two), all Board members have been asked to complete a questionnaire which seeks a frank self assessment on: how effectively the Board operates; the culture of the Board; how Board support is performing; and progress since the previous evaluation. The responses have been analysed by Sam Laidlaw, and a brief summary of these can be found in his report below in paragraphs 42-48.

Board sub-committees

15. The DfT Board is supported by a number of sub-committees, which supported the Board's discharge of its duties during 2012–13, are as follows.

Executive Committee (ExCo)

16. The Permanent Secretary, directors general, General Counsel, and directors of Communications and HR, met weekly to discuss and scrutinise major workstreams in relation to policy, operations and the running of the Department. ExCo has a focus on risk and resource management. Its work includes providing steers as necessary to other Board sub-committees, to progress any issues referred to it by the Board and to develop key initiatives to improve the way the central Department operates. ExCo also regularly reviewed corporate performance, risk and management information in order to maintain an overview of the operations of the Department.

Executive and Non-Executive Meeting (ENEM)

17. In a new arrangement this year, the Executive Committee and non-executive board members started meeting bi-monthly in order to gain further input from the latter. This group met in November 2012, January 2013 and March 2013, discussing programme and risk management and capability issues. Terms of Reference for ENEM have been formalised following the review of governance arrangements discussed below.

Board Investment and Commercial Sub-Committee (BICC)

18. BICC has the delegated responsibility for reviewing, within an economic, financial and commercial context, 'Tier 1' projects as defined by the Department's Business Case Approval Framework. This includes projects with an initial procurement cost or contract value of £100m or more (or £200m or more if it is a road capital project), projects carrying corporate risks, and those involving a major change in DfT working arrangements (see investment appraisal from paragraph 107 below). BICC is also tasked with maintaining a watching brief on trends and developments in the commercial market, and identifying best practice in commercial and procurement processes across the Department.

19. BICC membership comprises the Permanent Secretary, one of the non-executives, directors general, the Chief Executive of the Highways Agency, General Counsel, Centres of Excellence directors and the Department's Commercial Advisor.

20. Between April 2012 and January 2013 as a matter of routine BICC met monthly, with additional meetings as required to meet the timetable for major investment decisions. This was increased to at least twice a month from January 2013.

Group Audit Committee (GAC)

21. The Group Audit Committee supports the Permanent Secretary in his roles as head of the Department and Accounting Officer. It achieves this by reviewing the strategies, programmes and the performance of internal and external audit, to consider the assurance for effective systems for internal control, financial reporting, governance and risk management. The committee is chaired by a DfT non-executive board member and membership of this committee is drawn from the Non-Executive Audit Committee Chairs from other parts of the DfT group.[53] The Permanent Secretary, Director General (Corporate), the Group Head of Internal Audit, the Finance Director and the National Audit Office (NAO) Financial and Value for Money (VfM) directors also attend the meetings. The Committee conducts regular self-assessments of its effectiveness against this remit, and during the year agreed a refocusing of its role with regard to risk management.

22. During the year, the Committee focused its attention on the annual report and accounts, InterCity West Coast issues, risk management, the divestment of DfT Shared Services, and major programmes such as HS2. At each meeting, the GAC receives from the Group Head of Internal Audit (HIA) a summary of any significant weaknesses in risk management, control or governance. This summary includes the actions being taken by management to resolve the weaknesses within an agreed timescale. A report is shared with the Board following each meeting of the GAC.

23. The GAC continues to provide focus on the group management assurance process, which is maturing and produces useful evidence on the effectiveness of internal controls across the Department and wider family. The Committee has encouraged management to derive greater insights from the exercises to drive enhancements to the systems of internal control in the future.

Nominations and Governance Committee

24. The newly formed Nominations and Governance Committee met for the first time in January 2013. The membership for the Nominations and Governance Committee is:

- Sam Laidlaw Non-Executive Director (Chair)
- Permanent Secretary
- Director General, Resources and Strategy Group
- Human Resources Director

25. The role of the Nominations and Governance Committee covers the following five central elements:

- scrutinising systems for identifying and developing leadership and high potential;

53 Following Hanif Lalani's resignation, the Group Audit Committee has been chaired by Mike Brooks, pending the appointment of a successor DfT non-executive board member.

- scrutinising plans for orderly succession of appointments to the Board and of senior management, in order to maintain an appropriate balance of skills and experience;
- scrutinising the process for the appointment of non-executives and external experts to the central Department and its executive agencies;
- scrutinising incentives and rewards for Executive Board members and senior officials, and advising on the extent to which these arrangements are effective at improving performance; and
- advising on, and scrutinising the Department's implementation of, corporate governance policy.

Report from the Lead Non-Executive Director – Sam Laidlaw

26. I am pleased to submit this, my second report on behalf of the DfT non-executive board members. My report will reflect progress against the five priority themes set out in the joint HM Treasury and Cabinet Office publication *Corporate governance in central government departments: Code of good practice 2011*, which form the framework for cross-government non-executives' activity.[54]

27. 2012–13 has been a year of much achievement for the Department including the successful delivery of transport services during the London Olympics, confirming £16bn of public support for rail between 2014 and 2019,[55] awarding the £4.5bn contract to build and maintain new trains under the Intercity Express Programme (IEP)[56] and further announcements in relation to High Speed 2 – including the preferred routes to Leeds and Manchester. However, it was also a year in which there was a very public failure – in relation to the InterCity West Coast rail franchise competition. One outcome of this was that I was commissioned by the Department to submit an independent report on the failings. Therefore, I will start this report with a brief discussion of this issue before going on to discuss some of the more positive achievements.

InterCity West Coast

28. The issues relating to the cancellation of the InterCity West Coast franchise competition were covered in detail in my report published on 6 December 2012. As to what went wrong and why it happened, suffice it here to say that an accumulation of errors by officials within the Department, which involved lack of planning and preparation for a novel and complex process, inadequate supervision coupled with a confused governance structure, and insufficient quality assurance, combined to produce a defective refranchising process. My report was intended to help the Department identify specific lessons to be learned from the failure of the particular franchise competition and to make appropriate recommendations.

29. These recommendations, therefore, fell under the four broad headings of:

- Improving the planning and preparation for future franchising;
- Clarifying the organisational structure, staff levels and strengthening the organisational capability;

54 www.hm-treasury.gov.uk/d/corporate_governance_good_practice_july2011.pdf
55 https://www.gov.uk/government/speeches/rail-investment--7
56 https://www.gov.uk/government/news/4-5-billion-investment-in-new-trains-creates-new-jobs

- Simplifying and clarifying the governance structure and terms of reference of the Department's subsidiary boards and committees; and
- Ensuring that there is robust third party quality assurance throughout the franchising process.

30. In addition to my report, a parallel investigation was conducted by the National Audit Office and a separate report was commissioned by the Secretary of State, headed by Richard Brown, to look at the future of rail franchising which was published on 10 January 2013.

31. Immediately on receipt of my report, and building on Richard Brown's recommendations, the Department accepted the recommendations in full and has acted swiftly and decisively to implement them. The franchising process and timetable are being redesigned. The organisational structure has been changed with a clearer single point accountability. The resource and capability of the rail franchising is being strengthened, although it may take some time to recruit the necessary permanent leadership and skills. A governance review of the Department has been undertaken. Finally, third party financial advisors are being brought in to all new franchising processes. Philip Rutnam, as Permanent Secretary, has provided strong leadership to this change management process.

Strategic clarity

32. On a wider front, in a year in which the Department has had changes of Secretary of State, and Minister of State and a relatively new Permanent Secretary, the Board has been able to provide some continuity and consistency in the leadership of the Department and, therefore, helped to deliver the strategy of the Department.

33. The Department embarked on a comprehensive corporate planning round, which aimed to match priorities with resources available, whilst building in sufficient levels of flexibility for challenging events or changes in political priorities. The Board, in providing challenge to resource prioritisation, allocation and deployment, is able to advise collaboratively on difficult choices and, given that many of the Department's projects span multiple parliaments, contribute to discussion on how the Department's approach fits in with the bigger picture of government.

Commercial acumen

34. The Board, through its sub-committee the Board Investment Commercial Committee (BICC), has been actively involved in ensuring that the value for money case for the taxpayer of future investments was robust. BICC reviewed and challenged procurement, vendor selection, financing processes and approaches to risk, ensuring these were streamlined and the contracts optimised. Good examples of this were the BICC's engagement in the financing of Thameslink rolling stock and the Search and Rescue helicopter award. The InterCity West Coast (ICWC) issue did, however, highlight some issues with the BICC and, following my report, steps have been taken to improve the way the BICC operates and the support it receives.

35. As much of the Department's agenda is dependent on the delivery of large-scale capital projects by the private sector or commercial arrangements with the private sector (such as rail franchising), the perspective and experiences that the non-executives bring to Board discussions, particularly in the areas of risk and commercial scrutiny, are particularly valuable.

Talented people

36. The Board regularly reviews organisational capability, employee engagement, attrition, absence and progress towards driving a stronger performance culture. The impact of public sector pay constraints presents difficulties for attracting and retaining highly qualified personnel, particularly in the commercial arena. However, the Department has strengthened its leadership with additions from other parts of government and continues to seek to attract high calibre commercial people from the private sector. One of the key lessons of the InterCity West Coast rail franchising difficulties was that no amount of process can substitute for a lack of leadership or judgement. Individual non-executive board members have also been involved in overseeing the Department's senior management selection processes and the Capability Review and a Nominations Committee to review talent development on a systematic basis has been created.

37. The Department's management assurance exercises have highlighted that succession planning is an area to which the Department must give more attention, not least because this provides a level of surety against the risks associated with staff turnover, but also because the Department strives to be seen as an 'employer of choice'. Further steps to manage career development and succession within the Department will no doubt serve to improve outcomes in this regard.

Results focus and management information

38. The Board regularly assesses progress against milestones and budgets for the priorities set out in the Departmental Strategic Plan. The Board challenges whether the timetables and resources are sufficiently stretching and whether appropriate resources are available.

39. The Board has advised on appropriate governance structures for the delivery of High Speed 2 and I welcome the appointment of a dedicated director general for the project.

40. The Board was also involved in assuring that the transport arrangements surrounding the 2012 London Olympics were robust and the Department is to be congratulated on the successful fulfilment of some very complex transport requirements.

41. The Board regularly reviews progress of major strategic priorities against the Business Plan and progress of all major capital projects, as well as examining top and emerging risks for the Department. In addition, regular reviews are held as to the status of resource and capital budgets, staffing levels, headcount attrition and absence, as well as progress in implementing the recommendations of my report into the InterCity West Coast rail franchise. Given the substantial agenda of the Department and its pivotal role in delivering the Government's growth agenda through roads, rail and aviation, the non-executive board members and the executive management have convened a series of additional meetings to supplement the formal Board meetings chaired by the Secretary of State. These supplemental meetings allow the non-executives and the Department's executive management to review the management information and discuss questions of risk, capability, resourcing and financing in greater detail.

Board effectiveness evaluation

42. I have overseen this year's light-touch evaluation of Board effectiveness, a requirement of the Corporate Governance Code.[57] The overall results are generally positive, with members reporting greater clarity on their individual and collective responsibilities in the Board and its sub-committees, as a result of the governance review begun in late 2012.

43. The majority said that the Board has the right combination of skills, experience and diversity of views to encourage debate and facilitate high quality decision making.

44. There was a sense that the Board is operating more effectively now compared with 12 months ago and the addition of bi-monthly meetings with the non-executive members of the Board and the executive management has been a welcome development.

45. The quality of management reporting has also continued to improve. Nevertheless, it is clear that there are other areas where we need to improve to get to a truly high performing standard. Among the areas identified are greater clarity on the Board's role in strategy, further Board time allocated to discussion of risk and resourcing, and more vigorous reviews of Departmental performance.

46. In terms of Board dynamics strengthening the links between the Board and its sub-committees and improving the visibility of the Board of the activities of the agencies remain goals for this year.

47. Finally, ensuring that we maximise the possibility of ministerial engagement and attendance remains key to the Board's future success.

48. The evaluation has been a useful stock take on our progress as a Board this year, and has provided some detailed action points to take forward alongside the wider implementation of the governance review in 2013-14.

Looking ahead

49. Last year I highlighted the need for a governance review of the Department's processes and this has unfortunately been made all too apparent by the findings of the InterCity West Coast Rail franchise. With this governance review well under way and significant reforms being undertaken in the Department, it should be on a stronger footing to take on the significant challenges ahead. Critical to the successful delivery of major infrastructure and commercial programmes will be the ability to resource such programme management with a sufficient quantity and quality of people and to ensure access to the necessary expertise to drive high quality outcomes.

50. I am very grateful to my non-executive colleagues on the Board for their time and contributions. In addition to both regular Board meetings and executive and non-executive meetings, non-executive directors have been involved in particular areas. Ed Smith has been an invaluable support to the ICWC Inquiry and provided advice to the BICC during a particularly busy year. Alan Cook continues in his considerable role as Chair of the Highways Agency. Sally Davis provided excellent input to the Department's preparations for the Olympic and Paralympic Games, as well as providing real challenge to the Department in individual meetings with policy teams. As well as my aforementioned report into the InterCity West Coast franchise, I have chaired the newly formed Nominations and Governance Committee.

57 https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments

51. The non-executives continue to be impressed with the Department's resilience and its ability to respond to difficulties. The forthcoming year will hopefully see a robust restarting of the refranchising programme, the continued progress of HS2 and positive proposals on roads reform as well as DfT developing further its approach to Department-wide risk assessment, quality assurance and compliance.

52. It has been a privilege to be involved with the Department in my capacity as an independent Lead Non-Executive Board Member. I, along with the other non-executives, look forward to supporting the Department in facing upcoming challenges and delivering the ambitious strategic goals that are vital to the quality of life, industrial competitiveness and economic growth of the UK.

Sam Laidlaw

Lead Non-Executive
Department for Transport

Strengthening DfT's governance

53. Following the cancellation of the InterCity West Coast franchise competition and the subsequent Laidlaw Inquiry, DfT has taken a number of actions to strengthen its governance arrangements, both at the corporate level and in the rail franchising area. Steps are also being taken to improve the Department's approach to analytical assurance, as well as its approach to programme and project management.

DfT corporate governance review

54. The Laidlaw report highlighted a number of issues surrounding the Department's governance framework – in particular, the need to clarify the roles and responsibilities of some of its key committees (including ExCo, the Board Investment and Commercial Committee and the Contracts Award Committee).[58] Following the report, the Department established an internal review of its governance arrangements, the remit of which was to analyse the issues highlighted by Laidlaw and recommend ways to improve and enhance the effectiveness of DfT's governance systems. This review recommended a number of changes to DfT's governance arrangements including refining and clarifying the role of the Board Investment and Commercial Committee, establishing the Executive and Non-Executive Meeting as a Board sub-committee, and strengthening the Department's approaches to integrated assurance and approvals and portfolio management. The review also recommended abolishing the Contracts Awards Committee, a body that provided scrutiny on some of the Department's procurements, and replacing this with a new Procurement Assurance Board, which is currently in development.

55. A new DfT Corporate Governance Framework has been produced as a result of this review. This provides greater clarity on the Department's governance arrangements, the terms of reference, interrelations and working practices of each the boards. This has been reviewed with non-executive board-members at the Executive and Non-Executive Committee meetings. The Department is currently in the process of implementing the findings from the review. More details on the actions DfT is taking following the Laidlaw

58 https://www.gov.uk/government/publications/report-of-the-laidlaw-inquiry

report are detailed in the Department's response to the inquiry and Public Accounts Committee.[59]

Rail franchising governance

56. Following the cancellation of the InterCity West Coast franchise competition, the Secretary of State also ordered an independent review (the Brown Review) of the rail refranchising process in its entirety to encapsulate issues and to produce recommendations for improvements to the robustness of the future rail refranchising process. Richard Brown's report was published in January 2013. Following the Brown Review and the Laidlaw Review, the Department has:

- established a new Rail Group, drawing together all of the rail elements within the Department;
- appointed a Director General for Rail;
- appointed a new Director of Rail Franchising, with extensive rail industry experience, responsible for the rail franchising programme, reporting to the Director General for Rail, and with a mandate to restart the paused rail franchising programme as soon as is practicably possible;
- reviewed the overall structure of the Rail directorate, in particular the teams responsible for the franchising competitions, with a view to putting in place a more robust and effective structure;
- put in place a team to administer and scrutinise the specific financial consequences of the cancellation and subsequent reimbursement of bidders; and
- cancelled one of the three other paused competitions and resumed two others whilst working on agreements with incumbents to cover the interim periods.[60]

Analytical assurance

57. In line with the Macpherson *Review of quality assurance of Government analytical models* which was commissioned by the Government, and undertaken by Sir Nick Macpheson, the Permanent Secretary of HM Treasury, the Department has carried out a programme of work to improve assurance around the use of analytical modelling in DfT.[61] This included detailed internal and external review of the quality assurance surrounding a number of our business critical models, and the introduction of *Strength in Numbers – The DfT Analytical Assurance Framework*.

58. The Department has put in place an Analytical Assurance Framework to ensure the quality of all DfT analysis. The framework will include the application of DfT guidance, maintaining a register of business critical models, the appointment of a single specialist senior model owner (SMO) for each model and the involvement of internal audit to test compliance. Throughout 2013-14 the Department intends to implement and embed the Analytical Assurance Framework throughout the organisation.

59 See https://www.gov.uk/government/publications/response-to-the-report-of-the-laidlaw-inquiry and www.hm-treasury.gov.uk/d/29315_cm_8613.pdf
60 https://www.gov.uk/government/news/rail-franchising-future-programme
61 www.hm-treasury.gov.uk/d/psr_governance_risk_review_of_qa_of_govt_analytical_models_interim_report_191212.pdf

Programme and project management

59. The Department is focused on improving the planning and management of its major programmes and projects. In spring 2012 a P3M3 organisational maturity assessment was carried out which outlined strengths and weaknesses in the Department's approach.[62] This recognised the Department's high levels of sector specific expertise in each of the transport modes, functional expertise in areas such as procurement, strong financial controls, and that there are examples of good practice in a number of areas across the Department. However, the report also highlighted weaknesses in a number of key areas of portfolio, programme and project management (PPM) maturity, and argued that DfT needed to improve its maturity across all these areas.

60. To address the issues identified, the P3M3 improvement programme was set up in June 2012. Its overarching aim is to improve the quality, consistency and performance of DfT in the areas of portfolio management and programme and project delivery.

61. Key developments to date include:

- standard PPM framework and lifecycle: a DfT PPM lifecycle has been developed for the DfT environment which is aligned to Cabinet Office best practice. A web based interactive portal has been developed for accessing the framework and the associated lifecycle and guidance material which includes 44 templates and 22 How2Guides.
- in-house training curriculum: a level one 'fundamentals' half day course has been developed for any member of staff, and six level two (foundation) theme-based (risk management, benefits etc) half day courses have been developed for individuals with previous PPM experience. Eleven courses have been run with a total of 130 attendees. Project senior responsible owner (SRO) training has also been developed and is in the process of being rolled out to all SROs.
- portfolio office: a review has been conducted into establishing a portfolio function for DfT, including a benchmarking exercise against other departments. A central portfolio function has been established, and this is developing a portfolio view of all programmes and projects within DfT.

62. The Department recognises that PPM core competency skills have not yet been raised in all areas but the P3M3 improvements programme will continue to support raising the maturity level.

Risk management

DfT risk profile

63. The Department's risk profile includes a wide spectrum of risks, including performance of transport networks and operational services, transport safety, delivery of EU and UK policy and infrastructure projects. During 2012–13, risk management contributed towards some notable Departmental successes, including managing the risk of the impact of the Olympics and the January 2013 severe winter weather on transport and continued improvement of the impact of severe winter weather instances on transport networks. However, there was also a significant risk management failure in relation to the InterCity West Coast franchise competition.

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62 P3M3 is the Cabinet Office's Portfolio, Programme, and Project Management Maturity Model.

64. Since this failure and in line with our response to the Laidlaw Report, the Department is raising awareness of the risk management processes in all Departmental teams and improving risk management culture and willingness to raise risks across the Department.

65. A number of actions are under way to reinforce risk communications and to ensure that all staff are clear about their responsibilities to identify, escalate and manage risks, including:

- cross checking the monthly risk report to forward Board and Board sub-committee agendas to ensure all risks escalated are adequately discussed and reviewed as single agenda items within such meetings;
- refreshing, updating and relaunching the DfT Risk Policy;
- including risk as a regular item on the agenda of Executive and Non-Executive meetings;
- increasing the visibility of risks at BICC Meetings;
- holding regular meetings with teams across DfT to review how the risk policy is being implemented and to support teams' efforts to improve risk management; and
- providing further targeted support to improving attitudes to risk within the organisation.

DfT risk policy

66. A DfT-wide risk policy (aligned to the Orange Book guidance) was agreed in March 2012 and applies to the DfT central Department and executive agencies. The risk processes outlined in this document represent best practice and should be effective if fully embedded across the Department.

67. The entire management chain – that is, the Permanent Secretary, directors general (DGs), agency chief executives, directors, programme/project SROs and managers, divisional managers and process owners – are responsible for identifying, assessing, addressing, reviewing and reporting risk in their work areas and for embedding risk management culture. As part of the risk policy refresh we have also reinforced the responsibility of everyone in DfT to identify and escalate risks. They are supported by a network of risk management coordinators at all levels who are responsible for facilitating an effective and regular review of risks. Risks are escalated through project/programme, agency, directorate and director general risk records. Serious risks are escalated to the Board, based on both quantitative assessments and judgement-based views.

68. In November 2012 the Board undertook an annual top down risk assessment. This year this exercise asked each Board member to independently identify their top five concerns. The combined results provided a stronger understanding of the collective top concerns of Board members and allowed us to determine whether the right amount of attention was being paid to the right risks and ensure the risk information provided to the Board and its sub-committees aligned with their key concerns.

69. Assurance on the operation of the risk policy is provided by six monthly heads of unit self assurance statements, Gateway Reviews and Internal Audit. The Group Audit Committee also supports the Accounting Officer in reviewing the effectiveness of the risk management strategy.

Managing information and information security

70. The handling of data and information carries significant risks to government departments and DfT takes information security very seriously. It is committed to ensuring its information is managed and valued, with appropriate protection and use of our information assets. In 2012-13 the Department worked to extend and embed this approach with the aim of realising more value from our information assets. DfT publishes its information asset register and champions the transparency agenda through the Transport Transparency Sector Board.

71. An information governance structure manages the risks to both handling information safely and making maximum use of information for wider business benefit. In compliance with the information standards set out in the Security Policy Framework. A network of information asset owners (IAOs) provides ongoing management of information risk and assurance to the Board-level senior information risk owner (SIRO). This structure is replicated across all DfT agencies, which provide annual assurance to the Department. IAOs are trained on appointment and at least annually thereafter.

72. The Department and several of its agencies (DVLA, DSA and VOSA) have, over the past few years, been assessed against the Information Assurance Maturity Model (IAMM) and Assessment Framework issued by the Cabinet Office.[63] This is designed to help departments assess themselves, establish a programme of work to embed a culture of information risk management, use best practice and ensure compliance. The results of this assessment feed into continual improvement of information risk and assurance processes.

73. In 2011-12 DfT scored Level 2 in the IAMM, with significant progress towards level 3 in some areas – meaning that information assurance is established and processes are institutionalised. This means that the Department has met, and in many areas exceeded, its target maturity level (Level 2). Over the year we have undertaken significant work to address outstanding issues, including further work on making sure that DfT has the right culture, integrating the protecting information message with complementary initiatives on improving transparency and smarter working and collaborative working to join up our communications, training, strategies and projects, so that we have a coherent approach to information across the organisation. We have also improved our assurance of third party suppliers and delivery partners.

74. In 2012-13 we undertook a gap analysis against last year's IAMM assessment to understand how and where we have addressed areas of weakness, any new areas of concern that have arisen and priorities for the year ahead. Workshops to examine evidence will be held with agency representation and independent challenge from Internal Audit and colleagues from the Home Office. This analysis will inform our security improvement programme for the forthcoming year.

75. In 2013-14 we will focus on implementing the new government security classification scheme and the adjustments this will require in policy, practice and individual responsibility. We will also be undertaking further work on managing the large amounts of 'unstructured' information in our emails and shared drives, so that we have a more consistent approach to how we manage all our information across DfT, not just our datasets.

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63 www.cesg.gov.uk/policyguidance/IAMM/Pages/index.aspx

76. A summary of the incidents that have occurred during 2012-13 is published in the Management Report in section 7.4.

Civil contingencies

77. The Department and its agencies also contribute to government planning for and response to a range of national civil emergencies, particularly those with a significant transport component or those which may cause transport disruption or threaten security of UK citizens. The starting point for this is the annual National Risk Assessment (NRA) prepared by the Cabinet Office. DfT is the lead department for a range of risks on the 2012 and 2013 NRA and contributes to others.

78. In the event of civil contingencies DfT becomes engaged in the cross-Whitehall response and subsequent recovery efforts. We work closely with stakeholders to ensure they are aware of the potential threats and put in place robust business continuity and contingency plans in response them. During 2012–13 the Cabinet Office machinery was activated formally in response to disruptions arising from the following:

- April to May 2012 – The ongoing response to the fuel tanker drivers' dispute;
- May to December 2012 – Due to high levels of rainfall and significant local and national flooding incidents, major multi-agency and central government actions were required in response to significant disruption and damage caused throughout this period across the UK; and
- January to February 2013 – The Department supported central government's response to episodes of severe winter weather. Overall the transport sector coped much more effectively than in previous years and little direct intervention was required by the Department.

Financial governance, management and controls

Financial governance

79. 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, while the Group Audit Committee reviews financial management and governance.

80. DfT's finance professionals support corporate governance. Group Finance directorate includes staff responsible for financial planning and for maintaining financial controls and reporting; and finance business partners who work with the business units to ensure sound financial management. These teams lead all aspects of financial management and facilitate its effective implementation.

81. Finance directors of executive agencies and other arm's length bodies have an indirect reporting relationship to the Group Finance Director, and are involved in taking forward the Department's financial management improvement programme.

82. The Financial Control and Governance (FCG) division monitors budget changes to ensure they have been implemented in accordance with decisions made by ministers and the Board and reviews monthly the actual and forecast outturns to check that expenditure is managed in line with approved budgets. The division ensures that the Department's expenditure is within each of the Parliamentary control totals, ie. resource DEL, capital DEL, resource AME, capital AME, cash and administration.

83. The Shared Services Centre (SSC) 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 includes systems support teams who manage the relationship between the central Department and the SSC 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. The Department divested its Shared Service Centre to an external provider on 1 June 2013, and in so doing, has established the Government's Independent Shared Service Centre 1.

84. DfT Finance has worked this year to enhance financial management processes, ensuring that more accurate budget forecasts were available at the time of the Autumn Statement enabling informed decisions to be made on in-year spending options and the carry-forward of budgets to the following year under the Budget Exchange mechanism. Enhanced reporting tools have been delivered by the management information project and preparations were made for the divestment of the Shared Service Centre.

Financial and corporate planning

85. Strategic Finance and Planning (SFP) division manages spending reviews and annual financial planning processes. The 2010 Spending Review (SR10) set out the Department’s spending priorities and total funding envelope, categorised into Parliamentary control totals, for the years 2011-12 to 2014-15. Within this envelope, the Department set indicative budgets for its programmes throughout the Spending Review period. These budgets are refreshed in line with priorities in the annual corporate planning process. Allocated budgets are processed and approved via the Main Estimate, and then at a more detailed level on internal systems.

86. The corporate planning process for 2012-13, which reconfirmed budgets for years 2013-14 and 2014-15, aimed to align both staff and financial resources to the Department’s objectives and ministers’ priorities. Information was captured against a set of workstreams, intended to be an exhaustive list of the Department’s work, to enable prioritisation decisions to be taken in the context of reducing budgets.

87. In the Autumn Statement 2012, the Chancellor announced a spending round in the first half of 2013. This will set budgets for one year only – 2015-16.

Financial loss

88. Following a cross-government Financial Systems Risk Review, HM Treasury introduced new guidance and tools to support a review of organisations’ processes which have an associated risk of financial loss. A ‘financial loss’ in the context of this work is defined as a loss of monetary assets in relation to deliberate or accidental errors during the processing of financial transactions.

89. The review, conducted in 2011-12, identified Bus Service Operators Grant (BSOG) as an area at risk of financial loss. Instances of fraud and malpractice involving four linked companies resulted in an overall write-off of £1.1m (originally paid in 2008 and 2009). BIS's Insolvency Service (IS) investigated these practices and, as a result, two directors of these companies were disqualified for five years. IS informed the Department that there was no prospect of recovering the sums involved which have, therefore, been written off with HM Treasury's approval.

90. There is an inherent risk of such occurrences as BSOG is generally paid to operators in advance, based on their estimated fuel usage over the following year. However, several changes to the BSOG system have since been introduced, including: ending advance payments to operators with a history of incurring debts or failing to supply sufficient evidence on time to justify their BSOG claims; and reducing from 10 weeks to one week the additional time which operators are given to supply this evidence where they fail to meet the additional deadline of submitting the evidence by three months after the end of the year to which their claim relates.

91. Major changes to the BSOG system are being introduced in October 2013. In anticipation of this, a workshop with the BSOG team was held in March 2013 to identify possible future fraud risks, including controls and compliance relating to risk management and more specifically to address possible error and debt issues for future grant payments.

92. A reduced staff level within Procurement was also raised as an issue and this has since been addressed in the corporate planning process for 2012–13, with an allowance for contingent labour to support their activities.

93. Following notification by a contractor that a member of their staff had duplicated data on a baseline survey conducted for DfT in 2009, in order to disguise a failure to meet the required sample size, a full investigation has now been carried out with the contractor's cooperation. In order to conceal slow progress against the target number of completed surveys, a staff member working for the contractor misreported progress to the Department and duplicated information already collected, altering the duplicate entries to avoid detection. The staff member was able to circumvent the contractor's quality management and audit safeguards.

94. The fabrication only came to light when very detailed research was undertaken by academics that spotted unusual patterns in the data.

95. The investigation into this matter, which both the Department and PwC (its external advisers) agree is robust and comprehensive, has demonstrated that this was an isolated incident caused by the misconduct of an individual who is no longer employed by the contractor. No other members of staff were involved in, or aware of, the misconduct, and no other contracts, whether with DfT or other government departments were affected. The contractor has committed to a series of enhancements to their QA systems to ensure that such an incident cannot happen again. DfT will review their implementation of those enhancements.

96. DfT is reviewing the diminution in the value of the base line data due to the problem that occurred. The contractor has expressed a willingness to ensure there is no impact on the public purse.

Management assurance

97. Management assurance is a critical component of the internal control framework. It ensures that directors general and directors in the Department, and CEOs in the agencies and non-departmental public bodies (NDPBs), have an informed assessment of the operation of processes and controls in key business areas, which they can challenge, and from which they identify and instigate future actions for improvement.

98. Returns are completed by each directorate in the central Department (consolidated and challenged by directors general), and by each of the Department's executive agencies, non-departmental public bodies and trading funds. Arm's length bodies present their management assurance surveys to their own audit committees, before returning them to the central Department. The Group results were then considered by the Permanent Secretary and the Group Audit Committee.

99. The basis of the assessment was similar to previous years, although survey returns also reported issues and some lower ratings in directorates reflecting issues around the InterCity West Coast franchise. As described in the Permanent Secretary's foreword, the Department has already initiated a number of actions to address these issues.

100. As in 2011-12, relatively lower ratings were returned in the areas of records management, succession planning and business continuity – actions have been put in place in these areas since 2011-12, but there is further to go before improvements are reflected in the scorings. The Department is working with process owners for the various areas to consider appropriate actions to be taken forward across the Department commensurate with its risk appetite.

Fraud, bribery and whistleblowing

101. The Department follows the Cabinet Office guidelines and is targeting a 'zero tolerance' approach towards fraud and bribery that delivers a culture that does not accept any level of fraud or corruption within the Department and its agencies. There have been no cases of fraud significant enough to disclose in the Governance Statement or Annual Accounts. Where appropriate, other incidents occurring within DfT and its agencies and NDPBs during 2012–13 have been noted within their own governance statements.

102. For this purpose, fraud and corruption includes all the offences relating to the Fraud Act 2006, Theft Act 1978, Corruption Bill 2006 and the Bribery Act 2010.

103. Any alleged fraud and corruption cases are investigated vigorously and promptly. Disciplinary and/or legal action is taken where appropriate, ie against those who perpetrate, are involved in or assist with fraudulent or other improper or illegal activities.

104. The central Department and its agencies have fraud, bribery and whistleblowing procedures in place to make clear how cases will be dealt with and how staff can report suspicions and/or concerns. The Department also has a Fraud, Error and Debt Group which meets once a quarter to take strategic decisions on policy, reporting processes, procedures and to share best practice.

105. The Department actively participates in the fraud alerts system and other fraud awareness initiatives run by the Cabinet Office and the National Fraud Authority, which seeks to share intelligence about specific fraud risks and raise awareness encountered across government. Regular fraud awareness courses are also run on a quarterly basis for all staff within the central Department and within the agencies. The Department ran a Fraud Awareness Week with presentations from the Cabinet Office, City of London Police, National Fraud Authority and its executive agency counter-fraud officers.

106. Following a supplier-related fraud identified in 2011-12, under which the Highways Agency was charged for a number of fictitious or over-scoped schemes, Internal Audit made a number of recommendations for improvements in the control environment over suppliers. These have been taken forward and implemented. Results of a recent contract assurance review showed a significant improvement in the supply chain's management of this risk. All amounts identified as part of the original fraud were identified and have been recovered from both the current service provider and the preceding managing agent. The Agency worked with the Police during their criminal investigation and is awaiting the outcome of the court hearings due in early summer 2013.

Investment appraisal

107. Strategic Finance and Planning (SFP) reviews and provides clearance for spending decisions, including all investment decisions as set out in the three-tier governance structure defined in the Department's Business Case Approval Framework (BCAF). SFP owns and maintains the BCAF which provides a unifying structure for the financial appraisal, assurance, scrutiny and approval of the financial business case at all levels across DfT. The criteria defining the three-tier levels are set out in the BCAF and include financial cost, degree of risk exposure, change in strategic direction and lost opportunity. The appropriate Investment Board for each area and the financial thresholds that apply at each level are set out below:

- Tier 1 – the Board Investment and Commercial Committee. Financial thresholds are: Highways Major Programmes and spend over £200m and all other projects, programmes, announcements and policy proposals with a whole life cost over £100m. A number of other criteria apply, including risk and strategic impact.
- Tier 2 – investment committees: the Rail Investment Board, the Highways Investment Board, the Motoring Services Investment Board and the Local Authorities Investment Board, which considers local authority Majors investment decisions. Financial thresholds that apply at Tier 2 are: Highways Major Programmes spend between £50m and £200m. Motoring Services projects, programmes and policy announcements between £10m and £100m. All other projects and programmes, announcements and policy proposals with spend of £50m and £100m.
- Tier 3 – individual project boards, delegated budget holders and agency directorates consider investment decisions falling below the Tier 2 thresholds set out above.

Management reporting

108. Management reporting is undertaken throughout the Department. Finance Business partners produce detailed monthly reports for their director general groups to manage budgets and performance.

109. Departmental finance reports are produced monthly and reviewed by Finance professionals. A performance report is issued monthly to the Executive Committee and to each Board meeting, which summarises Departmental financial information and progress against published Business Plan commitments and Major Projects.

110. Decisions on the allocation of resources are generally a matter for ministers, subject to any delegations of authority that have been granted. The Executive Committee plays an important role in reviewing the advice to be given to ministers about the Department's finances and the choices available. Proposals are made to them through specific documents, which are reviewed for financial implications.

Localism and accountability

111. The Department distributes a number of grants to local government from its Departmental Expenditure Limit (DEL). These can be classified into five broad groups: formula grants, challenge or bid-based grants, the Greater London Authority's transport grant (TfL's block grant), the Crossrail grant and payments to local government in relation to rail services.

112. Accountability for this local funding is set out in the Department's Accountability System Statement, available in full on our website.[64] The information below provides a summary of DfT's Accountability System Statement.

Formula funding

113. Two of the funding streams which the Department provides to local government (outside London) are allocated via formula. These are the Highways Maintenance Block fund and the Integrated Transport Block fund.

114. The funding is not ring-fenced, meaning that these grants are not subject to any additional DfT restrictions on how the local authorities (LAs) use the resources; this provides LAs with flexibility to spend the funding according to local priorities. However, there is an audit process in place for all such funds through the normal accountability requirements placed on LAs as independent statutory bodies.

115. The Department for Communities and Local Government's Accounting Officer, as lead Accounting Officer across central government with respect to local government, provides the assurance that a core framework is in place that requires LAs to act with regularity, propriety and value for money in the use of all of these resources.[65]

Challenge/bid-based funding

116. The Department provides funding grants to local government for a number of more specific transport purposes. Funding via these grant streams is provided on a bid-based system, with the Department appraising and assessing bids on various criteria relevant to that fund, including value for money.

117. Award of grant funding is usually provided in arrears, and mechanisms are in place to ensure the regularity of the funding, ie the funding has been spent for the purpose for which it was intended.

118. The mechanisms in place to ensure the regularity, propriety and value for money for each of these individual funding streams are set out in more detail in the Department's Accountability System Statement.

Transport for London

119. The Department is obliged under Section 101 of the Greater London Authority Act to provide a transport grant to the Greater London Authority, which in turn is effectively obliged to pass it to Transport for London (TfL).[66] The Department cannot direct the Mayor of London as to what purposes this funding can be used for, but it remains concerned to ensure that regularity, propriety and value for money in the use of these resources are achieved.

120. How it ensures this is again set out in detail in the Department's Accountability System Statement. However, the key principles are TfL's own scrutiny arrangements for example internal and external audit, the democratic accountability of the Mayor, the Greater London Assembly and the role of the Independent Investment Programme Advisory Group.

64 https://www.gov.uk/government/publications/accountability-system-statement
65 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6264/2110027.pdf
66 www.legislation.gov.uk/ukpga/1999/29/section/101

Crossrail and funding for rail services

121. The Secretary of State pays grants to Crossrail Ltd, a wholly-owned subsidiary of TfL, towards the costs of building Crossrail. In addition the Department makes various grants and payments to local government to pay for the operation of rail services. These include payments for Northern Rail, London Overground and Merseyrail. The accountability arrangements for these are set out in more detail in the Accountability System Statement.

Data and transparency

122. The Department recognises that a key aspect of being able to hold both the Department and local government to account is that of comparable data and the ease with which it can be accessed. The Accountability System Statement sets out what the Department is already doing in regard to data at the local authority-level and its plans for the future.

Failure and intervention

123. Further to the recommendations in the Public Accounts Committee's report *Funding for local transport: an overview* the Department is expanding the section in the Accountability System Statement on failure and intervention.[67] , This sets out what information it will use, or will encourage the sector to use, to help identify areas at risk of poor performance, the circumstances under which the Department or the sector might intervene, and what form that intervention might take. It will be published in the summer.

Independent and external review and reporting

124. The Department is subject to ongoing scrutiny and monitoring through a number of bodies, with the Finance and Corporate Governance teams acting as a conduit.

125. In the financial year, there are three key financial external reporting requirements, these are:

- the full-year forecast and year-to-date outturn, which are reported to HMT on a monthly basis. The outturn figures are updated alongside the Departmental accounts and published monthly via HMT as provisional outturn for the year before the Annual Report and Accounts are published;
- the Department's Estimates which reflect the expenditure voted and approved by Parliament. This includes the Main Estimate for 2012-13, as amended by the Supplementary Estimates. The Estimates set out permitted expenditure for the year; and
- the Department's Annual Report and Accounts which reflect DfT's outturn against Estimate and compared to the previous financial year, and are audited by the NAO.

126. The Department also provides various financial returns as requested by the Cabinet Office such as the Quarterly Data Summary (QDS) and ad hoc returns such as the Next Generation Shared Services benchmarking exercise.

127. A summary of the way in which independent review and scrutiny has supported the governance framework of the Department during 2012-13 is detailed below.

67 www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/747/747.pdf

Internal audit

128. The Department's Group internal audit function operates to prescribed Government Internal Audit Standards. The Group Head of Internal Audit (Group HIA) provides the Departmental Accounting Officer with an independent opinion on the adequacy and effectiveness of the Department's systems of internal control, and recommendations for improvement. The work of the directorate is based on its analysis of the Department's risks, and its audit programme is endorsed by the Group Audit Committee. Regular reports are provided by Internal Audit to the Department's management and to the Group Audit Committee and, since January 2013, significant reports have been discussed as a matter of routine at the Executive Committee.

129. The Group HIA has provided the Permanent Secretary with a report on internal audit activity in the Department for 2012-13, which includes his independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. Reflecting the issues that arose around InterCity West Coast, the Group HIA has informed the Permanent Secretary that there is 'partial' assurance that the arrangements for control, risk management and governance have been adequate and effective in 2012-13.

130. The Group HIA has drawn attention to the need to strengthen programme and project management skills to support the Department's delivery of its major project portfolio (consistent with the results of the P3M3 review referred to in paragraphs 59-62 of this statement), and its assurance framework around modelling. There have been internal audit reports issued across DfT and its agencies with overall 'partial' or 'none' assurance opinions; however, other than topics already included in the Governance Statement, none of these, either individually or in aggregate, warranted specific mention in the Governance Statement.

Major Projects Authority and gateway reviews

131. The Major Projects Authority (MPA) requires quarterly reporting of DfT's major projects via the Government Major Project Portfolio (GMPP). A major project is defined as any central government funded project or programme that requires HM Treasury approval during its life, as set out in Delegated Authority letters, and/or is of special interest to the Government. The MPA and DfT have an agreed list of 17 major projects reported to the MPA.

132. Assurance reviews take place at planned approval points, or gates, in the project's lifecycle or at key milestones. The Department plans assurance points using the Integrated Assurance and Approvals Plans that are mandatory for GMPP projects. During 2012-13, DfT undertook 15 assurance reviews in total, nine of these were for projects reporting via the GMPP.

133. DfT is making significant steps to support its major projects and is doing so by:

- improving scrutiny of major projects by redefining the working practices of investment boards and the continued quarterly reporting to our Executive Committee;
- continuing to enhance the Department's PPM maturity through the delivery of the P3M3 Improvements project;
- allocating resources to establish a DfT portfolio office; and
- establishing enhanced senior responsible owner (SRO) training as well as providing SROs with specific skills development, knowledge sharing forum. SROs will be provided with a set of clear expectations and accountabilities.

- the Permanent Secretary approving the appointment of SROs; and
- enrolling senior project leaders on the Major Projects Leadership Academy (MPLA).

134. The MPA published its first annual report on the GMPP in May 2013.[68] In parallel with this, the Department published the MPA delivery confidence rating as, at Quarter 2 2012-13, of all the Department's projects listed on the GMPP. The Department had four projects rated green, five rated amber/green, four rated amber, three rated amber/red and one rated red. More information on each of these projects is available on Gov.uk.[69]

135. The Department continues to focus on improved project delivery through working with the MPA, strengthening the GMPP project manager's capabilities through placement on the Major Projects Leadership Academy. A good example of how the Department is working with MPA to improve project delivery is the Thameslink Programme case in the MPA Annual Report.[70]

External audit

136. During 2012-13, the National Audit Office (NAO) published three reports directly related to the Department and these are available on their website.[71]

- *Review of the data systems for the Department for Transport*, published 3 September 2012;
- *Funding for local transport: an overview*, published 25 October 2012; and
- *Lessons from cancelling the InterCity West Coast franchise competition*, published 7 December 2012.

137. Underlying themes covered by the recommendations made in these reports include:

- improving and developing assurance systems to monitor value for money of expenditure and delivery of objectives through third-party organisations;
- learning and evaluating the analytical and commercial lessons from DfT's experiences of reletting a rail franchise and project procurements, and
- revising key indicators for major priorities to give a clearer indication of value for money the Department has actually secured against what was planned.

138. The Department has responded to these reports, putting in place actions to address the recommendations.

139. After the end of the financial year 2012-13 the NAO published two reports on the Department's work. These were: *High Speed 2: A review of early programme preparation*, published 16 May 2013, and *The Department for Transport: Progress in delivering the Thameslink programme*, published 5 June 2013. These are available on the NAO's website.[72]

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68 https://www.gov.uk/government/news/details-of-governments-major-projects-revealed
69 Ibid.
70 https://www.gov.uk/government/news/details-of-governments-major-projects-revealed
71 www.nao.org.uk/publications
72 Ibid.

Parliamentary scrutiny

140. Ministers have a duty to Parliament to account, and be held to account, for the policies, decisions and actions of their departments and agencies. Parliament exercises this prerogative through day-to-day questioning of ministers, raising topics for debate and scrutinising the legislation that the Department lays before it. Detailed inquiries of specific topics are undertaken by a number of committees, as set out below.

Transport Select Committee

141. The Transport Select Committee is charged by the House of Commons with scrutiny of the Department for Transport. Its formal remit is to examine the expenditure, administration and policy of the Department for Transport and its associated public bodies.[73]

142. As well as Ministers and members of DfT staff appearing in front of the committee to give evidence when called to do so, the committee produces reports with recommendations for the Department. The committee has produced a number of reports during the year, covering a range of issues including cancellation of the InterCity West Coast franchise competition, Rail 2020, competition in the local bus market and road safety. When the Department responds to these reports, its responses are published on the committee's website.

Public Accounts Committee

143. The Committee of Public Accounts is appointed by the House of Commons to examine the accounts showing the appropriation of the sums granted to Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the Committee may think fit. The Committee does not consider the formulation or merits of policy (which fall within the scope of departmental select committees); rather it focuses on value-for-money criteria, which are based on economy, effectiveness and efficiency.[74]

144. Members of DfT staff appear in front of the Committee to give evidence when called to do so. The Committee has produced a number of reports and recommendations, during the year including on funding for local transport, rail franchising, shared services centres and the completion and sale of High Speed 1. The Department responds to these reports in the form of Treasury minutes (which are formally submitted by HM Treasury) and these are published on the Committee's website.

145. Committee of Public Accounts hearings on Thameslink and HS2 are due to take place in June and July 2013.

Other Committees

146. A number of other select committees have an interest in the work of the Department. In the course of 2012-13, ministers and officials have given evidence to specific inquiries by the Northern Ireland Affairs Committee, the Welsh Affairs Committee, the Scottish Affairs Committee, the Environmental Audit Committee, and the Energy and Climate Change Committee, as well as a number of committees of the House of Lords.

73 www.parliament.uk/business/committees/committees-a-z/commons-select/transport-committee/
74 www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/role/

Conclusion

147. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is primarily informed by the work of Internal Audit, by the management assurance reporting of the executive managers within the Department who are responsible for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

148. I have been advised of the implications of my review by the Board and by the Group Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

149. DfT has in place a robust system of accountability, which I can rely on as Accounting Officer, for the use of the public funds which it provides to local government. This system allows me to provide the assurance that DfT will spend its money in line with the principles set out in *Managing Public Money*. The key elements of the system are legal controls and democratic accountability to local people and, where necessary, additional scrutiny and appraisal by the Department.

150. The failure experienced by the Department in relation to the InterCity West Coast franchise was unacceptable and highlighted serious weaknesses in relation to risk management and governance. I do not consider these weaknesses to be characteristic of the Department but it is evident that our systems of corporate governance and risk management were not as deeply embedded in 2012-13 as they should have been. Following the failure of the franchise award, I took immediate action to strengthen the systems of internal control within the Department and I am confident that good progress will be evident in 2013-14. I consider that, in most other respects, the Department maintained a sound system of internal controls in 2012-13.

Philip Rutnam 21 June 2013

Permanent Secretary and Accounting Officer

Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

The Certificate 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 and of its Departmental Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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 and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual 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.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2013 and of the Department's net operating cost and Departmental Group's 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse 26 June 2013
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
London SW1W 9SP

Departmental Accounts

Statement of Parliamentary Supply

for the year ended 31 March 2013

Summary of Resource and Capital Outturn 2012–13

£000								2012-13	2011-12
									(restated)
				Estimate			**Outturn**	**Voted Outturn vs. Estimate**	**Outturn**
	Note	**Voted**	**Non-Voted**	**Total**	**Voted**	**Non-Voted**	**Total**	**Voted**	**Total**
Departmental Expenditure Limit (DEL)									
- Resource	2.1	5,662,689	-	5,662,689	5,282,908	-	5,282,908	379,781	5,567,646
- Capital	2.2	8,009,150	-	8,009,150	7,827,357		7,827,357	181,793	7,703,299
Annually Managed Expenditure (AME)									
- Resource	2.1	1,382,106	-	1,382,106	590,306	-	590,306	791,800	876,924
- Capital		1	-	1	(60,819)	-	(60,819)	60,820	(33,464)
Total Budget		15,053,946	-	15,053,946	13,639,752	-	13,639,752	1,414,194	14,114,405
Non-Budget									
- Resource	2.1	31,500	-	31,500	-	-	-	31,500	(211,049)
- Capital		-	-	-	-	-	-	-	-
Total		15,085,446	-	15,085,446	13,639,752	-	13,639,752	1,445,694	13,903,356
Total Resource		7,076,295	-	7,076,295	5,873,214	-	5,873,214	1,203,081	6,233,521
Total Capital		8,009,151	-	8,009,151	7,766,538	-	7,766,538	242,613	7,669,835
Total		15,085,446	-	15,085,446	13,639,752	-	13,639,752	1,445,694	13,903,356

Net Cash Requirement 2012-13

	Note	£000 **Estimate**	**Outturn**	2012-13 **Outturn vs. Estimate**	2011-12 **Outturn**
Net Cash Requirement	4	12,815,083	12,489,829	325,254	12,469,749

Administration Costs 2012-13 (Net)

Note	£000 **Estimate**	**Outturn**	2012-13 **Outturn vs. Estimate**	2011-12 *(restated)* **Outturn**
3.2	264,208	242,932	21,276	216,774

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the Administration budget will also result in an excess vote.

The analysis of variances between Estimate and Outturn by Estimate Section is in Note 2, as referenced above. An explanation of these variances is in section 5 of the Management Report.

The notes on pages 126 to 201 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

£000	Note	2012-13 Core Department	2012-13 Core Department & Agencies	2012-13 Departmental Group	2011-12 (restated) Core Department	2011-12 (restated) Core Department & Agencies	2011-12 (restated) Departmental Group
Administration costs							
Staff costs	7	98,611	128,708	135,110	89,054	125,209	129,259
Other costs	8	67,565	115,394	120,715	58,844	109,125	113,263
Income	10	(19,948)	(17,715)	(17,826)	(16,778)	(28,120)	(28,128)
Programme expenditure							
Staff costs	7	27,324	328,575	564,704	27,352	326,922	544,939
Other costs	9	12,052,301	14,597,656	14,674,906	11,652,063	14,477,380	14,551,614
Income	10	(2,010,154)	(2,555,363)	(2,894,728)	(1,640,777)	(2,181,017)	(2,504,624)
EU income	10	(13,619)	(32,960)	(32,960)	(16,262)	(18,240)	(18,240)
Totals		**10,202,080**	**12,564,295**	**12,549,921**	**10,153,496**	**12,811,259**	**12,788,083**
Dividends Receivable		(19,934)	(19,934)	(26,767)	(24,776)	(24,776)	(31,013)
Interest Receivable		(17,089)	(37,690)	(38,794)	(22,798)	(42,279)	(44,362)
Net Operating Costs for the year		**10,165,057**	**12,506,671**	**12,484,360**	**10,105,922**	**12,744,204**	**12,712,708**
Total expenditure		12,245,801	15,170,333	15,495,435	11,827,313	15,038,636	15,339,075
Total income	10	(2,080,744)	(2,663,662)	(3,011,075)	(1,721,391)	(2,294,432)	(2,626,367)
Net Operating Costs for the year		**10,165,057**	**12,506,671**	**12,484,360**	**10,105,922**	**12,744,204**	**12,712,708**
Other Comprehensive Net Expenditure							
Net (gain)/loss on:							
- revaluation of property, plant & equipment	11	(2,060)	(2,105,215)	(2,109,241)	(42)	(2,752,011)	(2,752,678)
- revaluation of intangibles	12	-	(1,669)	(1,669)	-	(2,414)	(2,414)
- revaluation of investments	13	(21,168)	(21,168)	(61,266)	(288,739)	(288,739)	(300,751)
- pension schemes	28	202,097	202,097	343,177	219,500	219,500	310,900
Total comprehensive net expenditure for the year		**10,343,926**	**10,580,716**	**10,655,361**	**10,036,641**	**9,920,540**	**9,967,765**

The notes on pages 126 to 201 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2013

£000		2013			2012 (restated)		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Non-current assets:							
Property, plant & equipment	11	3,472,382	113,210,570	113,268,317	3,521,287	112,147,270	112,198,718
Investment properties	11.6	-	-	26,985	-	-	26,210
Intangible assets	12	1,591	101,549	108,907	3,304	107,576	114,751
Financial assets	13	735,068	719,830	1,221,540	750,628	733,485	1,197,674
Trade and other receivables	16	3,697,645	4,065,139	4,064,804	3,284,719	3,628,379	3,628,633
Inventories	15	-	2,931	2,931	-	2,882	2,882
Total non-current assets		**7,906,686**	**118,100,019**	**118,693,484**	**7,559,938**	**116,619,592**	**117,168,868**
Current Assets:							
Assets classified as held for sale	11.5	-	12,314	12,314	-	17,620	17,620
Inventories	15	50,164	96,040	100,660	27,241	83,977	90,669
Trade & other receivables	16	134,715	396,027	433,871	414,733	632,540	670,865
Cash & cash equivalents	17	249,024	345,656	492,989	75,140	202,176	325,191
Total current assets		**433,903**	**850,037**	**1,039,834**	**517,114**	**936,313**	**1,104,345**
Total assets		**8,340,589**	**118,950,056**	**119,733,318**	**8,077,052**	**117,555,905**	**118,273,213**
Current liabilities							
Trade and other payables	18	(858,003)	(1,535,059)	(1,613,823)	(1,109,663)	(1,744,892)	(1,817,046)
Provisions	19	(10,227)	(93,867)	(95,336)	(16,184)	(141,481)	(142,110)
Total current liabilities		**(868,230)**	**(1,628,926)**	**(1,709,159)**	**(1,125,847)**	**(1,886,373)**	**(1,959,156)**
Total assets less net current liabilities		**7,472,359**	**117,321,130**	**118,024,159**	**6,951,205**	**115,669,532**	**116,314,057**
Non-current liabilities							
Provisions	19	(74,422)	(247,054)	(250,146)	(73,665)	(272,419)	(278,294)
Other payables	18	(5,644,182)	(7,732,822)	(7,732,013)	(5,598,283)	(7,684,637)	(7,722,696)
Financial liabilities	13	(3,730,120)	(3,730,120)	(3,730,120)	(3,310,477)	(3,310,477)	(3,310,394)
Total non-current liabilities		**(9,448,724)**	**(11,709,996)**	**(11,712,279)**	**(8,982,425)**	**(11,267,533)**	**(11,311,384)**
Assets less liabilities excluding pension liability		**(1,976,365)**	**105,611,134**	**106,311,880**	**(2,031,220)**	**104,401,999**	**105,002,673**
Pension liability	28	(1,462,801)	(1,462,801)	(1,936,981)	(1,249,242)	(1,249,242)	(1,555,512)
Assets less liabilities		**(3,439,166)**	**104,148,333**	**104,374,899**	**(3,280,462)**	**103,152,757**	**103,447,161**
Taxpayers' equity and other reserves:							
General fund		(3,758,788)	39,221,952	39,362,750	(3,576,744)	40,026,863	40,274,796
Revaluation reserve		9,715	64,616,474	64,621,924	7,543	62,837,155	62,841,884
Available-for-Sale Reserve		309,907	309,907	390,225	288,739	288,739	330,481
Total equity		**(3,439,166)**	**104,148,333**	**104,374,899**	**(3,280,462)**	**103,152,757**	**103,447,161**

Philip Rutnam
Accounting Officer
Department for Transport
Great Minster House
33 Horseferry Road
London, SW1P 4DR

21 June 2013

The notes on pages 126 to 201 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2013

£000	Note	2012-13	2011-12 *(restated)*
Cash flows from operating activities	**Note**		
Net operating cost		(12,484,360)	(12,712,708)
Adjustments for non-cash transactions	8, 9, 10	1,247,860	1,558,156
Adjust for non-cash transactions related to pension schemes		38,292	28,810
Release of reserves		(1,522)	(135)
(Increase)/Decrease in Inventories		(10,040)	16,197
less movement in inventory relating to items not passing through the Statement of Comprehensive Net Expenditure		-	734
(Increase)/Decrease in trade and other receivables		(199,175)	(61,172)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		79,936	79,249
Increase/(Decrease) in trade and other payables		(193,906)	(334,472)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		117,200	415,815
Use of provisions	19	(115,449)	(166,127)
Non-cash movement in classification of provision		(6,501)	-
Adjustment for capital and interest element of PFI payments		59,965	52,443
Net cash outflow from operating activities		**(11,467,700)**	**(11,123,210)**
Cash flows from investing activities			
Purchase of property, plant and equipment – Additions	11	(888,397)	(1,320,135)
Adjusted for movement in capital accruals relating to additions		(33)	787
Purchase of intangible assets – Cash additions	12	(26,079)	(22,102)
Proceeds of disposal of property, plant and equipment		1,618	487
Proceeds of disposal of assets held for sale		11,885	8,640
Proceeds of disposal of investments		875	-
Capital element of Lands Provision		29,477	59,920
Loans to other bodies		(7,146)	(10,487)
Repayments from other bodies		40,390	38,362
Repayments of NLF Loans		1,897	1,801
Net cash outflow from investing activities		**(835,513)**	**(1,242,727)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		12,356,546	13,253,138
From the Consolidated Fund (Supply) – prior year		333,828	-
Excess cash paid to the Consolidated Fund		(61,797)	-
Capital Grant Funding		-	4,449
Repayments of loans from the National Loans Fund		(1,897)	(1,801)
Capital element of payments in respect of finance leases		(188)	(77)
Capital element of payments in respect of on-balance sheet PFI contracts		(59,965)	(54,100)
Net Financing		**12,566,527**	**13,201,609**
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**263,314**	**835,672**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		**1,449**	**188**
Payments of amounts due to the Consolidated Fund		**(96,965)**	**(902,777)**
Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**167,798**	**(66,917)**
Cash and cash equivalents at the beginning of the period	**17**	**325,191**	**392,108**
Cash and cash equivalents at the end of the period	**17**	**492,989**	**325,191**

The notes on pages 126 to 201 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

£000	Note	General Fund	Revaluation Reserve	Available-for-Sale Reserve	Total Reserves
Balance at 31 March 2011		**36,901,689**	**58,201,223**	**29,730**	**95,132,642**
Prior year adjustment		34,040	-	-	**34,040**
ATTF restatement*		(42,298)	-	-	**(42,298)**
Restated balance at 1 April 2011		**36,893,431**	**58,201,223**	**29,730**	**95,124,384**
Net gain on revaluation of property, plant and equipment		-	2,752,678	-	**2,752,678**
Net gain on revaluation of intangible assets		-	2,414	-	**2,414**
Net gain/ (loss) on revaluation of investments		-	-	300,751	**300,751**
Release of reserves to the Consolidated Statement of Comprehensive Net Expenditure		(135)	-	-	**(135)**
Non-cash charges – auditor's remuneration	8, 9	882	-	-	**882**
Transfers between reserves		141,625	(141,625)	-	**-**
Net operating cost for the year		(12,712,708)	-	-	**(12,712,708)**
Reversionary interest on M6 toll road		6,120	-	-	**6,120**
Adjustment to non-current assets		3,557,492	2,027,194	-	**5,584,686**
Actuarial Gain/(Loss) recognised in pension scheme		(310,900)	-	-	**(310,900)**
Other movements		(21,317)	-	-	**(21,317)**
Total recognised income and expense for 2011-12		**27,554,490**	**62,841,884**	**330,481**	**90,726,855**
Net Parliamentary Funding – drawn down		12,917,941	-	-	**12,917,941**
Supply (payable)/receivable adjustment		(448,182)	-	-	**(448,182)**
Excess Vote – Prior Year		335,197	-	-	**335,197**
CFERs payable to the Consolidated Fund		(84,650)	-	-	**(84,650)**
Balance at 31 March 2012		**40,274,796**	**62,841,884**	**330,481**	**103,447,161**
Net gain on revaluation of property, plant and equipment		-	2,109,241	-	**2,109,241**
Net gain on revaluation of intangible assets		-	1,669	-	**1,669**
Net gain/ (loss) on revaluation of investments		-	-	61,266	**61,266**
Release of reserves to the Consolidated Statement of Comprehensive Net Expenditure		-	-	(1,522)	**(1,522)**
Non-cash charges – auditor's remuneration	8, 9	887	-	-	**887**
Transfers between reserves		128,980	(128,980)	-	**-**
Net operating cost for the year		(12,484,360)	-	-	**(12,484,360)**
Reversionary interest on M6 toll road		13,952	-	-	**13,952**
Adjustment to non-current assets		(454,090)	(201,890)	-	**(655,980)**
Actuarial Gain/(Loss) recognised in pension scheme		(343,177)	-	-	**(343,177)**
Other movements		(18,826)	-	-	**(18,826)**
Total recognised income and expense for 2012-13		**27,118,162**	**64,621,924**	**390,225**	**92,130,311**
Net Parliamentary Funding – drawn down		12,356,546	-	-	**12,356,546**
Net Parliamentary Funding – deemed		448,182	-	-	**448,182**
CFERs from prior year		(61,797)	-	-	**(61,797)**
Supply (payable)/receivable adjustment		(314,899)	-	-	**(314,899)**
CFERs payable to the Consolidated Fund		(183,444)	-	-	**(183,444)**
Balance at 31 March 2013		**39,362,750**	**64,621,924**	**390,225**	**104,374,899**

* ATTF was consolidated which has resulted in a restatement of the General Fund.

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 notes on pages 126 to 201 form part of these accounts.

Statement of Changes in Taxpayers' Equity

Core Department and Agencies

£000	Note	General Fund	Revaluation Reserve	Available-for-Sale Reserve	Total Reserves
Balance at 31 March 2011		**36,547,672**	**58,196,864**	**-**	**94,744,536**
Prior year adjustment		34,040	-	-	**34,040**
Restated balance at 1 April 2011		**36,581,712**	**58,196,864**	**-**	**94,778,576**
Net gain on revaluation of property, plant and equipment		-	2,752,011	-	**2,752,011**
Net gain on revaluation of intangible assets		-	2,414	-	**2,414**
Net gain/ (loss) on revaluation of investments		-	-	288,739	**288,739**
Non-cash charges – auditor's remuneration	8, 9	882	-	-	**882**
Transfers between reserves		141,328	(141,328)	-	**-**
Net operating cost for the year		(12,744,204)	-	-	**(12,744,204)**
Reversionary interest on M6 toll road		6,120	-	-	**6,120**
Adjustment to non-current assets		3,553,691	2,027,194	-	**5,580,885**
Actuarial Gain/(Loss) recognised in pension scheme		(219,500)	-	-	**(219,500)**
Other movements		(13,472)	-	-	**(13,472)**
Total recognised income and expense for 2011-12		**27,306,557**	**62,837,155**	**288,739**	**90,432,451**
Net Parliamentary Funding – drawn down		12,917,941	-	-	**12,917,941**
Supply (payable)/receivable adjustment		(448,182)	-	-	**(448,182)**
Excess Vote – Prior Year		335,197	-	-	**335,197**
CFERs payable to the Consolidated Fund		(84,650)	-	-	**(84,650)**
Other payable to the Consolidated Fund			-	-	**-**
Balance at 31 March 2012		**40,026,863**	**62,837,155**	**288,739**	**103,152,757**
Net gain on revaluation of property, plant and equipment		-	2,105,215	-	**2,105,215**
Net gain on revaluation of intangible assets		-	1,669	-	**1,669**
Net gain/ (loss) on revaluation of investments		-	-	21,168	**21,168**
Non-cash charges – auditor's remuneration	8, 9	887	-	-	**887**
Transfers between reserves		126,134	(126,134)	-	**-**
Net operating cost for the year		(12,506,671)	-	-	**(12,506,671)**
Reversionary interest on M6 toll road		13,952	-	-	**13,952**
Adjustment to non-current assets		(481,837)	(201,431)	-	**(683,268)**
Actuarial Gain/(Loss) recognised in pension scheme		(202,097)	-	-	**(202,097)**
Other movements		133	-	-	**133**
Total recognised income and expense for 2012-13		**26,977,364**	**64,616,474**	**309,907**	**91,903,745**
Net Parliamentary Funding – drawn down		12,356,546	-	-	**12,356,546**
Net Parliamentary Funding – deemed		448,182	-	-	**448,182**
CFERs from prior year		(61,797)	-	-	**(61,797)**
Supply (payable)/receivable adjustment		(314,899)	-	-	**(314,899)**
CFERs payable to the Consolidated Fund		(183,444)	-	-	**(183,444)**
Balance at 31 March 2013		**39,221,952**	**64,616,474**	**309,907**	**104,148,333**

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 Notes on pages 126 to 201 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 2012–13 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 and certain financial assets and liabilities.

1.1 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 2013, 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:

- Phases 1 and 2 of IFRS 9 Financial Instruments, which will replace parts of IAS 39, deals with the classification and measurement of financial assets and financial liabilities. IFRS 9 is intended to improve and simplify the reporting of financial instruments. The completed phases require financial assets and liabilities to be measured according to their classification, and simplify the classification structure. According to the IASB, application of this standard is required for reporting periods beginning on or after 1 January 2015, though earlier application is permitted. However, it is yet to receive EU endorsement so it is not possible to predict the actual application date. The impact of initial application of IFRS 9 is not expected to be significant; the classification of financial assets and liabilities will change, but it seems that existing measurement approaches will continue to be appropriate.
- IFRS 10 and 11 cover the definition of and accounting treatment required for subsidiaries and jointly controlled operations. Within Central Government, consolidation boundaries are determined by HMT based upon Office for National Statistics' sector classification. These classifications do not recognise the concept of an operation controlled jointly across different sectors. Therefore, the impact of this is unclear. The IASB requires the application of these standards for periods beginning on or after 1 January 2013; however, they are yet to receive EU endorsement so it is difficult to predict the actual application date.
- IFRS 12 covers disclosures of interests in other entities, requiring particular disclosure of arrangements where the reporting entity owns a majority of shares but does not consolidate, and arrangements where the reporting entity owns more than 20% of shares but does not equity account, and vice versa. This standard should not give rise to any accounting changes, but may result in greater disclosures relating to Trading Funds and Public Corporations, which may be wholly owned but are not consolidated under the Clear Line of Sight initiative. However, in accordance with the Financial Reporting Manual (FReM) and related EU Directives, the Department already includes detailed disclosures of material off-balance sheet arrangements. The IASB requires the application of this standard for periods beginning on or after 1 January 2013; however, it is yet to receive EU endorsement so it is difficult to predict the actual application date.
- IFRS 13 provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. HM Treasury have issued an exposure draft, to take effect from 1 April 2013. The exposure draft interprets the IFRS to permit the use of alternative valuation methods for some public service assets, but retains the disclosure requirements of the IFRS. As the Department's most material category of arrangements held at fair value is financial instruments, and as the guidance on fair value measurement for such arrangements is already clearly defined, it is considered unlikely that IFRS 13 will have a material impact.
- IAS 12 has been amended to provide guidance on the measurement of deferred tax liabilities arising on the revaluation of investment properties, where the value of the tax liabilities depends on whether the property's value will be recovered through sale or through continuing use. It introduces a rebuttable presumption that the value will be recovered through sale. The Department holds some investment properties through LCR Ltd, and further properties will be recognised following the abolition of BRB (Residuary) Ltd during 2013-14 and the transfer of its properties to entities within the Departmental group. It is currently thought

that, given the characteristics of the properties, and the availability of tax losses, this amendment will not have a material effect on the consolidated statement of financial position. The IASB requires the application of this standard for periods beginning on or after 1 January 2012; however, it is yet to receive EU endorsement so it is difficult to predict the actual application date.

- IFRS 7 – An amendment will come into effect in 2013–14 dealing with disclosures concerning netting arrangements. The Department considers that these amendments to IFRS 7 will have no impact, as it has no netting arrangements. The FReM has been amended to reflect guidance on grantor accounting for service concessions contained in the International Public Sector Accounting Standards Board (IPSASB) statement IPSAS 32. It clarifies that service concession assets should be recognised under the normal criteria for asset recognition (the asset provides future economic benefits controllable by the entity, and its cost or fair value can be measured reliably), which may occur before the asset is complete. It also clarifies the treatment of service concessions where the operator has the right to charge the public: the required treatment is consistent with the Department's treatment of the HS1 concession and therefore no change in the accounting treatment will be required. The amendment will come into effect from 1 April 2013.
- IAS 19 – A revised version came into effect from 1 April 2013 and will apply to the Annual Report and Accounts for 2013-14. This will have two major impacts. Firstly, the components of pension cost recognised in profit or loss will be changed, so that the expected return on scheme assets and interest cost on liabilities will be replaced by a single interest cost or interest income, calculated on the net deficit or net surplus; other changes in the valuation of scheme assets will be recognised in Other Comprehensive Net Expenditure. This will affect the accounting treatment of the funded schemes included in these accounts. Secondly, the guidance on measurement and recognition of termination payments has been amended. It is not expected that this will have a material effect on the Department, as there are currently no significant on-going redundancy schemes.
- IAS 1 – an amendment will come into effect from 1 April 2013, relating to the presentation of items in the Statement of Other Comprehensive Expenditure and will apply to the Annual Report and Accounts for 2013-14. It requires that items that may be reclassified to profit or loss should be presented separately from those items that may not. It also requires that, where items are presented before tax, the tax effects of the reclassifiable items should be presented separately from the tax effects of non-reclassifiable items. This is likely to reflect the presentation of items in the Department's Statement of Other Comprehensive Expenditure, though not the amounts.
- IAS 32 – an amendment will come into effect for periods starting on or after 1 January 2014, which provides additional guidance on the criteria for offsetting financial assets and financial liabilities. As the Department currently does not offset any financial assets and liabilities, it is considered that this will have no impact.
- The International Accounting Standards Board (IASB) is currently developing a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments. As the Department and its consolidated bodies currently occupy administrative properties under operating leases, this is likely to have an effect on the statement of financial position.
- The IASB is currently developing a replacement to the existing standards on revenue recognition and construction contracts, so that revenue can be recognised only when the associated performance obligations are met. This is not expected to have a material effect on the consolidated accounts.
- Other changes due to come into effect after 2012–13 are considered to have no impact on the Department.

1.2 Trunkings/Detrunkings

The policy to transfer non-core routes on the Strategic Road Network 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, as described in section 1.3 below.

1.3 Basis of consolidation

1.3.1 Entities consolidated

These accounts comprise a consolidation of the Department (the core Department) and those entities which fall within the Departmental boundary as defined in the FReM, because they have been classified to the Central Government Sector by the Office for National Statistics. These are:

- Executive Agencies of the Department for Transport i.e. the Highways Agency, the Driver and Vehicle Licensing Agency, the Maritime and Coastguard Agency, the Vehicle Certification Agency and the Government Car and Despatch Agency (until 30 September 2012).

- Non-Departmental Public Bodies, such as British Transport Police Authority, Passenger Focus and High Speed Two Ltd (HS2 Ltd).
- Entities classified as Central Government, but not as Executive Agencies or Non-Departmental Public Bodies: LCR Ltd, LCR Finance plc, CTRL Section 1 Finance plc and Directly Operated Railways Ltd. These accounts also include, for the first time, the Air Travel Trust Fund (ATTF) which ONS reclassified to the central government sector because ONS determined that its income stream (Airline Passenger Duty) was a form of taxation.

The subsidiaries of LCR Ltd and Directly Operated Railways Ltd are excluded from the consolidation boundary because they are to the wider Public Sector, and not to Central Government, on the grounds that their trading activities support their operational costs.

These Departmental accounts are separated into three reporting elements:
- Core Department;
- Core Department and Agencies; and
- the Departmental Group.

A list of all those entities within the Departmental boundary is given at Note 25.

1.3.2 Changes to entities consolidated

Changes to the list of entities consolidated occur for the following reasons:
- Changes in the sector classification of individual entities;
- Machinery of Government changes resulting in the transfer of entities or the functions they perform between government departments; and
- Machinery of Government changes resulting in the creation or abolition of entities or in the transfer of entities or the functions they perform within the departmental boundary.

These changes are considered to be restructuring of entities subject to common control and therefore the principles of IFRS 3 are not applicable. Consequently, the assets and liabilities of consolidated entities are not fair-valued when they join the Departmental group, and no goodwill or gain from a bargain purchase arises. Instead, merger accounting or absorption accounting is applied.

1.3.3 Consolidation mechanics

The initial consolidation approach depends on the reason why the entity is consolidated or ceases to be consolidated:

1.3.3.1 With Restatement
- Where an entity has been reclassified to the central government sector, or the entity (or function) has been transferred between departments under a Machinery of Government change, merger accounting is applied. Consolidation is dealt with as a prior period adjustment: assets and liabilities are recognised at book value from the start of the earliest prior period presented, with the contra entry being made to reserves, through Other Comprehensive Net Expenditure. De-consolidation is similarly dealt with: assets and liabilities are derecognised as a prior period adjustment. In these accounts, the ATTF has been consolidated on this basis with effect from 1 April 2010.

1.3.3.2 Without Restatement
- Where an entity (or function) has been reclassified within the departmental boundary, absorption accounting is applied. The consolidation is made with effect from the official date of transfer. Assets and liabilities are recognised at book value as at that date, with the contra entry being made to reserves. On de-consolidation, assets and liabilities are derecognised from the date of transfer. In these accounts, the GCDA has been treated as an Executive Agency and consolidated until 30 September 2012; thereafter, the functions transferred to the core Department are treated as a unit within the Department and the related assets and liabilities are recognised on the core Department's Statement of Financial Position.

Accounting policies are harmonised, and balances and transactions between consolidated entities are eliminated on consolidation.

1.4 Prior year adjustments

Items are retrospectively restated where there has been a change in accounting policy, to correct a material prior year error, in accordance with IAS 8, to reflect transfers of functions between departmental groups (as described above) or to reflect changes in the consolidation boundary.

Where there has been a change in accounting policy, the opening balance of each affected component of equity for the earliest period presented and other comparative amounts disclosed for each prior year presented are adjusted as if the new accounting policy had always been applied.

Where a material prior year error is identified, it is corrected by restating the comparative amounts for the prior years presented in which the error occurred, or, where the error occurred before the earliest period presented, by restating the opening balances for the earliest prior year presented. However, insofar as it is impracticable to determine the period-specific or cumulative effects of the change in policy or error, no restatement will be made.

Where a material prior year error is identified, it is corrected by restating the comparative amounts for the prior years presented in which the error occurred, or, where the error occurred before the earliest period presented, by restating the opening balances for the earliest prior year presented. However, insofar as it is impracticable to determine the period-specific or cumulative effects of the change in policy or error, no restatement will be made.

Where the consolidation boundary is changed as a result of a change in sector classification by the ONS, the opening balance of each affected component of equity for the earliest period presented and other comparative amounts disclosed for each prior year presented are adjusted as if the new consolidation boundaries had always applied.

1.5 Non-current assets: Property, plant and equipment

Property, plant and equipment is sub-categorised into the Strategic Road Network (which is a networked asset, as defined in the FReM) and non-networked assets.

The Strategic Road Network relates to the motorways and all-purpose trunk roads (APTRs) in England, which form a single integrated network. The Strategic Road Network 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 highway's 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.

1.5.1 Capitalisation policy

Recognition

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

The core Department's capitalisation threshold is £5,000. The thresholds in the other consolidated entities range from £1,000 to £5,000 for individual or grouped assets, except for land, road construction schemes and road and structures renewals in the Highways Agency for which there is no minimum value.

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.

Initial costs

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. Internal staff costs that can be attributed directly to the construction of an asset, including capital renewal schemes, are capitalised.

Expenditure on construction schemes in the course of design or construction is capitalised when it is reasonably certain the scheme will go ahead.

Subsequent costs

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.

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 drainage is charged to the Statement of Comprehensive Net Expenditure.

Derecognition

Where a road 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.

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.

1.6 Valuation

Property, plant and equipment are expressed at their current value through regular valuation or through the application of Modified Historic Cost Accounting as a proxy for fair value. The fair value of land and non-specialised buildings is the market value, as determined by a professionally qualified valuer. The fair value of specialised assets may be estimated using an income approach or a depreciated replacement cost approach. A depreciated replacement cost approach assumes a modern equivalent asset which may differ from historic structures.

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 in the Statement of Comprehensive Net Expenditure.

1.6.1 The Strategic Road Network

1.6.1.1 The Completed Strategic Road Network

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

The Strategic Road Network 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 Strategic Road Network valuation is based on a standard cost model, using accounting estimates, to determine the valuation of the network. 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. The valuation is not based on historic actual cost of construction for individual assets. Rather, the Agency determines standard costs for the network based on accounting estimates that use the actual cost of recent schemes together with physical assets records and the best information available to provide unit rates for all elements and components of the network.

Standard costs unit rates are determined for the following elements of the Strategic Road Network: road, structures, technology equipments and land. When calculating the unit rates for the various elements of the network, a number of accounting assumptions are implicit in determining the network valuation. These assumptions are reviewed every five years when the Agency seeks to provide a new valuation of the network. A full valuation of the network asset was carried out by EC Harris LLP, professional surveyors during the year ended 31 March 2010.

Determining unit rates for valuation

Unit type / 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: Non-Special structures – Unit rates for bridges, tunnels, and gantries and retaining walls are based on a number of standard road types and standard structure types.
- Special structures: These are structures that, due to a combination of their size, construction and character cannot be quantified and valued in the same manner as other structures, e.g. the Dartford River Crossing. The valuation for special structures is based on unit rates and actual cost data from modern equivalent structures. A full review of all special structures has been undertaken during the year and, where appropriate, costing information has been updated to ensure the most appropriate up to date valuation is made.
- 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 cost 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 the Strategic Road Network network is held on a number of operational asset management systems. Dimensional data from these systems is used 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 Strategic Road Network assets.

Indexation

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 the network valuation is applied as follows:s

Indexation
Roads and structures – Five year revaluation: Unit rates are calculated from projects opened to traffic over the last 5 – 10 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 (resource cost index of road construction) is the index applied to roads and structures for yearly revaluation and reflects the movement in prices in the construction industry. ROCOS is published on a quarterly basis by the Department for Business, Innovation and Skills (BIS).
Technology: ROCOS is the index applied to all technology assets.
Land: Land indexation is determined by the Agency in consultation with external consultants and independent external sources, including the Royal Institute of Chartered Surveyors (RICS) market surveys and other reputable market analysis published nationally in England.

Indexation based on these 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 special structures are valued at historic prices appropriately indexed, or insurance valuations have been used as the best approximation of replacement cost.

1.6.1.2 Assets Under Construction

All new road projects in the course of design or construction are accounted as assets under construction (AUC) at their actual build cost. On completion of a project, the project is transferred out of AUC and into Strategic Road Network 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 (SoCNE).

1.6.1.3 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, including:

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

ii) The extra cost of widening an existing road compared with the cost of building a new road to the full width of the widened road (which the standard cost assumes). In a road widening scheme, a significant amount of cost will be in traffic management and therefore will be written-down.

Standard write-down percentages are used 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 that assets are written down on an on-going basis rather than when the project is opened for traffic. When a project is open for traffic, a formal calculation of the write-down required is completed and compared with the cumulative write-down; adjustments are made as necessary.

1.6.2 Land and Buildings, including Dwellings

Freehold land and buildings have been valued on the basis of open market value for existing use. Land and buildings are freehold and leasehold. Some Highways Agency 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 entities consolidated in these accounts can be found within the accounts produced by these entities.

1.6.3 Plant and Equipment

Highways Agency 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.

1.6.4 Information Technology

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

1.7 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.

1.7.1 Strategic Road Network

Road Surfaces

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.

For the purpose of depreciation, the road surface is recognised as a single asset and depreciation is calculated in two parts:

1. Capital renewal maintenance expenditure on network road surface is capitalised, to the extent that it restores the service potential of the asset that has previously been consumed, and is therefore reflected as a depreciation charge in the SOCNE. The value of materials replaced by subsequent expenditure is derecognised from gross book and accumulated depreciation values.

2. The condition of the road surface is measured by rutting, obtained from TRACS (Traffic Speed Road Assessment Condition Survey) surveys. Rutting is a good overall indicator for the condition of the road surface and is a measurement of the deterioration of the wearable element of the road surface. The condition of the road surface, as assessed by condition surveys, is undertaken and any movement in the condition is taken to the SOCNE as a depreciation charge or conversely an improvement credit.

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

Structures

Depreciation for structures is determined in two parts as follows:

1. Renewal maintenance expenditure on structures is capitalised, to the extent that it restores the service potential of the asset that has previously been consumed, and is therefore reflected as a depreciation charge in the SOCNE. The value of materials replaced by subsequent expenditure is derecognised from gross book and accumulated depreciation values.

2. Structures have a number of definable components with different design life and are depreciated on a straight-line basis at rates to write off the assets over their economic life as follows:

Life in years
i. Road bridges, tunnels and underpasses – 20 to 120
ii. Road culverts – 20 to 120
iii. Retaining walls – 20 to 120
iv. Gantries – 20 to 120

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

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

Technology

The depreciation charge for technology assets is based on the linear 'straight line' depreciation method based on an assigned design life. This overall anticipated life span of technology equipment varies according to the type of equipment between 15 to 50 years.

Impairment

The road surface and other components are subject to an annual impairment review. Impairment is recognised as required by the International Accounting Standard (IAS) 36, Impairment of Assets.

1.7.2 Other categories of property, plant and equipment

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 / Life in years
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 – 3 to 5 years
Structural steelwork – 10 years
Assets in storage – no depreciation
Assets awaiting sale – no depreciation

Assets in storage (for example, variable message signs), become part of the Strategic Road Network 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.

1.8 Non-current assets: Assets held for sale

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

1.9 Non-current assets: Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are capitalised if it is probable that the expected future benefits attributable to them will flow to the Department and if their cost can be measured reliably.

1.9.1 Intangible assets acquired separately

Intangible assets acquired separately are deemed automatically to meet the criteria for capitalisation specified in IAS 38 and are therefore recognised as assets at cost.

1.9.2 Internally generated intangible assets, including research and development

Internally generated intangible assets are capitalised if they meet 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 assets; that the Department is able to use or sell the assets; that the assets will generate future probable benefits; that there are sufficient resources to complete the development and to use or sell the assets, and that it is possible reliably to measure the expenditure attributable to the assets during the development phase.

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.

1.9.3 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 fifteen 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.

1.10 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.

1.11 Investment properties

IAS 40 requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals, or both. Investment properties are valued at fair value with movements in the fair value being recorded in the Statement of Comprehensive Net Expenditure for the period in which they arise.

The Department holds a limited number of commercial properties which are leased out to third parties.

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 Air Travel Trust Fund held a swap contract, to offset movements on its floating rate financial liabilities.

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 to discount future cash flows. The effective interest rate is the rate that exactly discounts future cash flows back to the amount initially recognised. Impairments are recognised in accordance with 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.

1.12.4 Available-for-sale financial assets

This classification is required for non-derivative financial assets that are not classified to any of the preceding categories. For the Department, this comprises equity investments. Where investments are in other public sector entities, they are recognised at historic cost less impairment adjustments where required. Where these investments are in private sector entities, they are recognised at fair value.

If an investment is not traded in an active market, the fair value is calculated using a valuation technique, to establish what the transaction price for that investment would have been on the measurement date. Valuation techniques are selected based on whether the technique is commonly used by market participants and has been shown to be reliable, making maximum use of market inputs and minimum use of entity-specific inputs. Changes in fair value, other than impairments, are recognised in reserves. 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.

These accounts include the following non-current available-for-sale financial assets:

Directly held by the Department:

- A shareholding in NATS (held initially at cost and thereafter at fair value using valuation techniques)

Held through LCR Ltd:

- A shareholding in Eurostar International Ltd (held initially at cost and thereafter at a valuation based on the entity's net assets).
- Debt and equity instruments in property development joint ventures (held previously using valuation techniques and thereafter at a valuation based on the entities' net assets)."

Details of the valuation approaches are given in notes 13.3.1 and 13.3.3.

The Secretary of State's special shares are each valued at a nominal value of £1. Further information is given in note 13 to these accounts.

1.12.5 Hedging arrangements

A hedging arrangement is a method of minimising exposure to adverse changes in the value of a contract by entering into another contract which is expected to change in the opposite direction. Hedge accounting is a method of offsetting the changes in value of the contracts, thus reducing the impact on profit or loss. Hedge accounting is required when, at the inception, the hedging arrangement is formally designated and documented as part of the entity's risk management strategy, and when the arrangement has been and is expected to remain highly effective. If the criteria are not met, offsetting is not permitted, and the contracts will be accounted for separately, according to the standards applicable to contracts of that nature.

1.12.6 Other financial liabilities

These are financial liabilities other than those classified as held at fair value through profit or loss. They are valued initially at fair value and thereafter at amortised cost using the effective interest rate. The effective interest rate is the rate that exactly discounts the future cash flows back to the initial fair value. All of the Department's financial liabilities are classified as 'other financial liabilities'.

These consolidated accounts incorporate the financial liabilities of LCR Finance plc and CTRL Section 1 Finance plc, repayment of which is being funded by the core Department. Consequently, the Department's obligations to these companies are recognised in the core Department's Statement of Financial Position, and the companies' obligations to their lenders are recognised in the consolidated Statement of Financial Position, with the Department's obligations eliminated on consolidation. The obligations to the external lenders take the form of debt instruments (bonds and fixed-rate and index-linked notes) issued to the public.

For the index-linked notes, where the values of repayments are linked to the Retail Prices Index, the impact of changes in the Index is reflected in the following way. The carrying amount is adjusted for changes in the Retail Price Index. Interest is calculated on the adjusted balance.

1.12.7 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, i.e. 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.

1.13 Inventories

The entities consolidated in these accounts hold various types of inventory: police uniforms held by BTPA; oil dispersants held by MCA; highways repair and maintenance items (including electrical equipment and salt) held by

HA; properties on the proposed route of the high speed rail link acquired under the Exceptional Hardship Scheme held by the core Department, 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

Some of the entities consolidated in these accounts earn revenues from the sale of goods or services. They include:

- the British Transport Police Authority, which charges Network Rail, freight companies, train operating companies and Transport for London for statutory policing services and recovers its income by means of a charging mechanism;
- The Air Travel Trust Fund, which receives ATOL Protection Contributions from customers booking package holidays;
- the Driver and Vehicle Licensing Agency, which receives fees for issuing driving licences and sells registration marks; and
- London & Continental Railways Ltd, which receives revenues from various property development activities, including the sale of land rendered surplus following the construction of the high-speed rail link between the Channel Tunnel and St Pancras.

Operating income is income that relates directly to the operating activities of the Department. It is stated net of VAT, 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 administration income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury. The classification was reviewed and clarified as part of the Spending Review 2010 exercise, and resulted in some reclassifications to ensure consistency across the Department.

Administration costs reflect the costs of running the Department, including staff, accommodation and IT costs, and operating lease rentals.

Programme costs are the costs of delivery of services, directly or indirectly by the department, and include payments of grants and capital expenditure.

Agencies excluded from the Administration budget regime (Driver and Vehicle Licensing Agency and Vehicle Certification Agency) report all of their expenditure as programme expenditure.

1.16 Pensions and other employee benefits

Past and present employees of the Department and its agencies are generally covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in Note 28.

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 members of defined benefit arrangements, including sections of the Railways Pension Schemes. Defined benefit arrangements may be funded (meaning that the scheme is a separate entity, which receives contributions and invests them to fund pension payments) or unfunded (meaning that that there is no separate scheme and the employer remains directly liable to fund pension payments). These defined benefit schemes are accounted for in accordance with IAS 19. Current service costs, unwinding the discount on scheme liabilities and the expected return on scheme assets (for funded arrangements) 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 (FReM).

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

The core Department and some other consolidated entities are the deemed employer of some defined benefit arrangements. These are accounted for in accordance with IAS 19.

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 FReM.

Some consolidated entities have undertaken to fund the pensions of employees of entities that are not consolidated in these accounts. As such undertakings do not arise from services provided by employees of the consolidated entities, they are accounted for in accordance with IAS 37, either as provisions or contingent liabilities, depending on the likelihood that the Department will be required to transfer economic resources in order to satisfy its obligations.

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 Statement of Comprehensive Net Expenditure (SoCNE) 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 SoCNE 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 SoCNE 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 the SoCNE 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 twelve 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.

The DVLA has a property maintenance and refurbishment contract which it considers to be within the scope of IFRIC 12. Works are recognised as property, plant and equipment, with a matching liability, if they are considered to be capital in nature (for example, construction and fit-out costs, or installation of air conditioning or lifts).

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.

Some entities consolidated within these accounts receive grant and grant-in-aid from the core Department.

In such cases, balances and transactions between these entities are eliminated on consolidation.

1.20 Deferred tax

Most consolidated entities are not liable to Corporation Tax or have no taxable profits. However, Directly Operated Railways Ltd and LCR Ltd are liable to Corporation Tax. Deferred tax assets or liabilities arise from temporary differences between the carrying amount and the tax base of assets or liabilities. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the asset can be utilised.

1.21 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.

1.22 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.

1.23 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.

1.24 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 and 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.

1.25 Foreign currencies

The consolidated financial statements are presented in sterling, which is the core Department's functional and presentation currency. Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the year end. Resulting exchange gains or losses are recognised in the income statement for the period.

1.26 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 valuing available-for-sale financial assets, for which there is no active market, the Department uses estimation techniques which reflect, so far as practicable, those that would be used by market participants, making maximum use of market data. Most assets of this nature have been held since the incorporation of the investee (in the case of NATS and LCR Ltd's property development ventures), meaning that the instruments may never have been actively traded.

The entities are chiefly jointly owned with other, private sector, investors, and the value of each investor's contribution would have been negotiated competitively with those investors. Therefore, the initial contribution is deemed to be the fair value as at that date. Thereafter, that valuation is benchmarked against forecast discounted cash flows, changes in the share prices of entities in comparable sectors, and changes in the values of the entity's asset base, to determine whether any changes in valuations are required. Further information can be found at Note 13.4.1.

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 Prices Index or the Consumer Price Index. For this purpose, we use the forecast rate provided by HM Treasury.

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

1.27 Critical judgements and key sources of estimation uncertainty

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

The Department has determined the fair value of the financial guarantee to Network Rail (the Financial Indemnity Mechanism) shown in Note 13.1 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.

The current agreed fee of £218 million has been used as a best estimate of future fees and inherent in this assumption is that existing debt will be replaced with new debt given the overall loan agreement which ends in 2052.

1.27.2 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.

1.27.3 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.

1.27.4 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.

1.27.5 Valuation 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. The actuaries also provide advice on the assumptions underlying the investment assets, such as future rates of return. Note 28 contains a sensitivity analysis which indicates the approximate effects on the actuarial liability of changes to the main actuarial assumptions.

1.27.6 Valuation of long-term financial obligations

CTRL Section 1 Finance plc has obligations to its noteholders, some of which are linked to RPI. The core Department has assumed legal responsibility for financing the payments to the noteholders and it therefore has an index-linked obligation to CTRL Section 1 Finance plc.

Payments on the index-linked notes are contractually required to be calculated by multiplying the unindexed amount by the RPI as at the relevant month (eight months before the month in which the payment is made) and dividing it by the base RPI. The RPI accretion movement on the outstanding liability is calculated by multiplying the amount by the RPI as at the relevant month (eight months before the month in which the payment is made) and dividing it by the RPI as at the relevant month for the previous payment date. The accretion movement is then time-apportioned.

1.27.7 Valuation of the Strategic Road Network

The significant estimation techniques for the Department include the valuation of the Strategic Road Network where the application of indices and standard costs generate a valuation.

2. Net outturn

2.1 Analysis of net Resource outturn by section

	£000							2012-13			2011-12 *(restated)*
								Outturn	Estimate	Outturn vs. Estimate	Outturn
		Administration			Programme						
		Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total
	Spending in Departmental Expenditure Limit (DEL)										
	Voted:										
A	Tolled Crossings	-	-	-	696	(86,859)	(86,163)	(86,163)	(94,864)	(8,701)	(66,387)
B	Local Authority Transport	-	-	-	234,717	(36)	234,681	234,681	242,660	7,979	250,520
C	Highways Agency	65,648	(2,005)	63,643	1,857,732	(66,343)	1,791,389	1,855,032	1,951,681	96,649	1,881,488
D	Network Rail	-	-	-	-	(218,382)	(218,382)	(218,382)	(207,806)	10,576	(199,226)
E	Rail NDPBs (net)	11,178	-	11,178	221,424	-	221,424	232,602	196,381	(36,221)	66,296
F	Other railways	-	-	-	483,282	(292,923)	190,359	190,359	246,960	56,601	(229,030)
G	Sustainable Travel	-	-	-	150,359	350	150,709	150,709	167,302	16,593	57,302
H	Bus Subsidies & Concessionary Fares	-	-	-	350,920	(155)	350,765	350,765	361,348	10,583	508,877
I	GLA transport grants	-	-	-	2,835,008	-	2,835,008	2,835,008	2,829,016	(5,992)	2,804,060
K	Support for Olympic and Paralympic Games	-	-	-	5,510	-	5,510	5,510	9,642	4,132	2,162
L	Aviation, Maritime, Security and Safety	-	-	-	91,198	(65,080)	26,118	26,118	35,497	9,379	8,591
M	Maritime and Coastguard Agency	8,486	-	8,486	140,354	(11,991)	128,363	136,849	150,579	13,730	136,838
N	Motoring Agencies	4,284	(3,071)	1,213	565,099	(392,708)	172,391	173,604	204,557	30,953	162,983
O	Science, research and support functions	-	-	-	49,817	(923)	48,894	48,894	58,864	9,970	28,428
P	Central Administration	170,607	(12,640)	157,967	8,357	(1,395)	6,962	164,929	225,272	60,343	154,744
Q	Support for Passenger Rail Services	-	-	-	616,557	(1,405,033)	(788,476)	(788,476)	(688,588)	99,888	-
R	High Speed Two	-	-	-	3,571	(2)	3,569	3,569	3,410	(159)	-
S	Aviation NDPBs (net)	444	-	444	(33,144)	-	(33,144)	(32,700)	(29,222)	3,478	-
	Total Spending in DEL	**260,647**	**(17,716)**	**242,931**	**7,581,457**	**(2,541,480)**	**5,039,977**	**5,282,908**	**5,662,689**	**379,781**	**5,567,646**

2.1 Analysis of net Resource outturn by section - continued

	£000							2012-13			2011-12
								Outturn	Estimate	Outturn vs. Estimate	Outturn
		Administration			Programme						
		Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total
	Spending in Annually Managed Expenditure (AME)										
	Voted										
	Tolled Crossings	-	-	-	-	-	-	-	-	-	150,000
T	Highways Agency	-	-	-	390,784	-	390,784	390,784	827,113	436,329	491,676
U	Other Railways	-	-	-	209,579	(3,007)	206,572	206,572	305,000	98,428	218,630
V	GLA Transport Grants	-	-	-	84	-	84	84	(16)	(100)	(60)
W	Maritime and Coastguard Agency	-	-	-	533	-	533	533	2,200	1,667	1,725
X	Motoring Agencies	-	-	-	3,148	-	3,148	3,148	(2,400)	(5,548)	46,241
Y	Central Administration	-	-	-	(6,921)	-	(6,921)	(6,921)	239,064	245,985	(10,544)
Z	Aviation NDPBs (net)	-	-	-	(3,894)	-	(3,894)	(3,894)	11,145	15,039	-
	Rail NDPBs - Voted AME	-	-	-	-	-	-	-	-	-	(20,744)
	Total Spending in Resource AME	**-**	**-**	**-**	**593,313**	**(3,007)**	**590,306**	**590,306**	**1,382,106**	**791,800**	**876,924**
	Total spending in DEL & AME (Budget)	**260,647**	**(17,716)**	**242,931**	**8,174,770**	**(2,544,487)**	**5,630,283**	**5,873,214**	**7,044,795**	**1,171,581**	**6,444,570**
	Non-budget										
	Voted										
AA	Prior Period Adjustments	-	-	-	-	-	-	-	31,500	31,500	-
AC	Highways Agency	-	-	-	-	-	-	-	-	-	(211,049)
	Total Non-Budget spending	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,500**	**31,500**	**(211,049)**
	Resource Outturn	**260,647**	**(17,716)**	**242,931**	**8,174,770**	**(2,544,487)**	**5,630,283**	**5,873,214**	**7,076,295**	**1,203,081**	**6,233,521**

2.2 Analysis of net Capital outturn by section

	£000			2012-13			2011-12
							(restated)
				Outturn	Estimate	Outturn vs. Estimate	Outturn
		Gross	Income	Net	Net	Net	Net
	Spending in Departmental Expenditure Limit (DEL)						
	Voted:						
A	Tolled Crossings	-	(2,013)	(2,013)	(629)	1,384	(2,846)
B	Local Authority Transport	1,349,715	-	1,349,715	1,457,689	107,974	1,679,928
C	Highways Agency	999,102	(31,220)	967,882	1,033,646	65,764	1,314,689
D	Network Rail	3,696,008	-	3,696,008	3,658,008	(38,000)	3,541,928
E	Rail NDPBs (net)	18,907	-	18,907	20,605	1,698	33,059
F	Other railways	69,937	(15,350)	54,587	74,931	20,344	52,371
G	Sustainable Travel	145,136	(360)	144,776	150,951	6,175	13,715
H	Bus Subsidies & Concessionary Fares	(1,047)	-	(1,047)	-	1,047	110,109
I	GLA transport grants	352,000	-	352,000	352,000	-	439,000
J	Crossrail	1,205,000	-	1,205,000	1,205,000	-	517,000
L	Aviation, Maritime, Security and Safety	4,261	-	4,261	(2,632)	(6,893)	4,282
M	Maritime and Coastguard Agency	9,786	(907)	8,879	9,475	596	6,888
N	Motoring Agencies	26,797	(23,063)	3,734	10,830	7,096	(4,809)
O	Science, research and support functions	518	(186)	332	877	545	1,598
P	Central Administration	1,446	-	1,446	8,399	6,953	1,505
R	High Speed Two	22,890	-	22,890	30,000	7,110	-
	Total spending in voted Capital DEL	**7,900,456**	**(73,099)**	**7,827,357**	**8,009,150**	**181,793**	**7,708,417**
	Non-voted expenditure						
Q	Aviation, Maritime, Security and Safety	-	-	-	-	-	(5,118)
	Total Spending in Capital DEL	**7,900,456**	**(73,099)**	**7,827,357**	**8,009,150**	**181,793**	**7,703,299**

	£000			2012-13			2011-12
				Outturn	Estimate	Outturn vs. Estimate	Outturn
		Gross	Income	Net	Net	Net	Net
	Spending in Annually Managed Expenditure (AME)						
	Voted expenditure:						
T	Highways Agency	(60,819)	-	(60,819)	1	60,820	(33,464)
U	Other Railways	-	-	-	-	-	-
	Total Spending in Capital AME	**(60,819)**	**-**	**(60,819)**	**1**	**60,820**	**(33,464)**
	Capital Outturn	**7,839,637**	**(73,099)**	**7,766,538**	**8,009,151**	**242,613**	**7,669,835**

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

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

3.1 Reconciliation of net resource outturn to net operating cost

		£000		2012-13	2011-12 *(restated)*
Total resource outturn in Statement of Parliamentary Supply			**Note**	**Outturn**	**Outturn**
	Budget		2.1	5,873,214	6,444,570
	Non-Budget			-	(211,049)
				5,873,214	6,233,521
Add:	Capital grants			6,814,117	6,352,790
	Prior year adjustments			-	211,049
	Capital income			(19,527)	-
Less:	Non-supply income (CFERs)		5	(183,444)	(84,650)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure				**12,484,360**	**12,712,710**

3.2 Outturn against final Administration Budget and Administration net operating cost

£000	2012-13	2011-12 *(restated)*
Estimate – Administration costs limit (Gross)	300,586	313,024
Estimate – Administration costs limit (Net)	264,208	273,220
Outturn – Gross Administration costs	260,647	244,864
Outturn – Gross Income relating to administration costs	(17,715)	(28,120)
Outturn – Net Administration costs	242,932	216,744
Reconciliation to operating costs:		
Less: provisions utilised (transfer from Programme)	(4,933)	(2,350)
Administration Net Operating Costs	**237,999**	**214,394**

4. Reconciliation of Net Outturn to Net Cash Requirement for 2012-13

	£000	**Estimate**	**Net Outturn**	**Net Outturn vs. Estimate**
	Note			
Resource Outturn	2.1	**7,076,295**	**5,873,214**	**1,203,081**
Capital Outturn	2.2	**8,009,151**	**7,766,538**	**242,613**
Accruals to cash adjustments:		**(2,270,363)**	**(1,149,923)**	**(1,120,440)**
Of which:				
Adjustments to remove non-cash items:				
Depreciation		(2,086,135)	(1,241,392)	(844,743)
New provisions and adjustments to previous provisions		(305,875)	(29,477)	(276,398)
Supported capital expenditure (revenue)		-	86	(86)
Prior Period Adjustments		(31,500)	-	(31,500)
Other non-cash items		(4,762)	(285,937)	281,175
Adjustments for NDPBs:				
Remove voted resource and capital		(218,031)	(174,877)	(43,154)
Add cash grant-in-aid		206,601	178,189	28,412
Adjustments to reflect movements in working balances:				
Increase/(decrease) in stock		-	12,112	(12,112)
Increase/(decrease) in debtors		-	117,051	(117,051)
(Increase)/decrease in creditors		133,878	161,651	(27,773)
Use of provisions		35,461	112,671	(77,210)
Net cash requirement		**12,815,083**	**12,489,829**	**325,254**

5. Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

£000	Outturn 2012-13		Outturn 2011-12	
	Income	***Receipts***	**Income**	***Receipts***
Operating income outside the ambit of the Estimate – Resource	183,444	*100,247*	84,650	*84,650*
Operating income outside the ambit of the Estimate – Capital	-	-	-	-
	183,444	*100,247*	84,650	*84,650*
Other payable to the Consolidated Fund	66,397	*66,397*	-	-
	249,841	*166,644*	84,650	*84,650*
Non-budget amounts collectable on behalf of the Consolidated Fund	1,223	*1,223*	*188*	*188*
Total income payable to the Consolidated Fund	**251,065**	***167,868***	**84,838**	***84,838***

5.2 Consolidated Fund Income

Consolidated Fund income shown in note 5.1 above does not include any amounts collected by the Department where it was acting as agent of 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:

£000	2012-13	2011-12 *(restated)*
Licence fees, penalties and fines	47,606	42,154
Costs of collection – *where deductible*	(16,308)	(14,276)
Amount payable to the Consolidated Fund	31,298	27,878
Balance held at the start of the year	2,343	6,806
Payments into the Consolidated Fund	(30,178)	(32,341)
Balance held on trust at the end of the year	3,463	2,343

6. Statement of Operating Costs by Operating Segment

£000	Corporate	Domestic	International Strategy & Environment	Major Projects & London	2012-13 Total
Administration expenditure	101,845	100,716	26,777	26,486	255,824
Programme expenditure	1,041,454	8,502,292	292,516	5,403,350	15,239,612
Gross expenditure	1,143,299	8,603,008	319,293	5,429,836	**15,495,436**
Income	(730,943)	(431,579)	(118,111)	(1,664,882)	(2,945,515)
Net Expenditure	412,356	8,171,429	201,182	3,764,954	**12,549,921**
Dividends Receivable					(26,767)
Interest Receivable					(38,794)
Net Operating Costs per Statement of Comprehensive Net Expenditure					**12,484,360**

£000	Corporate	Domestic	International Strategy & Environment	Major Projects & London	2011-12 *(restated)* Total
Administration expenditure	106,948	94,921	25,725	14,961	242,555
Programme expenditure	1,154,307	9,435,231	313,842	4,193,172	15,096,552
Gross expenditure	1,261,255	9,530,152	339,567	4,208,133	**15,339,107**
Income	(745,294)	(368,575)	(121,775)	(1,315,382)	**(2,551,026)**
Net Expenditure	515,961	9,161,577	217,792	2,892,751	**12,788,081**
Dividends Receivable					(31,013)
Interest Receivable					(44,360)
Net Operating Costs per Statement of Comprehensive Net Expenditure					**12,712,708**

The Department completed an organisational restructuring in January 2013. However operating segments for management reporting purposes remained unchanged throughout 2012-13.

Corporate

This Group incorporated a range of functions including HR, finance, communications, internal audit and procurement. In addition, it provided sponsorship to the Motoring Agencies.

Domestic

Domestic Group helped Ministers decide what outcomes they wanted from the rail network, and then secured these through partnership with the rail industry and local partners, and through regulation, contracts and effective public expenditure. The Group also provided transport funding, developed policy and regulation on bus services and taxis as well as developing sustainable and accessible travel policy including responsibility for active travel and alternatives to travel. It also dealt with a number of road related issues including young driver risk, drink, drugs and speeding as well as maintaining the national systems of traffic signs, street works and parking controls (including Blue Badge).

International, Strategy & Environment

This Group covered the three broad themes denoted in the title. International includes aviation, maritime transport, and relations with other governments and international transport organisations. Strategy includes updating the Department's overarching policy to inform the future direction of transport policy. Environment includes managing and minimising transports impact on the environment, in particular getting more people and businesses buying ultra low emission vehicles, making faster progress on low carbon infrastructure and delivering sustainable biofuels.

Major Projects & London Group

The Major Projects & London Group was the Department's commercial engine and played a key role in delivering the Department's significant transport programmes and projects. The Group sponsored strategic road and rail projects including the M1 and M25 widening, Thameslink and Crossrail programmes. This group also contained the London & Olympics team which led the Government's assurance of the transport arrangements for London 2012.

7. Staff numbers and related costs

Staff costs comprise:

£000	Permanently employed staff	Other Staff	Ministers	Special advisers	2012-13 Total	2011-12 Total
Wages and salaries	533,673	27,135	149	120	561,077	540,279
Social security costs	44,811	83	14	15	44,923	43,307
Other pension costs	94,490	346	-	25	94,861	91,692
Sub Total	**672,974**	**27,564**	**163**	**160**	**700,861**	**675,278**
Less recoveries in respect of outward secondments	(1,047)	-	-	-	(1,047)	(1,080)
Total net costs	**671,927**	**27,564**	**163**	**160**	**699,814**	**674,198**
Of which:						
Core Department	114,713	10,900	163	160	125,935	116,406
Core Department and Agencies	436,243	20,717	163	160	457,283	452,131
Departmental Group	671,927	27,564	163	160	699,814	674,198
Staff Costs split by Admin and Programme:						
Admin						
Core Department	89,257	9,031	163	160	98,611	89,054
Core Department and Agencies	118,783	9,602	163	160	128,708	125,209
Departmental Group	122,664	12,123	163	160	135,110	129,259
Programme						
Core Department	25,455	1,869	-	-	27,324	27,352
Core Department and Agencies	317,460	11,115	-	-	328,575	326,922
Departmental Group	549,263	15,441	-	-	564,704	544,939

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department for Transport is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2012-13, employers' contributions of £63,973,352 were payable to the PCSPS (2011-12 £65,696,442) at one of four rates in the range 16.7% to 24.3% (2011-12: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £452,053 (2011-12: £428,902) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (2011-12: 3.0% to 12.5%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £27,780, 0.8% (2011-12: £29,822, 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 and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £22,341 (2011-12: £18,907). Contributions prepaid at that date were £nil (2011-12: £nil).

There were 7 reported early retirements as a result of ill-health.

The remaining balance of £30,385,474 (2011-12: £25,514,619) relates to other pension schemes operated by the Arms Length Bodies which are consolidated into these accounts.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the department as well as in agencies and other bodies included within the consolidated Departmental Group.

Number of staff	2012-13					2011-12
Activity	**Permanently employed staff**	**Others**	**Ministers**	**Special advisers**	**Total**	**Total**
Average number of persons employed	17,090.2	366.6	4.0	3.0	17,463.8	17,939.3
Of which:						
Core Department	1,660.0	71.6	4.0	3.0	1,738.6	2,064.0
Core Department and Agencies	12,297.0	259.6	4.0	3.0	12,563.6	13,269.5
Departmental Group	17,090.2	366.6	4.0	3.0	17,463.8	17,939.3

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

Comparative data is shown (in brackets) for previous year

Exit package cost band	Core Department: Number of compulsory redundancies		Core Department: Number of other departures agreed		Core Department: Total number of exit packages by cost band		Core Department & Agencies: Number of compulsory redundancies		Core Department & Agencies: Number of other departures agreed		Core Department & Agencies: Total number of exit packages by cost band		Departmental Group: Number of compulsory redundancies		Departmental Group: Number of other departures agreed		Departmental Group: Total number of exit packages by cost band	
<£10,000	-	-	-	(2)	-	(2)	17	-	12	(12)	29	(12)	26	(3)	12	(35)	38	(38)
£10,000 - £25,000	-	-	-	(30)	-	(30)	112	-	39	(53)	151	(53)	118	(4)	40	(58)	158	(62)
£25,000 - £50,000	-	(2)	-	(34)	-	(36)	2	(2)	110	(71)	112	(73)	4	(5)	111	(73)	115	(78)
£50,000 - £100,000	2	-	-	(24)	2	(24)	2	-	26	(29)	28	(29)	2	(2)	26	(44)	28	(46)
£100,000 - £150,000	-	-	1	(7)	1	(7)	-	-	4	(7)	4	(7)	-	-	4	(7)	4	(7)
£150,000 - £200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£200,000 plus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
Total number of exit packages	2	(2)	1	(97)	3	(99)	133	(2)	191	(172)	324	(174)	150	(14)	193	(218)	343	(232)
2012-13 Total cost /£	150,892		107,878		258,770		2,102,254		6,886,823		8,989,077		2,316,936		6,943,569		9,260,505	
2011-12 Total cost /£	89,335		4,319,264		4,408,599		89,335		6,566,456		6,655,791		381,392		8,240,739		8,622,131	

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 2012-13, ten payments were made which were not covered by the Civil Service Compensation Scheme. These totalled £383,770, being out-of-court settlements. Treasury approval was obtained where required.

8. Other Administration Costs

£000		2012-13			2011-12 (restated)		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Cash Items							
Rentals under Operating Leases		9,484	16,087	16,389	11,975	18,241	18,644
Research and Development expenditure		95	95	95	59	69	69
Communications & Information Technology		8,462	27,887	29,093	10,289	30,646	31,380
Consultancy		15,421	15,659	15,659	8,497	8,883	8,883
Professional Services		1,483	1,874	3,484	900	1,319	2,789
Accommodation		9,472	17,826	18,297	12,363	20,653	20,811
Support Services		5,875	5,410	5,426	3,160	3,160	3,175
Travel and Subsistence		1,601	2,780	2,931	1,442	2,732	2,871
Vehicle Costs and Services		947	1,693	1,693	316	4,006	4,006
Auditors' remuneration and expenses - Cash		-	-	56	7	7	51
Other Costs		7,768	15,346	16,261	5,220	11,618	12,568
Sub Total- Cash Items		**60,608**	**104,657**	**109,384**	**54,228**	**101,334**	**105,247**
Non-cash items							
Depreciation		6,527	8,201	8,476	3,749	6,366	6,576
Amortisation		102	115	125	138	257	272
Impairment of Fixed Assets and Assets Held for Sale	14	-	34	87	-	-	-
Downward revaluation of fixed assets		48	48	48	-	145	145
Profit on disposal of fixed assets		(51)	(51)	-	-	-	-
Loss on disposal of fixed assets		-	-	205	329	331	331
Auditors' remuneration and expenses		365	715	715	355	748	748
Provisions provided in year		-	1,715	1,715	-	-	-
Provisions for bad/doubtful debts		(34)	(40)	(40)	45	(56)	(56)
Sub Total- Non Cash Items		**6,957**	**10,737**	**11,331**	**4,616**	**7,791**	**8,016**
Statement of Comprehensive Net Expenditure		**67,565**	**115,394**	**120,715**	**58,844**	**109,125**	**113,263**

9. Programme Costs

£000	Note	2012-13 Core Department	2012-13 Core Department & Agencies	2012-13 Departmental Group	2011-12 (restated) Core Department	2011-12 (restated) Core Department & Agencies	2011-12 (restated) Departmental Group
Cash Items							
Corporation Tax Refund		-	-	(261)	-	-	(285)
Rentals under Operating Leases		1,263	2,943	10,300	1,018	2,705	10,650
Interest Charges		229,799	231,524	212,852	211,275	213,766	224,327
PFI interest charges		-	159,189	159,189	-	138,369	138,369
Research and Development expenditure		12,000	16,623	16,623	8,728	12,475	12,475
Capital Grants		6,818,752	6,814,122	6,814,122	6,352,790	6,352,790	6,352,790
Current Grants		3,281,589	3,281,589	3,282,131	3,257,650	3,257,650	3,257,650
Grant in Aid		178,189	178,189	-	52,650	52,650	-
EU Capital Grants		13,619	13,619	13,619	16,262	16,262	16,262
Subsidies		369,308	369,308	369,308	445,310	445,310	445,310
Support for Passenger Rail Services		695,711	695,711	695,711	664,112	664,112	664,112
Road Network Current Maintenance		-	383,577	383,577	-	541,599	541,599
PFI Services charges		-	350,812	350,812	-	314,814	314,814
Eurocontrol Payments		43,348	43,348	43,348	37,852	37,852	37,852
Search & Rescue Helicopters		-	28,517	28,517	-	28,565	28,565
Emergency Towing Vessels		-	2,691	2,691	-	8,710	8,710
Disbursements:							
Civil Hydrography		-	5,543	5,543	-	5,707	5,707
Weather bulletins & navigational warnings		-	5,668	5,668	-	5,318	5,318
Information & Communications Technology		7,393	153,638	170,050	7,358	179,222	193,471
Consultancy		24,700	26,156	27,711	34,994	35,994	61,392
Professional Services		1,139	2,976	149,742	(418)	2,755	4,832
Accommodation		131	25,523	37,071	3,879	26,705	36,330
Publicity		3,679	4,228	4,745	4,395	4,494	4,543
Support Services		35,797	37,279	37,638	46,361	46,686	46,764
Travel and Subsistence		2,240	8,910	13,908	2,038	8,220	13,057
Vehicle Costs and Services		2	2	2	-	-	-
Auditors' Remuneration & Expenses - cash		-	-	232	-	-	256
Other costs		264,005	470,928	512,371	270,062	469,681	492,017
Sub Total- Cash		11,982,664	13,312,613	13,347,220	11,416,316	12,872,411	12,916,887
Non-cash items:							
Depreciation		49,732	894,423	905,035	49,588	798,903	808,376
Amortisation		2,698	32,079	34,471	1,802	31,870	33,815
Impairment of Fixed Assets and Assets Held for Sale	14	-	17,888	18,136	5	33,138	33,138
Downward revaluation of fixed assets		-	1,589	4,133	-	758	1,068
Write down in value of assets		-	309,930	309,930	-	506,593	506,593
Loss/(Profit) on disposal of fixed assets		-	553	910	-	389	427
Loan write-off expense		-	-	-	153,280	153,280	153,280
Pension Scheme costs		11,462	11,462	38,292	17,200	17,200	28,810
Auditors' remuneration and expenses		-	172	172	-	134	134
Provisions provided in year		5,828	14,460	14,036	13,923	56,685	62,961
Unwinding of discount on provisions	19	-	392	392	-	341	341
Financial Guarantee*		(84)	(84)	-	(56)	(56)	-
Provision for bad/doubtful debt		1	2,179	2,179	5	5,734	5,784
Sub Total - Non Cash Items		69,637	1,285,043	1,327,686	235,747	1,604,969	1,634,727
Statement of Comprehensive Net Expenditure		**12,052,301**	**14,597,656**	**14,674,906**	**11,652,063**	**14,477,380**	**14,551,614**

*ATTF Financial Guarantee released in year.

10. Income

10.1 Income

£000	2012-13			2011-12 (restated)		
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Cash Items						
Rental Income	190	4,356	4,626	419	4,450	4,845
Fees & Charges to Other Government Depts	22,145	20,882	20,930	18,623	31,213	30,771
Fees & Charges to external customers	220,087	743,057	744,309	200,579	717,130	718,121
EU income	13,619	32,960	32,960	16,262	18,240	18,240
Dartford road user charges	79,105	79,105	79,105	73,873	73,873	73,873
Claims for Damages to Road Network	-	10,415	10,415	-	8,219	8,219
Income from Train Operating Companies	1,349,942	1,349,942	1,615,004	1,033,069	1,033,069	1,294,764
Eurocontrol Receipts	43,348	43,348	43,348	44,247	44,247	44,247
Other Income	260,898	267,586	340,430	232,358	242,549	302,000
Sub Total – Cash Items	1,989,334	2,551,651	2,891,127	1,619,430	2,172,990	2,495,080
Non cash items						
Release of government grant	-	-	-	-	-	135
Amortisation of deferred income	54,387	54,387	54,387	54,387	54,387	55,777
Sub Total – Non cash items	54,387	54,387	54,387	54,387	54,387	55,912
Operating Income	**2,043,721**	**2,606,038**	**2,945,514**	**1,673,817**	**2,227,377**	**2,550,992**
Dividends receivable	19,934	19,934	26,767	24,776	24,776	31,013
Interest receivable	17,089	37,690	38,794	22,798	42,279	44,362
Statement of Comprehensive Net Expenditure	**2,080,744**	**2,663,662**	**3,011,075**	**1,721,391**	**2,294,432**	**2,626,367**

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

£000	2012-13			2011-12 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Operating Income by Admin and Programme						
Administration income	19,948	17,715	17,826	16,778	28,120	28,128
Programme income	2,023,773	2,588,323	2,927,688	1,657,039	2,199,257	2,522,864
Operating income	2,043,721	2,606,038	2,945,514	1,673,817	2,227,377	2,550,992
Dividends and interest receivable	37,023	57,624	65,561	47,574	67,055	75,375
Statement of Comprehensive Net Expenditure	**2,080,744**	**2,663,662**	**3,011,075**	**1,721,391**	**2,294,432**	**2,626,367**

10.3 Fees and Charges information

£000	2012-13			2011-12 (restated)		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
Government Car and Despatch Agency (to September 2012)						
Government Car Service	2,075	4,369	(2,294)	5,019	12,514	(7,495)
Government Mail Services	1,321	1,319	2	6,433	6,877	(444)
		-	-	-	-	-
Highways Agency						
Road Damage Claims	10,415	11,380	(965)	8,219	8,885	(666)
Road Contract Income (S278 Schemes)	17,849	17,849	-	10,546	10,546	-
Rental Income	4,166	4,194	(28)	4,031	4,549	(518)
		-	-	-	-	-
Maritime and Coastguard Agency						
Marine Surveys	5,046	4,722	324	5,260	4,923	337
Registration of Ships	1,035	778	257	1,218	1,455	(237)
Seafarers' Examination & Certification	2,291	2,095	196	2,837	2,594	243
Wider Market Initatives and EU Twinning Projects	862	632	230	1,141	836	305
		-	-	-	-	-
Vehicle Certification Agency						
Product Certification	10,328	9,931	397	9,519	9,198	321
Management System Certification	1,761	1,820	(59)	1,493	1,819	(326)
	-	-	-	-	-	-
Driver and Vehicle Licensing Agency						
Fees	400,623	389,689	10,934	399,892	399,699	193
DVLA Personalised Registrations	67,760	67,760	-	68,648	68,648	-
	525,532	**516,538**	**8,994**	**524,256**	**532,543**	**(8,287)**

The information provided above is for fees and charges purposes and is not for IFRS 8 (Operating Segment Reporting) 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.

11. Property, plant and equipment

Consolidated **2012-13**

£000	Strategic Road Network	Infrastructure Asset	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
Cost or valuation											
At 1 April 2012	125,846,897	3,546,000	765,691	168,784	391,769	60,979	179,905	44,384	16,841	88,052	131,109,302
Opening balance adjustments	(1,396,935)	-	13,646	-	(303)	-	239	-	-	(29)	(1,383,382)
Additions	393,038	-	475,768	-	3,347	-	3,923	331	2,603	9,387	888,397
Write-down of Capital additions	-	-	(309,930)	-	-	-	-	-	-	-	(309,930)
Disposals	-	-	-	(1,821)	(1,873)	(992)	(17,594)	(2,464)	(2,968)	(3,098)	(30,810)
Impairments	(21,890)	-	-	(54)	(282)	(840)	(60)	-	-	(65)	(23,191)
Transfers	560,505	-	(572,021)	779	14,997	3,842	(1,922)	645	48	(7,572)	(699)
Reclassifications	-	-	-	(3,329)	(716)	(2,106)	(49)	-	-	49	(6,151)
Revaluations*	2,201,425	-	-	(440)	(1,510)	(168)	10,287	606	488	11,500	2,222,188
At 31 March 2013	**127,583,040**	**3,546,000**	**373,154**	**163,919**	**405,429**	**60,715**	**174,729**	**43,502**	**17,012**	**98,224**	**132,465,724**
Depreciation											
At 1 April 2012	18,458,270	123,322	-	-	135,423	-	97,120	26,552	9,726	60,171	18,910,584
Opening balance adjustments	(711,294)	-	-	-	104	-	-	-	-	(8)	(711,198)
Charged in year	821,692	46,052	-	-	12,786	-	14,701	4,474	2,510	11,296	913,511
Disposals	-	-	-	-	(1,057)	-	(17,386)	(2,447)	(2,494)	(3,067)	(26,451)
Impairments	(5,612)	-	-	-	(42)	-	(26)	-	-	(3)	(5,683)
Transfers	-	(517)	-	-	6,206	-	(2,096)	-	-	(3,592)	1
Reclassifications	-	-	-	-	-	-	(22)	-	-	22	-
Revaluations*	101,939	-	-	-	(942)	-	6,767	292	320	8,267	116,643
At 31 March 2013	**18,664,995**	**168,857**	**-**	**-**	**152,478**	**-**	**99,058**	**28,871**	**10,062**	**73,086**	**19,197,407**
Carrying amount at 31 March 2013	**108,918,045**	**3,377,143**	**373,154**	**163,919**	**252,951**	**60,715**	**75,671**	**14,631**	**6,950**	**25,138**	**113,268,317**
Carrying amount at 31 March 2012	**107,388,627**	**3,422,678**	**765,691**	**168,784**	**256,346**	**60,979**	**82,785**	**17,832**	**7,115**	**27,881**	**112,198,718**

* Revaluations in the above note includes £4,181,000 which has been taken to adminstration and programme costs.

Asset financing:											
Owned	106,522,414	3,377,143	171,088	163,486	224,026	60,715	75,674	7,741	6,248	25,138	110,633,673
Finance Leased	-	-	-	-	1,493	-	-	-	701	-	2,194
On-balance sheet (SoFP) PFI contracts	2,395,630	-	-	431	27,430	-	-	6,891	-	-	2,430,382
PFI residual interests	-	-	202,068	-	-	-	-	-	-	-	202,068
Carrying amount at 31 March 2013	**108,918,044**	**3,377,143**	**373,156**	**163,917**	**252,949**	**60,715**	**75,674**	**14,632**	**6,949**	**25,138**	**113,268,317**
Of the total:											
Core Department	-	3,377,143	6,075	11,261	64,874	-	6,314	534	1,205	4,976	3,472,382
Core Department and Agencies	108,918,044	3,377,143	368,234	163,917	223,222	60,715	69,962	14,015	1,986	13,332	113,210,570
Departmental Group	108,918,044	3,377,143	373,156	163,917	252,949	60,715	75,674	14,632	6,949	25,138	113,268,317

11. Property, plant and equipment - continued

Consolidated

£000	Strategic Road Network	Infrastructure Asset	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
											2011-12
Cost or valuation											
At 1 April 2011	114,458,369	3,546,000	1,152,246	157,471	309,449	57,060	180,909	43,514	16,439	148,301	120,069,758
Prior year adjustments	-	-	34,040	-	-	-	-	-	-	-	34,040
	114,458,369	3,546,000	1,186,286	157,471	309,449	57,060	180,909	43,514	16,439	148,301	120,103,798
Opening balance adjustments	7,502,123	-	6,119	-	-	-	(2,759)	-	-	-	7,505,483
Additions	345,103	-	939,441	-	13,417	-	11,022	1,421	3,551	6,180	1,320,135
Write-down of capital additions	-	-	(506,593)	-	-	-	-	-	-	-	(506,593)
Disposals	-	-	-	(981)	(999)	(788)	(3,557)	(1,232)	(3,159)	(53,279)	(63,995)
Impairments	(392,868)	-	-	(137)	(1,970)	(363)	(6)	-	-	-	(395,344)
Transfer	834,848	-	(859,563)	440	2,290	6,595	3,624	-	(71)	10,913	(924)
Reclassifications	-	-	-	(5,181)	2,934	(8,034)	(12,011)	-	-	(23,909)	(46,201)
Revaluations*	3,099,322	-	-	17,172	66,650	6,509	2,682	681	81	(154)	3,192,943
At 31 March 2012	**125,846,897**	**3,546,000**	**765,690**	**168,784**	**391,771**	**60,979**	**179,904**	**44,384**	**16,841**	**88,052**	**131,109,302**
Depreciation											
At 1 April 2011	15,784,192	76,753	-	-	70,811	-	90,727	22,864	9,492	132,194	16,187,033
Opening balance adjustments	1,919,896	-	-	-	-	-	(2,197)	-	-	-	1,917,699
Charged in year	727,556	46,569	-	-	11,440	-	13,287	4,304	2,792	9,004	814,952
Disposals	-	-	-	-	(241)	-	(3,461)	(913)	(2,669)	(53,247)	(60,531)
Impairments	(362,231)	-	-	-	(296)	-	(1)	-	-	-	(362,528)
Transfer	-	-	-	-	2	-	26	-	(28)	-	-
Reclassifications	-	-	-	-	3,529	-	(3,529)	-	-	(27,516)	(27,516)
Revaluations*	388,857	-	-	-	50,178	-	2,268	297	139	(264)	441,475
At 31 March 2012	**18,458,270**	**123,322**	**-**	**-**	**135,423**	**-**	**97,120**	**26,552**	**9,726**	**60,171**	**18,910,584**
Carrying amount at 31 March 2012	**107,388,627**	**3,422,678**	**765,690**	**168,784**	**256,348**	**60,979**	**82,784**	**17,832**	**7,115**	**27,881**	**112,198,718**
Carrying amount at 31 March 2011	**98,674,177**	**3,469,247**	**1,186,286**	**157,471**	**238,638**	**57,060**	**90,182**	**20,650**	**6,947**	**16,107**	**103,916,765**

* Revaluations in the above note includes £1,211,000 which has been taken to adminstration and programme costs and £1,586,000 which has passed to the Revaluation Reserve because the assets have devalued below their original cost.

£000	Strategic Road Network	Infrastructure Asset	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
Asset financing:											
Owned	105,022,323	3,422,678	577,575	168,353	226,919	60,979	82,785	9,831	7,115	27,881	109,606,439
Finance Leased	-	-	-	-	1,710	-	-	-	-	-	1,710
On-balance (SoFP) sheet PFI Contracts	2,366,304	-	-	431	27,717	-	-	8,001	-	-	2,402,453
PFI residual interests	-	-	188,116	-	-	-	-	-	-	-	188,116
Carrying amount at 31 March 2012	**107,388,627**	**3,422,678**	**765,691**	**168,784**	**256,346**	**60,979**	**82,785**	**17,832**	**7,115**	**27,881**	**112,198,718**
Of the total:											
Core Department	-	3,422,678	3,737	11,261	59,698	-	10,154	784	2	12,974	3,521,288
Core Department and Agencies	107,388,627	3,422,678	763,856	168,783	225,232	60,979	76,850	17,020	2,238	21,007	112,147,270
Departmental Group	107,388,627	3,422,678	765,691	168,784	256,346	60,979	82,785	17,832	7,115	27,881	112,198,718

11.1 Strategic Road Network

The valuation of the Strategic Road Network as at 1 April 2012 was restated to include the following adjustments:

- During the year the Highways Agency managed a project to check and update dimensional information for all structures across the network. This work resulted in a decrease in structures valuation by £740,848,000.
- Dimensional changes to other areas of the network, including pavements, resulted in an increase in the valuation by £55,205,000; this represents improved information on network infrastructure.
- During the year the Highways Agency continued a programme of data improvement for the network. There was no material effect of this work on the valuation during the year.

Valuation Adjustments

Capital renewal – the Highways Agency has a yearly programme of renewal of the network to ensure the infrastructure continues to deliver according to the service potential. This yearly renewal expenditure is classified as capital and the Agency spent £393,038,000 (2011-12: £345,103,000) during the year. This expenditure will provide significant benefits for the network in future years.

Write-down

The infrastructure valuation is based on standard cost and indexation, as required by Government financial reporting. Standard cost is based on a number of assumptions and is an accounting estimate of the cost of replacing the network. The write-down is calculated by comparing the actual cost of constructing a scheme with the standard cost valuation; this difference is the write-down. During the year the write-down was £309,930,000 (2011-12: £506,593,000). The level of write-down is determined by the type of schemes under construction or opened to traffic during the year.

Revaluation

Financial reporting standards require that an indexation factor must be applied to the network valuation to reflect current prices. The Highways Agency uses ROCOS on all elements of the network for this purpose and the result was an increase of £2,099,486,000 (2011-12: £2,710,465,000) in the valuation of the network.

During the year the Highways Agency reviewed and amended standard costs for all structures to ensure this was robust and included relevant accounting estimates. The outcome of the change in standard cost was £110,666,000.

Depreciation

The network is depreciated on a yearly basis to reflect the current condition of the network. The depreciation charge for the year was £821,692,000 (2011-12; £727,557,000). This included a charge of £32,431,000 for the deterioration in the road condition.

11.2 Infrastructure Asset

This is the value of the service concession on the HS1 rail link from the Kent coast to St. Pancras in London. Further information is shown within the Accounting Policies note, Note 1.18.

11.3 Assets under Construction

These primarily relate to road schemes under construction on the Strategic Road Network. The 1 April 2012 opening position was adjusted to include an additional £13,952,000 of reversionary interest for the M6 toll road.

11.4 Analysis of Land and buildings, excluding dwellings is as follows:

£000	2012-13	2011-12
Freehold buildings (96%)	219,682	186,087
Short leasehold buildings (less than 50 years)	9,078	9,456
Total	**228,760**	**195,543**

11.5 Assets Held for Sale

Consolidated

	£000
Cost or valuation	
At 1 April 2012	17,620
Reclassifications	6,152
Disposals	(10,257)
Revaluations	(484)
Impairments	(717)
At 31 March 2013	**12,314**
Cost or valuation	
At 1 April 2011	12,565
Reclassifications	13,351
Disposals	(6,388)
Impairments	(1,908)
At 31 March 2012	**17,620**

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

11.6 Investment properties

	£000
Fair Value	
1 April 2012	26,210
Additions	128
Disposals	(875)
Revaluations	1,522
31 March 2013	**26,985**
1 April 2011	19,695
Revaluations	6,515
31 March 2012	**26,210**

The fair value of the Department’s investment properties as at 31 March 2013 has been arrived at on the basis of valuations carried out by a number of independent chartered surveyors working for London & Continental Railways Limited.

12. Intangible assets

Consolidated

£000	2012-13				
	Software Licences	**Development Expenditure**	**Websites**	**Assets under Construction**	**Total**
Cost or valuation					
At 1 April 2012	80,124	285,596	-	13,504	379,224
In-year balances adjustment	12	(51)	39	309	309
Additions	2,745	536	100	22,698	26,079
Transfer	5,022	4,565	-	(8,888)	699
Disposals	(255)	-	-	-	(255)
Revaluations	189	1,557	-	-	1,746
Reclassifications	-	(1,568)	-	1,568	-
At 31 March 2013	**87,837**	**290,635**	**139**	**29,191**	**407,802**
Amortisation					
At 1 April 2012	64,242	200,231	-	-	264,473
In-year balances adjustment	2	(4)	2	-	-
Charged in year	9,640	24,940	17	-	34,597
Disposals	(252)	-	-	-	(252)
Revaluations	77	-	-	-	77
At 31 March 2013	**73,709**	**225,167**	**19**	**-**	**298,895**
Carrying amount at 31 March 2013	**14,128**	**65,468**	**120**	**29,191**	**108,907**
Carrying amount at 31 March 2012	**15,882**	**85,365**	**-**	**13,504**	**114,751**
Asset financing:					
Owned	14,128	37,865	120	29,191	81,304
Finance Leased	-	27,603	-	-	27,603
Carrying amount at 31 March 2013	**14,128**	**65,468**	**120**	**29,191**	**108,907**
Of the total:					
Core Department	1,591	-	-	-	1,591
Core Department and Agencies	10,402	62,214	-	28,933	101,549
Departmental Group	14,128	65,468	120	29,191	108,907

12. Intangible assets – continued

Consolidated

£000				2011-12
	Software Licences	**Development Expenditure**	**Assets under Construction**	**Total**
Cost or valuation				
At 1 April 2011	49,600	262,177	16,372	328,149
Additions	2,335	2,531	17,236	22,102
Transfer	2,327	18,700	(20,104)	923
Disposals	(470)	-	-	(470)
Revaluations	312	2,188	-	2,500
Reclassifications	26,020	-	-	26,020
At 31 March 2012	**80,124**	**285,596**	**13,504**	**379,224**
Amortisation				
At 1 April 2011	27,291	175,932	-	203,223
Charged in year	9,788	24,299	-	34,087
Disposals	(438)	-	-	(438)
Revaluations	86	-	-	86
Reclassifications	27,515	-	-	27,515
At 31 March 2012	**64,242**	**200,231**	**-**	**264,473**
Carrying amount at 31 March 2012	**15,882**	**85,365**	**13,504**	**114,751**
Carrying amount at 31 March 2011	**22,309**	**86,245**	**16,372**	**124,926**
Asset financing:				
Owned	15,882	52,800	13,504	82,186
Finance Leased	-	32,565	-	32,565
Carrying amount at 31 March 2012	**15,882**	**85,365**	**13,504**	**114,751**
Of the total:				
Core Department	3,304	-	-	3,304
Core Department and Agencies	12,360	81,713	13,503	107,576
Departmental Group	15,882	85,366	13,503	114,751

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.

13. 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, the Maritime and Coastguard Agency, LCR Finance PLC and CTRL Section 1 Finance PLC. Other entities within the consolidation boundary, in particular the Government Car and Despatch Agency (until its abolition), the British Transport Police Authority and LCR Ltd, are at least partly 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 fulfil their contractual obligations to the Department.

A significant proportion 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 (TOCs) 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.

The DVLA, which covers its costs through licensing income, has greater exposure to liquidity risk. It manages this risk by planning capital expenditure around available cash balances.

LCR Ltd manages its liquidity risk by holding cash reserves sufficient to cover its obligations.

Market risk

Some of the Department's liabilities are linked to movements in the Retail Prices Index (RPI). Pensions payable to former employees who have been granted early retirement are linked to RPI; the Department's exposure ceases once the employees reach the standard retirement age, or the liability is contractually transferred. Liabilities under other pension obligations are linked either to RPI or CPI; sensitivity analysis for these obligations is provided in the relevant notes.

The Department has further exposure to inflation risk through index-linked notes issued by CTRL Section 1 Finance plc. These have a book value of £677m (2012: £660m), The values of repayments of interest and capital are determined by the value of the RPI (all items) eight months before the month in which payments are made to investors.

This gives rise to a risk that cash payments can fluctuate significantly, where RPI is volatile. The Department manages this risk by preparing cash forecasts using short-term forecasts of movements in the RPI, based on market expectations, as notified by HM Treasury. For 2012-13, the rate used was 5%.

Movements in RPI also affect the value of the finance cost. This cost is classified as Annually Managed Expenditure, which is a control total. On a consolidated basis, the finance cost reflects the adjustment to the carrying amount of the principal calculated by applying the percentage change in RPI to the opening carrying amount. As the Department is not free to change its exposure regarding the index-linked notes, the finance cost was forecast assuming in-year RPI changes of 5%, so that the element of the AME budget over which the Department could exercise discretion was not over-estimated and over-committed.

Changes in RPI after the end of the financial year do not materially affect the finance cost for that year. For example, an increase of half of one percentage point would have increased the finance cost by approximately £211,000. However, the effect on forecast costs over the next four years would be between £3m and £4m per annum.

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 2013 were: Government Guaranteed Bonds issued by LCR Finance plc £3,492m (2012: £3,305m) and Asset-backed Notes issued by CTRL Section 1 plc £1,831m (2012: £1,743m). The carrying values are disclosed in Note18.

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.

Financial assets and liabilities, all non-current

£000		31 March 2013	31 March 2012
Financial assets	**Note**		
Loans	13.1.1	291,132	325,772
Share capital	13.1.2	892,701	831,687
Public dividend capital	13.1.3	32,459	32,459
National loans fund	13.1.4	5,249	7,754
		1,221,541	1,197,672
Financial liabilities			
Financial guarantees	13.4	(3,730,120)	(3,310,394)
Of which:			
Core Department			
Financial assets		735,068	750,628
Financial liabilities		(3,730,120)	(3,310,477)
		(2,995,052)	(2,559,849)
Core Department & Agencies			
Financial assets		719,830	733,485
Financial liabilities		(3,730,120)	(3,310,477)
		(3,010,290)	(2,576,992)
Departmental Group			
Financial assets		1,221,541	1,197,672
Financial liabilities		(3,730,120)	(3,310,394)
		(2,508,579)	(2,112,722)

The Departmental Group financial assets include Eurostar International Ltd, King's Cross Central Limited Partnership and Stratford City Business District Limited.

The Core Department and Agencies balance excludes an intragroup loan between the Core Department and the DVLA which at the 31 March 2013 was £15,238,000 (2012: £17,143,000).

The Departmental Group balance excludes an intragroup loan between Directly Operated Railways Limited and the Core Department which at 31 March 2013 was £10,000,000 (2012: £10,000,000), and another intragroup Subordinate loan for £2,322,956 between DfTc and CRTL Section 1 Finance plc (both removed on consolidation).

13.1 Financial Assets

13.1.1 Loans

£000	VOSA	DSA	Mersey Tunnel	Humber Bridge	Other Loans	Total
Balance at 1 April 2012	76,101	53,155	1,688	181,628	13,200	325,772
Advances	-	-	-	-	5,750	5,750
Repayment	(13,928)	(8,738)	(629)	(1,385)	(15,710)	(40,390)
Balance at 31 March 2013	**62,173**	**44,417**	**1,059**	**180,243**	**3,240**	**291,132**
Balance at 1 April 2011	98,573	69,478	4,034	332,122	3,600	507,807
Prior Year Adjustment	-	-	-	6	-	6
Advances	-	-	-	-	9,600	9,600
Write Off	(3,280)	-	-	(150,000)	-	(153,280)
Repayment	(19,192)	(16,323)	(2,346)	(500)	-	(38,361)
Balance at 31 March 2012	**76,101**	**53,155**	**1,688**	**181,628**	**13,200**	**325,772**

13.1.2 Share Capital

£000	NATS Holdings Ltd	Eurostar International Ltd	Joint Ventures	Total
Balance at 1 April 2012	357,500	311,787	162,400	831,687
Additions	-	-	1,270	1,270
Revaluations	21,168	(7,027)	45,603	59,744
Balance at 31 March 2013	**378,668**	**304,760**	**209,273**	**892,701**
Balance at 1 April 2011	68,761	313,880	149,500	532,141
Additions	-	-	887	887
Revaluations	288,739	(2,093)*	12,013	298,659
Balance at 31 March 2012	**357,500**	**311,787**	**162,400**	**831,687**

* This is a release from provision to investment and did not go through the Revaluation Reserve.

13.1.3 Public Dividend Capital

£000	VOSA	DSA	Total
Balance at 31 March 2013	**28,984**	**3,475**	**32,459**
Balance at 31 March 2012	**28,984**	**3,475**	**32,459**

13.1.4 National Loans Fund

£000	Civil Aviation Authority	King's Lynn Harbour Conservancy	Total
Balance at 1 April 2012	7,729	25	7,754
Loans Repayable within One Year Transferred to Receivables	(2,499)	(6)	(2,505)
Balance at 31 March 2013	**5,230**	**19**	**5,249**
Balance at 1 April 2011	9,620	30	9,650
Loans Repayable within One Year Transferred to Receivables	(1,891)	(5)	(1,896)
Balance at 31 March 2012	**7,729**	**25**	**7,754**

13.2 Investments in other public sector bodies

The Secretary of State holds the following shares:

13.2.1 Special share investments

- 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.
- 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 27).

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

13.3 Investments that have not been consolidated

In accordance with the Financial Reporting Manual, the Department does not consolidate the following wholly-owned subsidiaries, associates and joint ventures that are classified as public corporations or private sector entities. Loans, Public Dividend Capital and other interests in public bodies outside the departmental boundary (Note 25) are reported at historical cost, less any impairment. Investments in private sector entities are valued at fair value. Where fair values cannot be reasonably assessed the investment is recognised at cost, less any impairment.

13.3.1 Investment in National Air Traffic Services (NATS)

Until 2011-12, the Department was unable to determine a fair value for the investment in NATS and as a result it was held at historical cost. The Department sought additional professional advice on the valuation of the shares in National Air Traffic Services Holdings Limited (NATS). This advice enabled the Department to determine an estimated market value.

In 2012-13, the Department concluded that it could update the valuation report for 2013, to reflect new data (NATS' revised business plan, revised dividend forecast etc) and to reflect any significant fluctuations e.g. to the pension. Although the shares are not actively traded, the market value has been estimated using a combination of discounted cash flow and precedent transaction techniques, based on the techniques used in the previous valuation. The actual value of the shares, if sold, may be significantly different subject to the nature of the stake sold and market conditions.

The Department holds 48.8% of the total ordinary share capital in NATS Holding Limited, comprising 49% of the company's £1 ordinary share capital and 47% of its £0.80 ordinary share capital.

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
2012-13 Pre-tax profit/(loss)	Not available at date of issue.
2013 Net assets	Not available at date of issue.
2011-12 Pre-tax profit	£194,500,000
31st March 2012 Net assets	£526,000,000
2010-11 Pre-tax profit	£106,100,000
31st March 2011 Net assets	£527,200,000

13.3.2 Investment in East Coast Main Line

Directly owned

East Coast Main Line Company Limited	
Function	East Coast Main Line Company Limited ("East Coast") is the operator of the East Coast passenger rail services operating between London and Scotland.
Status	East Coast Main Line Company Limited is a wholly-owned subsidiary of Directly Operated Railways Limited (DOR) which was established by the Department for Transport in July 2009. It fulfils the Secretary of State's requirements under Section 30 of the Railways Act 1993 to secure the continued provision of passenger railway services should an existing franchisee not be able to complete its full term. East Coast was created following the termination of a franchise agreement that the Department entered into with National Express in December 2007. It is intended that DOR will retain East Coast as a subsidiary until a new franchise to operate services on the East Coast Main Line is let to the private sector.
Year end date	31 March
2012-13 Pre-tax profit/(loss)	Not available at date of issue.
2013 Net assets	Not available at date of issue.
2011-12 Pre-tax profit	£8,187,000
31st March 2012 Net assets	£8,850,000
2010-11 Pre-tax profit	£7,935,000
31st March 2011 Net assets	£3,640,000

13.3.3 London & Continental Railways Limited (LCR Ltd)

Directly owned

The investments in Stratford City Business District and King's Cross Central are shown at a combined value of £209,273 million, comprising £199,551 million and £9,722 million respectively, being LCR Ltd's share of the net assets as at 31 March 2013, reported in their audited accounts (2012: a combined value of £162,400 million, being an independent valuation as at 31 March 2012).

LCR Ltd's investments in the property development joint ventures at King's Cross and Stratford have been valued at the investor's share of the entities' net assets. At 31 March 2012, an independent valuation report was used. However, the Department now considers that the independent valuation approach is highly sensitive to the assumptions made and capable of producing a wide range of outputs.

The valuation used in these accounts is based on:

For King's Cross Central Limited Partnership:

- Values of assets and liabilities reported in the entity's audited accounts as at 31 March 2013.

For Stratford City Business District Ltd:

- Values of assets and liabilities reported in the entity's management accounts as at 31 March 2013, reconciled back to the audited accounts as at 30 June 2012.

Valuation on the basis of net assets is considered appropriate due to the fair valuation of investment properties recognised, which is the most material asset class. Financial assets, liabilities and provisions are discounted when the time value of money is material and therefore the carrying value is a reasonable approximation of fair value.

The following uncertainty should be noted in respect of King's Cross Central Limited Partnership. The entity recognises, as inventory, plots or sites if it has decided to sell them and if it appears reasonably certain that the plot or site will become the subject of a binding sale contract. The entity's accounting policy is that inventories are held at the lower of cost and net realisable value and therefore the value of this asset category reflected in the valuation of the investment may be lower than the ultimate sale value and present market value. The Department and LCR Ltd do not consider the difference between the market value and the carrying value of inventories to be significant.

13.3.3(i) Stratford City Business District

Stratford City Business District is a 50/50 joint venture between London & Continental Railways Limited (LCR Ltd), (a private limited company wholly owned by the Secretary of State for Transport), and Lend Lease Corporation Ltd.

LCR Ltd's 50% shareholding is held via its wholly-owned subsidiaries LCR Stratford GP Limited and LCR Stratford LP Limited.

Public Corporations

LCR Stratford GP Ltd	
Function	London & Continental Railways Limited's general partner interest in LCR Stratford Limited Partnership.
Status	Private Limited Company, wholly owned by London & Continental Railways Limited and currently classified as dormant.
Investment	1 ordinary share of £1.
As a Private Limited Company, further information in the public domain is available from Companies House.	

LCR Stratford LP Ltd	
Function	London & Continental Railways Limited's limited partner interest in LCR Stratford Limited Partnership.
Status	Private Limited Company, wholly owned by London & Continental Railways Limited and currently classified as dormant.
Investment	1 ordinary share of £1.
As a Private Limited Company, further information in the public domain is available from Companies House.	

LCR Stratford Limited Partnership	
Function	London & Continental Railways Limited's joint venture interest of 50% in Stratford City Business District Ltd.
Status	Limited Partnership, held by LCR Stratford GP Ltd & LCR Stratford LP Ltd with interest of 0.1% and 99.9% respectively.
Investment	£1,000,000 Capital.
As a Limited Liability Partnership there is no further data in the public domain.	

The subsidiaries operate as general partner (GP) and limited partner (LP) in the limited partnership. The general partner is liable for all debts and obligations of the partnership and the limited partner is liable for the debts or obligations they put in to the business.

The limited partner has some form of legal protection from incurring any additional debts and as such, they may not take out their contribution to the partnership for as long as they are involved in the business and may not have the power to make any binding decisions for the firm.

Private sector entity

The following investments form part of the venture Stratford – The International Quarter, and are shown within the above valuation:

- Stratford City Business District Ltd.

13.3.3(ii) King's Cross Central

King's Cross Central is a 36.5/50/13.5% joint venture between London & Continental Railways Limited (LCR Ltd), (a private limited company wholly owned by the Secretary of State for Transport), and Argent and EXEL respectively.

LCR's 36.5% joint venture shareholding is held via its wholly-owned subsidiary KXC (LCR) LP Investment Ltd and KXC (LCR) GP Investment Ltd.

Public Corporations

KXC (LCR) GP Investment Ltd	
Function	Development, including buying and selling real estate, of the area around Kings Cross station. Additionally, it holds LCR's interest in the King's Cross Central Limited Partnership through the joint venture of King's Cross Central General Partner Limited.
Status	Private Limited Company, wholly owned by London & Continental Railways Limited and currently classified as dormant.
Investment	2 ordinary shares of £1 each.
As a Private Limited Company, further information in the public domain is available from Companies House.	

KXC (LCR) LP Investment Limited	
Function	Development, including buying and selling real estate, of the area around Kings Cross station. Additionally, it holds LCR's interest in the King's Cross Central Limited Partnership through the joint venture of King's Cross Central Property Trust, a property unit trust established in Jersey.
Status	Private Limited Company, wholly owned by London & Continental Railways Limited and currently classified as dormant.
Investment	2 ordinary shares of £1 each.
As a Private Limited Company, further information in the public domain is available from Companies House.	

Private sector entities

The following investments form part of the King's Cross Central venture and are shown within the above valuation:

- King's Cross Central General Partner Ltd (a dormant company);
- King's Cross Central (Trustee No. One) Limited (a dormant company);
- King's Cross Central (Trustee No. Two) Limited (a dormant company);
- King's Cross Central Property Trust;
- King's Cross Central Limited Partnership; (no accounts filed);
- Metropolitan King's Cross Limited.

13.3.3(iii) Other Public Corporations

KXC Landowners Limited	
Function	Business activities are buying and selling real estate.
Status	Private Limited Company, 73% owned by London & Continental Railways Limited and 27% owned by Exel Holdings Ltd and currently classified as dormant.
Investment	73 ordinary shares of £1 each.
As a Private Limited Company, further information in the public domain is available from Companies House.	

LCR Trust Company Ltd	
Function	Other activities auxiliary to insurance and pension funding.
Status	Private Limited Company, wholly owned by London & Continental Railways Limited and currently classified as dormant.
Investment	1 ordinary share of £1
As a Private Limited Company, further information in the public domain is available from Companies House.	

LCR Insurance Limited (Dissolved 25 February 2013)	
Function	Insurance services
Status	Private Limited Company, wholly owned by London & Continental Railways Limited.
Investment	50,000 ordinary shares of £1 each.
As a Private Limited Company, further information in the public domain is available from Isle of Man Companies Registry.	

LCR St Pancras Chambers Ltd	
Function	Business activities are buying and selling real estate.
Status	Private Limited Company, wholly owned by London & Continental Railways Limited and currently classified as dormant.
Investment	100 ordinary shares of £1 each.
As a Private Limited Company, further information in the public domain is available from Companies House.	

Ebbsfleet Landmark Project Limited	
Function	Landscape service activities.
Status	Private Company Limited by Guarantee, the members of the Company are London & Continental Railways Limited, Eurostar International Limited and Land Securities REIT.
Investment	£1,386,000 funding provided by members.
As a Private Company Limited by Guarantee, further information in the public domain is available from Companies House.	

Indirectly owned

13.3.3(iv) Eurostar International

The shareholding in Eurostar international Limited has been stated at 40% of the company's net assets, because this is the approach a market participant would apply. The book values of the assets and liabilities, taken from the draft accounts for the year to at 31 December 2012 have been reviewed for adjustments required to better reflect their fair values.

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 & Continental Railways (LCR) 40%, NMBS/SNCB 5% and SNCF 55%.
Year end date	31 December
2012 Pre-tax profit	Not available at date of issue.
2012 Net assets	Not available at date of issue.
2011 Pre-tax profit	£21,400,000 (group)
2011 Net liabilities	£739,300,000 (group)

13.3.4 Other investments

Share investments outside of the Departmental Consolidation boundary

These investments have been shown at historic cost less any impairment:

- One share in British Railways Board (Residuary) Limited (nominal value £1). This represents 100% of the share capital. BRBR reported total equity and liabilities of £233.0m as at 31st March 2012 and loss before tax of £14.2m for the period ending 31st March 2012. As at the date of issue BRBR have completed draft, unaudited accounts which report total equity and liabilities of £250.1m as at 31st March 2013 and profit before tax of £0.9m for the period ending 31st March 2013.

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; (transferred to DOR on 14th February 2013)
- Broadway Rail Limited; (transferred to DOR on 26th September 2012)
- Westminster Rail Limited;
- College Rail Limited;
- Marsham Rail Limited;
- Vincent Rail Limited;
- Queensway Rail Limited;
- Parkside Rail Limited;
- Millbank Rail Limited;
- Greycoat Rail Limited; and
- Bower Rail Limited.

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

Humber Bridge

- 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 opened to traffic in 1981.
- The Humber Bridge (Debts) Order 2012 (No. 716) wrote down £150m from the Humber Bridge debt on 31 March 2012. The interest rate on the total outstanding debt was set at 4.25% for the remainder of the loan term.

13.4 Financial Liabilities

Financial Guarantees

Further details are given in the Accounting Policies note, Note 1.12.7 and 1.22, and also within the Contingent Liabilities note, Note 21.3.

£000	Network Rail	Total
Balance at 1 April 2012	3,310,394	3,310,394
Charged in year	451,175	451,175
Released	(218,000)	(218,000)
Unwinding discount	186,551	186,551
Balance at 31 March 2013	**3,730,120**	**3,730,120**
Balance at 1 April 2011	3,220,701	3,220,701
Charged in year	114,083	114,083
Released	(200,000)	(200,000)
Unwinding discount	175,610	175,610
Balance at 31 March 2012	**3,310,394**	**3,310,394**

The Department has given an indemnity to Network Rail's debt holders, with a total outstanding debt as at 31 March 2013 of £30,358m. The indemnity expires in 2052, and is recognised as a Financial Guarantee Contract under IAS 39 and the discounted value of it over the 39 year period is calculated to be as shown in the table above.

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 these are offset by a corresponding sum released from receivables.

14. Impairments

£000	2012-13	2011-12
Core Department		
Impairments through the Statement of Comprehensive Net Expenditure – Fixed Assets and Assets Held for Sale	-	5
	-	**5**
Core Department & Agencies		
Impairments through the Statement of Comprehensive Net Expenditure – Fixed Assets and Assets Held for Sale	17,922	33,138
	17,922	**33,138**
Departmental Group		
Impairments through the Statement of Comprehensive Net Expenditure – Fixed Assets and Assets Held for Sale	18,223	33,138
	18,223	**33,138**
Of which:		
Other Administration Costs	87	-
Programme Costs	18,136	33,138
	18,223	**33,138**

15. Inventories

£000	March 2013			March 2012		
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Current Assets						
Stocks	50,164	95,366	99,986	27,241	83,522	90,214
Work in Progress	-	674	674	-	455	455
	50,164	**96,040**	**100,660**	**27,241**	**83,977**	**90,669**
Non- Current Assets						
Stocks	-	2,931	2,931	-	2,882	2,882
	-	**2,931**	**2,931**	**-**	**2,882**	**2,882**

16. Trade receivables and other assets

£000	March 2013			March 2012 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Amounts falling due within one year:						
Trade receivables	3,869	20,152	41,586	3,292	15,117	41,768
Deposits and advances	695	8,393	8,703	653	6,935	7,202
VAT receivables	1,771	97,859	97,953	1,926	98,558	98,566
Other receivables	35,415	48,181	58,646	27,751	42,497	46,936
Prepayments and accrued income	90,461	135,741	141,282	68,886	133,701	140,661
Current part of NLF loan	2,504	2,504	2,504	1,898	1,898	1,898
Amounts due in respect of Consolidated Fund Extra Receipts (CFERs)	-	83,197	83,197	-	6	6
Amounts due from the Consolidated Fund in respect of supply not drawn down at year end	-	-	-	310,327	333,828	333,828
Total current	**134,715**	**396,027**	**433,871**	**414,733**	**632,540**	**670,865**
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Amounts falling due after more than one year:						
Deposits and advances	-	8,432	8,432	-	8,988	8,988
Amounts due in respect of Consolidated Fund Extra Receipts	-	224,634	224,634	-	221,323	221,323
Other receivables	3,697,645	3,755,665	3,755,234	3,284,719	3,331,103	3,331,204
Prepayments and accrued income	-	76,408	76,504	-	66,965	67,118
Total non-current	**3,697,645**	**4,065,139**	**4,064,804**	**3,284,719**	**3,628,379**	**3,628,633**
Total current & non-current	**3,832,360**	**4,461,166**	**4,498,675**	**3,699,452**	**4,260,919**	**4,299,498**

16.1. Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
£000	March 2013	March 2012 (restated)	March 2013	March 2012 (restated)
Balances with other central government bodies	111,160	444,877	100	101
Balances with local authorities	7,383	10,517	6,614	-
Balances with NHS bodies	58	-	-	-
Balances with public corporations and trading funds	2,837	28,311	-	-
Subtotal: intra-government balances	121,438	483,705	6,714	101
Balances with bodies external to government	312,433	187,160	4,058,090	3,628,532
Total receivables at 31 March 2013	**433,871**	**670,865**	**4,064,804**	**3,628,633**

17. Cash and cash equivalents

£000	March 2013			March 2012 *(restated)*		
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Balance at 1 April 2012	75,140	202,175	325,191	159,034	232,280	392,108
Net change in cash and cash equivalent balances	173,884	143,481	167,798	(83,894)	(30,104)	(66,917)
Balance at 31 March 2013	**249,024**	**345,656**	**492,989**	**75,140**	**202,176**	**325,191**
The following balances at 31 March were held at:						
Government Banking Service	248,899	311,023	311,952	75,015	180,114	180,224
Commercial banks and cash in hand	125	34,633	181,037	125	22,062	144,967
Balance at 31 March 2013	**249,024**	**345,656**	**492,989**	**75,140**	**202,176**	**325,191**

18. Trade payables and other liabilities

£000		March 2013			March 2012 *(restated)*		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Amounts falling due within one year:							
VAT		79	85	54	-	295	617
Other taxation and social security		2,560	5,170	9,427	2,288	5,106	9,153
Pension		22	2,011	2,049	27	1,886	1,917
Trade payables		12,954	46,234	48,303	14,020	42,687	44,097
Other payables		41,891	53,520	58,069	103,264	113,377	141,124
Accruals and deferred income		432,894	895,860	967,507	475,209	1,013,948	1,067,942
Current part of finance leases		-	392	392	-	392	392
Current part of imputed finance lease element of on balance sheet (SoFP) PFI contracts and other service concession arrangements		-	61,663	61,663	-	40,913	40,913
Obligations in respect of Channel Tunnel Rail Link debt		53,360	53,360	49,595	64,775	64,775	49,378
Current part of NLF loans	18.2	2,504	2,504	2,504	1,898	1,898	1,898
Amounts issued from the Consolidated Fund for supply but not spent at year end		311,739	314,899	314,899	448,182	448,182	448,182
Consolidated Fund Extra Receipts due to the Consolidated Fund:							
received		-	16,164	16,164	-	11,427	11,427
receivable		-	83,197	83,197	-	6	6
Total current		**858,003**	**1,535,059**	**1,613,823**	**1,109,663**	**1,744,892**	**1,817,046**
Amounts falling due after more than one year:							
Other payables		51,603	78,173	79,201	1,267	22,355	29,269
Deferred income		1,432,194	1,432,194	1,432,194	1,486,581	1,486,581	1,486,581
Imputed finance lease element of on-balance sheet (SoFP) PFI contracts and other service concession arrangements		-	1,837,436	1,837,436	-	1,843,943	1,843,943
Obligations in respect of Channel Tunnel Rail Link debt		4,155,136	4,155,136	4,153,299	4,102,681	4,102,681	4,133,826
NLF loans		5,249	5,249	5,249	7,754	7,754	7,754
Consolidated Fund Extra Receipts due to the Consolidated Fund		-	224,634	224,634	-	221,323	221,323
Total non-current		**5,644,182**	**7,732,822**	**7,732,013**	**5,598,283**	**7,684,637**	**7,722,696**
Total current & non-current		**6,502,185**	**9,267,881**	**9,345,836**	**6,707,946**	**9,429,529**	**9,539,742**

18.1 Intra-Government Balances

£000	Amounts falling due within one year		Amounts falling due after more than one year	
	March 2013	March 2012	March 2013	March 2012
		(restated)		*(restated)*
Balances with other central government bodies	440,686	577,377	1,716,463	1,808,526
Balances with local authorities	169,765	141,098	-	-
Balances with NHS bodies	15	11	-	-
Balances with public corporations and trading funds	26,391	14,697	-	-
Subtotal: intra-government balances	636,857	733,183	1,716,463	1,808,526
Balances with bodies external to government	976,966	1,083,863	6,015,550	5,914,170
Total payables at 31 March 2013	**1,613,823**	**1,817,046**	**7,732,013**	**7,722,696**

18.2 National Loans Fund (NLF) loans

NLF loans are repayable by the following bodies:

£000	Civil Aviation Authority Fixed Rates	King's Lynn Harbour Conservancy Fixed Rates	2012-13 Total	2011-12 Total
Within one year	2,498	6	2,504	1,897
Over one and under two years	1,075	6	1,081	2,505
Over two and under five years	3,428	13	3,441	3,344
More than five years	727	-	727	1,905
Total	**7,728**	**25**	**7,753**	**9,651**

The Department has lent money made available by the National Loans Fund to the Civil Aviation Authority and to the King's Lynn Harbour Conservancy. The profile of repayments receivable by the Department is set out in Note 13; 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 2.61% and 7.875%.

19. Provisions for liabilities and charges

£000	March 2013			March 2012 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Balance at 1 April 2012	89,849	413,901	420,408	92,632	416,626	465,401
Provided in the year * +	15,317	97,122	101,596	29,756	181,843	196,247
Provisions not required written back	(9,490)	(51,472)	(55,114)	(15,833)	(65,239)	(75,458)
Provisions utilised in the year	(14,123)	(112,671)	(115,449)	(16,706)	(119,671)	(166,127)
Borrowing costs (unwinding of discounts)	-	392	392	-	341	341
Adjustment in respect of GCDA	3,096	150	150	-	-	-
Reclassification *	-	(6,501)	(6,501)	-	-	-
Balance at 31 March 2013	84,649	340,921	345,482	89,849	413,900	420,404
Of which						
Amounts falling due within one year:	**10,227**	**93,867**	**95,336**	**16,184**	**141,481**	**142,110**
Amounts falling due after more than one year:	**74,422**	**247,054**	**250,146**	**73,665**	**272,419**	**278,294**
Total Current and Non-current	84,649	340,921	345,482	89,849	413,900	420,404

* Includes land provision adjustments of £29.5m (2011-12: £59.9m) and reclassifications of provisions of £6.5m (2011-12: £nil) which are not recognised via the Statement of Comprehensive Net Expenditure.

+ In accordance with s.10 ATT regulations, £1.254m provided for in year has been recognised as a rebate of income, and not a provision expense, in the Statement of Comprehensive Net Expenditure.

Analysis of expected timing of discounted flows

£000	March 2013			March 2012 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	10,227	93,867	95,336	16,184	141,481	142,110
Later than one year and not later than five years	42,824	187,929	191,022	41,736	230,181	236,059
Later than five years	31,598	59,125	59,124	31,929	42,238	42,235
Balance at 31 March 2013	**84,649**	**340,921**	**345,482**	**89,849**	**413,900**	**420,404**

19.1 Provisions for liabilities and charges

19.1.1 Departmental Group

£000	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
Balance at 1 April 2012	16,821	62,400	251,589	89,598	420,408
Provided in the year	875	7,041	70,841	22,839	101,596
Provisions not required written back	(1,365)	-	(40,682)	(13,067)	(55,114)
Provisions utilised in the year	(5,932)	(6,941)	(93,049)	(9,527)	(115,449)
Borrowing costs (unwinding of discounts)	155	-	-	237	392
Adjustment in respect of GCDA	150	-	-	-	150
Reclassification	-	-	-	(6,501)	(6,501)
Balance at 31 March 2013	**10,704**	**62,500**	**188,699**	**83,579**	**345,482**

19.1.2 Core Department and Agencies

£000	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
Balance at 1 April 2012	16,802	62,400	251,589	83,110	413,901
Provided in the year	875	7,041	70,841	18,365	97,122
Provisions not required written back	(1,365)	-	(40,682)	(9,425)	(51,472)
Provisions utilised in the year	(5,924)	(6,941)	(93,049)	(6,757)	(112,671)
Borrowing costs (unwinding of discounts)	155	-	-	237	392
Adjustment in respect of GCDA	150	-	-	-	150
Reclassification	-	-	-	(6,501)	(6,501)
Balance at 31 March 2013	**10,693**	**62,500**	**188,699**	**79,029**	**340,921**

19.1.3 Core Department

£000	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
Balance at 1 April 2012	1,810	62,400	-	25,639	89,849
Provided in the year	45	7,041	-	8,231	15,317
Provisions not required written back	(1,365)	-	-	(8,125)	(9,490)
Provisions utilised in the year	(2,349)	(6,941)	-	(4,833)	(14,123)
Borrowing costs (unwinding of discounts)	-	-	-	-	-
Adjustment in respect of GCDA	2,488	-	-	608	3,096
Balance at 31 March 2013	**629**	**62,500**	**-**	**21,520**	**84,649**

Analysis of expected timing of discounted flows

£000	Early Departure	National Freight Company Pension	Highways Scheme costs	Others	Total
Not later than one year	3,421	7,100	50,678	34,137	95,336
Later than one year and not later than five years	7,010	28,400	125,333	30,279	191,022
Later than five years	273	27,000	12,688	19,163	59,124
Balance at 31 March 2013	**10,704**	**62,500**	**188,699**	**83,579**	**345,482**

19.2 Provisions for liabilities and charges

19.2.1 Amounts not expected to be called until after 2020:

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

19.2.2 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% in real terms.

19.2.3 National Freight Company Pension

National Freight Company plc (NFC) pension trustee (31 March 2012 - £45.2m; 31 March 2013 - £48.4m) – 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 (31 March 2012 - £17.2m; 31 March 2013 - £14.1m) – reimbursements to NFC and its subsidiaries for providing travel concessions to staff previously employed by the road transport division of British Rail (s21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

19.2.4 Highways Schemes

Land and Property Acquisition

Land and property acquisition provisions relate principally to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of a road scheme. It may take several years from the announcement of a scheme to completion of the road and final settlement of all liabilities.

Engineering and Construction Services

The provision for engineering and construction services is required to meet the estimated cost of work to meet generally accepted highways standards, after a road has been opened for traffic, and disputed contractual claims.

Bridge Strengthening

The provision is required to strengthen bridges and other structures to comply with minimum legal requirements, as established by EU legislation and authoritative statements by Ministers in Parliament.

Tunnels

The Secretary of State is required to bring long tunnels on the Trans-European Roads Network up to new safety standards. The tunnel-related works are scheduled to be completed before the deadline of 2014 set in the Directive.

Pensions and Other Liabilities

Other liabilities include those to 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 Agency for compensation. A provision of £2.9m (2011-12: £3.2m) has been made which estimates the value of the claims received as at 31 March 2013 that will require settlement by the Agency.

The pension liability relates to former staff who left the Agency's employment before the formal retirement age of 60. The Agency is responsible for making payments to the pension plan until their retirement age.

19.2.5 Other

This heading covers a range of smaller provisions, including:

British Railways Board's ex-employees' pensions (31 March 2012 - £14.3m; 31 March 2013 - £14.1m) – reimbursement to trustees of the British Transport Police Force Superannuation Fund in respect of unfunded proportions of pensions deriving from service with the British Railways Board before 1 January 1975 (Part III, Transport Act 1980).

Dilapidations of core Department buildings 31 March 2013 - £5.2m (31 March 2012 - £8.2m) – 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.

20. Capital and other commitments

20.1 Capital commitments

£000	2013			2012		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Contracted capital commitments at 31 March not otherwise included in these financial statements:						
Property, plant and equipment	-	460,001	460,460	1,931	235,998	235,998
Intangible assets	-	878	878	-	319	319
	-	**460,879**	**461,338**	**1,931**	**236,317**	**236,317**

20.2 Commitments under leases

20.2.1 Operating leases

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

£000	March 2013			March 2012		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Obligations under operating leases for the following periods comprise:						
Land						
Not later than one year	-	624	624	-	600	600
Later than one year and not later than five years	-	2,070	2,070	-	1,857	1,857
Later than five years	-	1,660	1,660	-	2,064	2,064
	-	**4,354**	**4,354**	**-**	**4,521**	**4,521**
Buildings						
Not later than one year	8,123	23,609	24,136	11,705	29,691	30,358
Later than one year and not later than five years	31,982	71,244	78,217	33,423	82,480	84,751
Later than five years	5,984	56,937	118,180	14,746	79,410	150,760
	46,089	**151,790**	**220,533**	**59,874**	**191,581**	**265,869**
Other:						
Not later than one year	-	236	242	-	442	448
Later than one year and not later than five years	-	556	562	-	807	815
Later than five years	-	-	-	-	-	-
	-	**792**	**804**	**-**	**1,249**	**1,263**

20.2.2 Finance leases

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

£000	March 2013			March 2012		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Obligations under finance leases for the following periods comprise:						
Buildings						
Not later than one year	-	182	182	-	182	182
Later than one year and not later than five years	-	729	729	-	729	729
Later than five years	-	410	410	-	592	592
	-	1,321	1,321	-	1,503	1,503
Less interest element	-	(225)	(225)	-	(281)	(281)
Present Value of obligations	**-**	**1,096**	**1,096**	**-**	**1,222**	**1,222**
Other						
Not later than one year	-	210	210	-	210	210
Later than one year and not later than five years	-	525	525	-	735	735
Later than five years	-	-	-	-	-	-
	-	735	735	-	945	945
Less interest element	-	(34)	(34)	-	(56)	(56)
Present Value of obligations	**-**	**701**	**701**	**-**	**889**	**889**

20.3 Commitments under PFI and other service concession arrangements

20.3.1 On-balance sheet (Statement of Financial Position)

The Highways 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 Roads Telecommunications Services
- M25 London Orbital Motorway contract

The substance of the PFI contract is that the Highways 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 capital payments.

On the 4 April 2005, DVLA entered into a 20-year service concession agreement with Telereal Trillium (formerly Land Securities Trillium). This agreement falls within the scope of IFRIC 12 Service Concession Arrangements and has been set up to provide the following property outsourcing solutions:

- Building Maintenance
- Office Moves
- Cleaning
- Catering and Vending
- Furniture Repair
- Furniture Replacement
- Grounds Maintenance
- Waste Management and Pest Control

DVLA are invoiced on a monthly basis and this revenue expenditure is recorded as a service charge in the Statement of Comprehensive Net Expenditure. As part of the contract, Telereal Trillium have undertaken a refurbishment of the Swansea HQ site. Where the work is capital in nature (air conditioning, double-glazing, lifts and specialist cabling), the costs have been capitalised on Independent Assessors' sign-off for each floor as complete and ready for use. The air conditioning, double-glazing and lifts are depreciated over the length of the PFI contract. The cabling is depreciated over its expected useful life of five years.

A PFI liability has been created to reflect the work capitalised. This liability is reduced over the life of the contract as payments are made. In accordance with Government Financial Reporting Manual requirements, the interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method.

20.3.2 Departmental Group

£000	2012-13	2011-12
Rentals due:		
Not later than one year	201,042	175,603
Later than one year and not later than five years	794,265	776,053
Later than five years	3,013,401	3,023,539
	4,008,708	3,975,195
Less: Interest element	(2,109,609)	(2,090,339)
	1,899,099	**1,884,856**

Capital element under on balance sheet PFI contracts comprises:

£000	2012-13	2011-12
Not later than one year	61,663	40,913
Later than one year and not later than five years	289,548	276,939
Later than five years	1,547,888	1,567,004
	1,899,099	**1,884,856**

Interest element under on balance sheet PFI contracts comprises:

£000	2012-13	2011-12
Not later than one year	139,379	134,690
Later than one year and not later than five years	504,717	499,114
Later than five years	1,465,513	1,456,535
	2,109,609	**2,090,339**

All finance lease obligations under on balance sheet PFI contracts are held by the Agencies.

20.3.3 Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on-balance-sheet PFI transactions was £350,812,000 (2011-12: £314,814,000).

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.

£000			2012-13			2011-12
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	-	558,143	558,143	-	553,453	553,453
Later than one year and not later than five years	-	2,166,236	2,166,236	-	2,092,012	2,092,012
Later than five years	-	12,606,725	12,606,725	-	12,957,954	12,957,954
	-	**15,331,104**	**15,331,104**	**-**	**15,603,419**	**15,603,419**

20.4 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 to 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. This commitment is included in the amounts in the table below.

In addition, as at 31 March 2013, 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 amounts included in the table below are the amounts the Department has contractual obligations to pay under the 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.

The amounts 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. They do not include the receipts payable by Train Operating Companies to the Department which are expected to be per the base contracts £1,522,943,000 next year and £2,009,583,000 thereafter.

£000			2012-13			2011-12 *(restated)*
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	4,016,773	4,159,405	4,159,405	4,162,342	4,194,915	4,194,915
Later than one year and not later than five years	210,011	538,642	538,642	4,086,831	4,642,405	4,642,405
Later than five years	6,031	29,542	29,542	-	-	-
	4,232,815	**4,727,589**	**4,727,589**	**8,249,173**	**8,837,320**	**8,837,320**

21. Contingent liabilities

As a government department, the Department for Transport discloses contingent liabilities under requirements that are broader 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 (21.1 below). 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 (21.3 below), 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.

21.1 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 2013 £m	31 March 2012 £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. The value of the indemnity given by the Department to Transport for London (TfL) in 2008 has increased due to the significant progress of the project over the past year. This has meant that debt raised by TfL had increased and new contracts have been let, and these come within the scope of the indemnity.	3,428	2,290
Guarantees to promote investment in railway assets		
The Secretary of State has provided non-statutory guarantees to promote investment in the rail sector.	27	9
Legal claims		
From time to time, the Department experiences legal claims and challenges which it defends vigorously.	20	21
Highways Agency		
The process of constructing and maintaining the strategic 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	168	174
Possible obligations in relation to engineering and construction services	7	7
Third-party claims	10	9
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' current 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.	410	378

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 28) and thus they are recognised on the Department's balance sheet.

21.2 Unquantifiable contingent liabilities

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

- Under the Railways Act 1993, the Transport Act 2000 and the Channel Tunnel Rail Link Act 1996, the Secretary of State has provided guarantees to promote investment in the rail sector, through passenger rail franchising agreements and agreements for individual station enhancement projects. These are now considered to be part of the Department's normal course of business. 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. These were not considered to be part of the Department's normal course of business and were reported to Parliament. It is not possible to quantify the potential liability that might arise as a result of these undertakings. Many of them are considered to be of remote risk; some are of more than remote risk.
- The Department has historic obligations under agreements 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). These were not considered to be part of the Department's normal course of business. It is not possible to quantify the liabilities associated with these agreements because they will depend on the circumstances that arise at the time. These are considered to be of remote risk, but because they were not part of the Department's normal course of business, they were reported to Parliament and hence are disclosed here.
- 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 Department is party to a NATO agreement relating to indemnification of civil aircraft in respect of their use on NATO tasks in times 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.
- The Department has given indemnities to Network Rail should it exercise powers under the Crossrail Act 2008 which would in the longer term adversely affect the ability of Heathrow Airports Holdings Ltd. (formerly BAA) to operate the Heathrow Express rail service on Network Rail's infrastructure in a similar manner as today. The Department is not aware of any such powers being contemplated – over and above service revisions covered by normal compensatory agreements – and therefore considers the likelihood of a liability crystallising to be very low. It is also unquantifiable since it is unknown what such changes might be.
- 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.

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

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 them being called is considered to be remote.

	31 March 2013 £m	31 March 2012 £m	Reported to Parliament by departmental minute £m
Indemnity and letter of comfort re Network Rail			

To reduce Network Rail's cost of borrowing and to increase the amount invested in the rail infrastructure, the Department has provided the following measures of financial support as below. Further information is shown in Note 27 – Network Rail.

	31 March 2013 £m	31 March 2012 £m	Reported to Parliament by departmental minute £m
Indemnity			
A financial indemnity in support of Network Rail's Debt Issuance Programme.	30,358	27,300	30,200

The above financial indemnity over the life of the Debt Issuance Programme is also recognised as a Financial Guarantee Contract under IAS 39 in note 13.4 – Financial Liabilities. This note shows that the contract has a value of £3.7bn, and in recognition of the value of this indemnity, Network Rail is obliged to pay an annual fee to the Department, the net present value of which, also £3.7bn, is included in Other Receivables (Note 16 – Trade receivables and other assets), with further reference within the Accounting Policies note, Note 1.27.1.

	31 March 2013 £m	31 March 2012 £m	Reported to Parliament by departmental minute £m
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
Guarantees			
In view of the fact that government departments generally self-insure, a guarantee has been given to the International Maritime Organization that should the building be partially or completely destroyed, the Department would be obliged to reconstruct the building, or suspend or reduce the rent for a period of three years and fund alternative accommodation.	69	69	Unquantified

Managing Public Money requires that the full potential liabilities from such guarantees, indemnities and letters of comfort be reported to Parliament. These costs, with their movements during the year, are summarised in the table below.

£m	1 April 2012	Increase in year	Liabilities crystallised in year	Obligations expired in year	31 March 2013	Reported to Parliament by departmental minute
Guarantees	69	-	-	-	69	Unquantified
Letter of Comfort	4,000	-	-	-	4,000	4,000
Indemnity	27,300	3,058	-	-	30,358	30,200

22. Losses and special payments

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.

22.1 Losses Statement

	2012-13			2011-12		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total number of cases	60	3,183	3,183	47	5,864	5,864
Total amount (£000)	2,907	15,172	15,172	154,384	160,806	163,156

The losses disclosed above include 1978 cases valued at £5,725,000 (2011-12: 3078 cases valued at £5,066,000) for damage to the road network where the culprit could not be identified or otherwise pursued for costs.

In addition, the 2012-13 losses include several instances of theft of metal (mainly cable) and associated equipment from the Strategic Road Network totalling £5,845,000. There are other cases of metal theft which are yet to be formally recognised totalling £933,000.

The following losses require separate disclosure:

- Losses of £689,130 and £283,499 was recorded by the core Department during 2012-13 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 this occasion the company which received the payments in advance subsequently went into liquidation before satisfying the terms of their funding. Attempts were made to recover the funds but concluded that there was no prospect of recovery.
- An element of the cost of the cancellation of the InterCity West Coast franchise competition was a constructive (cash) loss of £1,071,330 from expenditure on legal and technical advisers.

22.2 Special Payments

	2012-13			2011-12		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total number of cases	35	1,363	1,363	26	1,242	1,242
Total amount (£000)	40,539	40,807	40,807	173	434	434

Details of the cases over 250k

Ex gratia payments in respect of the cancellation of the InterCity West Coast franchise competition totalled £39,685,000 in respect of reasonable, direct costs incurred by bidders.

The Department also made contractual payments of £4,851,000 to First Group for franchise mobilisation costs.

A payment of £354,980 was made by the core department in 2012-13 on behalf of one of its Agencies in relation to a personal injury case following a court hearing.

A payment on account of legal fees in accordance with a court judgement of £40,000, with a further payment of £45,000 in the financial year 2013-14.

23. Related-party transactions

The Department for Transport is a parent of the executive agencies listed at Note 25, and a sponsor of the Non Departmental Public Bodies and other Central Government organisations listed there.

These bodies are regarded as related parties with which the Department has had various material transactions during the year.

The Department for Transport group has had a number of transactions with other government departments and central government bodies during the year.

The British Transport Police Authority has a Police Service Agreement with Network Rail. Network Rail is therefore regarded as a related party. Network Rail was invoiced by the Authority £75,188,117 in 2012-13 (£74,344,700 in 2011-12) and as at 31 March 2013 £5,680,050 was outstanding (£6,475,198 at 31 March 2012).

The British Transport Police Authority has a formal arrangement with the London Underground Limited (LUL). This formal arrangement is embodied within a formal written document titled "For the Provision of Police Services by the British Transport Police for the London Underground, dated 27 May 2002. It remains in force until terminated at any time by either party requiring two years' notice of the intention to do so. In 2012-13 staff costs recharged to LUL were £45.2m (£45.0m for the year ended 31 March 2012). The average number of police officers and police staff employed on London Underground during 2012-13 was 998 (944 for the year ended 31 March 2012). LUL was invoiced by the Authority £12,040,165 in 2012-13 for non staff related costs (£11,101,720 in 2012-13) and as at 31 March 2013 £819,011 was outstanding (£2,688,541 at 31 March 2012).

Directly Operated Railways (DOR) has a subsidiary, East Coast Main Line Company Limited, which is not consolidated as part of the Departmental Accounts. East Coast operates the east coast mainline rail franchise under licence via a Services Agreement with the Department. This arrangement has existed since the transfer of the business from National Express East Coast Limited on termination of their Franchise Agreement on 13 November 2009. Under the Services Agreement East Coast is required to pay a financial premium to the Department for Transport, which for the year to the 31 March 2013, amounted to £202,808,000 (2012: £188,614,000).

The Highways Agency is an Executive Agency of the Department for Transport. The Department is regarded as a controlling related party. During the year the Agency had a significant number of transactions with the Department. In addition the Agency had transactions with other Government departments and agencies, principally Treasury Solicitors, Valuation Office Agency, Planning Inspectorate and a number of Local Authorities. In addition the Agency had transactions with QinetiQ, a public limited company in which the Ministry of Defence holds shares.

The Highways Agency has a contract with Lex Autolease Ltd whose ultimate parent company is Lloyds Banking Group in which the Government holds an interest. As per Note 24, the Agency draws monies from Escrow accounts held at Lloyds TSB.

No board member, key manager or other related parties have undertaken any material transaction with the Highways Agency during the year. There are no potential conflicts of interest to report.

London & Continental Railways Limited has a number of subsidiaries, detailed in Note 13 of this account, which are not consolidated as part of this Departmental Account. London & Continental Railways Limited is party to a number of low value transactions with these subsidiaries. LCR holds a 40% share of the equity in Eurostar International Limited (EIL). London & Continental Railways Limited received £6,507,000 by way of a dividend declared by EIL (paid in March 2013).

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

24. Third-party assets

The Highways Agency holds third-party, which 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. The final action of this project is to reimburse partners, including the Highways Agency, for the remaining costs incurred in this collaboration action.

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

£000	31 March 2012	Gross Inflows	Gross Outflows	31 March 2013
Lloyds TSB Escrow bank account	2,035	2,594	(954)	3,675
Lloyds TSB Euro bank account	115	256	(238)	133
Total	2,150	2,850	(1,192)	3,808

In 2010 the Department sold HS1 Ltd, and with it, the right to operate the Channel Tunnel high speed rail link for the next thirty years.

As per Schedule 10 Appendix 1 Clause 1.2 of the HS1 Concession Agreement, and Schedule 10 Annex 2 Clause 1.2 of the HS1 Lease, the Secretary of State and HS1 Ltd were required to establish in their joint names an interest-bearing deposit account for each of the four International Stations listed below, and one for track infrastructure.

Station Access Conditions provide for passenger service operators to pay charges for access and use of HS1 Stations that include an element attributable to the renewal and/or replacement of the station buildings known as the Long Term Charge. The Long Term Charge will be paid by passenger service operators into the applicable interest-bearing Escrow Account at HSBC. The renewal and replacement elements of track access charges, payable by operators, shall be paid into the interest-bearing track infrastructure Escrow Account at HSBC.

Following the Department's and the HS1 Concession Agreement’s governance processes, monies are drawn down from the escrow accounts by HS1 Ltd when works previously agreed need to be undertaken to the stations or track.

These are not Departmental assets and therefore are not included in the accounts.

£000	31 March 2012	Gross Inflows	Gross Outflows	31 March 2013
HSBC Escrow bank account – Ashford	-	2,160	-	2,160
HSBC Escrow bank account – Ebbsfleet	-	2,069	-	2,069
HSBC Escrow bank account – Stratford	-	1,746	-	1,746
HSBC Escrow bank account – St. Pancras	-	5,794	-	5,794
HSBC Escrow bank account – Track Infrastructure	-	19,701	-	19,701
Total	-	31,470	-	31,470

25. Entities within and outside the departmental boundary

25.1 Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2012-13 and are reported as part of the Department's accounts:

25.1.1 Reported within the core Department's own accounts

Advisory Non-Departmental Public Bodies

Disabled Persons' Transport Advisory Committee

Executive Non Departmental Public Bodies

Railway Heritage Committee

25.1.2 Consolidated within the accounts of the Department

Executive Agencies (Supply financed agencies)

Highways Agency *

Maritime and Coastguard Agency *

Government Car and Despatch Agency * (6 months to 30 September 2012)

Driver and Vehicle Licensing Agency *

Vehicle Certification Agency *

Executive Non Departmental Public Bodies

British Transport Police Authority *

Directly Operated Railways Limited *

HS2 Ltd *

Passenger Focus *

Other Entities

London & Continental Railways Limited *

CTRL Section 1 Finance plc *

LCR Finance plc *

Air Travel Trust Fund *

* These entities are reported within the accounts of the Department and also produce their own separate accounts.

25.2 Not reported within the Departmental Accounting boundary

The following entities are not reported as part of the Department's 2012-13 departmental accounts:

Tribunal Non Departmental Public Body

Traffic Commissioners and Licensing Authorities (Traffic Areas).

However, this entity is reported within the accounts of the Vehicle and Operator Services Agency. This is because the VOSA Trading Fund Order 2003/942 extended the Vehicle Inspectorate Trading Fund to become the trading fund of the Vehicle and Operator Services Agency, which took over the operations, assets and liabilities of the Vehicle Inspectorate Agency and the Traffic Area Network (i.e. the Traffic Commissioners) on 1st April 2003. It is therefore necessary to include the Traffic Commissioners within the accounts of the VOSA Trading Fund and not within the Departmental Accounts. Nevertheless, as a tribunal non-departmental public body, the Traffic Commissioners and Licensing Authorities should be disclosed within the Departmental Accounts per Clear Line of Sight guidance as per the Management Report.

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

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:

- Commissioners of 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

Trading Funds

Driving Standards Agency

Vehicle and Operator Services Agency

Other Entities

Crossrail Complaints Commissioner

Marine and Aviation Insurance (War Risks) Fund

NATS Holdings Limited

Network Rail Limited

26. Restatement of prior year balances

Restatement of prior year balances

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

In 2011-12 the A3 Hindhead Tunnel was opened to traffic. A change in the valuation approach resulted in a £211,049,000 write back for the prior periods (£177,009,000 in 2010-11; £34,040,000 in 2011-12).

A further adjustment made in 2012-13 arose from the incorporation of Air Travel Trust Fund (ATTF) into the Departmental boundary, with effect from 1 April 2011. This has reduced the General Fund balance as at that date by £42,298,000.

£000	Note	2011-12
Change in net assets		
As previously stated as at 31 March 2012		103,431,480
Prior year adjustment	11	34,040
ATTF restatement:		
Change in General Fund		(42,298)
Adjustment to 2011-12 operating costs		23,939
As restated		**103,447,161**
General Fund		
As previously stated as at 1 April 2011		36,901,689
Prior year adjustment	11	34,040
ATTF restatement		(42,298)
As restated		**36,893,431**

27. Network Rail

27.1 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 also 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 21 ‘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 £30.4bn had been borrowed as at 31 March 2013. The FIM is available until 2052, and the indemnity will be for any amount issued under the Debt Issuance Programme. The indemnity also covers guarantees provided by NRIF in respect of certain financial obligations of Network Rail Infrastructure Limited.

Network Rail is outside the DfT’s Departmental 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.

27.2 Key Financial Figures

Income Statement for year ended 31 March 2013

£m	2012-13	2011-12	2010-11
Revenue	6,197	6,004	5,712
Operating costs	(3,980)	(3,657)	(3,674)
Operating profit	2,217	2,347	2,038
Revaluation gains/(losses) on disposals of properties	(3)	19	11
Net investment and finance costs	(1,439)	(1,891)	(1,607)
Profit before tax	775	475	442
Taxation	(76)	286	(122)
Profit for the year	**699**	**761**	**320**

Statement of Financial Position as at 31 March 2013

£m	2012-13	2011-12	2010-11
Intangible assets	69	70	71
Property, plant and equipment - the railway network	46,411	43,112	39,577
Investment property	751	878	778
Financial assets	712	683	587
Non-current assets	47,943	44,743	41,013
Current assets	4,706	2,693	1,894
Current liabilities	(7,545)	(4,285)	(5,534)
Non-current liabilities	(37,091)	(35,234)	(30,288)
Net assets	**8,013**	**7,917**	**7,085**

28. Pension Schemes

Core Department

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 British Rail (1974) Pension Fund

Core Department and Agencies

There are no pension schemes reported in the Agencies.

Departmental Group

In 2011-12, the Departmental accounting boundary was changed in accordance with the new classification provided by the Office for National Statistics. For the first time, Non-Departmental Public Bodies and other entities classified as Central Government were included in the Departmental Accounts and details of their pension schemes are given below. A list of all those entities within the Departmental boundary is given at Note 25 and further information is available from their websites.

British Transport Police Force Superannuation Fund (BTPFSF) for police officers

British Transport Police Section of the Railways Pension Scheme (RPS) for other staff

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 2013 by the Government Actuary's Department (GAD), for the purpose of providing these disclosures.

Since 1 April 2011, the Government has used the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of 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 updating index-linked features of post employment benefits was recognised in 2010-11 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 was previously used for inflation indexing.

Analysis of pension liability recognised in the Statement of Financial Position

	Core Department		Departmental Group	
£m	2012-13	2011-12	2012-13	2011-12
(Deficit) at beginning of period	**(1,249.2)**	**(1,012.5)**	**(1,555.6)**	**(1,215.8)**
Contributions paid by the Department	2.9	2.7	33.3	28.7
Current service cost	(1.6)	(1.1)	(46.3)	(40.2)
Settlement	-	(1.5)	-	(1.5)
Other finance charges	(12.7)	(17.3)	(25.3)	(15.9)
Actuarial gain / (loss)	(202.2)	(219.5)	(343.1)	(310.9)
(Deficit) at end of period	**(1,462.8)**	**(1,249.2)**	**(1,937.0)**	**(1,555.6)**

The deficit at 31 March 2013 appears in the Statement of Financial Position as £1,936,981 (31 March 2012: £1,555,512).

The deficit comprises the following balances:

	£m Note	Core Department 2012-13	Core Department 2011-12	Departmental Group 2012-13	Departmental Group 2011-12
Scheme:					
1994 Section	28.1	(1,376.9)	(1,170.0)	(1,376.9)	(1,170.0)
BR Shared Cost Section	28.2	(33.0)	(32.9)	(33.0)	(32.9)
British Railways Superannuation Fund (BRSF)	28.3	(42.6)	(36.0)	(42.6)	(36.0)
BR (1974) Pension Fund	28.4	(10.3)	(10.3)	(10.3)	(10.3)
BTP Force Superannuation Fund (BTPFSF)	28.5	-	-	(425.0)	(279.2)
BTP Section of the Railways Pension Scheme (RPS)	28.6	-	-	(49.2)	(27.2)
Total deficit at the end of the period		**(1,462.8)**	**(1,249.2)**	**(1,937.0)**	**(1,555.6)**

28.1 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 2011 by the RPS Joint Scheme Actuaries, Towers Watson and Government Actuary's Department (GAD). Assets and accrued liabilities were valued using the market-related method.

£m	31 March 2013	31 March 2012
Present value of funded obligations	(4,493)	(4,378)
Fair value of plan assets	3,116	3,208
Net liability	(1,377)	(1,170)
Amounts in the statement of financial position		
Liabilities	1,377	1,170
Assets	-	-
Net Liability	1,377	1,170

The amounts recognised in the operating costs statement are as follows:

£m	31 March 2013	31 March 2012
Past Service cost	-	-
Interest on obligation	188	238
Expected return on plan assets	(176)	(222)
Total	12	16

The amounts recognised in the Statement of Changes in Taxpayers' Equity are as follows:

£m	31 March 2013	31 March 2012
Gain/(loss) on assets	109	(175)
Experience gain/(loss) on liabilities	(134)	128
Gain/(loss) on change of assumptions	(170)	(133)
Total gain/(loss)	**(195)**	**(180)**

Changes in the present value of the defined benefit obligation are as follows:

£m	31 March 2013	31 March 2012
Opening defined benefit obligation	4,378	4,525
Interest cost	188	238
Experience (gain)/loss on liabilities	134	(128)
Actuarial (gain)/loss	(207)	(257)
Closing defined benefit obligation	**4,493**	**4,378**

Changes in the fair value of plan assets are as follows:

£m	31 March 2013	31 March 2012
Opening fair value of plan assets	3,208	3,546
Expected return	176	222
Gain/(loss) on assets	109	(175)
Actuarial gain/(loss)	(377)	(385)
Closing fair value of plan assets	**3,116**	**3,208**

Principal actuarial assumptions at the balance sheet date (expressed as weighted average):

	31 March 2013	31 March 2012
Discount rate at 31 March	4.2%	4.5%
Expected return on plan assets at 31 March	*	*
Future pension increases	2.1%	2.0%
Consumer Price Index	2.1%	2.0%
Rate of increase for deferred pensions	2.1%	2.0%

*In the opinion of the actuaries, the volatility of market conditions as at 31 March 2012 precludes the calculation of a meaningful Expected Rate of Return. On this basis, no figure has been included in the above table. The Expected return for 31 March 2013 is calculated on the basis of the Expected return on plan assets at 31 March 2012, as the 2013 rate is not available.

Amounts for the current and previous three periods are as follows:

£m	2013	2012	2011	2010
Defined benefit obligation	(4,493)	(4,378)	(4,525)	(4,877)
Plan assets	3,116	3,208	3,546	3,694
Surplus/(deficit)	(1,377)	(1,170)	(979)	(1,183)
Experience adjustment on plan liabilities	(134)	128	(11)	139
Experience adjustment on plan assets	109	(175)	(51)	729

Sensitivity of results

6.1 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The approximate effects on the actuarial liability as at 31 March 2013 of changes to the main actuarial assumptions are shown below.

6.2 The principal financial assumptions are the real rates of return in excess of pensions increases and earnings growth. (The assumed nominal rate of return is less important although it does affect the past service liability in respect of Guaranteed Minimum Pensions (GMPs).) A key demographic assumption is pensioner mortality.

6.3 Table 3 shows the indicative effects on the total liability as at 31 March 2013 of changes to these assumptions.

Table 3 Sensitivity to main assumptions

Change in assumption[1]		**Approximate effect on total liability**	
Rate of return			
(i) in excess of earnings:	-½% a year	+ 0% [2]	(+)£0 million
(ii) in excess of pensions:	-½% a year	+ 5%	(+)£250 million
Pensioner mortality			
(iii) if the pensioner has a life expectancy of someone one year younger:		+ 3%	(+)£150 million

[1] Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

[2] Effect is zero as there are very few active members in the Schemes to have an impact on the total liability.

In variant (i) of Table 3, the assumed rate of return in excess of pensions increases remains unchanged, and in variant (ii), the assumed rate of return in excess of earnings remains unchanged.

Variant (i) shows little change from the central assumptions because the majority of the benefits are not linked to earnings (the sections being largely deferred and pensioner members).

Variant (ii) shows a substantial effect because the real rate of return in excess of pensions increases differs from the central assumptions (by ½% a year). The total actuarial liability would change by about 5%.

Variant (iii) shows the significance of pensioner mortality: if pensioners actually experience the mortality of a member one year younger, then this would increase the total actuarial liability by about 3%.

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.

28.2 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 2010 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 £110.7m in 31 March 2013 (31 March 2012: £103.3m). This is approximately 77% (2012: 76%) of the corresponding value of the projected accrued liabilities.

The deficit on the Section as at 31 March 2013 was £33.0m (2011-12: £32.9m).

28.3 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 2010 by the Joint Scheme Actuaries, Towers Watson and the Government Actuary's Department.

The deficit on the scheme as at 31st March 2013 was £42.6m (2011-12: £36.0m).

28.4 BR (1974) Pension Fund

The BR (1974) Pension Fund is a supplementary fund established in 1974. It covers the BTC (Male Wages Grades) Pension Scheme, various ex-gratia benefits (customary practices) and the historic Schemes of Supplementation increases made when other schemes could not meet their full cost of living increases. It currently has around 4,500 members, with 31 active members remaining in the BTC, and is operated largely on an unfunded pay-as-you-go basis: a small amount of contributions are paid in by members, with costs of the balance of the emerging benefits met by the Secretary of State.

The deficit on the scheme as at 31st March 2013 was £10.3m (2011-12: £10.3m).

28.5 British Transport Police Force Superannuation Fund (BTPFSF)

The British Transport Police Force Superannuation Fund was established by a Trust Deed made on 30th December 1974 which amalgamated the British Transport Police Force Superannuation and Retirement Benefit Fund which itself was established by a Trust Deed made on 1 September 1968 (the 1968 Section), and the British Transport Police Force Superannuation Fund 1970 Section, established by a Trust Deed on 5 April 1972 (the 1970 Section).

From 1 April 2007 the BTPFSF established a new category where all new joiners will be enrolled – hereafter known as BTPFSF (new). The existing category was closed to all new members at this time. The new category is a defined benefit scheme.

The BTPFSF provides benefits on a “final salary” basis at a pension age of 55. Pension benefits accrue at the rate of one-seventieth of final average salary for each year of beneficial membership of the fund (subject to a maximum of thirty-five years). In addition, a tax-free lump sum equivalent to four-seventieths of final average salary for every year of beneficial membership in the fund is payable on retirement.

The amounts recognised in the statement of financial position are as follows:

£m	31 March 2013	31 March 2012
Present value of funded obligations	(1,356)	(1,140)
Fair value of plan assets	931	861
Net liability	(425)	(279)
Amounts in the statement of financial position		
Net Liability	(425)	(279)

The amounts recognised in the operating costs statement are as follows:

£m	31 March 2013	31 March 2012
Current Service cost	38	33
Past Service cost	-	-
Interest on obligation	58	57
Expected return on plan assets	(47)	(57)
Total	49	33

The amounts recognised in the Statement of Changes in Taxpayers' Equity are as follows:

£m	31 March 2013	31 March 2012
Gain/(loss) on assets	26	(1)
Experience gain/(loss) on liabilities	(149)	25
Gain/(loss) on change of assumptions	-	(88)
Total gain/(loss)	**(123)**	**(64)**

Changes in the present value of the defined benefit obligation are as follows:

£m	31 March 2013	31 March 2012
Opening defined benefit obligation	1,140	1,034
Current Service cost	38	33
Interest cost	58	57
Experience (gain)/loss on liabilities	(29)	(25)
Actuarial (gain)/loss	149	41
Closing defined benefit obligation	**1,356**	**1,140**

Changes in the fair value of plan assets are as follows:

£m	31 March 2013	31 March 2012
Opening fair value of plan assets	861	853
Expected return	47	56
Gain/(loss) on assets	(30)	(25)
Employer Contributions	27	24
Actuarial gain/(loss)	26	(47)
Closing fair value of plan assets	**931**	**861**

Principal actuarial assumptions at the balance sheet date (expressed as weighted average):

	31 March 2013	31 March 2012
Discount rate at 31 March	4.40%	5.10%
Expected return on plan assets at 31 March	5.47%	6.70%
Future pension increases	3.40%	3.50%
Consumer Price Index	2.40%	2.75%
	2.40%	2.75%

Rate of increase for deferred pensions

Amounts for the current and previous four periods are as follows:

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligation	(1,356)	(1,140)	(1,034)	(1,215)	(863)
Plan assets	931	861	853	789	592
Surplus/(deficit)	(425)	(279)	(181)	(426)	(271)
Experience adjustment on plan liabilities	(1)	25	152	21	24
Experience adjustment on plan assets	(26)	(1)	(5)	(1)	(4)

Sensitivity Analysis

	2012-13	**2011-12**	**Disc rate -0.25%[1]**	**Disc rate +0.25%[1]**
Fair value of plan assets	931.2	861.6	931.2	931.2
Present Value of funded benefit obligation	(1,356.2)	(1,140.7)	(1,431.5)	(1,286.3)
(Deficit) / surplus for funded plans	(425.0)	(279.1)	(500.3)	(355.1)
Projected Expense for 2012-13 (Modelling Limited to Liability Adjustments Only)				
Current service cost	45.1	37.6	49.3	41.3
Interest cost	58.8	58.4	58.6	58.9
Expected return on plan assets	(40.9)	(47.2)	(38.6)	(43.2)
Total pension cost before asset limits	**63.0**	**48.8**	**69.3**	**57.0**

	Inflation rate -0.25%[1]	**Inflation rate +0.25%[1]**	**Assets +10%[1]**	**Assets -10%[1]**	**Life Expectancy -1 yr age rating[1]**
Fair value of plan assets	931	931	1,024	838	931
Present Value of funded benefit obligation	(1,292)	(1,428)	(1,356)	(1,356)	(1,382)
(Deficit) / surplus for funded plans	(361)	(497)	(332)	(518)	(451)
Projected Expense for 2012-13 (Modelling Limited to Liability Adjustments Only)					
Current service cost	42	49	45	45	46
Interest cost	56	62	59	59	60
Expected return on plan assets	(41)	(41)	(45)	(37)	(41)
Total pension cost before asset limits	**57**	**70**	**59**	**67**	**65**

These initial pension expense forecasts are highly sensitive to changes in market conditions and should not be relied upon without further advice.

[1] Sensitivities from Base 31/03/13 (one item changed with all other things held constant)

28.6 British Transport Police Section of the Railways Pension Scheme (RPS)

The Railways Pension Scheme (RPS) was established by the Railways Pension Scheme Order 1994 (SI No 1433). The British Transport Police Shared Cost Section of the Scheme was established on 1 July 2004 by a Deed of Establishment and Participation between the British Transport Police Authority (the 'Participating Employer') and Railways Pension Trustee Company Limited as Trustee of the Scheme (the Trustee).

The RPS provides benefits on a defined benefit "final salary" basis at a pension age of 60. Pension benefits accrue at the rate of one-sixtieth of final average pay less one-fortieth of the final average basic state pension for each year of pensionable service. In addition, a lump sum equivalent to one fortieth of final average pay for every year of pensionable service is payable on retirement.

The fair value of the plan assets at the end of the year was £76.3m (2011-12: £65.4m), and the deficit on the scheme was £49.2m (2011-12 £27.2m).

29. Events after the reporting period

29.1 Non-adjusting Post-Balance Sheet Events

There were no non-adjusting Post-Balance Sheet Events since the year-end.

29.2 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.

Annex A: List of abbreviations

A	
AME	Annually Managed Expenditure
AUC	Assets Under Construction
ATTF	Air Travel Trust Fund
ATOL	Air Travel Organisers' Licensing
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
BSOG	Bus Service Operators Grant
BTPA	British Transport Policy Authority
C	
CD	Communications Directorate
CETV	Cash Equivalent Transfer Value
CFER	Consolidated Fund Extra Receipts
D	
DfT	Department for Transport
DfTc	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 Limited
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency
E	
ECML	East Coast Main Line
ENEM	Executive and Non-Executive Meeting
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
FTE	Full-time equivalent

G

GAC	Group Audit Committee
GAD	Government Actuary's Department
GCDA	Government Car and Despatch Agency
GCS	Government Car Service
GHIA	Group Head of Internal Audit
GLA	Greater London Authority
GLAs	General Lighthouse Authorities
GMPP	Government Major Project Portfolio
GRC	Gross Replacement Cost

H

HA	Highways Agency
HR	Human Resources
HS2	High Speed 2

I

IA	Impact Assessment
IAO	Information Asset Owner
IAS	International Accounting Standard(s)
ICT	Information, Communications and Technology
IEP	Intercity Express Programme
IFRS	International Financial Reporting Standard(s)
IPSAS(B)	International Public Sector Accounting Standards (Board)
IT	Information Technology
ITT	Invitation to Tender

J

JESP	Job Evaluation for Senior Posts

L

LCR	London & Continental Railways Ltd
LSTF	Local Sustainable Transport Fund
LUL	London Underground Limited

M

MCA	Maritime and Coastguard Agency
MoD	Ministry of Defence
MP	Member of Parliament
MPA	Major Projects Authority
MPL	Major Projects and London

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

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
PHSO	Parliamentary and Health Services Ombudsman
PPA	Prior Period Adjustment
PPP	Public Private Partnership

R

RFA	Renewable Fuels Authority
RICS	Royal Institution of Chartered Surveyors
ROCOS	Resource Cost Index of Road Construction
RoSCo	Rolling Stock Company
RPC	Regulatory Policy Committee
RPI	Retail Prices Index
RPS	Railways Pension Scheme

S

SoCNE	Statement of Comprehensive Net Expenditure
SCS	Senior Civil Service
SET	Southeastern Trains
SI	Statutory Instrument
SRN	Strategic Road Network
SRO	Senior Responsible Owner
SRP	Structural Reform Plan

T

tCO_2	tonnes of carbon dioxide
TfL	Transport for London
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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