

Department for Transport Annual Report and Accounts 2011–12

(For the year ended 31 March 2012)

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

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

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This is part of a series of Annual Reports and Accounts which, along with the Main Estimates 2012–13 and the document *Public Expenditure: Statistical Analyses 2012*, present the Government's outturn and planned expenditure for 2012–13.

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Part 1: Annual Report

1: Our aims and objectives

- 1.1** The Government's vision is for a transport system that is an engine for economic growth, and one that is also more sustainable, safer and improves quality of life in our communities.
- 1.2** Our published Business Plan, refreshed annually in May, sets out how we aim to deliver this vision up to 2015, and our structural reform priorities:
- 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, which include transport's contribution to a successful Olympics, development of a Transport Strategy, and measures to promote a transport system that is accessible and socially inclusive.
- 1.3** The work of the Department for Transport is vital to people and businesses up and down the country. Whether by getting staff to work, suppliers to business, or goods to market, an efficient transport network is essential for driving economic growth and is, therefore, key to our long-term prosperity as well as our everyday quality of life. In all our work we look to put the customer at the heart of our thinking.
- 1.4** Our most ambitious project is the delivery of a new high speed railway network that has the potential to transform Britain's economic geography as profoundly as the coming of the original railways. In 2011–12 the Department successfully carried out the preparation needed to start work on High Speed 2 (HS2) and the Secretary of State announced the preferred route for the London to Birmingham phase as the first step towards a national high speed rail network.
- 1.5** Investing in our existing railway network is central to supporting economic growth. We will secure investments where they matter most, delivering growth for the nation and aiming to achieve the best-connected cities in the world. This year the Government published its rail Command Paper *Reforming our Railways: Putting the Customer First*. This set out the Government's vision for the railways, alongside the policies that are needed to realise that

vision. Making life better for customers – both passengers and freight users – is at the heart of our approach. We must also make the railways financially sustainable in the longer term, so they can contribute to the country's economic growth and environmental goals.

- 1.6** We are making big changes at the local level too, because we know how crucial good transport is to improving the quality of life in our communities. In February 2012 we announced £15 million new funding for sustainable travel projects across the country to promote growth and cut carbon emissions. This funding, in addition to the £560 million Local Sustainable Transport Fund announced in January 2011, was heavily geared towards cycling, and encouraged greater use of environmentally friendly transport. In March 2012 we published *A Green Light for Better Buses*, which set out our programme of action to achieve a 'better bus', including reforming the way in which we pay the Bus Service Operators Grant (BSOG).
- 1.7** We want our roads to become safer, less congested and less polluted. We have already taken steps to ensure the necessary infrastructure is in place to support the adoption of low-emission transport and we will continue to invest in smart and sustainable transport that harnesses technology and innovation to adapt to the future.
- 1.8** The Civil Aviation Bill, which entered Parliament in January 2012, sets out the Government's plans for modernising key elements of the regulatory framework for civil aviation in the United Kingdom. We want to secure a sustainable future for aviation, which will ensure that the UK maintains its hub connectivity, is well placed to compete internationally and that the passenger interest is firmly at the heart of the new regulatory system in order to create the right incentives for investment in the improvements that customers want.
- 1.9** This report summarises the Department's progress in implementing this challenging agenda during 2011–12. It comprises the following sections:

Part 1:

- **Chapter 2** reviews the Department's performance over the year, setting out progress against the Structural Reform Plan and the DfT Business Plan indicators, and highlighting the Department's key achievements.
- **Chapter 3** outlines the way the Department is organised and how it interacts with its agencies and non-departmental public bodies (NDPBs).
- **Chapter 4** covers progress on Better Regulation, performance in responding to correspondence from the public, and complaints to the Parliamentary Ombudsman.
- **Chapter 5** includes details on pay, recruitment practice, talent development, health and safety and publicity, advertising and sponsorship.
- **Chapter 6** sets out the Department's activities in relation to climate change, sustainable development and rural proofing.
- **Chapter 7** comprises core tables which look at the Department's spending.

Part 2:

- Part 2 lays out the Departmental Accounts for the 2011–12 financial year, which includes the Department's Governance Statement.

2: Measurement of performance and progress

- 2.1** This chapter reviews DfT's performance and progress during the period 1 April 2011 to 31 March 2012. More detailed information on the performance of DfT's agencies and NDPBs is set out in the individual annual reports of each organisation.

Key achievements

- 2.2** During 2011–12 a number of significant steps have been taken to deliver on the transport elements of the Coalition's programme for Government. Key achievements include:

Rail:

- following one of the largest consultations conducted by the Department, taking the decision to go ahead with HS2 and publishing the proposed route from London to the West Midlands;
- publishing the McNulty Value for Money study on the UK railway, and developing the Government's strategy to deliver significant efficiency savings – set out in the Government's Command Paper *Reforming our Railways: Putting the Customer First*;
- making significant progress on the programme of rail franchise re-letting, including award of the Greater Anglia short franchise, and issue of the Invitation to Tender for the West Coast franchise; and
- announcing the Thameslink rolling stock preferred bidder.

Local Transport:

- giving the go-ahead to, and contributing funding for, 42 major local transport schemes, plus announcing the first round of successful Local Sustainable Transport Fund schemes (39 small projects); and
- setting out the way forward for the BSOG and responding to the Competition Commission report on the bus market.

Road Investment:

- commissioning and reporting on an independent review, led by Alan Cook, of how best to achieve the Government's objectives for operating, maintaining and enhancing the strategic road network (and responding in May 2012);
- publishing the investment programme for the strategic road network;

- developing a strategy to support the uptake of plug-in vehicles by promoting the installation of recharging infrastructure, and extending the Plug-in Car Grant to plug-in vans;
- bringing in legislation to introduce measures on local traffic congestion (including lane rental schemes), road safety, and mandatory sustainability standards for Biofuels; and
- setting out, in the transport chapter of the Government's Carbon Plan, a vision for the long-term decarbonisation of the transport sector together with an explanation of how this goal will be delivered.

Aviation:

- including aviation within the EU Emissions Trading Scheme; and
- introducing the Civil Aviation Bill into Parliament, which sets out the Government's plans for modernising key elements of the regulatory framework for civil aviation in the UK.

Coastguard and Search and Rescue:

- announcing a new model for modernising the Coastguard; and
- awarding a four-year service contract for Search and Rescue Helicopters, and procurement under way for long-term provision.

The Department's other priorities:

- continuing work to deliver the Department's commitments on transport for the Olympics, including key infrastructure projects such as the opening of Kings Cross Western Concourse, and the implementation of an Olympic Route Network;
- launching a consultation on a DVLA transformation programme to centralise services at its Swansea offices and to deliver those services electronically;
- cutting motoring red tape by announcing the removal of a number of regulations administered by the motoring agencies (described in Chapter 4); and
- extending the Driving Standards Agency's trial of delivering practical driving tests from other venues such as local authority buildings, hotels or leisure centres.

Progress against Structural Reform Plan commitments

- 2.3** The Structural Reform Plan (SRP) (section C of the 2011 DfT Business Plan)¹ sets out the Department's key commitments and activities for the period 2011–2015, with start and end dates for specific actions.
- 2.4** The 2011–12 period contained a wide-ranging and challenging set of SRP commitments for the Department, with 42 actions due to be completed within the year.
- 2.5** 57% of actions were completed on time or early, over 70% were completed within one month, and 81% within two months, of the original deadline. Significant progress was made on the Department's priorities – many are listed in the Key Achievements section. Late completion of actions arose for a variety of reasons including external factors such

¹ The DfT Business Plan, containing the SRP commitments in Section C of the 2011 Business Plan, and Section B of the 2012 Business Plan, can be accessed at: www.dft.gov.uk/publications/dft-business-plan/. It was updated and republished in May 2012.

as market conditions, which delayed financial close on the Intercity Express Programme procurement; under-estimation of time required for policy development and regulatory clearance, for example on Dartford crossing free-flow tolling proposals; and pressure on Parliamentary time in the case of HGV road user charging.

- 2.6** Reports on progress in delivering SRP commitments, are set out in full on the DfT website as part of the SRP monthly reporting cycle.²

Quarterly Data Summary

- 2.7** The Quarterly Data Summary (QDS) is a key feature of the Government's Transparency agenda. Its primary purpose is to allow members of the public to judge the performance of each government department in a meaningful manner, and it is also reviewed by the DfT Board to help drive internal performance. The QDS comprises three main sections: Spending, Results and People. QDSs have been published on the Department's website since July 2011, and the data in Tables 2.1–2.3 are the annual figures for 2011–12, or the most recent available time period, accompanied by some explanatory text.
- 2.8** The latest QDS and its Measurement Annex, which contains definitions, data sources and scope information, can be accessed at: www.dft.gov.uk/publications/business-plan-qds.

² Monthly SRP progress reports for 2011-12 can be accessed at: www.dft.gov.uk/publications/dft-business-plan/. From June 2012 monthly SRP progress will be available at: <http://transparency.number10.gov.uk/business-plan/11>

Table 2.1: Quarterly Data Summary spending data 2011–12

SPENDING					
Budget		£million		2011–12	2010–11
		2011–12	2010–11		
Total Departmental Expenditure Limit (DEL)		See Core Table 1, and note 6			
of which Resource DEL (excl. Depreciation)					
Up to top 5 contributory elements	A: Transport for London Grant				
	B: Bus Service Operator Grants				
	C: HA Making Better Use of the Network				
	D: HA Maintenance				
	E: HA Traffic Management				
Purchase of goods and services within Resource DEL					
Payroll within Resource DEL					
Grants within Resource DEL					
of which Capital DEL					
Up to top 5 contributory elements	A: Network Rail				
	B: HA Capital Programmes				
	C: Local Authority Road Maintenance				
	D: Crossrail				
	E: Metronet Grant				
Total Annually Managed Expenditure (AME)					
Up to top 5 contributory elements	A: HA Costs of Investment/Depreciation & Impairments				
	B: Human Resources Programme Expenditure				
	C: London & Continental Railways				
	D: Rail Pensions				
	E: Channel Tunnel Rail Link				
Financial Indicators		2011–12	2010–11		
Accuracy of Cash Forecasting (+/- %)		5.17	4.25		
Working Capital Forecast (% variance of Actual v Forecast)		See note 2			
Net Book Value (% variance of Actual v Forecast)		See note 2			
Common Areas of Spend				2011–12	2010–11
Estate Costs	Total office estate (m ²)			See note 2	139,142
	Total cost of office estate (£million)			See note 2	61.00
	Cost per FTE (£)			See note 2	5,418.00
	Cost per m ² (£)			See note 2	438.00
Procurement	Total Procurement Spend (£million)	2,657.94	3,214.75		
	Price of standard box of A4 white copier paper (£/2500 sheets)	11.60	12.29		
	Average price of energy (£/KWH)	0.086	0.083		
IT	Total 3rd Party ICT Cost (£million)	383.61	413.40		
	Cost of desktop provision per FTE (£)	588.81	730.43		
Corporate Service Cost	Human Resources (£million)	19.14	22.95		
	Finance (£million)	28.90	32.02		
	Procurement (£million)	10.18	11.05		
	Legal (£million)	20.08	20.88		
Fraud, Error, Debt	Communications (£million)	20.87	23.66		
	Total Identified Fraud (£million)	0.39	0.21		
	Total known Errors (£million)	1.38	0.58		
	Total Debt (£million)	0.40	0.11		
Voluntary and community sector (VCS)/ Small and medium enterprises (SME)	Debtor Days	145.00	See note 2		
	Procurement spend with SME (£million)	81.19	77.29		
	Procurement spend with VCS (£million)	4.22	4.98		
Grants to VCS (£million)				See note 2	
Major Projects (Top 5)					Whole life cost
Project A: High Speed 2 (£million)					32,700
Project B: Crossrail (£million)					14,500
Project C: Intercity Express Programme (£million)					4,500
Project D: Thameslink (£million)					4,010
Project E: Managed Motorways (£million)					1,395
£m whole life cost of ALL major projects					68,979

Notes:

- 1 The accuracy of cash forecasting was marginally outside the 5% target due to issues such as the difficulty in forecasting accurately the timing of payments associated with new measures announced in the Autumn Statement.
- 2 For information on the data sets not populated, please see the measurement annex of the published Quarterly Data Summaries (<http://www.dft.gov.uk/publications/business-plan-qds>). The results of the Annual Property Benchmarking exercise, used to produce the Estates data, are expected to be available in October 2012.
- 3 The Fraud, Error and Debt figures relate to transactions of widely varying sizes and many of the errors identified in 2011–12 in fact relate to earlier years. It is therefore not possible to draw conclusions from the change in these figures between these periods. Annex B of the Quarterly Data Summaries, published on the DfT's website under the Transparency section, explains the methodology used to calculate these figures. The DfT's approach to preventing and tackling fraud and error is described in more detail within the Governance Statement in this Report.
- 4 The calculation for debtor days can be viewed in the Common Areas of Spend (Fraud, Error & Debt) definition document: (<https://update.cabinetoffice.gov.uk/sites/default/files/resources/Fraud-Error-Debt-CAS-Draft-Definition-v1.pdf>). In line with QDS guidance, this equation is in relation to fraud and error only. No significance should be attributed to the high figure reported here as the debtor days figure has risen due to discrepancies identified in the closing days of the financial year which were resolved at the start of the new financial year. This derivation of debtor days is in contrast to the more standard definition where the calculation would apply to an organisation's sales ledger. In this case, a reasonably stable pattern and high volume of payments would mean that an analysis of debtor days is likely to be more statistically meaningful.
- 5 The published figures for 2010–11 in the July 2011 QDS are not directly comparable with the 2010–11 figures displayed above due to differences in both the methodology and scope.
- 6 For data on the specific top 5 contributory elements for Resource and Capital DEL and AME please see the Quarterly Data Summaries published on the DfT website.
- 7 The 2011–12 figure for the Average price of energy is the quarter 3 figure published in the April QDS. Quarter 4 data, and therefore annual data for 2011–12, is not yet available.

Table 2.2: Quarterly Data Summary results data 2011–12

RESULTS			
Input Indicators	Current	Previous	Indicative 2011–12 data publication dates
1 Rail subsidy per passenger mile (pence, current = 2010–11, previous = 2009–10)	8.1	11.4	August 2012
2 Bus subsidy per passenger journey (pence, current = 2010–11, previous = 2009–10)	9.1	9.6	October 2012
3 Cost of maintaining the Highways Agency's motorway and A road network per lane mile (£, current = 2011–12, previous = 2010–11)	43,000	41,000	
4 Cost of operating the Highways Agency's motorway and A road network per vehicle mile (pence, current = 2011–12, previous = 2010–11)	0.3	0.3	
5 Cost of running the rail network (£ billion, current = 2010–11, previous = 2009–10)	11.0 ¹	11.4	Expected early 2013
6 Percentage of DfT's approved project spending that is assessed as high or very high value for money (% , current = 2011, previous = 2010) ²	100	79 ³	
Impact Indicators⁴	Current	Previous	
1 Reliability of journeys on the Highways Agency's motorway and A road network (% , current = 2011–12, previous = 2010–11) ⁵	83.9	81.4	
2 Proportion of trains running on time (% , current = 2011–12, previous = 2010–11)	91.5 ⁶	90.8	
3 Proportion of bus services running on time (% , current = 2010–11, previous = 2009–10)	81.4	79.8	October 2012
4 Proportion of urban trips under 5 miles taken by: (i) walking or cycling (ii) public transport (% , current = 2010, previous = 2009)	(i) 35; (ii) 10	(i) 37; (ii) 10	November 2012 ⁷
5 Total greenhouse gas emissions from transport (MtCO ₂ e, current = 2010, previous = 2009)	162.5	165.6	February 2013 ⁷
6 Annual road fatalities (current = 2011, previous = 2010)	1901	1850	
7 Households with good transport access to key services or work (index, current = 2010, previous = 2009) ⁹	100	104 ⁸	July 2012 ⁷
8 Number of newly registered Ultra Low Emission Vehicles (current = 2011–12 previous = 2010–11)	2039	1669	
Other Data Sets	Current	Previous	
1 Average new car CO ₂ emissions (g/km, current = 2011–12, previous = 2010–11)	135.9	142.2	
2 Rail passenger miles (billion; current = 2011–12, previous = 2010–11)	35.4	33.6	
3 Bus passenger journeys, England (billion, current = 2010–11, previous = 2009–10)	4.6	4.6	October 2012

Notes

- 1 In January 2012, ORR published for the first time an estimate of total industry expenditure of £11.0 billion for 2010–11. The previous estimate, for 2009–10, was taken from the McNulty review, and amounted to £11.4 billion. However, there are differences in their respective approaches and it is these differences that explain the apparent decrease. DfT officials estimate that the cost of running the rail network remains broadly flat after taking these methodological differences into account.
- 2 This indicator covers 'approved spending' of schemes that ministers have given final approval to within the period indicated. A break down of schemes covered in 2011 will be published on DfT's website in July 2012.
- 3 This figure includes projects approved in the previous administration and therefore a year on year comparison will only be made when data is available for two consecutive years of the current administration.
- 4 All impact indicators are official statistics and their release arrangements are therefore governed by a statutory Code of Practice. One of the requirements of which is that all statistics producers commit to a timetable of release dates. The latest timetable for DfT can be accessed at: www.dft.gov.uk/statistics/forthcoming-ts-publications/. 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.
- 5 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.
- 6 The annual proportion of trains running on time indicator reported here is the aggregate official statistic, however, periodic data is also published on the DfT website each month as an indicator. A period is normally 28 days long and there are thirteen in a year, this is the rail industry's standard reporting measure.
- 7 For these indicators 2011 calendar year data is expected to be published in the months shown.
- 8 Changes from pre-2010 data may not fully reflect changes in accessibility, due to recent alterations in the collection and processing of data.
- 9 This indicator relates the car ownership rate to the average public transport time to seven key services. The indicator is indexed (as a score of 100) to the England average for 2010.

Table 2.3: Quarterly Data Summary people data 2011–12

PEOPLE			
Whole Department Family – Workforce Size		Year ended 31 Mar 2012	Year ended 31 Mar 2011
Payroll Staff	Department and Agencies	See core table 5	
	Non-departmental public bodies		
	Department Family		
Average Staff Costs (£) ¹		37,267	38,913
Contingent Labour	Department and Agencies	See core table 5	
	Non-departmental public bodies		
	Department Family		
Department and Agencies Only		Year ended 31 Mar 2012	Year ended 31 Mar 2011
Workforce Shape (%)	Administrative Assistants and Administrative Officers	45	45
	Executive Officers	26	25
	Higher and Senior Executive Officers	21	22
	Grade 7/6	7	7
	Senior Civil Servants	1	1
	Part Time ²	17	16
Workforce Dynamics	Recruitment Exceptions ³	442	323
	Annual Turnover Rate (%)	7.3	9.9
Workforce Diversity (%)	Black and Minority Ethnic	7.9	5.4
	Women	42.1	41.7
	Disabled	11.0	9.0
Workforce Diversity (Senior Civil Servants only) (%)	Black and Minority Ethnic	2.8	2.9
	Women	25.9	27.6
	Women (Top Management Posts)	24.1	25.0
	Disabled	3.3	2.9
Attendance (AWDL)	Actual	7.7 ⁴	7.7
	Standardised	7.6 ⁴	8.0
Department only; People Survey Metrics		2011 survey	2010 survey
Engagement Index (%)		52	50
Theme scores (%)	Leadership and Managing Change	43	37
	My Work	75	74
	My Line Manager	67	65
	Organisational Objectives & Purpose	76	66

Notes:

- These figures do not align with those reported in Note 7 to the accounts due to a difference in organisational scope. These figures include DSA and VOSA, which are not within the Departmental Accounting boundary.
- The Part Time figures are not included in the other percentage totals for the workforce shape.
- The number of recruitment exceptions is the number of approved external recruitments for front-line and business critical roles. Recruitment exceptions increased in 2011–12 compared with 2010–11 due to a relaxation of the recruitment freeze for front-line staff in June 2011.
- These figures are the position as at 31 December 2011. The figures at 31 March 2012 will be published in the July QDS.

Spending

- 2.9** This section of the QDS sets out the high-level budget data for the Department (annualised data is already contained in the Core Tables of the Annual Report, so is not duplicated in Table 2.1), along with details of common areas of spend such as Procurement and IT, major projects and some financial indicators relating to performance on financial management.
- 2.10** Table 2.1 sets out the 2011–12 data for each field (or the latest available data where 2011–12 is not available) along with the previous comparable figure.
- 2.11** The data on common areas of spend shows that the Department is reducing its administration costs, as a result of the measures identified at the Spending Review 2010.
- 2.12** Spending with Small and Medium-sized Enterprises (SMEs) has increased as a result of improving capability to identify expenditure and a focus on providing opportunities for SME spending. The proportion of Voluntary and Community Sector (VCS) spend to overall DfT spend increased slightly within the context of a reducing spending envelope generally between 2010–11 and 2011–12.
- 2.13** The whole life costs of DfT's major projects reflect the significant investment being put into transport infrastructure, as an important driver of economic growth, over this and future decades.

Results

- 2.14** This section sets out the Department's input and impact indicators and other data sets, as outlined in the Department's Business Plan. The input indicators show the cost to the Government of delivering certain products (e.g. rail subsidy per passenger mile) and services. The impact indicators show the performance or output of public services (e.g. proportion of trains running on time).
- 2.15** 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.
- 2.16** Table 2.2 sets out the 2011–12 data for each indicator (or the latest available data where 2011–12 is not available) and the previous comparable figure. Where 2011–12 data is not available expected publication dates have been provided. Some explanatory text on context and trends in data is included below. There is also further information on each indicator, including a technical note, available on the Business Plan indicator pages of the DfT website.³

Input indicators

- As set out in Table 2.2, rail and bus subsidy data is not yet available for 2011–12. Both rail and bus subsidy decreased between 2009–10 and 2010–11. One factor contributing to the bus subsidy decrease is the current link between the Bus Service Operators Grant (BSOG) and fuel consumption. Total bus mileage remained relatively unchanged from 2009–10 to 2010–11 and therefore the decrease in subsidy can be attributed to an

³ www.dft.gov.uk/publications/business-indicators

improvement in bus fuel efficiency. The fall in per passenger subsidy for rail is largely driven by extant franchise agreements, and the change in the premium/subsidy balance in those agreements from 2009–10 to 2010–11.

- In 2011–12 the cost of maintaining the Highways Agency’s motorway and A road network per lane mile increased by an additional 5% compared with 2010–11. This additional activity and associated costs had been planned and budgeted for in the 2010 Spending Review. The main elements of the increase were the step increase in the M25 PFI Service Payments and increased capital renewals. Expenditure on maintenance, particularly in relation to capital renewals, reflects the varying demands of maintenance activity which is not necessarily comparable year-on-year.
- Value for money measures the expected benefits to 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 2011 100% of the projects approved represented at least ‘high value for money’ for the taxpayer. Of this, 63% of projects approved were considered high value for money (a benefit of £2–4 for each £1 spent) and 37% were assessed as very high value for money (a benefit of more than £4 per pound spent).

Impact indicators

- The reliability of journeys on the Highways Agency’s motorway and A road network increased by 2.5 percentage points from 2010–11, when 81.4% of journeys were ‘on time’, to 83.9% of journeys ‘on time’ in 2011–12. The relatively mild weather conditions during 2011–12, compared to 2010–11, will have contributed to this increase. In addition, the Highways Agency’s major road improvements programme, ongoing smaller schemes and traffic management activities will all have contributed to improved journey reliability on the Highways Agency’s network.
- The proportion of trains running on time, which combines figures for punctuality and reliability into a single performance measure, fell from 91.5% in 2009–10 to 90.8% in 2010–11 for all franchised operators. This was largely due to bad weather during the year. In 2011–12 franchised operators’ performance overall has risen to reach 91.5% again.
- The proportion of bus services running on time in England increased to 81.4% in 2010–11. The figures for earlier years have been steady, between 79.4% in 2006–07 and 79.8% in 2009–10.
- Total greenhouse gas emissions from transport include those from domestic transport as well as international shipping and aviation. From 2009 to 2010 transport emissions decreased by 2% from 165.6 to 162.5 million tonnes of carbon dioxide equivalents and formed about a quarter of total UK greenhouse gas emissions. Longer term, they increased by 22% from 1990 to 2007, and then decreased by 9% to 2010. In 2010, 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.
- The proportion of urban trips taken by walking has decreased slightly from 2009 to 2010; 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 2011 are due for publication in November 2012.

- The number of road fatalities is derived from collection of data on personal injury road accidents reported to the police. In 2011, 1,901 people were killed, 3% (51) greater than in 2010. The number of fatalities increased for pedestrians, and car occupants, by 12% and 6% respectively, but decreased for pedal cyclists and motorcyclists, by 4% and 10% respectively. Over the same period motor vehicle traffic remained broadly stable. Compared with the 2005-9 average, the number killed in 2011 was 32% lower.
- The year 2011 saw the first annual increase in road fatalities since 2003, but this year's 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.
- The number of ultra-low emission vehicles (ULEVs)⁴ registered for the first time increased by almost 22% between 2010-11 and 2011-12. This is mainly because of the introduction of the Plug-in Car Grant in January 2011. Up to 31 March 2012, 1,276 claims were made through the Plug-in Car Grant scheme. However, this number is still relatively low in comparison with overall new car registrations. This is because technologies are still new and there are only a limited number of plug-in car models available in the marketplace. An increasing number of ULEV models will be available to buy in the coming months. Nevertheless, the number of new ultra-low emission cars registered increased significantly in 2011-12 from earlier years. A grant to help businesses and individuals purchase plug-in vans started at the end of February 2012 and is expected to increase sales of plug-in vans in the coming quarters.

Other data

- Average new car emissions have dropped significantly since 2001 which was when Vehicle Excise Duty for cars was tied to CO₂ emissions. Lower CO₂ emissions lead to less pollution and lower VED rates for the driver. The average CO₂ emissions from new cars has fallen more quickly in recent years than it did early in the 2000s. This is partially due to vehicle keepers wanting to reduce motoring costs, but also because of improvements and advances manufacturers have made to their vehicles. In addition, the European Commission has set targets for manufacturers to reduce the average emissions from their new car fleets. It is likely, therefore, that this trend will continue in the foreseeable future.
- 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 the last year to reach a total of 35.4 billion.

People

- 2.17** This section sets out information on the Department's workforce in terms of its size, composition (including diversity), attendance, and staff survey results.
- 2.18** Table 2.3 sets out the data for each field as at 31 March 2012 along with the previous comparable figure. In the year ending 31 March 2012 workforce diversity improved in grades covering almost 99% of staff in the core department and agencies.

⁴ ULEVs have tail-pipe emissions under 75 g/km, which includes vehicles with pure electric powertrains.

- 2.19** A total of 88% of people in the core department took part in the 2011 Civil Service People Survey. This is an increase of 8% on the previous year. Altogether, answers to 21 questions improved by 5% or more, compared with seven which had declined by a similar margin.
- 2.20** The Department has a good record of acting on feedback, and improving perceptions on how it is managing change. Since the survey, DfT has put in place a number of measures to address those areas they need to focus on in the light of the results.
- 2.21** Workforce size is shown in the associated Core Table 5, which shows that the number of staff on payroll across the Department and its agencies has fallen by almost 1,500 since March 2010, a reduction of 8%. In the same period, the number of agency staff, interim managers, specialist contractors and consultants (non-payroll staff) has fallen by 386, a reduction of over 70%.

Other information

- 2.22** 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.
- 2.23** The May 2011 Business Plan also includes a section on Other Data,⁵ which provides links to key data sets and statistical releases published by the Department.

⁵ Page 28–29 of the DfT Business Plan: www.dft.gov.uk/publications/dft-business-plan-2011-2015/

3: How we are organised

DfT team

- 3.1** The DfT family of organisations is made up of the core Department, five executive agencies, two trading funds, and 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.
- 3.2** Our organisation structure charts (organograms) can be found at: www.dft.gov.uk/publications/organisation-charts/. For information about the DfT Board please see paragraphs 12–25 of the Governance Statement.

Organisational groups

- 3.3** The core Department for Transport is organised into four Director General groups, plus the General Counsel's Office and the Private Offices. The groups are:
- **International, Strategy and Environment**
The Group's responsibilities include international aspects of the Department's work, including aviation and maritime policy, development of the Department's overarching policy framework, transport security and safety, and leading the drive to decarbonise transport and manage and minimise transport's impact on the environment.
 - **Domestic**
The Domestic Group covers key activities like the Government's preparatory work on High Speed 2; the Government's response to the recommendations proposed by Sir Roy McNulty and subsequent proposals for the reform of the rail industry; the development of policy in relation to roads (including the independent review of the strategic road network carried out by Alan Cook), traffic, road safety, bus travel and logistics and the Department's relationship with local government and its contribution to the Government's localism and Big Society agendas.
 - **Major Projects and London**
The Group leads for the Department on the sponsorship of major rail and road projects including Crossrail, Thameslink and the Intercity Express Programme, as well as all Network Rail enhancement projects (electrification, Great Western Upgrade, Tram Train projects and Railways for All) and all the projects in the Highways Agency programme. The Group leads on the rail commercial and franchising programmes, commercial and technical services for the Department, Transport for London sponsorship and supporting Olympics delivery.

- **Corporate**

The Group incorporates a diverse range of functions from HR and Finance to Communications and IT. Its aim is to strengthen the Department's capability to achieve results by delivering efficient and effective communications, systems and processes that enable people to do their jobs well. 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.

- **General Counsel's Office and the Private Offices**

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 Private Offices provide support and assistance to Ministers and the Permanent Secretary.

Executive agencies and trading funds

3.4 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)

3.5 The Agency's key purpose is to keep complete, 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 to the delivery of the Government's e-services agenda.

Highways Agency (HA)

3.6 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 one-third of all traffic.⁶ 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.

Maritime and Coastguard Agency (MCA)

3.7 MCA delivers and implements the Government's maritime safety strategy. The Agency co-ordinates search and rescue at sea through Her Majesty's Coastguard, and checks that ships meet UK and international safety 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. In 2011–12 the MCA completed two rounds of extensive public consultation about the modernisation of HM Coastguard, leading to an announcement of final decisions on 22 November 2011.

⁶ 2% is by length; one-third is by mileage.

Government Car and Despatch Agency (GCDA)

- 3.8** The GCDA provides secure transport to Ministers and senior officials in government, and has also provided secure distribution of official documents. In February 2012 a programme of efficiency and reform of the GCDA was announced, including the planned closure of the Government mail despatch service by the end of 2012. All Government mail operations will have stopped by 13 July 2012. In May 2012 the Department announced that it would also end the GCDA's agency status and integrate it into the central Department by the end of 2012.

Vehicle Certification Agency (VCA)

- 3.9** 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)

- 3.10** 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)

- 3.11** VOSA provides a range of licensing, testing and enforcement services with the aim of improving the roadworthiness standards of vehicles, ensuring the compliance of operators and drivers, and supporting the independent Traffic Commissioners.

Non-departmental public bodies

- 3.12** NDPBs do not form an integral part of the Department and carry out their work at arm's length from Ministers. However, Ministers are responsible to Parliament for the NDPBs' activities through the sponsorship arrangements that have been formally established.
- 3.13** Following the public bodies review in autumn 2010,⁷ the Public Bodies Act achieved Royal Assent in December 2011. The Department is developing specific proposals to abolish three statutory bodies – the Railway Heritage Committee, the Disabled Persons' Transport Advisory Committee, and British Railways Board (Residuary) Ltd – for consideration by Parliament later in 2012–13. You can find more information on all the organisations listed below on the Department's website. This includes details about their remit, work and funding.
- 3.14** From autumn 2012, the Cabinet Office will produce a comprehensive annual Public Bodies directory providing details of NDPBs and similar public bodies. This information will be published on the Cabinet Office website: www.cabinetoffice.gov.uk.

⁷ See the DfT press release at: www.dft.gov.uk/news/press-releases/dft-press-2010-1014/

Executive NDPBs

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

- 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

Advisory NDPBs

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

- Disabled Persons' Transport Advisory Committee (DPTAC), <http://dptac.independent.gov.uk/>

Tribunals

3.17 Tribunals operate with jurisdiction in a specialised field of the law, independently of Government. DfT has one Tribunal body, the Traffic Commissioners and Licensing Authorities.

Public corporations

3.18 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. They include the Civil Aviation Authority, Trust Ports, General Lighthouse Fund bodies and the British Rail Board (Residuary) Ltd. For a full list see Note 25 to the accounts.

Other central government entities

3.19 Other central government entities relating to DfT's activities that are within the Departmental Accounting boundary are London and Continental Railways Limited, Channel Tunnel Section 1 Finance PLC and London and Continental Railways Finance PLC.

Other organisations

3.20 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 see Note 25 to the accounts.

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. Red tape has become a problem that the Government is determined to tackle to encourage sustainable economic growth and increase personal freedom and fairness. The Government will, therefore, regulate to achieve its policy objectives only where that is strictly necessary and will ensure the burden from necessary regulation is minimised.
- 4.3** The Department is committed to this agenda and 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

- 4.4** 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').
- 4.5** Owing to its robust challenge process and governance structure, DfT introduced only two 'Ins' with a cost to business over the year. It introduced three 'Outs', as well as six measures with a zero net cost on business.

Red Tape Challenge

- 4.6** In May 2011 DfT launched the Road Transportation theme of the Red Tape Challenge. Following a detailed process of challenge, stakeholder discussion and public feedback, the Secretary of State announced the results in December 2011.

- 4.7** Of 376 live regulations from the Road Transportation theme, DfT proposed to scrap, merge, simplify, amend or improve 142 – well over a third. Among the measures DfT is pursuing are:
- scrapping the regulation requiring motorists to hold a paper counterpart to their driving licence by 2015, saving drivers up to £8 million;
 - improving the regulation surrounding the notification process for vehicles that are not in use on the road (Statutory Off Road Notification or SORN). Once drivers have notified the DVLA that their vehicle is off road, they will no longer have the burden of annual SORN renewal; and
 - issuing hard-copies of V5C vehicle registration certificates for fleet operators only when needed (with the potential to offer the same to private motorists).
- 4.8** The outcome of the Road Transportation theme is detailed at: www.dft.gov.uk/news/statements/greening-20111215a/. Overall this represents an ambitious programme of deregulation, some elements of which will represent a major shift in the way the Department does business.
- 4.9** On 10 November 2011 the Maritime and Rail themes were launched and have undergone the same process. We are currently finalising our deregulatory options from these themes and will be announcing them in due course.
- 4.10** The Aviation theme is due to follow in June 2012 and preparations for this are well under way.

Sunseting regulations

- 4.11** The Government's policy requires new legislation to include appropriate sunset and review clauses. Sunset clauses mean that regulations will expire automatically on a certain date unless positive action is taken to renew them. These are required for new domestic legislation that imposes a regulatory burden on businesses or civil society organisations. Review clauses impose a duty to review and are required for a broader range of regulation, including new regulations implementing EU obligations. This policy will help ensure that the effect of regulation is reviewed on a regular basis, and that regulation is removed where it is no longer needed, where it is ineffective, or where it imposes disproportionate burdens.
- 4.12** DfT has applied the Sunseting Regulations guidance to all legislation developed over the year. Allowing time for new regulations to come into force and embed means no statutory reviews have yet been carried out or are due imminently. Over 30 reviews are planned in the coming years for regulations made during 2011. Reviews for regulation of European origin, such as the Port Security Regulations, will align with European Commission reviews as far as possible.

Regulatory Policy Committee (RPC)

- 4.13** The Regulatory Policy Committee (RPC) is an independent committee tasked with providing scrutiny of the evidence and analysis supporting proposed regulatory measures put forward by Government.
- 4.14** Between April 2011 and March 2012 DfT received 105 opinions from the RPC,⁸ all of which were rated according to the Red-Amber-Green system:
- 18 reds (17%);
 - 41 ambers (39%); and
 - 46 greens (44%).
- 4.15** Impact Assessments (IAs) receiving red opinions are generally revised and resubmitted. Of those IAs receiving red ratings during 2011–12, over 70% received fit for purpose opinions after being revised and resubmitted.
- 4.16** The RPC's latest report⁹ shows that DfT's performance was slightly above average for Government and noted that there had been a marked improvement in the quality of DfT's Impact Assessments during 2011.

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** For example, the Maritime and Coastguard Agency (MCA) has taken an alternative approach to promoting greater safety in the shipping industry, where two ships are lost and \$4 million is paid out globally in claims every day. *The Human Element: a guide to human behaviour in the shipping industry*¹⁰ is a practical tool developed by an MCA-led consortium working with industry partners. It explains the eight fundamental aspects of human behaviour which together constitute 'the human element' and offers insight, explanation and advice to help manage this more effectively, more safely and more profitably. At the heart of this approach is information and education on how human behaviour can best be managed to deliver greater safety, efficiency and profitability. This complements existing command and control regulation, and provides a means of moving towards sustainable self-regulation over time.

EU regulations

- 4.19** DfT has put in place a robust governance system to oversee implementation of its reducing regulation agenda. Engagement within Europe and internationally is vital, because over half of DfT's regulatory proposals are generally EU or internationally derived.

⁸ 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.

⁹ <http://regulatorypolicycommittee.independent.gov.uk/wp-content/uploads/2012/03/RPC-REPORT-IMPROVING-REGULATION-March-2012-FINAL.pdf>

¹⁰ www.dft.gov.uk/mca/the_human_element_a_guide_to_human_behaviour_in_the_shipping_industry

- 4.20** The Department has adopted a proactive stance to engaging with our European partners to build alliances on the Better Regulation agenda and has continued to engage effectively with the European Commission.
- 4.21** The Department applies an evidence-based approach and better regulation principles in shaping EU legislation. For example, with a cross-Whitehall team the Department led a two-year negotiation to persuade the EU to allow specific fleet-average CO₂ emissions targets based directly on the CO₂ reduction capability of the product range of small-volume producers. This ensured they did not face a disproportionate share of the regulatory burden, while still committing them to a considerable reduction in emissions.
- 4.22** The Department also aims to implement EU-derived legislation in the least burdensome way, avoiding ‘gold-plating’. For example, in implementing a directive on harmonising the European railway system,¹¹ the Department applied Better Regulation principles by excluding as much of the UK rail system from the regulations as the Directive allowed. The Department also took actions to provide clarity to business on the scope of the requirements, for example, by publishing a list of excluded rail lines.
- 4.23** DfT has also established an internal challenge process to test the regulatory impacts of proposed new legislation at an early stage. This will help establish the engagement priorities for DfT, ensuring resources are focused to try and minimise potential burdens.

Complaints to the Parliamentary and Health Services Ombudsman

- 4.24** 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 have their own complaints procedures and direct links to each procedure can be found on the Department’s website and on each of the agency websites.
- 4.25** In 2010–11 no complaints relating to the Department were accepted for investigation or reported on by the Parliamentary Ombudsman.
- 4.26** This information is taken from the 2010–11 annual report published by the Parliamentary and Health Service Ombudsman. It is the most recent report available and can be found at www.ombudsman.org.uk/__data/assets/pdf_file/0020/9722/Annual-Report-print.pdf. Statistics relating to complaints to the Parliamentary and Health services Ombudsman feature in the statistical appendix from page 39.
- 4.27** The Ombudsman’s 2011–12 annual report is expected to be published later in the summer, which will contain this year’s figures. Please visit their website for more information: www.ombudsman.org.uk/about-us/publications/annual-reports.

¹¹ Interoperability Directive 2008/57.

Performance in responding to correspondence from the public

- 4.28** In 2011–12 the Department responded to 87% of correspondence from members of the public within 20 working days. Our aim is to respond to 80% of cases within 20 working days.
- 4.29** Treat 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.
- 4.30** This correspondence is referred to officials in the relevant policy team or executive agency to reply direct to the writer.
- 4.31** The percentage of Treat Official correspondence answered within 20 working days is broken down by month in Table 4.1.

Table 4.1: Percentage of Treat Official correspondence answered within 20 working days

Percentage of Treat Official correspondence answered within 20 working days (target 80%)					
Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011
84%	89%	78%	83%	88%	87%
Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012
89%	89%	92%	86%	86%	94%
Full year total: 87%					

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 are set out in the Remuneration Report.

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 2012, 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	8	£110,000–£114,999	4
£60,000–£64,999	19	£115,000–£119,999	4
£65,000–£69,999	21	£120,000–£124,999	3
£70,000–£74,999	17	£125,000–£129,999	4
£75,000–£79,999	19	£130,000–£134,999	0
£80,000–£84,999	23	£135,000–£139,999	2
£85,000–£89,999	14	£140,000–£144,999	1
£90,000–£94,999	9	£145,000–£149,999	2
£95,000–£99,999	5	£150,000–£154,999	0
£100,000–£104,999	5	£155,000–£159,999	0
£105,000–£109,999	6	£160,000–£164,999	1
Total SCS staff numbers			167

Notes:

1. The minimum annual salary for SCS is £58,200.
2. Staff numbers are actual, not full-time equivalents, so a part-time member of staff counts as one.
3. Information is for all Senior Civil Servants in the Department and its agencies at 31 March 2012 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 2012 and excludes non-consolidated performance related pay.

Expenditure on consultancy, temporary and off-payroll staff

- 5.3** During the year 2011–12 the Department employed a number of consultancy and temporary staff. DfT's expenditure on consultancy and temporary staff in 2011–12 is shown in Table 5.2.

Organisation	Consultancy	Temporary staff	Total
DfT Central	5.57	4.10	9.67
DVLA	0.48	1.00	1.48
DSA	0.00	0.00	0.00
HA	0.30	2.45	2.75
MCA	0.05	0.17	0.22
VCA	0.00	0.12	0.12
VOSA	0.01	1.59	1.60
GCDA	0.00	0.55	0.55
British Transport Police	0.00	1.39	1.39
Directly Operated Railways	0.00	0.22	0.22
Passenger Focus	0.01	0.04	0.05
Northern Lighthouse Board	0.00	0.15	0.15
Trinity House Lighthouse Service	0.00	0.10	0.10
HS2	0.90	1.44	2.34
Total	7.32	13.32	20.64

Note:

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.

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 of Cabinet Office definitions, e.g. 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.

- 5.4** On 31 January 2012 the Chief Secretary to the Treasury (CST) announced a review of public sector appointments. The CST wrote to Secretaries of State on 25 April 2012, outlining new processes that departments and their arm's length bodies must follow for all new engagements and contract renewals of individuals engaged off payroll. DfT is now putting in place the arrangements to ensure that it complies with the requirements.
- 5.5** On 23 May 2012 the Department published details of staff engaged by the Department but not on the payroll.¹² This included details of the remuneration of a number of off payroll staff working in various policy areas. The Department employs consultants and interim staff when the relevant expertise cannot be found in-house or, in the case of some projects, where statutory processes have not been completed and it would not be appropriate to make permanent appointments.

Recruitment practice

- 5.6** 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 2011–12 recruitment was only undertaken for front line, security and business critical roles.
- 5.7** The number of roles agreed for external recruitment this year was 442 for front line, security or business critical roles.
- 5.8** In 2011–12 there was only one exception to the recruitment principles,¹³ – a short-term inward secondment of a specialist from a private sector company.

Talent development

- 5.9** DfT's talent management strategy is intended to help our staff maximise their potential through a clearer understanding of their capability, career aspirations and the development needed to achieve career goals.
- 5.10** In the last year the talent management strategy has been cascaded down from the top levels of the Senior Civil Service, and has most recently been implemented with our deputy directors within the core Department. We have worked with lead directors in each Group to ensure a cohesive process throughout the business. From the feedback we have received we are now looking at common themes in terms of development needs and how we can support these.
- 5.11** The outcomes have also given us, as an organisation, a clearer view of the talent and potential we have, and so have enabled us to be more flexible and responsive to change and make better use of people's strengths and capabilities.
- 5.12** Consideration is now being given to how this process will roll down to people at pay band levels six and seven, using lessons learned from the previous processes.

Health and safety

- 5.13** Improving the management of health and safety (H&S) continues to be a priority for the Department. In 2012–13 the Department aims to refresh its H&S policy development arrangements, to ensure a DfT Group approach is adopted where feasible.
- 5.14** At the end of March 2012 the number of significant incidents reported by DfT, including its agencies, to the Health and Safety Executive under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1998) is set out in Table 5.3.

¹³ Please see <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2012/04/Recruitment-Principles.pdf> for more information on the Civil Service recruitment code.

Table 5.3: Number of RIDDOR reportable incidents

Organisation	RIDDOR reportable incidents
DfT(c)	0
DSA	41 ¹⁴
DVLA	15
GCDA	2
HA	36 ¹⁵
MCA	6
VCA	0
VOSA	11

Communications

5.15 Communication Directorate (CD) leads the delivery of external and internal communications to support the Department's conduct of business and the delivery of its policy objectives. CD consists of a range of teams providing specialist services in press and media, marketing, strategic, digital and internal communications, as well as insight and evaluation to ensure communication activity is well targeted and provides value for money. In 2011–12 Communications played an active part in Departmental restructuring, helping to drive and deliver change.

5.16 In 2011–12 major communications projects included:

- consultation and decision to go ahead with HS2;
- preparations for the London Olympics and Paralympics;
- reforming our railways;
- Transport Red Tape Challenge;
- Coastguard reform;
- review of strategic roads;
- low carbon buses and ultra-low emission cars and vans;
- Department's Change Programme; and
- continuing to 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

5.17 Since May 2010 marketing campaigns require the approval of the Efficiency and Reform Group (ERG).

¹⁴ 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 consisted mainly of Module One motorcycle test candidates using incorrect braking techniques, resulting in them falling off motorcycles. This is an improvement on the 14 and 54 incidents from the previous financial year, which is mainly due to alterations to the Module One test.

¹⁵ This figure excludes 61 incidents relating to the Highways Agency's (HA) supply chain (sub-contractors). HA employs 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, has a duty of care to ensure this work is carried out safely, and monitors the number of RIDDOR incidents happening within its supply chain.

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

Third-party support

- 5.19** As in previous years the central Department has not received cash sponsorship but has received ‘in kind’ support from a range of organisations, which have linked with our THINK! road safety campaigns as part of their corporate social responsibility objectives. The Department is grateful for this support, details of which are in table 5.4.

Table 5.4: Partner support for THINK! road safety campaign 2011–12

Child road safety partner	Child road safety activity
Apollo Cinemas, Cineworld, Empire Cinemas, Showcase Cinemas	Distributed ‘Be Bright, Be Seen’ goody bags, leaflets and display posters
Drink drive partner	Drink drive activity
Coca-Cola	Partnered with Driver Friendly on the Coca-Cola Designated Driver campaign, rewarding drivers with a buy one, get one free offer on Coca-Cola over Christmas 2011
Enterprise Inns	Promoted Driver Friendly packs to their venues to encourage running of independent, driver-specific offers
British Beer and Pub Association, British Soft Drinks Association	Supported the THINK! Driver Friendly initiative
Motorcycling partner	Motorcycle safety activity
Hein Gericke and Oxford Products	Provided discount on a range of products for a voucher on a safety leaflet; distributed training advice postcards and product tags
Adelaide Insurance, Bikesure, Devitt, MCE Insurance, Motorcycle Direct, Swinton Insurance	Distributed leaflets containing advice on safety gear and training
Infinity, Knox, Forcefield, Ace Cafe	Distributed postcards and product tags containing advice on safety gear and training

6: Climate change, sustainability and the environment

Mainstreaming sustainable development

- 6.1** DfT demonstrates sound consideration of 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, which is vital in underpinning wider sustainable development in the UK. 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** 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 example over the last 12 months we have:
- adopted the Transport Business Case model for decision making, with the strategic case allowing for greater transparency on carbon and other important environmental considerations;
 - updated carbon appraisal guidance so that it is consistent with new DECC guidance, and incorporated the consideration of electric vehicles into appraisal;
 - worked with Defra to incorporate values for the health impacts of air pollutants; and
 - reviewed how to assess climate change impacts on transport.
- 6.3** We have introduced new guidance to improve the consideration of social and distributional impacts within our decision making process. Implementation of the guidance has ensured that wider impacts on society (both positive and negative) and their distribution across potentially vulnerable social groups are considered alongside more traditional economic measures within Departmental funding decisions. We also published two key tools that ensure that key insights from behavioural science and social research are taken into consideration, supporting the development of more effective sustainable travel initiatives.¹⁶
- 6.4** To ensure that our approach to decision making is transparent, and that the views of interested parties are understood and given consideration, DfT held 47 consultations during the last 12 months. One of the largest of these was the consultation on HS2, which

¹⁶ For more information on these tools see: www.dft.gov.uk/publications/behavioural-insights-toolkit and: www.dft.gov.uk/publications/climate-change-transport-choices-segmentation.

received 54,909 responses, and as a result of which, additional work was undertaken and a package of alterations to the proposed route has been adopted. These alterations include substantial additional tunnelling in the Chilterns and in Ruislip, which will reduce the impact of the high speed rail line on the local environment and communities. These mitigation measures will mean that more than half of the route will be in tunnel or cutting.

- 6.5** During the past year we have improved the procurement information on our website and held a number of supplier events to strengthen our commitment to removing barriers to small and medium-sized enterprise (SME) participation in our contracts, and to improving sub-contracting opportunities for smaller suppliers. Our SME action plan and some case studies can be seen at www.dft.gov.uk/about/doing-business-with-us.
- 6.6** We have contributed to the development of the Government's Natural Environment White Paper,¹⁷ which was published in June. We have supported the delivery of a consultation on nuisance caused by artificial light at transport facilities, and engaged with stakeholders on how the strategic transport corridors can contribute towards resilient ecological networks.
- 6.7** Sustainability will be an integral part of the Transport Strategy the Department will publish by the end of 2012.

Climate change adaptation and mitigation

- 6.8** Reducing the carbon emissions associated with transport is one of the Department's headline objectives alongside supporting economic growth. *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 2050.¹⁸
- 6.9** Many of our policies to deliver growth have a strong environmental and green transport focus. For example, we have:
- continued to support the development and deployment of ultra-low emission vehicles, helping to create and safeguard UK jobs as well as delivering environmental benefits;
 - brought forward the electrification of the North Trans-Pennine route from Manchester to York via Leeds, which will deliver significant carbon savings as well as reliability and journey time benefits;
 - continued to support low carbon rail freight by making it easier to build new rail freight terminals, and providing an additional £55 million to improve rail connectivity to the port of Felixstowe;
 - implemented a third round of the Green Bus Fund, under which a further £20 million is being made available for the purchase of around 250 low carbon buses; and
 - awarded £155 million as part of the Local Sustainable Transport Fund to support authorities in delivering local economic growth whilst cutting carbon emissions from transport.
- 6.10** We recognise that climate change presents challenges to the longer term resilience of transport, and we are incorporating consideration of the potential implications in our

¹⁷ www.defra.gov.uk/environment/natural/whitepaper/

¹⁸ www.decc.gov.uk/en/content/cms/tackling/carbon_plan/carbon_plan.aspx

investment and policy decisions, favouring an approach focused on the early identification and avoidance of these risks.

- 6.11** This year we delivered a number of actions in our 2010–12 Departmental Adaptation Plan¹⁹ including:
- supporting the publication of 31 transport sector reports under the Climate Change Act Adaptation Reporting Power;
 - contributing to the development of the first national Climate Change Risk Assessment which was published in January and which highlights priority areas for action;²⁰ and
 - embedding the consideration of long-term climate change and the need for adaptation in Local Transport Plan Guidance, Rail Industry's Plan for Control Period 5, Transport National Policy Statements, the scoping document for Aviation's Sustainable Policy Framework and Highways Agency road design standards.
- 6.12** Future adaptation action will now be coordinated through the first statutory National Adaptation Programme to which we are contributing in advance of its publication in summer 2013.

Rural proofing of DfT policies and programmes

- 6.13** Rural proofing requires policy makers to consider three key questions on how any policy (including both new policies and significant changes to existing ones, e.g. 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.
- 6.14** There has been a long-standing commitment that all departments should rural proof their new policies and programmes. The previous Government adopted a formal commitment to rural proof all domestic policies in the 2000 Rural White Paper. It was subsequently embedded in Regulatory Impact Assessment Advice issued by the Cabinet Office from 2005 and this advice has since been updated periodically. This commitment was strengthened in 2011 when, in conjunction with a number of initiatives on rural matters, a new requirement was made to include rural proofing in departmental annual reports.
- 6.15** While rural proofing requires policy-makers to adjust their policies to take due account of rural impacts, it does not require exactly the same 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.

¹⁹ www.archive.defra.gov.uk/environment/climate/documents/dept-adapt-plans/dap-dft-110518.pdf

²⁰ See www.defra.gov.uk/environment/climate/government/risk-assessment/#report for more information.

- 6.17** DfT has contributed to relevant rural initiatives led by other departments to ensure that they are rural proof in terms of their transport impacts. DfT has been involved in the rural economy part of the Growth Review and has worked on, and will continue to work on, preparation of the Rural Statement being led by Defra, due for publication later in 2012.
- 6.18** An example of DfT embracing rural proofing practice was the decision to repeat the Supporting Community Transport Fund for rural areas, which helps rural community transport through pump-prime funding made available via local authorities. The second tranche of funding was announced in December 2011.

7: Core tables

Table 1: Public spending: total departmental spending

	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	Estimated outturn	Plans	Plans	Plans	Plans
Resource DEL										
Section A: Tolled Crossings	-83,663	-83,749	-84,225	-87,558	-85,767	-87,997	-94,864	-117,527	-119,963	-
Section B: Local Authority Transport	39,033	41,966	54,947	50,443	335,768	250,520	242,660	311,682	320,703	-
Section C: Highways Agency	1,632,707	1,693,538	1,756,767	1,977,593	1,652,564	1,881,488	1,996,681	1,933,845	1,875,438	-
Section D: Network Rail	-	-189,226	-193,409	-166,475	-187,237	-199,226	-207,806	-217,394	-220,936	-
Section E: Rail NDPBs (net)	7,671	-2,109	3,496	66,110	76,332	65,930	197,426	96,917	210,032	-
Section F: Other railways	862,277	248,233	281,001	204,826	319,205	248,272	327,330	299,972	305,259	-
Section G: Sustainable Travel	54,179	64,013	89,495	91,515	66,406	57,302	72,292	67,047	67,062	-
Section H: Bus subsidies and Concessionary Fares	445,961	517,443	713,672	742,473	743,832	508,877	456,368	461,831	463,838	-
Section I: GLA transport grants	2,392,549	2,523,513	2,471,155	2,558,911	2,774,169	2,804,060	2,829,016	2,744,000	2,469,000	-
Section J: Crossrail	80,577	103,528	157	-	-	-	-	60,000	-	-
Section K: Support for Olympic and Paralympic Games	-	-	-	-	2,060	2,162	9,643	-	-	-
Section L: Aviation, Maritime, Security and Safety	71,367	147,138	183,998	184,114	117,500	32,388	33,968	71,648	46,255	-
Section M: Maritime and Coastguard Agency	119,991	125,173	127,959	131,976	127,025	136,838	150,579	129,448	140,261	-
Section N: Motoring Agencies	-2,539	15,807	14,682	50,938	15,875	184,594	227,998	224,574	225,379	-
Section O: Science, research and support functions	27,579	62,538	57,356	102,012	41,428	28,427	60,799	51,356	52,241	-
Section P: Central Administration	207,412	215,337	206,933	195,743	173,338	154,746	184,665	154,117	142,091	-
Section Q: Departmental Unallocated Provision	-	-	-	-	-	-	316,390	31,750	46,902	-
Section R: Support for Passenger Rail Services	233,950	765,682	-104,692	230,998	-483,875	-477,219	-715,866	-504,934	-566,625	-
Section S: HIGH SPEED TWO	-	-	-	-	-	283	3,410	-	-	-
Driver and Vehicle Licensing Agency trading fund (net)	225,203	242,951	250,132	196,814	171,394	-	-	-	-	-

continued overleaf

Table 1: Public spending: total departmental spending (continued)

	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	Estimated outturn	Plans	Plans	Plans	Plans
Renewable Fuels Agency (net)	-	-	-	-	-265	-	-	-	-	-
Motoring Agencies	-	-	-	-	-252	-	-	-	-	-
Highways Agency	-	-	-	-1,339	-21,328	-	-	-	-	-
Other Railways	-	-	3,534	18,938	22,489	-	-	-	-	-
Central Administration	-	-	-	62	-	-	-	-	-	-
Aviation, Maritime, Security and Safety	-	-	2	-	-	-	-	-	-	-
Total Resource DEL	6,314,254	6,491,776	5,832,960	6,548,094	5,860,661	5,591,444	6,090,689	5,798,332	5,456,937	-
<i>Of which:</i>										
Pay	531,718	551,306	576,133	592,435	572,032	577,773	546,741	312,433	297,066	-
Net current procurement ¹	1,574,734	1,506,034	1,975,417	1,537,087	1,068,673	1,068,765	1,250,246	1,163,544	1,214,934	-
Current grants and subsidies to the private sector and abroad	1,381,905	1,441,206	153,673	936,428	878,099	820,600	1,181,045	1,723,747	2,102,125	-
Current grants to local government	2,848,535	3,100,021	3,275,390	3,337,846	3,917,683	3,503,363	3,480,063	3,354,634	3,032,417	-
Depreciation ²	307,433	392,368	397,176	895,875	630,760	896,233	1,031,713	938,977	936,048	-
Other	-330,071	-499,159	-544,829	-751,577	-1,206,586	-1,275,290	-1,399,119	-1,695,003	-2,125,653	-
Resource AME										
Section T: Highways Agency	758,007	822,470	647,115	636,339	724,718	491,676	826,613	969,172	924,638	945,126
Section U: Other railways	-851,685	-16,078	-2,298	311,907	-290,265	218,629	282,000	219,315	206,005	206,005
Section V: GLA transport grants	248,000	-124,000	-61,888	-61,960	45	-60	-16	-	-	-
Section W: Maritime and Coastguard Agency	-257	3,490	1,133	2,002	24	1,725	2,200	2,200	2,200	2,200
Section X: Motoring Agencies	-	637	-	-	-	46,241	-2,400	-2,400	-6,100	-6,100
Section Y: Renewable Transport Fuels Obligations (net)	-	-	-	-	-	-	-	329,281	363,845	343,357
Section Z: Central Administration	4,879	-1,890	-6,753	-9,178	11,529	-10,543	273,709	-1,099	-772	-772
Tolled Crossings	-	-	3	-	-	150,000	-	-	-	-
Central Administration	-10,402	-5,435	-	-62	-	-	-	-	-	-
Rail NDPBs	-3,046	-	-	284,392	-33,405	-20,744	-	-	-	-
Highways Agency	-	-	-	-21,653	-	-	-	-	-	-
Other railways	-	-	-	2,587	188,360	-	-	-	-	-
Aviation, maritime, security and safety	-	88	-1,646	-1,728	-	-	-	-	-	-
Driver and Vehicle Licensing Agency trading fund (net)	-1,898	-4,368	-4,091	775	-3,362	-	-	-	-	-
Total Resource AME⁶	143,598	674,914	571,575	1,143,421	597,644	876,924	1,382,106	1,516,469	1,489,816	1,489,816
<i>Of which:</i>										
Pay	-	-	-	-	-	69	-	-	-	-
Net current procurement ¹	-	-	-	10,100	-	-	336,553	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-	-

continued overleaf

Table 1: Public spending: total departmental spending (continued)

	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	Estimated outturn	Plans	Plans	Plans	Plans
Net public service pensions ³	-	-	-	-	-	-	-	-	-	-
Take up of provisions	611,861	134,346	62,115	305,231	-340,123	57,479	271,730	596,356	618,366	618,366
Release of provisions	-1,105,826	-190,936	-200,868	-118,113	-87,409	-57,321	-37,361	-56,087	-59,750	-59,750
Depreciation ²	596,567	686,577	669,245	395,278	788,337	507,352	1,100,467	972,200	927,200	927,200
Other	40,996	44,927	41,083	550,925	236,839	369,345	-289,283	4,000	4,000	4,000
Total Resource Budget	6,457,852	7,166,690	6,404,535	7,691,515	6,458,305	6,468,368	7,472,795	7,314,801	6,946,753	6,946,753
<i>Of which:</i>										
Depreciation ²	904,000	1,078,945	1,066,421	1,291,153	1,419,097	1,403,585	2,132,180	1,911,177	1,863,248	1,863,248
Capital DEL										
Section A: Tolled Crossings	-4,231	-2,195	-2,011	-	-2,652	-2,846	-629	-6,154	-6,411	-
Section B: Local Authority Transport	278,138	895,980	879,968	1,081,851	835,684	1,679,928	1,366,750	1,529,900	1,698,000	-
Section C: Highways Agency	1,115,366	1,054,456	1,130,112	1,926,999	1,601,856	1,314,689	1,036,023	1,209,576	1,622,704	-
Section D: Network Rail	3,102,583	3,154,462	3,899,158	3,366,096	3,395,356	3,541,928	3,658,008	3,526,000	3,451,000	-
Section E: Rail NDPBs (net)	10,922	8,444	11,000	53,875	12,040	12,296	20,605	9,860	10,190	-
Section F: Other railways	1,078,165	25,841	207,324	444,745	-79,483	52,371	45,150	36,000	36,000	-
Section G: Sustainable Travel	11,604	4,877	3,394	46,091	48,151	13,715	120,060	89,640	89,640	-
Section H: Bus subsidies and Concessionary Fares	-69	-534	-	19,803	26,831	110,109	64,000	60,000	80,000	-
Section I: GLA transport grants	-	604,000	100,000	100,000	-	439,000	352,000	184,000	-	-
Section J: Crossrail	-	-	-	-	220,000	517,000	1,205,000	1,038,000	1,082,000	-
Section K: Support for Olympic and Paralympic Games	-	-	75,027	202,901	233,799	-	-	-	-	-
Section L: Aviation, Maritime, Security and Safety	29,903	2,878	24,712	23,656	4,952	4,282	-2,632	19,784	14,675	-
Section M: Maritime and Coastguard Agency	6,350	10,642	9,032	9,751	4,504	6,888	9,475	9,688	9,906	-
Section N: Motoring Agencies	29,159	47,661	29,672	23,808	-29,940	-4,809	19,214	44,286	45,032	-
Section O: Science, research and support functions	4,402	1,561	23	1,508	1,054	1,598	877	1,555	1,583	-
Section P: Central Administration	776	4,415	2,960	7,848	6,650	1,505	8,399	552	553	-
Section Q: Departmental Unallocated Provision	-	-	-	-	-	-	350	108,313	33,128	-
Section R: Support for Passenger Rail Services	-	-	-	11,000	21,000	-	-	-	-	-
Section S: HIGH SPEED TWO	-	-	-	-	-	20,763	128,500	50,000	50,000	-
Aviation, Maritime, Security and Safety	17,000	30,538	-1,317	323	4,967	-5,118	-	-	-	-
Driver and Vehicle Licensing Agency trading fund (net)	41,219	39,863	24,329	30,865	19,062	-	-	-	-	-
Supported Capital Expenditure (Revenue)	1,372,133	856,457	858,330	901,758	974,879	-	-	-	-	-
Total Capital DEL	7,093,420	6,739,346	7,251,713	8,252,878	7,298,710	7,703,299	8,031,150	7,911,000	8,218,000	-
<i>Of which:</i>										
Net capital procurement ⁴	1,196,124	1,167,092	1,180,622	1,993,363	1,646,990	1,364,028	1,228,261	1,327,202	1,736,674	-

continued overleaf

Table 1: Public spending: total departmental spending (continued)

	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	Estimated outturn	Plans	Plans	Plans	Plans
Capital grants to the private sector and abroad	3,118,999	3,172,751	4,017,577	3,685,924	3,626,250	3,561,943	3,767,578	3,608,349	3,533,349	–
Capital support for local government	1,658,948	2,384,933	1,870,398	2,179,338	2,110,347	2,754,665	3,018,121	2,845,493	2,893,987	–
Capital support for public corporations	1,120,293	77,142	84,509	182,471	–328,824	–27,074	17,200	15,537	15,333	–
Other	–944	–62,572	98,607	211,782	243,947	49,737	–10	114,419	38,657	–
Capital AME										–
Section T: Highways Agency	–	–	–	–	–	–33,464	–	–	–	–
Total Capital AME	–	–	–	–	–	–33,464	–	–	–	–
<i>Of which:</i>										
Capital grants to the private sector and abroad	–	–	–	–	–	–	–	–	–	–
Net lending to the private sector and abroad	–	–	–	–	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–33,646	–	–	–	–
Total Capital Budget	7,093,420	6,739,346	7,251,713	8,252,878	7,298,710	7,669,835	8,031,150	7,911,000	8,218,000	–
Total departmental spending⁵	12,647,272	12,827,091	12,589,827	14,653,240	12,337,918	12,734,618	13,371,765	13,314,624	13,301,505	542,616
<i>of which:</i>										
Total DEL	13,100,241	12,388,754	12,687,497	13,905,097	12,528,611	12,398,510	13,090,126	12,770,355	12,738,889	–
Total AME	–452,969	–11,663	–97,670	748,143	–190,693	336,108	281,639	544,269	562,616	562,616

1 Net of income from sales of goods and services.

2 Includes impairments.

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

4 Expenditure on tangible and intangible fixed assets net of sales.

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

6 Only AME budgets produced for 2015–16 at the time of this spending review 2010.

7 Figures for total Resource budget for 2010–11 differ from the Statement of Parliamentary Supply by about £5 million due to adjustments including those relating to the transition to Clear Line of Sight.

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

Spending by local authorities on functions relevant to the Department

	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Estimated outturn
Current spending	–	–	–	–	–
<i>of which:</i>					
financed by grants from budgets above	3,457,988	3,570,213	2,788,460	3,223,282	2,526,774
Capital spending	–	–	–	–	–
<i>of which:</i>					
financed by grants from budgets above	4,332,009	4,353,917	5,320,909	5,916,251	4,943,353

Table 2: Public spending control. To supplement Table 1, 2011–12 outturn figures (from Table 1) against the original and final budgetary control limits

	£'000			
	2011–12	2011–12	2011–12	2011–12
	Provision	Final provision	Estimated outturn	Variance between final provision and estimated outturn
	Main estimate	After supplementaries	As per Departmental accounts	
Voted Resource DEL Administration				
Section C: Highways Agency	82,785	69,285	58,594	-10,691
Section E: Rail NDPBs (net)	12,269	8,600	8,826	226
Section M: Maritime and Coastguard Agency	13,291	13,041	9,143	-3,898
Section N: Motor Safety and Government Car Agencies [Motoring Agencies] ¹	-	2,100	6,230	4,130
Renewable Fuels Agency (net) ^{2,3}	1,611	-	-	-
[Section P]: Central Administration ⁴	175,155	180,194	133,581	-46,613
Voted Resource DEL Programme				
Section A: Roads [Tolled Crossings] ¹	-68,478	-58,795	-66,387	-7,592
Section B: Local Authority Transport	-	260,815	250,520	-10,295
Section C: Highways Agency	1,985,878	1,945,878	1,822,894	-122,984
Section D: Network Rail	-203,314	-203,314	-199,226	4,088
Section E: Rail NDPBs (net)	123,764	95,133	57,470	-37,663
Section F: Other railways	75,109	-165,399	-229,030	-63,631
Section G: Sustainable Travel	295,666	52,932	57,302	4,370
Section H: Support for bus operators and passengers [Bus subsidies and Concessionary Fares] ¹	456,091	515,928	508,877	-7,051
Section I: GLA transport grants	2,804,000	2,804,075	2,804,060	-15
Section J: Crossrail	-	-	-	-
Section K: Support for Olympic and Paralympic Games	12	12	2,162	2,150
Section L: Aviation, Maritime, Security and Safety	56,294	38,033	32,388	-5,645
Section M: Maritime and Coastguard Agency	116,981	131,401	127,695	-3,706
Section N: Motor Safety and Government Car Agencies [Motoring Agencies] ¹	194,340	221,540	156,754	-64,786
Renewable Fuels Agency (net) ^{2,3}	-	-	-	-
[Section O]: Science, research and support functions ⁴	60,521	46,668	28,427	-18,241
[Section P]: Central Administration ⁴	24,165	25,205	21,164	-4,041
Departmental Unallocated Provision ^{2,5}	27,216	-	-	-
Non-Voted Resource DEL				
[Section Q]: Aviation, Maritime, Security and Safety ⁴	-	-	-	-
Resource DEL Sub total	6,233,356	5,983,332	5,591,444	-391,888
<i>Of which:</i>				
Voted	6,233,356	5,983,332	5,591,444	-391,888
Non-voted	-	-	-	-
Depreciation ⁶	938,447	939,784	896,233	-43,551
Departmental Administration limit ⁶	285,111	273,220	216,374	-56,846
Departmental Programme limit ⁷	5,948,245	5,710,112	5,375,070	-335,042
Total Resource DEL⁹	5,294,909	5,043,548	4,695,211	-348,337
Depreciation ⁶	-938,447	-939,784	-896,233	-43,551
Voted Resource AME				
[Section R: Tolled Crossings] ⁷	-	150,000	150,000	-
[Section S]: Highways Agency ⁴	854,857	650,876	491,676	-159,200
[Section T: Rail NDPBs] ⁷	-	-38,800	-20,744	18,056
Section U: Other railways	230,317	280,148	218,629	-61,519
Section V: Maritime and Coastguard Agency	2,200	5,350	1,725	-3,625
Section W: Motor Safety and Government Car Agencies [Motoring Agencies] ¹	11,300	51,100	46,241	-4,859

continued overleaf

Table 2: Public spending control. To supplement Table 1, 2011–12 outturn figures (from Table 1) against the original and final budgetary control limits (continued)

	£'000			
	2011–12	2011–12	2011–12	2011–12
	Provision	Final provision	Estimated outturn	Variance between final provision and estimated outturn
	Main estimate	After supplementaries	As per Departmental accounts	
Renewable Transport Fuels Obligations (net) ^{2,8}	256,094	–	–	–
Section X: Central Administration	–1,965	–1,965	–10,543	–8,578
GLA transport grants			–60	–60
Resource AME Subtotal	1,352,803	1,096,709	876,924	–219,785
<i>Of which:</i>				
Voted	1,352,803	1,096,709	876,924	–219,785
Non-voted				
Depreciation ⁶	857,200	806,369	507,352	299,017
Total Resource AME⁹	495,603	290,340	369,572	79,232
Depreciation ⁶	–857,200	–806,369	–507,352	299,017
Total Resource Budget⁹	5,790,512	5,333,888	5,064,783	–269,105
<i>Of which:</i>				
Depreciation ⁶	–1,795,647	–1,746,153	–1,403,585	342,568
Voted Capital DEL				
Section A: Roads [Tolled Crossings] ¹	2,654	–2,846	–2,846	–
Section B: Local Authority Transport	1,689,000	1,582,806	1,679,928	97,122
Section C: Highways Agency	1,287,711	1,287,711	1,314,689	–26,978
Section D: Network Rail	3,568,000	3,531,000	3,541,928	10,928
Section E: Rail NDPBs (net)	61,292	116,292	33,059	–83,233
Section F: Other railways	50,000	43,072	52,371	9,299
Section G: Sustainable Travel	78,940	113,940	13,715	–100,225
Section H: Support for bus operators and passengers [Bus subsidies and Concessionary Fares] ¹	–	75,000	110,109	35,109
Section I: GLA transport grants	424,000	424,000	439,000	15,000
Section J: Crossrail	517,000	517,000	517,000	–
Section K: Support for Olympic and Paralympic Games	–	–	–	–
Section L: Aviation, Maritime, Security and Safety	11,877	12,021	4,282	–7,739
Section M: Maritime and Coastguard Agency	9,265	9,265	6,888	–2,377
Section N: Motor Safety and Government Car Agencies [Motoring Agencies] ¹	27,500	–1,640	–4,809	–3,169
Renewable Fuels Agency (net) ^{2,3}	–	–	–	–
[Section O]: Science, research and support functions ⁴	900	900	1,598	698
[Section P]: Central Administration ⁴	1,595	1,577	1,505	–72
Departmental Unallocated Provision ^{2,5}	69	–	–	–
Non-Voted Resource DEL				
[Section Q]: Aviation, Maritime, Security and Safety ⁴	1,197	–3,803	–5,118	–1,315
Capital DEL Subtotal	7,731,000	7,706,295	7,703,299	–2,996
<i>Of which:</i>				
Voted	7,729,803	7,710,098	7,108,417	–1,681
Non-voted	1,197	–3,803	–5,118	–1,315
Capital AME				
[Sections]: Highways Agency	–	–	–33,464	–33,464
Total Capital AME	–	–	–33,464	–33,464
Total Capital Budget	7,731,000	7,706,295	7,669,835	–36,459
Total departmental spending⁹	13,521,512	13,040,183	12,734,619	–305,564
<i>of which:</i>				
Total DEL	13,025,909	12,749,843	12,398,510	–351,332
Total AME	495,603	290,340	336,108	45,768

- 1 Title in [square brackets] is new name – change actioned in Supplementary Estimates as part of the preparation for OSCAR.
- 2 Subhead removed in Supplementary Estimates as a consequence of budgets being removed.
- 3 After Arms length Body review Renewable Fuels Agency disbanded and residual work undertaken by the central department.
- 4 Subhead letter in [square brackets] is amended letter – change actioned in Supplementary Estimates.
- 5 Budget allocated elsewhere as part of reprioritisation of provision as Supplementary Estimate.
- 6 Includes impairments.
- 7 Subhead in [square brackets] added at time of Supplementary Estimates – In normal circumstances, new subheads would be added at the end of the Part II table and next letters used – with existing Subheads remaining with the same letter. However, Departments were given instructions that they needed to anticipate any changes required in respect of the preparation for OSCAR as such changes would not be actioned in the Main Estimates 2012–13.
- 8 Budget removed for Renewable Transport Fuels Obligations in the Supplementary Estimates to reflect derogation letter received from HM Treasury.
- 9 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.
- 10 Explanations for major variances between Final Budget and Outturn can be found in the Management Report of the Accounts.
- 11 Figures do not include Non Budget items such as Prior Period Adjustments.

Table 3: Capital employed

	2007–08 outturn	2008–09 outturn	2009–10 outturn	2010–11 outturn	2011–12 projected outturn	2012–13 plans	2013–14 plans	2014–15 plans
Assets and Liabilities on the Statement of Financial Position at end of year:								
Assets								
Non-Current assets								
Intangible	140,766	142,234	125,394	119,067	107,576	105,943	105,119	104,853
Tangible	86,630,270	90,240,576	91,600,661	103,860,369	111,147,270	114,174,469	116,704,193	118,171,346
of which:								
National Trunk Road	83,595,783	87,418,099	86,837,019	98,674,177	107,388,627	109,424,418	111,961,247	113,456,647
Infrastructure Assets	0	0	3,515,299	3,469,247	3,422,678	3,389,998	3,378,338	3,345,668
Assets Under Construction	559,883	320,628	725,918	1,176,336	763,856	777,604	770,730	774,167
Land	2,112,981	2,144,376	157,360	150,642	168,783	158,928	163,856	161,392
Buildings	212,455	206,010	210,233	217,875	225,233	246,766	250,999	254,882
Dwellings	31,403	40,804	38,494	57,060	60,979	63,418	63,799	64,308
Plant and machinery	39,171	47,077	71,264	85,009	76,850	77,707	77,277	77,492
Furniture and Fittings	28,725	26,485	21,852	19,643	17,020	16,682	16,852	16,767
Transport Equipment	2,251	2,359	2,661	1,848	2,238	2,249	2,244	2,246
Information Technology	47,618	34,738	20,561	8,532	21,006	16,700	18,853	17,776
Investments	624,901	647,682	752,626	639,681	733,485	712,956	723,221	718,088
Trade and Other receivables	3,160,584	3,258,826	3,292,108	3,514,284	3,628,379	3,479,137	3,553,758	3,516,448
Inventory (non current)	0	0	2,568	2,906	2,882	2,765	2,824	2,794
Current assets	495,558	594,506	869,904	1,007,485	936,313	956,318	946,316	951,317
Liabilities								
Payables (<1 year)	(1,418,854)	(1,547,396)	(3,025,253)	(2,236,505)	(1,744,892)	(2,138,843)	(1,971,143)	(2,054,993)
Payables (>1 year)	(3,290,764)	(3,345,476)	(7,011,147)	(7,478,704)	(7,684,637)	(7,561,124)	(7,581,464)	(7,571,294)
Provisions	(1,226,921)	(1,451,429)	(867,185)	(416,626)	(413,900)	(532,986)	(462,123)	(497,555)
Financial Instruments	(8,281,538)	(8,333,613)	(3,055,920)	(3,220,839)	(3,310,477)	(3,338,566)	(3,367,995)	(3,371,235)
Pension Liability	(251,139)	(1,299,743)	(1,242,927)	(1,012,542)	(1,249,242)	(1,189,553)	(1,219,398)	(1,204,475)
Capital employed within core department	76,582,863	78,906,167	81,440,829	94,778,576	103,152,757	104,670,516	107,433,307	108,765,294
ALB net assets	(161,772)	(253,568)	504,461	388,106	312,764	342,665	326,310	332,994
Total capital employed in dept'l group	76,421,091	78,652,599	81,945,290	95,166,682	103,465,521	105,013,181	107,759,617	109,098,288

Note:
 DVLA was recognised as a Trading Fund up until 31 March 2011 but as a consequence of the HM Treasury Clear Line of Sight initiative (refer to in the Management Report) it has been treated as an Executive Agency for periods 2009–11, in the 2011–12 Annual Accounts. This approach has been replicated in the Capital Employed table. The Arms Length Bodies in 2007/08 and 2008/09 were formed from Passenger Focus and British Transport Police Authority. From 2009/10 the following entities were also included; London and Continental Railways Limited, London and Continental Railways Finance PLC, Channel Tunnel Section 1 Finance PLC, Directly Operated Railways Limited and HS2 Ltd

Table 4: Administration budget

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
Section C: Highways Agency	93,969	91,678	86,122	82,202	68,964	58,594	68,549	70,454	65,468
Section E: Rail NDPBs (net) ¹	4,239	4,261	5,167	6,214	9,600	8,826	11,300	11,100	11,300
Section M: Maritime and Coastguard Agency ¹	12,847	13,215	13,579	13,806	11,471	9,143	12,031	11,447	10,652
Section N: Motoring Agencies ²	-327	-5	-55	1,980	4,511	6,230	4,300	-	-
Section P: Central Administration ^{1,3}	192,740	192,896	190,578	193,472	143,750	133,581	168,028	150,924	139,119
Total administration budget^{4,5}	303,468	302,045	295,391	297,674	238,296	216,374	264,208	243,925	226,539
<i>Of which:</i>									
Paybill	166,804	170,935	167,464	186,000	159,122	126,733	149,415	142,367	138,122
Other Expenditure	167,033	156,872	156,661	157,356	113,884	119,785	152,793	135,076	120,043
Other Income	-30,369	-25,762	-28,734	-45,682	-34,710	-30,143	-38,000	-33,518	-31,626

1 Outturn years include figures relating to reclassification of certain back office services in Arm's Length Bodies as expenditure within the Department's Administration Budget as per agreement at the time of the Spending Review 2010.

2 The Government Car and Despatch Agency is a net regime and Administration cost should be covered by receipts.

3 The Renewable Fuels Agency no longer an NDPB, DfT completing residual tasks.

4 Figures are on a full Clear Line of Sight basis.

5 Estimated outturn for 2011-12 includes underspends as a consequence of prior years recruitment freeze (vacant posts), savings emerging from new procedures in relation to scrutiny of Discretionary Spend along with other austerity measures.

Table 5: Permanent members of staff (payroll) and non-payroll staff in post at 31 March

		2009–10	2010–11	2011–12
		Actual	Actual	Actual
Department for Transport (Centre)	Payroll	1,963.0	1,773.3	1,627.2
	non-payroll	215.9	65.0	59.0
Driving Standards Agency	Payroll	2,525.1	2,434.3	2,407.6
	non-payroll	51.8	0.0	0.0
Driver & Vehicle Licensing Agency	Payroll	5,613.5	5561.3	5520.1
	non-payroll	63.1	6.0	4.8
Shared Services Centre	Payroll	292.8	250.03	246.1
	non-payroll	16.0*	11.0	15.0
Government Car & Despatch Agency	Payroll	310.0	225.0	170.5
	non-payroll	1.0	4.0	1.0
Highways Agency	Payroll	3,747.0	3,545.0	3,385.3
	non-payroll	125.0*	20.0	11.8
Maritime & Coastguard Agency	Payroll	1,156.5	1,077.3	1,055.8
	non-payroll	24.1	12.0	7.0
Vehicle Certification Agency	Payroll	139.0	141.8	148.1
	non-payroll	2.8	4.0	3.0
Vehicle & Operator Services Agency	Payroll	2,444.3	2,235.0	2,136.4
	non-payroll	52.7	47.2	64.2
Department Total	Payroll	18,191.2	17,243.0	16,697.1
	non-payroll	552.4	169.2	165.8

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, other than for the Highways Agency and Shared Services Centre non-payroll staff for 2009–10 where FTE data is not available. The FTE number would be lower than the number shown.
- 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 2009, please refer to *Department for Transport Annual Report and Accounts 2010–11*.
- 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 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.

Staff in the executive non-departmental public bodies

	2009–10		2010–11		2011–12	
	Payroll	Non-pay	Payroll	Non-pay	Payroll	Non-pay
British Transport Police Authority	7.5	1.0	7.5	2.0	9.1	1.0
Directly Operated Railways Ltd	3.8	1.1	2.8	1.1	2.8	1.6
High Speed 2	14.1	17.9	47.4	30.7	64.8	45.1
Northern Lighthouse Board	194.4	2.0	193.4	2.7	185.8	3.7
Passenger Focus	65.1	0.0	61.8	1.8	41.4	2.6
Railway Heritage Committee	1.0	0.0	1.0	0.0	1.0	0.0
Trinity House Lighthouse Service	310.0	2.0	310.0	38.0	306.0	1.0
NDPB Total	595.9	24.0	623.9	76.3	610.9	55.0

Notes:

- 1 This table shows the number of staff on payroll and the number of consultants and contingent labour, i.e. 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 for 2011–12 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, 2006–07 to 2010–11

Department for Transport	£ million				
	National Statistics				
	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 outturn	2010–11 outturn
North East	301	303	347	364	303
North West	1,071	1,093	993	1,157	912
Yorkshire and the Humber	639	600	688	919	814
East Midlands	593	631	546	713	579
West Midlands	820	835	764	888	646
East	670	644	691	842	1,043
London	1,142	1,173	830	1,320	1,278
South East	1,645	1,630	1,828	1,498	1,210
South West	814	756	700	630	524
Total England	7,695	7,665	7,387	8,331	7,309
Scotland	150	145	124	152	129
Wales	140	131	205	296	268
Northern Ireland	21	20	32	20	17
UK identifiable expenditure	8,006	7,961	7,748	8,799	7,723
Outside UK	111	100	28	6	11
Total identifiable expenditure	8,117	8,061	7,776	8,805	7,734
Non-identifiable expenditure	181	186	258	393	418
Total expenditure on services	8,298	8,247	8,034	9,198	8,152

Table 7: Total identifiable expenditure on services by country and region, per head 2006–07 to 2010–11

Department for Transport	£ per head National Statistics				
	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 outturn	2010–11 outturn
North East	118	118	135	141	116
North West	156	159	144	168	131
Yorkshire and the Humber	124	116	132	175	154
East Midlands	136	144	123	160	129
West Midlands	153	155	141	164	118
East	120	114	121	146	179
London	151	154	108	170	163
South East	200	196	218	178	142
South West	159	146	134	120	99
England	152	150	144	161	140
Scotland	29	28	24	29	25
Wales	47	44	68	99	89
Northern Ireland	12	12	18	11	10
UK identifiable expenditure	132	131	126	142	124

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 analysis (CRA) published by HM Treasury in chapters A and B of Public Expenditure Statistical Analyses (PESA) 2011 (October 2011 release). The figures were taken from the HM Treasury public spending database during the summer of 2011. The data comprises final outturn for the periods 2006–07 to 2010–11 and does not include estimated outturn or plans. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.
- 2 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the Central Government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.
- 3 TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011.
- 4 The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.
- 5 Across Government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
- 6 The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapters A and B of PESA 2011 (October 2011 release). These are not the same as the strategic priorities shown elsewhere in the report.

Table 8: Total identifiable expenditure on services by function, country and region, for 2010–11

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	-	-	-	-	-	-	4	-	-	4	-	-	-	4	-	4	-	4
Total general public services	-	-	-	-	-	-	4	-	-	4	-	-	-	4	-	4	-	4
Defence																		
Civil defence	0	0	0	0	0	0	0	0	0	1	0	0	0	1	-	1	-	1
Total defence	0	0	0	0	0	0	0	0	0	1	0	0	0	1	-	1	-	1
Public order and safety																		
Police services	8	27	17	11	19	18	46	53	17	216	-	8	-	224	-	224	-	224
<i>of which: other police services</i>	8	27	17	11	19	18	46	53	17	216	-	8	-	224	-	224	-	224
Total public order and safety	8	27	17	11	19	18	46	53	17	216	-	8	-	224	-	224	-	224
Economic affairs																		
Fuel and energy	0	0	0	0	0	0	0	0	0	1	0	0	0	1	-	1	-	1
Transport	293	881	794	565	624	1,022	1,222	1,153	505	7,058	126	259	17	7,460	10	7,470	166	7,636
<i>of which: local public transport</i>	23	49	41	40	55	30	109	45	33	424	-	21	-	445	-	445	-	445
<i>of which: national roads</i>	138	219	341	329	198	782	35	477	231	2,752	14	9	12	2,786	0	2,786	-	2,786
<i>of which: other transport</i>	13	35	29	23	27	33	47	46	24	277	8	6	3	294	0	294	166	461
<i>of which: railway</i>	118	578	383	174	344	176	1,032	584	217	3,605	105	223	2	3,935	9	3,944	-	3,944
R&D economic affairs	2	3	3	2	3	3	5	4	2	27	3	1	1	32	1	33	17	50
Total economic affairs	294	884	797	567	627	1,025	1,228	1,157	507	7,087	129	260	17	7,494	11	7,504	184	7,688
Environment protection																		
Protection of biodiversity and landscape	0	0	0	0	0	0	0	0	0	2	0	0	-	2	0	2	-	2
Total environment protection	0	0	0	0	0	0	0	0	0	2	0	0	-	2	0	2	-	2
Recreation, culture and religion																		
Recreational and sporting services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234	234
Total recreation, culture and religion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234	234
Total Department for Transport	303	912	814	579	646	1,043	1,278	1,210	524	7,309	129	268	17	7,724	11	7,735	418	8,153

Part 2: Departmental Accounts

Management report

Scope

Entities consolidated

The Departmental accounts present the consolidated results for the financial year ended 31 March 2012 for the following entities:

- The Department for Transport;
- Highways Agency;
- Maritime and Coastguard Agency;
- Government Car and Despatch Agency;
- Vehicle Certification Agency;
- Driver and Vehicle Licensing Agency;
- British Transport Police Authority;
- Directly Operated Railways Limited;
- HS2 Ltd;
- Passenger Focus;
- London and Continental Railways Limited;
- Channel Tunnel Section 1 Finance PLC;
- London and Continental Railways Finance PLC; and
- Renewable Fuels Agency – This Agency ceased to exist 31 March 2011, with its function transferred to the central Department, but its 2009–10 and 2010–11 accounts contribute to form the comparative data within this group account.

The bodies stated above are also listed in Note 25 of the accounts together with further classification information. Those entities linked to the Department but which are excluded from this consolidated account, are also detailed within this Note.

Clear Line of Sight – the alignment project

The consolidation boundary described above has changed significantly to that which was reported on in 2010–11. In 2010–11 five entities were consolidated. This change has arisen as a consequence of the HM Treasury Clear Line of Sight (CLoS) project.

CLoS had two overarching objectives:

- align budgets, Estimates and accounts in a way that allowed HM Treasury greater control; and
- combine and/or align the timing of publication of Government financial reporting documents in order to avoid duplication and make them more coherent.

The Department completed the first two stages of CLoS, the alignment of budgets and estimates, at the start of 2011–12. This set of accounts represents the third and final stage of the project for the Department with the extension of the departmental reporting boundary to include non-departmental public bodies and other entities classified to Central Government.

This consolidation is not based directly on IAS 27, though the impact is broadly the same. The boundary is defined by reference to Office of National Statistics classification, and all Central Government bodies are within the boundary and other bodies, e.g. public corporations are outside the boundary, even where the criteria for consolidation have been met in IAS 27 terms.

Management report

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

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

Vision

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

Financial performance

Comparison of outturn in 2011-12 and 2010-11

Net operating costs for the year increased from £10,549 million to £12,737 million. This does not reflect a real increase to this extent in underlying expenditure. The main reason for the increase is the movement in non-cash costs as shown in note 9 to the accounts – in 2010-11 there were substantial credits arising from reversing impairments of share capital, pension scheme costs and provisions, with no equivalent in 2011-12. This led to net non-cash Programme costs increasing from £113 million to £1,628 million.

Within Programme expenditure, cash costs increased by £590 million from £12,315 million to £12,905 million. The largest single increase was in capital grants (increased from £5,306 million to £6,353 million), partly offset by savings elsewhere. Total consultancy costs rose from £51 million to £70 million. Consultancy for the purpose of the accounts includes technical services and transport consultancy and the increase partly reflects the mobilisation of HS2.

Total administration costs fell by £23 million from 2010-11 to 2011-12.

2011-12 Outturn versus Estimate

The Net Resource Outturn reported in Note 2 was £6,257 million, which is £823 million (11.6%) below the Estimate of £7,080 million. Of which Net outturn on the Departmental Administration limit was £216 million, which is £57 million (20.8%) below the Estimate of £273 million.

The Net Capital Outturn Reported in Note 2 was £7,670 million, which is £36 million (0.5%) below the Estimate of £7,706 million.

The material components of the net underspend by Estimate line are explained below.

Departmental expenditure limit (DEL)

Section B: Local Authority Transport – Capital DEL overspend £97 million

This is mainly due to an agreed £150 million further contribution to the Growing Places Fund which was not part of the Supplementary Estimate, partially offset by a re-profiling of the Regional Growth Fund (£20 million) and lower than expected spend against the Local Authority Major Capital Schemes programme (£30 million).

Resource DEL underspend £10 million

The amount allocated to the Local Authority Transport block at Supplementary Estimate was larger than the amount finally needed to reflect the decision to top up the transport block.

Section C: Highways Agency – Capital DEL overspend £27 million

Mostly due to capitalised provisions being scored to DEL when utilised (£92 million) whereas the budget was based on provisions being scored to DEL when initially capitalised (£58 million).

Resource DEL underspend £134 million

£83 million relates to lower than expected depreciation charge. The remainder is due to several factors, including higher income than budgeted and early action taken to reduce activity and spend levels in a controlled way.

Section D: Network Rail – Capital DEL overspend £11 million

The Network Rail Grant is a fixed sum payment made monthly to Network Rail. It is calculated each year using an estimated rate of inflation which is then corrected when the final RPI figure is published. The variance is due to the impact of the estimated RPI versus final published RPI.

Section E: Rail NDPBs (net) – Capital DEL underspend £83 million

This is due to planned land purchases along the high speed rail routes, not materialising before the year end and lower than expected claims against the Exceptional Hardship Scheme.

Resource DEL underspend £37 million

The main reason for the variance relates to an overestimate of the HS1 and LCR pension liabilities (£28 million). The remainder is due to HS2 Ltd, the original budget for which was predicated on the assumption that decisions to proceed would be made at an earlier stage than was actually the case (£9 million).

Section F: Other railways – Resource DEL underspend £64 million

Support for Passenger Rail Services (SPRS) – This positive variance is explained partly by the improved farebox performance of the Train Operating Companies (TOCs). Other positive impacts were lower than budgeted costs for the High Level Output Specification (HLOS) interventions and favourable outcomes to the Department following the assessment of financial submissions from TOCs.

Section G: Sustainable Travel – Capital DEL underspend £100 million

The main element (£60 million) of this underspend relates to Growth review initiatives announced in the Autumn Statement; comprising £45 million for the South East Flexible Ticketing (SEFT) project and a £15 million programme for linking local communities, which will not be accounted for until 2012–13.

The remainder of the variance relates to £33 million underspend on Electric Vehicle Grants as the sales of electric cars have been lower than anticipated. There was also a £7 million underspend due to the low number of Electric Charging Posts installed.

Section H: Bus subsidies and Concessionary Fares – Capital DEL overspend £35 million

This spend was authorised by the DfT Board in March 2012 from DfT capital headroom, to fund a further £25 million and £10 million grant for the Better Bus Areas and the Green Bus Fund programmes respectively.

Section I: GLA transport grants – Capital DEL overspend £15 million

The variance relates to Bicycle Safety in London: Payment of £15 million was made to Transport for London (TfL) under s31 of the Local Government Act 2003 for investment in cycle safety as part of the additional investment in Transport announced in the Budget and is funded from capital underspends elsewhere.

Section N: Motoring Agencies – Resource DEL underspend £61 million

The variance is mainly due to the reclassification of DVLA restructuring costs from DEL to AME, in February (£29 million). It had been expected that the restructuring process would have reached a point at which it could be reported against DEL in 2011–12 but instead a provision was set up and charged to AME. Of the remainder, a further £28 million was allocated to the Motoring Agencies block for depreciation but was not required.

Section O: Science, research and support functions – Resource DEL underspend £18 million

The main cause of the underspend relates to Commercial and Technical Services which had an additional £10 million allocated to it at Supplementary Estimate. This was to support the application to establish the Transport Technology and Innovation Centre, but the work slipped into 2012–13. A further £6 million was due to reductions in personal travel and freight statistics research (£3 million), and reduced consultancies on transport modelling economic advice (£3 million).

Section P: Central Administration – Resource DEL Administration underspend £51 million

This variance relates to underspends on the Central Department's Administration limit, of which £40 million were as a consequence of the recruitment freeze (vacant posts) and savings emerging from new procedures in relation to approval of discretionary spend. Of the remainder, £8 million relates to less than expected expenditure on non-cash depreciation.

Annually Managed Expenditure (AME)**Section S: Highways Agency – Capital AME underspend £33 million**

£92 million of capitalised provisions utilised in-year are scored as a credit against Capital AME, offset by £59 million of new provisions charged to Capital AME. These provisions were included within Budgets under Capital DEL.

Section S: Highways Agency – Resource AME underspend £159 million

The main item within this £651 million budget is the write-down of the infrastructure asset to reflect the difference between the actual cost of construction and the current standard replacement cost. The significant underspend reflects changes to the capital investment programme made since the budget was set at the time of the Spending Review.

Section U: Other railways – Resource AME underspend £62 million

The provision for Rail Pensions was less than estimated.

Non Budget Section AC: Underspend £211 million

A write-down of the Hindhead Tunnel was made in previous years in accordance with the accounting policy for the national trunk road network. On opening to traffic the structure was redesignated as a Special Structure valued at actual cost rather than standard cost. This approach resulted in £211 million being written back as a prior period adjustment.

Financial position

The accounts indicate that during 2011–12 the Department's net assets have increased by £8,299 million, from £95,167 million to £103,466 million. The main reason for this increase is the revaluation of the National Trunk Road Network, details of which appear in Note 11 to the accounts.

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. We work 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.

For a list of major communications projects in 2011–12 see Chapter 5 of the Annual Report.

Social responsibility and community relations

Information rights

In 2011 the Department as a whole, including the five executive agencies and the two trading funds, received 3,198 requests for information which were handled under either the Freedom of Information Act (FoIA) or the Environmental Information Regulations (EIRs). This is the largest number of information requests we have received in any year to date. We met the statutory response deadlines in 92% of these cases. This was a slight increase on our performance during 2010 (91%), an upturn in performance which we achieved despite an 11% increase in the volume of requests we handled. We were able to provide all the information requested in approximately 59% 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/.

Equality of opportunity

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

Reform of public bodies

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 will transfer out of BRBR on or around 31 March 2013 and the company will be wound up as soon as practicable thereafter.

In its forthcoming consultation on BRBR abolition the Department will propose that the properties that have 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, and the properties and structures that are of low value and carry significant maintenance liabilities should transfer to the Secretary of State to be managed by the Highways Agency. The ill health claims from former BR employees should transfer to the Secretary of State to be managed by the General Counsel's Office (GCO).

In the past, BRBR has funded the payment of ill health claims 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 has meant that BRBR has had to call on DfT for additional Grant-in-Aid. From 1 April 2013 provision will be made within DfT's accounts to make payments to successful ill health claimants (approximately £18 million 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 £8 million per annum).

Transforming DVLA services

A consultation paper on transforming DVLA's services through centralisation of services, supported by the increased use of intermediaries and electronic channels was launched in December 2011. The Secretary of State will decide the way forward, taking into account the many responses received, the benefits foreseen and the overall Government drive to decrease its costs whilst safeguarding the quality of services provided.

MCA reform

During the year the MCA managed two public consultation exercises and formulated revised plans for the modernisation of the UK Coastguard Service. The second of these consultations ran from the July to 6 October 2011 and on 22 November 2011 the Shipping Minister, Mike Penning MP, announced his decisions.

The resulting Future Coastguard programme (FCG) will deliver a resilient and nationally networked system of Coastguard coordination centres, controlled by a single Maritime Operations Centre (MOC), based in an existing custom built control centre. These improvements will provide Coastguards with an enhanced role offering increased responsibility and a recognised career path with an appropriate level of remuneration. It will also enhance the leadership of the volunteer Coastguard Rescue Service.

Confirmation of these modernisation proposals has enabled the Agency to initiate an 'agile' approach, a departmentally acknowledged ground-breaking programme using the flexible use of resource from across the Agency and ensuring that change is embedded in existing organisational structures.

GCDA reform

Over the last few years GCDA has been working hard to drive efficiency and reform across all its operations so that it can deliver services for customers and the taxpayer that are good value for money. However, declining demand for both car and mail services has meant that for the last two years the Agency has been unable to recover all its costs through charges to customers. A programme of reform has, therefore, been launched to drive efficiencies and improve value for money and transparency for taxpayers from the services we provide.

In February 2012 it was announced that GCDA would be introducing a new Departmental Pool Car service by April 2012 to provide vehicles for ministers' official travel, whilst maintaining appropriate levels of security. The new car service, which started on 23 April 2012, is smaller in scale than current operations and will largely be managed by the departments to which cars are allocated, to improve flexibility and maximise utilisation of the service.

At the same time it was announced that all Government Mail operations would close in 2012–13. This was a direct result of changes to the way that Government departments and other agencies deliver information and the greater use of digital mail. The expectation is that existing customers

will make alternative cost effective arrangements with other service providers, or make use of existing Government frameworks to secure their mail and courier services from the private sector. GCDA staff and our customers have been told that all Government Mail operations from Ponton Road and the regional depots will have stopped by 13 July 2012.

Since the February announcement it has also been agreed by ministers and the DfT Executive Committee that when the current reform programme for GCDA has been completed, the size and functions of the residual organisation would not justify executive agency status. The benefits of GCDA remaining an executive agency will be outweighed by the associated costs, and the Agency will be re-organised and become an operational team within DfT by the end of 2012.

The Agency has initiated a change programme to ensure it meets ministerial targets for delivering the reforms. The programme is overseen by a joint DfT/GCDA programme board, reporting to the Chief Executive. The reform programme has several work streams, each headed by a GCDA director, that will deliver the new car service, closure of the mail service, the best option for the GCDA estate as it reduces in size, the transfer of GCDA systems and personnel to DfT and, not least, the exit or redeployment of GCDA staff affected by the changes.

Independent review of the strategic road network

As part of the 2010 Spending Review settlement, the Department agreed to carry out an independent review to examine whether the Government had the right approach to operating, maintaining and enhancing the strategic road network. The settlement also committed the Department to appoint a chair to the Highways Agency. Alan Cook, a non-executive director on the Board of the Department, took up this position in January 2011.

Alan Cook was asked to carry out the independent review and published his report, *A Fresh Start for the Strategic Road Network*, in November 2011. The report sets out the challenges we face in managing a critical asset and, as commissioned, outlined a package of reforms to the current operating model for this network within public sector ownership.

In March 2012 the Prime Minister set out his vision for national infrastructure investment. Alan Cook's report has already challenged our thinking about how best to fund and develop vital strategic roads, and our response to the Cook review forms the first part of our efforts to bring about the strategic shift that the Prime Minister identified. The Department and HM Treasury will work together to produce a wider feasibility study examining institutional reform of this road network. Together, these will represent a programme for reforming the road network in both the short and the long-term.

The reforms set out in our response to Cook constitutes an ambitious immediate programme to improve how this network is managed, focusing on a long term roads strategy, a new transparent performance framework and a much smarter way of planning, managing and delivering investment on the network. But it is just important to ensure that we listen to and champion users so that this network is doing much more to meet their needs and aspirations.

Departmental Command Paper, Reforming our Railways: Putting the Customer First

Sir Roy McNulty, in his Rail Value for Money Study published in May 2011, identified inefficiencies in the rail industry worth £2.5–£3.5 billion per annum. The Department's subsequent Command Paper, *Reforming our Railways: Putting the Customer First* published in March 2012 set out the Government's proposals for realising the available efficiency savings. Network Rail is already due

to deliver £1.2 billion efficiency savings by 2014. The Government's forthcoming High Level Output Specification and Statement of funds available and the ongoing refranchising process will carry this process forward, identifying further efficiency savings to be delivered by Network Rail together with the contribution that will be made by the wider rail industry.

Factors affecting performance during the current and future financial years

Significant remote contingent liabilities

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

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 £14.5 billion.

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

- opening of the purpose built Tunnelling and Underground Construction Academy in East London;
- station contracts awarded for Paddington, Farringdon, Whitechapel and Liverpool Street;
- launch of the Invitation to Negotiate for the Crossrail Rolling Stock and Depot;
- launch of the tunnel boring machines at Royal Oak Portal in West London;
- start of construction of the expanded Stockley Flyover near Heathrow;
- agreement of the detailed programme of works Network Rail will deliver; and
- Canary Wharf Station Box structure complete.

2012–13 is a key year for the project, with significant tunnelling progress expected through central London following the start in May, and major works continuing at all the construction sites in the central section. Tunnelling will also begin in the east of London. At the same time TfL will begin the process of procuring an operator for the new service, whilst the Department will ensure that new rail franchises reflect and facilitate the planned introduction of Crossrail services.

HS2

In 2011 the Department launched a consultation on high speed rail, setting out both the proposed strategy (for a Y-shaped network) and the line of route for the first phase of the network from London to Birmingham. Around 55,000 responses were received and analysed. In January 2012 the Secretary of State made the decision to support the delivery of a new high speed rail network, and to prepare for a hybrid bill to grant powers to build the railway from London to Birmingham. The branches onto Manchester and Leeds will require a further hybrid bill. The total cost of the entire network is estimated at £32.7 billion (2011 prices).

The majority of spending on HS2 is done by HS2 Ltd, an NDPB which produces its own set of accounts, and provides data on its procurements. The Department funds HS2 Ltd through Grant-in-Aid. 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.

In March 2012 the Department received a report from HS2 Ltd detailing their advice on potential routes for the second phase – to Manchester, Leeds and Heathrow. The Secretary of State will consider this advice over the next year and will consult on the preferred route in 2014.

Activities planned in 2012–13 include undertaking informal engagement on Phase 2; consulting on and then implementing policies for property and compensation and continuing to prepare for the deposit of a Hybrid bill in late 2013.

Dealing with the deficit

The Government is determined to find significant savings in current spending to make the fiscal position more sustainable in the medium and long-term. However, to ensure economic stability, this determination must be matched with targeted investments to build a stronger and more competitive economy for the future. In the short-term, the Government will use part of the savings from current spending to fund capital investments in infrastructure and support enterprise to promote growth in the private sector. Transport infrastructure is a key part of this economic strategy.

The Government is also committed to building a new economic model, which aims to create a fairer and more balanced economy. Central to this is the creation of Local Enterprise Partnerships – joint local authority/business bodies that reflect genuine economic areas to promote local economic development. The Department is developing plans to devolve more funding to local areas to drive progress in this area.

Transparency

Transparency is a core component of the Coalition Government's policy and is a key issue for the Department for Transport. Transport is a data-rich area where there is a huge public appetite for information that can be used to inform travel choices, track performance and hold public service providers and public bodies to account.

The transparency agenda can be broken down into three main parts:

- transparency in how public money is spent, what it buys and how we measure value for money in what we buy with it. This includes our own expenditure, the contracts that we let and how we decide on priorities;
- the performance of public services, how these can be related to individual user experience, how these can hold service providers to account and providing useful comparative information to enable users to make informed choices and switch supplier if appropriate; and
- making public datasets open for use and re-use to encourage new, innovative business to flourish and to provide exciting new services and applications for end-users.

In order to drive this agenda forward a Transport Sector Transparency Board has been established that comprises representation from the Open Data Community, DfT, Cabinet Office, Number 10 and relevant data owners. This Board has met every six weeks and is tasked with identifying opportunities and removing blockers in progressing the transparency agenda across the transport sector.

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 2013–14. The franchise is currently managed by East Coast Mainline Company Limited, following National Express's decision to relinquish the franchise with effect from November 2009. The Department welcomed the NAO's report on the termination of the franchise, which concluded that it had taken the best approach to protect the taxpayer.

Olympics

The Department has been playing a central role in the Government's preparations for the Olympics. Whereas in previous years the emphasis was on delivery of key transport infrastructure and assurance, during 2011–12 the focus shifted to ensuring operational readiness and mitigating operational, financial and reputational risks.

Excellent operational relationships have been built with and between transport operators, Government and the London Organising Committee of the Olympic Games (LOCOG). In particular the Department has developed arrangements to ensure joined-up working across transport, to manage transport demand and to forestall and mitigate incidents during the Games period. However, the residual risks inherent in transport operations cannot be avoided entirely and work on these areas will continue in the first quarter of 2012–13, leading up to the commissioning of the Department's Games-time operations. These operational arrangements will leave the Department with a wider cadre of operationally experienced staff, providing greater resilience for incident management in future.

As part of the programme to manage travel demand during the Games, the Department has been leading the Government's efforts to reduce its own 'travel footprint' by positively changing 50% of Departments' travel into central London during the Olympic Games. In trials during 2011–12 the Department achieved positive changes of 70%, by changing working patterns or locations and encouraging cycling and walking. The changes to technology and working practices within the core Department will provide a legacy of more flexible working in support of the Department's organisational vision and enhanced business continuity.

Shared Services Futures project

During 2011 the Department began the process to divest its Shared Service Centre in Swansea. The driver for the Department is to standardise processes wherever possible and to seek the cheapest solution which meets the Department's needs and those of others in Government. Alongside this the Department is working with the Cabinet Office to deliver a framework agreement which is fit for both the DfT family and wider Government. The final contract is expected to be awarded in September 2012.

Following the contract award, the Department expects to migrate all of the remaining agencies, VOSA's, MCA's and Highways Agency's finance function to Shared Services.

Public interest

Diversity and employment

As a public authority the Department is required to demonstrate how it is complying with the public sector Equality Duty. We have responded by publishing a number of reports that set out the actions we have taken, both in the central Department and the agencies, to advance equality of opportunity. These include information relating to our diverse workforce, as well as the people who are affected by our policies and services.

We continue to consider the equality impacts of our work, with the aim of delivering fairer, cost-effective outcomes. This has included improving our evidence base, engaging with our staff, and consulting service users and transport providers.

For the year ending 31 March 2012 DfT(c) and agencies successfully concluded their respective three year action plans which were based on the civil service diversity strategy and on the service delivery priorities that were identified in the Department's Single Equality Scheme. Details of equality monitoring for the year in question are contained on our website and in line with our obligations as a public authority we also developed new equality and diversity objectives which came into operation in April 2012.

Staff relations

During 2011–12 there were two instances of Civil Service wide industrial action which affected the Department. On 30 June 2011 PCS took national strike action. On 30 November the union took further national strike action, joined by Prospect and FDA.

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 2011 the Department reported AWDL as 7.7. For the 12 month period ending 31 December 2011 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.

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 2011–12, the Department paid 93.12% of supplier invoices within five working days of receipt, which is an improvement over the 86.10% paid within target in 2010–11. The performance against the 30-working-days measure in 2011–12 was 99.66%, in comparison with 99.63% in 2010–11.

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 carbon budget management framework to monitor 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 Government reports publicly on progress against the actions in the *Carbon Plan* on a quarterly basis and provides more detailed updates by sector via its response to annual progress reports by the Committee on Climate Change (in October each year).

Consistent with the Government's commitment to work towards full compliance with legally binding EU air quality standards. The Department has a key role to play in 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.

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

Personal data-related incidents

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 1: Summary of protected personal data-related incidents formally reported to the information commissioner's office in 2011–12

No such incidents have been reported this year.

Further action on information risk	The Department will continue to monitor and assess its information risks, 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.
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Table 2: Summary of other protected personal data-related incident in 2011–12

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	5
V	Other	0

Sustainability report

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 (DVLA), Government Car & Despatch Agency (GCDA), Highways Agency (HA), Maritime & Coastguard Agency (MCA), Vehicle Certification Agency (VCA) and British Transport Police (BTP). 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 developed an Operations Sustainability Strategy over the course of 2011–12 which outlines how we will meet the GGC by 31 March 2015. This will be published on the DfT website by the end of May 2012 and updated annually thereafter.

Summary of performance

In 2011–12 we have made 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 and figures from page [x] below.

Performance summary	Measure	2011–12	2010–11
Energy emissions	tCO ₂ e ²³	143,815	159,546
Energy costs	£m	28.33	25.11
Business travel emissions	tCO ₂ e	7,090	7,573
Business travel costs	£m	8.78	12.04
Waste arisings	tonnes	3,112	3,303
Water consumption	cubic metres (m ³)	112,849	121,311

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 have achieved a 9.7% reduction in greenhouse gas emissions in 2011–12, in comparison to our 2010–11 performance. Those savings have been achieved through:
 - A range of energy saving interventions including switching off lighting on the road network at a further 3 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 4 sites. The core department has vacated two buildings in London, giving up 5,500m² of floor space and is in the process of reducing its headquarters building floor area by 7,480m² (31%).
 - Reducing the floor space in our offices that we heat and light at less busy times (e.g. over the Christmas holidays).
 - Improving the efficiency of our ICT operations. DVLA are currently implementing a server virtualisation programme, which when complete will have reduced the number of their physical servers by 90%.
 - Behaviour change and the use of more efficient vehicles when undertaking business related travel.
 - Highways Agency has reduced the emissions from their Traffic Officer Service through revised deployment strategies which result in reduced mileage whilst maintaining operational performance, together with a phased programme of replacing old vehicles with more fuel efficient vehicles of the same type.
 - There has also been behavioural change with an increase in the use of videoconferencing and teleconferencing as alternatives to travel.

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

²¹ tCO₂e = tonnes of carbon dioxide equivalent emissions.

Waste

In 2011–12 we have reduced the volume of waste arisings from our administrative estate by 5.8 percent when compared to 2010–11. Some 66.4% of our office waste was sent for recycling compared to 60.3% in the previous year. 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.

Water

With a number of counties now officially declared as drought areas and several water companies having drought orders in place, the issue of reducing water consumption has become even more important. All staff in DfT have been made aware of the need to conserve water and that message will continue to be given at regular intervals over the coming year. DfT will look at the delivery of its services and work with suppliers and contractors to ensure water consumption is minimised wherever it is practical to do so.

In 2011–12 we reduced water consumption in our offices by 6.9%. We will seek ways to further improve our management of water and so further reduce our water consumption.

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 our Climate Change Adaptation Plan for Transport 2010–12, 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 section 6 of the Annual Report

Biodiversity and the natural environment

We have contributed to the development of the Government's Natural Environment White Paper²², which was published in June 2011, and support the ambition to create 'coherent and resilient ecological networks. Preparation for a new Highways Agency Biodiversity Action Plan (BAP) is in hand, while we continue to work to meet the aspirations of wider Government policies for the protection and enhancement of the natural environment. DVLA are currently collaborating with the Ecology Department of Swansea University to develop a BAP for their headquarters site in the Morriston suburb of Swansea.

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, where relevant, in all new contracts and additionally to all existing contracts that exceed the Official Journal of the European Union threshold;
- committed to removing barriers to SME participation in our contracts and also to improving sub-contracting opportunities for smaller suppliers. During the past year, we have improved the procurement information on our website and held a number of supplier events. Our SME action plan and some case studies can be seen at <http://www.dft.gov.uk/about/doing-business-with-us>

22 <http://www.defra.gov.uk/environment/natural/whitepaper/>

- looking to identifying significant supply chain impacts and work with the key suppliers to reduce them, with the initial focus being on Carbon but over time widening to incorporate water and waste.

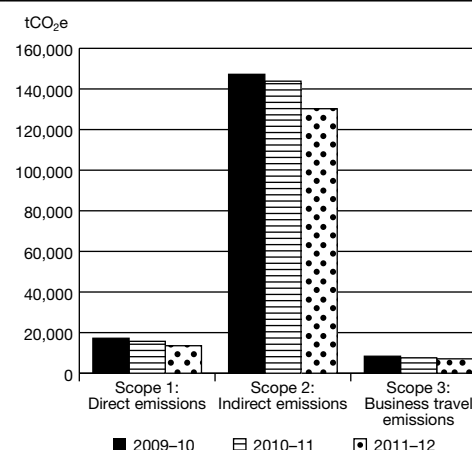
Governance

We monitor our sustainability performance as an integral part of our monthly performance management reporting regime. The DfT Executive Committee will from 2012–13 receive quarterly reports on DfT performance against the Greening Government Commitments. Internal Audit has been engaged to review internal sustainability reporting, initially focusing on the validation of data that supports the external report for the CRC Energy Efficiency Scheme, but will also be extended to review the reporting requirements for the Greening Government Commitments.

Table 4: Greenhouse gas (GHG) emissions

Greenhouse gas (GHG) emissions		2009–10	2010–11	2011–12
Gross emissions (tonnes CO ₂ e)	Scope 1: Direct emissions	17,227	15,712	13,547
	Scope 2: Indirect emissions	147,206	143,834	130,268
	Scope 3: Business travel emissions	8,373	7,573	7,090
	Total	172,807	167,118	150,906
Related consumption data	Estates electricity (kWh)	45,821,348	49,037,559	45,873,943
	kWh per head	2,895	3,100	3,011
	Estates (HA road network) electricity (kWh)	218,000,000	205,000,000	193,333,676
	Private car usage (million road miles)	2.57	2.84	2.11
	Hire car usage (million road miles)	4.15	2.99	3.69
Financial indicators	Total energy expenditure	£ 7,427,823	£25,108,393	£28,334,928
	CRC related expenditure	£ –	£ 8,960	£ 1,376,210
	Expenditure on business travel	£13,825,712	£12,043,738	£ 8,779,501

Figure 1: DfT emissions by scope type



Performance commentary and targets

In 2011–12 DfT (as defined in this Sustainability Report) saw an overall reduction in its greenhouse gas emissions of 9.7% compared to emissions in 2010–11. Overall our emissions have reduced by 12.7% since 2009–10, the Greening Government Commitment baseline year. DfT consumed 14.8 million less kWh of energy compared to 2010–11. The majority of this saving was achieved by the reduction and removal of street lighting on the strategic road network, where it was safe to do so. Total energy expenditure figure for 2009–10 excludes Highways Agency as figures for the road network were not available.

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 third party transport (including hire car use).

Table 4: Greenhouse gas (GHG) emissions (continued)

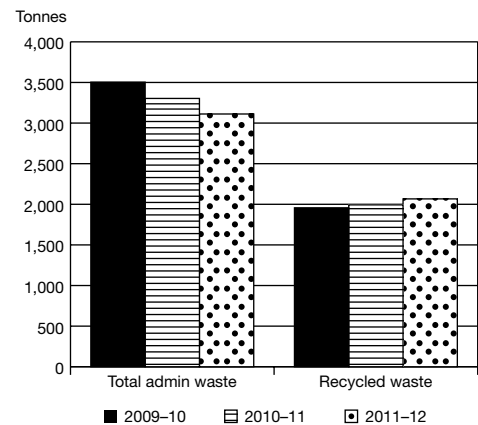
Indirect impacts

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 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.

Table 5: Waste

Waste		2009–10	2010–11	2011–12
Non-financial indicators	Total admin waste	3,503.43	3,303.29	3,111.75
	Recycled waste	1,956.58	1,992.96	2,066.45
	Kg per head	1,005.80	906.13	967.21
	Percentage recycled	55.85	60.33	66.41

Figure 2: DfT Waste arisings and recycling



Performance commentary and targets

In 2011–12 DfT (as defined in this Sustainability Report) saw a reduction in its waste arisings of 5.8% compared to arisings in 2010–11. Overall our waste arisings have reduced by 11.2% since 2009–10, the Greening Government Commitment baseline year. We have reduced our paper usage by over 50,000 reams in 2011–12 compared with 2010–11, a reduction of over 37%. DfT also continues to increase the percentage of waste that is recycled thus reducing the volumes going to landfill.

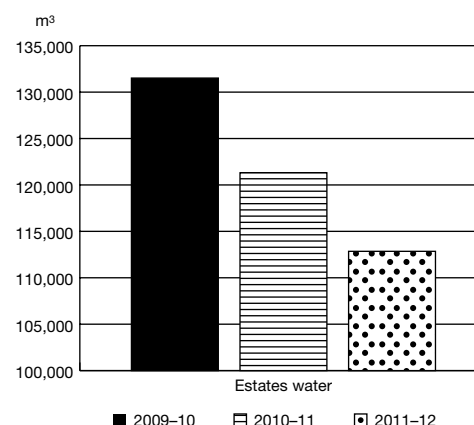
Direct and indirect impacts

The Highways Agency continues to collect and remove in excess of 250,000 sacks of rubbish from the strategic road network each year.

Table 6: Water

Water		2009–10	2010–11	2011–12
Non-financial indicators	Estates water	131,513	121,311	112,849
	m ³ per head	8.31	7.67	7.41
	Emissions from water consumption (tonnes CO ₂ e)	36.30	36.39	38.37

Figure 3: DfT water consumption



Performance commentary and targets

In 2011–12 DfT (as defined in this Sustainability Report) saw a reduction in its water consumption of 6.9% compared to volumes in 2010–11. Overall our waste consumption has reduced by 14.2% since 2009–10, the Greening Government Commitment baseline year. Our consumption per head has also reduced from 8.31m³ to 7.41m³ which is significant as staffing levels have also fallen by over 500 FTE in the same period.

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. These audits are completed as required by the Government Resources and Accounts Act 2000.

- Highways Agency
- Maritime and Coastguard Agency
- Government Car and Despatch Agency
- Driver and Vehicle Licensing Agency
- Vehicle Certification Agency
- British Transport Police Authority
- HS2 Ltd
- Passenger Focus

In 2011–12, the audits of the Department’s consolidated accounts, the Department’s core accounts and the Executive Agencies listed below incurred a notional audit fee of £881,200:

- Highways Agency
- Maritime and Coastguard Agency
- Government Car and Despatch Agency
- Driver and Vehicle Licensing Agency
- Vehicle Certification Agency

In 2010–11, the comparative figure was £774,000. This figure does not include the DVLA audit fee of £87,250 because in this was a cash fee rather than a notion fee, due to the DVLA being treated as a Trading Fund in that year, and not as an Executive Agency.

The audits of the following entities are completed by the NAO, but incur a cash or real charge for the completion of their audit:

- British Transport Police Authority
- HS2 Ltd
- Passenger Focus

In 2011–12, the cash audit fee for incurred by these entities was £154,000. In 2010–11, the comparative cash audit fee was £156,700. In that year, this group of entities also included the Renewable Fuels Agency, which was merged with the main Department at 31 March 2011. In 2010–11, the audit of HS2 Ltd was completed by Thornton Springer LLP.

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:

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

In 2011–12, the cash audit fee incurred by these entities was £113,600. In 2010–11, the comparative was £97,200.

PWC audits the following entity, providing audit assurance to the Comptroller and Auditor General as the group auditor. These audits incur a real cost charge:

- Directly Operated Railways Limited

In 2011–12, the cash audit fee incurred by these entities was £10,000. In 2010–11, the comparative figure was £10,000.

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

Statement regarding the disclosure of information to the auditors

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

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

Table 7: Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2011-12	2010-11
	£000	£000
Net Resource Outturn (Estimates)	6,257,319	6,453,623
<i>Adjustments to remove non-budget elements:</i>		
Prior Year Adjustments	211,049	–
Total Resource Budget Outturn	6,468,368	6,453,623
<i>of which:</i>		
Departmental Expenditure Limits (DEL)	5,591,444	5,855,979
Annually Managed Expenditure (AME)	876,924	597,644
<i>Adjustments include:</i>		
Capital grants (net of related EU contributions)	6,352,790	5,306,334
Non-supply income (CFERs)	(84,650)	(1,210,469)
<i>Adjustments to remove</i>		
Net Operating Cost (Accounts)	12,736,508	10,549,488

Philip Rutnam
 Permanent Secretary and Accounting Officer
 Department for Transport
 Great Minster House
 33 Horseferry Road
 London
 SW1P 4DR
 10th July 2012

Departmental Remuneration Report

Remuneration policy

Senior civil servants' pay and performance management is not delegated to departments. Departments operate within a framework set by the Cabinet Office. Some elements of the framework are mandatory; in other areas Departments have flexibility to meet departmental business needs.

The remuneration of the Departments' senior civil servants for current and future years is determined by the Remuneration Committee in accordance with the Government's response to the recommendations of the independent Review Body on Senior Salaries.

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 3 SCS pay bands:

- Pay band 1 (Deputy Director) JESP range of 7–12 points;
- Pay band 2 (Director) JESP range of 13–18 points; and
- 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 – £117,800;
- Pay Band 2 (Director) £82,900 – £162,500; and
- Pay Band 3 (Chief Executive) – £101,500 – £208,100.

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; and
- 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 2011–12, only the top 25% of performers, those in the top Performance Group, will receive an award.

In 2011–12, no base pay increases are available for members of the SCS.

Remuneration Committee

This Committee comprises the Department for Transport's Permanent Secretary (as Chairman), all DfT Directors General, and a Non-Executive Board Member. For the year to 31 March 2012, its members were:

Lin Homer (to 22 January 2012)	Permanent Secretary, Department for Transport
Clare Moriarty (from 23 January 2012)	Acting Permanent Secretary, Department for Transport
Peter Strachan (from 20 October 2011)	Director General, Major Projects and London Group
Lucy Chadwick (to 23 October 2011)	Acting Director General, Major Projects and London Group
Steve Gooding	Director General, Domestic Group
Clare Moriarty (to 22 January 2012)	Director General, Corporate Group
Brian Etheridge (from 23 January 2012)	Acting Director General, Corporate Group
Richard Hatfield (to 31 March 2012)	Director General, International, Strategy and Environment Group
Lucy Chadwick (from 19 March 2012)	Director General, International, Strategy and Environment Group
Ed Smith	Non-Executive Director
Sally Davis	Non-Executive Director

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

Philip Rutnam was appointed Permanent Secretary on 11 April 2012.

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	2011–12		2010–11	
	Salary (£)	Benefits in Kind	Salary (£)	Benefits in Kind
Philip Hammond MP Secretary of State (from 12 May 2010 to 14 October 2011) Full-year equivalent	40,149 68,827	–	61,056 68,827	–
Justine Greening MP Secretary of State (from 15 October 2011) Full-year equivalent	30,740 68,827	–	–	–
Theresa Villiers MP Minister of State (from 13 May 2010) Full-year equivalent	33,002	–	29,188 33,002	–
Norman Baker MP Parliamentary Under Secretary of State (from 14 May 2010) Full-year equivalent	23,697	–	20,894 23,697	–
Mike Penning MP Parliamentary Under Secretary of State (from 14 May 2010) Full-year equivalent	23,697	–	20,894 23,697	–
Lord Andrew Adonis Secretary of State (to 11 May 2010) Full-year equivalent	–	–	12,855 113,856	–
Sadiq Khan MP Minister of State (to 11 May 2010) Full-year equivalent	–	–	4,589 40,646	–
Paul Clark MP Parliamentary Under Secretary of State (to 11 May 2010) Full-year equivalent	–	–	3,483 30,851	–
Chris Mole MP Parliamentary Under Secretary of State (to 11 May 2010) Full-year equivalent	–	–	3,483 30,851	–

Officials	2011-12			2010-11		
	Salary (£'000)	Bonus Payments (£'000)	Benefits in kind (to nearest £100)	Salary (£'000)	Bonus Payments (£'000)	Benefits in kind (to nearest £100)
Lin Homer Permanent Secretary (from 10 January 2010 to 22 January 2012) Full-year equivalent	135-140 170-175	-	-	45-50 205-210 ²³	-	-
Clare Moriarty Acting Permanent Secretary (from 23 January 2012) Full-year equivalent	25-30 ²⁴ 140-145	-	-	-	-	-
Peter Strachan Director General (from 20 October 2011) Full-year equivalent	70-75 160-165	-	-	-	-	-
Lucy Chadwick Acting Director General (from 28 March 2011 to 23 October 2011) Full-year equivalent	65-70 ²⁵ 105-110	5-10 ²⁶	-	0-5 115-120	-	-
Steve Gooding Director General	125-130	5-10	-	125-130	5-10	-
Clare Moriarty Director General (to 22 January 2012) Full-year equivalent	100-105 125-130	10-15	-	125-130	5-10	-
Brian Etheridge Acting Director General (from 23 January 2012) Full-year equivalent	15-20 100-105	-	-	-	-	-
Richard Hatfield Director General (to 31 March 2012) Full-year equivalent	145-150 ²⁷	-	-	145-150	5-10	-
Lucy Chadwick Director General (from 19 March 2012) Full-year equivalent	5-10 105-110 ²⁸	-	-	-	-	-
Robert Devereux Permanent Secretary (to 3 January 2011) Full-year equivalent	-	-	-	120-125 155-160	-	-
Mike Mitchell Director General (to 28 February 2011) Full-year equivalent	-	-	-	160-165 175-180	20-25 ²⁹	21,000
Bronwyn Hill Director General (to 27 March 2011) Full-year equivalent	-	-	-	130-135 130-135	-	-

Officials	2011–12			2010–11		
	Salary (£'000)	Bonus Payments (£'000)	Benefits in kind (to nearest £100)	Salary (£'000)	Bonus Payments (£'000)	Benefits in kind (to nearest £100)
Band of Highest Paid Director's Total Remuneration (£'000)	170–175			205–210		
Median Total Remuneration	£23,890.84			£23,353.04		
Ratio	7.22			8.89		

In 2011–12 no employees (2010–11, zero employees) received remuneration in excess of the highest paid director. Remuneration ranged from £14,003 to £157,100 (2010–11, £3,445 to £188,890).

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.

The ratio was considerably lower in 2011–12 than in 2010–11. The remuneration of the highest paid Director reduced from 1 April 2011²³, and 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 Directors

Over the course of the last year each of the four Departmental Non-Executive Board Members 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. Sam Laidlaw is also entitled to an additional £5,000 in recognition of his role as Lead Non-

²³ Lin Homer's basic salary reduced to £170,000 from 1 April 2011.

²⁴ Clare Moriarty's salary includes TRA of £0–5K as Acting Permanent Secretary from 23 January 2012.

²⁵ Lucy Chadwick's salary includes TRA of £5–10K as Acting Director General to 23 October 2011.

²⁶ Lucy Chadwick received a bonus in 2011–12 which is related to her 2010–11 performance as Director of Roads and Rail Project.

²⁷ Richard Hatfield was paid an additional £10,488 in exchange for untaken leave.

²⁸ The Cabinet Office has yet to agree Lucy Chadwick's annual salary on her recent promotion to Direct General.

²⁹ Mike Mitchell was appointed on a fixed term contract therefore was exempt from the non-consolidated performance pay limit of 5% of SCS pay bill.

Executive. Sam Laidlaw has waived his entitlement to a fee and to date has not 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.

The NEBM's 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 the following remuneration for their services during the year:

Non-Executive Director	2011–12 (£'000)	2010–11 (£'000)
Sam Laidlaw (from 1 January 2011)	Chose to be unpaid	Chose to be unpaid
Ed Smith ³⁰	25–30	25–30
Alan Cook ³¹	20–25	20–25
Sally Davis	20–25	20–25
Andy Friend (to 31 July 2010) Full-year equivalent	–	5–10 20–25

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 2011–12 for either Ministers or senior staff.

³⁰ Ed Smith is the Chair of the Group Audit Committee and his remuneration includes a fee for holding this position.

³¹ Alan Cook is also the Chair of Highway Agency Board.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2011–12 relate to performance in 2010–11 and the comparative bonuses reported for 2010–11 relate to the performance in 2009–10.

Pension Benefits

Minister	Accrued pension at age 65 as at 31/3/12	Real increase in pension at age 65	CETV at 31/3/12	CETV at 31/3/11 ³²	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Philip Hammond MP Secretary of State (from 12 May 2010 to 14 October 2011)	0–5	0–2.5	44	19	16
Justine Greening MP Secretary of State (from 15 October 2011)	0–5	0–2.5	7	0	4
Theresa Villiers MP Minister of State (from 13 May 2010)	0–5	0–2.5	19	9	4
Norman Baker MP Parliamentary Under Secretary of State (from 14 May 2010)	0–5	0–2.5	15	8	5
Mike Penning MP Parliamentary Under Secretary of State (from 14 May 2010)	0–5	0–2.5	19	10	6

Ministerial pensions

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40 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 1/60 accrual rate, 7.9%

³² The actuarial factors used to calculate CETVs were changed in 2011–12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

of salary if they have opted for the 1/50 accrual rate or 11.9% of salary if they have opted for the 1/40 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 is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated 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.

The real increase in the value of the CETV

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

Officials	Accrued pension at pension age as at 31/3/12 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/12 £000	CETV at 31/3/11 ³³ £000	Real increase in CETV £000
Lin Homer Permanent Secretary (from 10 January 2011 to 22 January 2012)	95–100	0–2.5	1,639	1,564	6
Clare Moriarty Acting Permanent Secretary (from 23 January 2012)	50–55	0–2.5	723	704	4
Peter Strachan Director General (from 20 October 2011)	0–2.5	0–2.5	16	15	(2)
Lucy Chadwick Acting Director General (from 28 March 2011 to 23 October 2011)	30–35	0–2.5	351	314 ²⁹	20
Steve Gooding Director General (from 2 January 2009)	50–55 plus lump sum of 95–100	0–2.5 plus lump sum of (2.5)–0	872	792	11
Clare Moriarty Director General (from 21 September 2009 to 22 January 2012)	50–55	0–2.5	704	655	(1)
Brian Etheridge Acting Director General (from 23 January 2012)	40–45 plus lump sum of 120–125	(2.5)–0 plus lump sum of (2.5)–0	734	675	(6)
Richard Hatfield Director General (from 26 August 2008 to 31 March 2011)	65–70 plus lump sum of 205–210	(2.5)–0 plus lump sum of (5)–(2.5)	1,550	1,465	(40)
Lucy Chadwick Director General (from 19 March 2012)	30–35	0–2.5	378	376	0

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80 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 1/60 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

³³ The actuarial factors used to calculate CETVs were changed in 2011–12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year’s report which was calculated using the previous factors.

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 www.civilservice.gov.uk/pensions

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service 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
Permanent Secretary and Accounting Officer
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

10th July 2012

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 I am pleased to introduce the Governance Statement for 2011–12, which explains the Department for Transport's approach to corporate governance – the way in which organisation is directed and controlled. Good governance is vital to effective financial and risk management.
- 2 HM Treasury's Managing Public Money (MPM) guidance summarises the purpose of the Governance Statement as being to record the stewardship of the organisation to supplement the accounts. 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 DfT's Governance Statement describes how the Board and its supporting governance structures work, how they have performed, and provides our assessment of how the Department has been managed, including the effectiveness of the systems of internal control, risk management and accountability.
- 4 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.

Accounting Officer's scope of responsibilities

- 5 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's Managing Public Money.
- 6 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives. The system is designed to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently and effectively.

- 7 In addition to ensuring a sound system of internal control, it is my responsibility to provide effective and efficient delivery of the policy objectives and, where appropriate, advise Ministers on the most efficient allocation of resource. It is also my responsibility to ensure that the organisational capability of the Department is continuously improved and that our agencies and arm's length bodies are aligned with the Department's objectives.
- 8 The Department, in the conduct of its business, assures itself as to the propriety of officials' and Ministers' conduct under the *Ministerial Code* and the *Civil Service Code*. I, with input from the General Counsel, have the duty to ensure compliance with the latter and to advise Ministers as to the former. When Ministers are appointed, their attention is drawn to the requirements of the two codes. In addition, since DfT is responsible for a number of types of decision making, including quasi-judicial decision making in the transport planning field, the General Counsel provides formal advice to all transport Ministers upon appointment about propriety in transport decision making.
- 9 The *Civil Service Code* is available on the Department's staff intranet and is expressly drawn to the attention of staff where there is a business need to do so. Issues of propriety are generally handled on a case-by-case basis.
- 10 Aside from the central Department, the other entities in the DfT family that fall within the Department's accounting boundary are as follows:
- **DfT's five executive agencies**
 - Driver and Vehicle Licensing Agency (DVLA), Vehicle Certification Agency (VCA) Highways Agency (HA), Maritime and Coastguard Agency (MCA), Government Car and Despatch Agency (GCDA).
 - **DfT's six non-departmental public bodies (NDPBs)**
 - In 2011–12 the following executive NDPBs were brought within the Departmental consolidation boundary: British Transport Police Authority, Passenger Focus, HS2 Ltd and Directly Operated Railways. One executive NDPB, The Railway Heritage Committee, remains within the Departmental accounting boundary as does the advisory NDPB, the Disabled Persons' Transport Advisory Committee.
 - **Public corporations and other entities**
 - London and Continental Railways Limited, Channel Tunnel Section 1 Finance PLC and London and Continental Railways Finance PLC.
- 11 A number of other entities that contribute to DfT's objectives fall outside of the Departmental accounting boundary and their accounts are not consolidated within the Departmental Account. These include:
- **DfT's two Trading Funds**
 - The Driving Standards Agency (DSA) and the Vehicle and Operator Services Agency (VOSA). The direct responsibility for maintaining the system of internal control within these organisations rests with the relevant body. However, should a significant control weakness arise within these entities, it would be reported within this Statement.

- **Northern Lighthouse Board, Trinity House Lighthouse Service and Commissioners for Irish Lights**
 - These entities fall outside the DfT accounting boundary for 2011–12. A number of other organisations contribute to the Department’s activities but their control frameworks are not commented on within the Department’s Governance Statement. A full list of these entities is provided in Note 25 to the Accounts.

DfT Board

- 12** Since July 2010 the DfT Board has been chaired by the Secretary of State. Board membership (Figure 1) comprises the Minister of State; one of DfT’s two Parliamentary Under-Secretaries of State (ensuring Coalition balance); four Non-Executive Board Members (including, from January 2011, a lead Non-Executive); the Permanent Secretary; and the four Directors General.

Figure 1: Board membership as at June 2012			
Secretary of State			
Justine Greening MP			
Ministers			
Theresa Villiers MP (Minister of State)		Norman Baker MP (Parliamentary Under Secretary)	
Permanent Secretary			
Philip Rutnam			
Directors General			
Clare Moriarty	Lucy Chadwick	Peter Strachan	Steve Gooding
Non-Executive Board Members			
Alan Cook	Ed Smith	Sally Davis	Sam Laidlaw (Lead NEBM)

Membership, meetings and attendance during 2011–12

- 13** The following changes to Board membership occurred during 2011–12.
- in October 2011 the Secretary of State Philip Hammond was replaced by Justine Greening;
 - in October 2011 Peter Strachan joined the Department as Director General of the Major Projects and London Group, taking over from Lucy Chadwick who had been acting Director General, since March 2011;
 - in January 2012 Clare Moriarty became acting Permanent Secretary, following Lin Homer’s departure to HMRC. Shortly after the financial year end Philip Rutnam was appointed as Permanent Secretary; and
 - on 19 March 2012 Lucy Chadwick took up post as Director General of the International, Strategy and Environment Group, replacing Richard Hatfield who retired from the Department on 30 March 2012.
- 14** After the end of the financial year, in June 2012, DfT appointed a new Non-Executive Board Member, Hanif Lalani, who will take over the chairmanship of the DfT Group Audit Committee from Ed Smith.

- 15 During 2011–12 the DfT Board met on ten occasions. The Board met once a month at the beginning of the financial year in order to manage the organisational changes the Department was undergoing, but then changed to a cycle of quarterly meetings plus two sessions to discuss strategy and planning topics. The Board held two extraordinary meetings during the year to discuss resource accounts and the Capability Review.
- 16 The Secretary of State chaired every Board meeting in 2011–12 and was joined by the Minister of State, Theresa Villiers, on all but three occasions. The Parliamentary Under Secretary of State, Norman Baker, also joined the Board meeting on two occasions.
- 17 The Permanent Secretary and the Directors General all attended every Board meeting in 2011–12, with one exception in December when the Director General of Major Projects and London Group did not attend.
- 18 Non-Executive attendance was as follows: Sam Laidlaw attended six of the meetings; both Ed Smith and Alan Cook attended eight meetings each; and Sally Davis attended nine meetings. In addition all Non-Executives attended a number of supplementary committee meetings.
- 19 Minutes of DfT Board meetings are published by the DfT Board Secretariat on internal and external websites, following agreement of the Board.

Register of interests

- 20 The Department maintains a register of Non-Executives' interests to ensure that their duties elsewhere do not result in a conflict with their work for the Department. Non-Executives are required to declare any conflicts of interest promptly. They were asked to update this register in February 2012 and confirmed that there were no new interests that created a potential conflict.
- 21 A register of Ministers' interests is maintained by the Cabinet Office. The Department also requests all Executive Board Members to declare any interests which may conflict with their work for the Department. All Departmental staff have a contractual obligation 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.

Board responsibilities and performance

- 22 The DfT Board has had the following responsibilities during 2011–12:

Scrutiny

- oversight and scrutiny of performance and the financial position for the central Department and its sponsored bodies and executive agencies;
- advising on major projects or programmes such as Crossrail and High Speed 2; and
- ensuring 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 2011–2015, and corporate planning objectives; and
- Reviewing key risks and effectiveness of risk management processes.

Advisory

- contributing towards the Department's strategic vision, and ensuring decisions are based on a holistic appreciation of policy goals and wider external issues; and
- considering a series of policy and management themes in order to inform and develop the Secretary of State's thinking and obtain Non-Executive input at the early stages of policy development.

23 During 2011–12 the Board focused on implementing the first full year of the Government's Business Plan priorities, and the Department's contribution to deficit reduction via the spending reductions committed to in the Spending Review 2010.

24 The Board also oversaw the significant programme of organisational restructuring to reduce costs and realign resources to priorities. This involved reducing permanent and non-permanent staff numbers by around 440 full-time equivalent staff, or just over 20%, over the last two years. This programme was managed by the Organisational Change Programme Board, which was set up in 2010–11 and met four times between April and September 2011, when the re-structuring was completed.

25 The Board reviewed quarterly reports on delivery performance against Business Plan commitments and other major workstreams, resulting in a number of interventions to mitigate risks and unblock progress. For example, Board monitoring of the Business Plan commitment to work with the Home Office to authorise the use of drug screening technology in police stations, led to the then Secretary of State, Philip Hammond, reviewing progress with the Home Office Secretary of State and agreeing a new plan.

26 The Board and its sub-committees scrutinised and advised on the significant policy and investment priorities for the year in order to facilitate timely and informed Ministerial decisions. Examples included the decision on the HS2 route to Birmingham, the Rail Command Paper *Reforming our Railways*, Local and Highways Agency Major Schemes, the Aviation Bill, and bus service funding and reforms.

Review of governance arrangements in 2011–12

27 Following the publication of an updated *Corporate governance in central government departments: Code of good practice 2011* the Department undertook a detailed review of its governance arrangements. An Internal Audit review of governance arrangements was also carried out. DfT already had in place many of the key elements including a well-functioning Board chaired by the Secretary of State, which included Non-Executive Board Members with a diverse range of both commercial and public sector experience. However, as a result of the review and the audit we have made changes to bring our arrangements fully in line with the Code, and to make other improvements.

- 28** DfT was one of a small number of Government departments chosen by the Cabinet Office to undertake a Board effectiveness evaluation in 2011, facilitated by an experienced independent advisor, Margaret Exley CBE.
- 29** The report was broadly very complimentary of the Board's operation. It noted that the Board has 'a clear agenda and has been well managed' with 'good quality papers' and has clarity in 'its role as primarily to help develop and challenge the strategic leadership of the Department'. It noted that the Board has 'a good mix of financial, technical organisational and transport capability', 'good constructive challenge' and 'a shared commitment to the success of the Department'.
- 30** The two major areas that were identified for further development were increasing Non-Executive Board Member involvement in developing longer-term strategic policy and in setting a clearer governance framework to facilitate the scrutiny and challenge of investment decisions.
- 31** Actions to address these areas were integrated into the DfT Capability Review Action Plan to be implemented in 2012–13. These were to introduce a DfT Board Nominations and Governance Sub-committee to consider Departmental policy on talent development, remuneration, succession planning and internal governance; and improved involvement of Non-Executive Board Members in investment and commercial decisions and in considering long-term Departmental strategy formulation.

Compliance with the Corporate Governance Code

- 32** The Board has been fully briefed on the *Corporate governance in central government departments: Code of good practice 2011*. Significant changes to the earlier Code include the requirement for the Secretary of State to chair the Departmental Board and a Board composition that enhances the role of Non-Executive Board Members, bringing knowledge and experience from senior positions in large and complex organisations outside Government.
- 33** DfT has made a number of changes to its governance arrangements during 2011-12 to bring it in line with the new Code. Following the changes made as a result of the governance review and the imminent establishment of the Nominations and Governance Committee, DfT will be compliant with the requirements of the corporate Governance Code from 2012–13, with the following exceptions: the Group Audit Committee's remit has not been expanded to include formal oversight of risk, as this function is carried out by the DfT Board; and the GAC membership does not include a second Non-Executive member of the DfT Board in addition to the Chair of the GAC. The Chair of the GAC is a DfT Board Non-Executive with relevant experience, as required in the Code, and the GAC membership for 2011-12 comprised three Non-Executive members of the Boards of DfT's agencies, as set out at paragraph 4.6 of the Governance Statement.

Lead Non-Executive Board Member's report – Sam Laidlaw

- 34** I am pleased to submit this report on behalf of the Non-Executive Board Members. This section addresses the impact of the Board, the Department's progress and performance and the quality of management information provided to the Board. It addresses Board composition, committee structures and the proposed follow-up actions arising from the Board Effectiveness Review conducted during the year.

- 35** In terms of its impact, the Board has constructively challenged and sought to improve the Department's performance in four key areas.
- 36** First, strategic clarity. The Board helped shape the Departmental 2012–2015 Business Plan and was actively involved in a workshop to address longer-term priorities, as many of the Department's projects' life spans extend well beyond that of the current Parliament.
- 37** Second, commercial acumen. The Board, together with the Board Investment Commercial Committee (BICC), a sub-committee, has been actively involved to ensure that the value for money case for the taxpayer of future investments was robust. The Board reviewed and challenged procurement, vendor selection and financing processes to ensure these were streamlined and the contracts optimised. A good example of this was the Board's engagement in the Intercity Express Programme rolling stock decision.
- 38** Third, talented people. The Board recognised the substantial organisational change that is under way at the Department and regularly reviews organisational capability, employee engagement, attrition, absence and progress towards driving a stronger performance culture. Individual Non-Executive Board Members have also been involved in overseeing the Department's senior executive remuneration, in senior management selection processes and the Capability Review.
- 39** Fourth, results focus and management information. 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. The Board has also encouraged the development of improved management reporting which tracks the Strategic Plan yet also conforms to the very particular requirements of public sector accounting policies. The clarity and transparency of this reporting has improved considerably during the year through the development of both a monthly delivery report and a finance and efficiency report, although there remains room for further improvement. The Board also has detailed regular reviews of the risk register, identifying both financial and non-financial risks, and assesses the adequacy of risk mitigation programmes. This is particularly important for programmes such as the Olympics and High Speed 2.
- 40** Finally, in a year when the Department has had both a change of Secretary of State and a change of Permanent Secretary, the Board has been able to provide some continuity and consistency in the leadership of the Department. The Board has benefited from the fact that both the previous and current Secretary of State regard the Board as a valuable and influential sounding board and as a body that can assist in further improving the effectiveness and efficiency of the Department's delivery.
- 41** In terms of composition, the Board has an effective combination of political leadership, five members of the Civil Service management (including the Permanent Secretary) and four Non-Executive Board Members with business experience. The Non-Executives, in addition to regular Board meetings, have been involved in particular areas. Ed Smith, with his considerable financial expertise, chairs the Audit Committee, has represented the Non-Executives in overseeing remuneration, and has also attended many of the BICC meetings. Alan Cook has attended many of the BICC meetings, as well as the Change Programme Board. Alan has also chaired the Highways Agency and has written a definitive report *Strategic Road Network – A Fresh Start* regarding the future of the highways network and

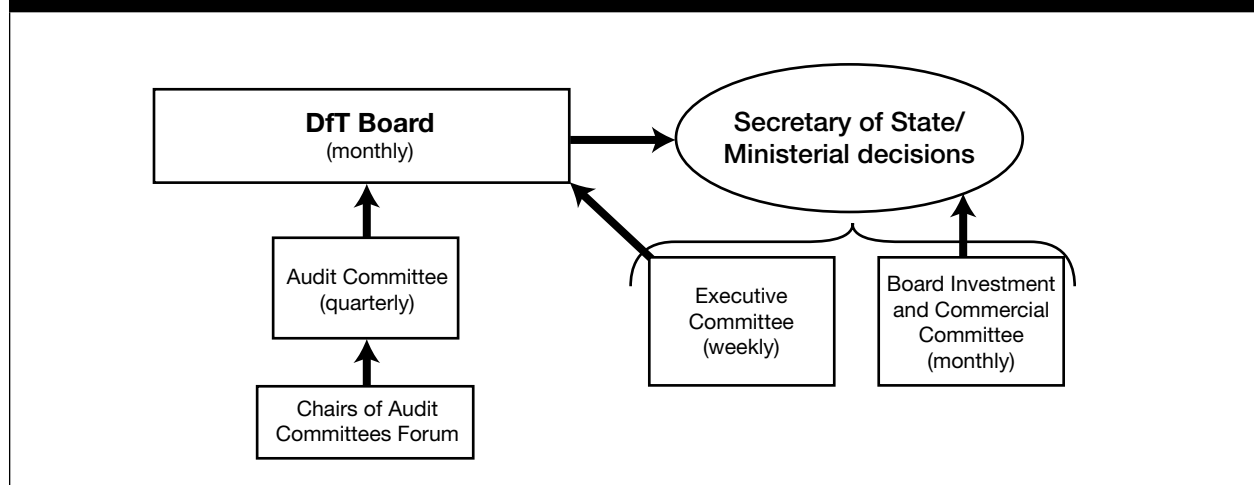
Highways Agency. Sally Davis has been closely involved with the Capability Review and with looking at new ways of working. I have attended a number of BICC meetings, in addition to providing input to the Cabinet Office as to how the procurement process for this Department, and indeed others, might be improved.

- 42 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 experience of the Non-Executive Board Members in this area has proven to be particularly valuable.
- 43 As you will note from the report on DfT Board performance above, an independent evaluation of the Board’s effectiveness was carried out, which concluded that, overall, the Board had a clear agenda and was well managed with a good mix of capability. Two specific areas of improvement were identified: first that of improving the Board’s strategic planning capability and also improving the Board’s visibility of talent development to provide the necessary strategic capability; second, strengthening the governance framework around large-scale capital investment decisions. Both of these are focus areas for 2012–13.

Sam Laidlaw, Lead Non-Executive Board Member, DfT

Board Sub-committees

Figure 2: DfT decision-making structure



- 44 The following sub-committees supported the Board’s duties during 2011–12:

Executive Committee

- 45 The Permanent Secretary, Directors General and General Counsel met weekly to discuss the management of the Department’s policy, investment and corporate decisions. This included providing steers as necessary to 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. Issues the Executive Committee advised on in 2011–12 included the Corporate Planning exercise for 2012–13 which aimed to align staff and financial resources to priorities; contingency planning for a range of transport disruption risks including weather events and industrial action; accommodation and IT issues, in preparation for reducing

employee travel impacts during the Olympics, and moving to better ways of working; and scrutiny of major policy delivery.

- 46** While the development of a bespoke Nominations and Governance Sub-committee is under way, the management of succession planning and remuneration for senior staff across the Department has to date been undertaken by the Executive Committee with representation from a Non-Executive Board Member for key decisions.

Board Investment and Commercial Committee (BICC)

- 47** The Executive Committee, accompanied by the Director of Finance and Estates, Procurement Director, Corporate Finance Director, Chief Economist, Head of Profession for Project and Programme Management and the HA Chief Executive, met monthly to consider advice to Ministers on key economic, financial and commercial decisions as well as maintaining a watching brief on trends and developments in the commercial market. In February the Committee was formally joined by Ed Smith as a Non-Executive Board representative. The Non-Executive Board Member provides an oversight and challenge function and also updates the DfT Board on the work of the Committee.

- 48** During this financial year, the activity of BICC has included:

- consideration of several issues relating to the HS2 project, including the procurement of a development partner and other contractor support, and the general monitoring of the programme timescales;
- overseeing the progress on the replacement of the Intercity West Coast Franchise at several stages during the year;
- monitoring the progress and key investment decisions on major rail projects such as Crossrail and Thameslink;
- approving the outline business case for the divestment of the Shared Service Centre to be sent to Ministers;
- signing off the full approval request for the Nottingham Express Transit Phase 2 to be sent to Ministers;
- approving the selection of a procurement strategy for the Search and Rescue Helicopter procurement project; and
- endorsing a programme for enhancing the Department's commercial skills.

Group Audit Committee (GAC)

- 49** The membership of this group consists of a DfT Non-Executive Board Member (Chair), and the Non-Executive Audit Committee Chairs from HA, VOSA and DVLA. The Permanent Secretary, Director General of 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 group supported the Accounting Officer during 2011–12 in reviewing the internal audit strategy and programme, and in reviewing the performance of external audit, to ensure that there are effective systems for internal control, financial reporting, governance and risk management. The Committee conducts regular self-assessments of its effectiveness against this remit.
- 50** The Board includes risk within its remit, with the GAC overseeing risk assurance processes.

- 51** During the year the GAC focused on the planning and execution (by both management and the National Audit Office) of the group consolidated financial statements (which were expanded this year, following HM Treasury's Clear Line of Sight project) and their external audit.
- 52** The Committee has examined the new Governance Statement requirement, including the impact of the Government's localism agenda on how the Department gains assurance over funding provided to local government, recognising that further work (both in DfT and across Government), is required to square off the relationship between localism and Parliamentary accountability.
- 53** The GAC continues to focus on the group management assurance process, which has matured 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 tool to drive enhancements to the systems of internal control in the future.
- 54** At each meeting the GAC receives from the Group Head of Internal Audit a summary of the most 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. This report is shared with the Board following each meeting of the GAC.

Risk management

- 55** Risk management forms a central element of the Department's internal control framework. Risks are managed at the level most able to deal with them, with the most serious risks being escalated to the Departmental Board. During 2011–12 risks were identified, assessed, addressed and reviewed according to the Orange Book guidance for managing risk. Each directorate and agency has a designated risk co-ordinator who is responsible for facilitating an effective and regular review of risks to the delivery of central Department, agency and wider Government objectives.
- 56** During 2011–12 our approach to risk management has evolved from a devolved Director General Group-based approach to a central DfT-wide approach. A new DfT-wide risk policy was agreed in March 2012 and has been published internally for 2012–13.
- 57** The following forums helped to ensure risks were managed effectively during 2011–12:
- the DfT Board's and Executive Committee's reviews of escalated risks, and DfT's risk policy and processes. The boards of the DfT's agencies monitored and reviewed risks to the delivery of their objectives;
 - the Motoring Services, Rail and Roads Boards, which monitored delivery against key objectives, including risks to their achievement. These forums include the Motoring Agencies and the Highways Agency;
 - a monthly risk forum, consisting of agency risk managers and DG Group and Non-Group business partner risk leads, and chaired by the Head of Risk, was held to discuss risks, share best practice and provide feedback; and
 - Senior Leadership Team meetings/DG-level meetings to monitor and challenge risks, chaired by each DG and attended by each directorate team.

- 58** Risks are escalated to the Board based on both quantitative assessments and judgement-based strategic views. The Executive Committee scrutinises the information and carries out top-down assessments. The risk profile reported to the Board includes a wide spectrum of risks including reputational, financial, delivery (both operational and programme) and risks to disruption to transport and avoidable loss of life. Examples of risks that were managed and considered by the DfT Board during 2011–12 include:
- support for Passenger Rail Services (SPRS) budget fluctuations: under the terms of the franchise agreements, DfT is contractually at risk for variances in revenue against target revenue. As a result of current uncertainty over the growth in passenger numbers, the Train Operating Company (TOC) financial forecasts and outturn were continually monitored and robustly challenged to inform the range of likely outcomes. This included (and still includes) proactive reporting to the Rail Board on a regular basis;
 - risk of adverse financial market conditions affecting rolling stock projects: delays to securing finance or cost of finance is too high for both Intercity Express Programme (IEP) and Thameslink rolling stock projects, and could affect our ability to conclude these contracts. IEP and Thameslink and other High Level Output Specification (HLOS) projects, have tranching funding options to mitigate this risk. However, this may or may not be sufficient depending on the financial markets and the Eurozone;
 - Icelandic volcanic eruption: The Icelandic Meteorological Office expects a further eruption of one or more volcanoes quite soon. Any eruption could significantly disrupt air travel, and could test the UK's ability to deal proportionately with a crisis of this nature. To mitigate this risk, a civil contingency aircraft is now operating and temporary mobile radar has been established in Iceland. A high-level International Civil Aviation Organisation Volcanic Ash Challenge team has been created and tasked with examining what more can be done to reduce the impact of volcanic ash on aviation; and
 - risks relating to the Olympics and their impact on transport. For example, the risk that background demand at hotspots is not sufficiently reduced and/or there are larger numbers of visitors than expected, leading to public transport and road network congestion. DfT has been closely monitoring the exposure and mitigations being taken to ensure operational readiness, including regular scrutiny by the Executive Committee and Board members.
- 59** As part of the in-depth review process the Executive Committee has carried out further scrutiny into specific risk areas including cyber risk, business continuity and non-weather related risks causing disruption to transport, and advice was provided to Board Members.
- 60** 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, which could affect UK citizens over the next five years. 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 2011 and 2012 NRA and contributes to others. The DfT family maintains business continuity plans in case its operations are affected.
- 61** The Cabinet Office civil contingency machinery was activated formally in response to disruptions arising from the following:
- May 2011 – the eruption of the Icelandic volcano Grimsvotn;

- January 2012 – Wincanton fuel drivers strike action (West Midlands and North East England) and the insolvency of the Petroplus Coryton oil refinery (Essex); and
- March 2012 – fuel tanker drivers’ dispute.

62 On each occasion DfT was (and continues to be) fully engaged in the cross-Whitehall contingency planning ahead of and during events, and in subsequent recovery efforts, to increase overall resilience to mitigate the impacts of the emergency. In all instances we worked closely with significant stakeholders to ensure they were aware of developments on the potential threat, and that they were putting in place robust business continuity and contingency plans in response to the disruption.

Managing information and information security

63 DfT is committed to ensuring its information is managed and valued, with appropriate protection and use of our information assets. An information governance structure manages the risks to both handling information safely and making maximum use of information for wider business benefit. In the coming year the Department plans to extend and embed this approach with the aim of realising more value from our information assets.

64 The handling of data and information carries significant risks to Government departments, and DfT takes information security very seriously, 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. This structure is replicated across all DfT agencies, which provide annual assurance to the Department. IAOs are trained on appointment and annually thereafter. This year all staff received updated information training via the National School of Government’s e-learning course and a series of seminars held within the Department.

65 The Department and several agencies (DVLA, DSA and VOSA) have been assessed against the Information Assurance Maturity Model (IAMM)³⁴ and Assessment Framework issued by the Cabinet Office (designed to help departments assess themselves and establish a programme of work to embed a culture of information risk management, use best practice and ensure compliance). The process has included independent input from another Government department or agency. Undertaken annually, the results of this assessment feed into continual improvement of information risk and assurance processes.

66 In 2010–11 DfT scored Level 2 in the IAMM, meaning that information assurance is established and processes are institutionalised. Outstanding areas of concern were identified around articulating a clear risk appetite, managing digital continuity and the quality of risk reporting. Over the year we have undertaken significant work to address these: an information risk appetite has been set by the Executive Committee, a digital continuity project has been established and IAOs have undergone further training in risk management. Our progress is reflected in the scores for this year’s IAMM, where we have again scored a Level 2 but are now approaching Level 3, which is currently the highest level in the assessment framework.

67 The target for the Department this year was to maintain IAMM Level 2, as this is proportionate to the sensitivity of data we hold and types of risk we face. Our score

³⁴ For more information on the IAMM please see: <http://www.cesg.gov.uk/policyguidance/IAMM/Pages/index.aspx>

demonstrates that we have we successfully consolidated and matured in our position since last year. An action plan is being developed to address residual areas of concern to improve delivery partner and third-party assurance, and further support IAOs. The aim for 2012–13 is to maintain our current performance at Level 2, targeting further improvements to achieve Level 3 maturity where it is cost-effective and proportionate to do so.

- 68** Over 2011–12 the Department has taken steps to widen its information assurance activity to further encourage the re-use and sharing of information within the business and externally through implementing key aspects of the Transparency Agenda. The Information Asset Register is published on DfT's website,³⁵ updated annually, and increasing numbers of data sets are being made publicly available. Information exploitation has been included in annual information training to help build a culture of re-using rather than always collecting new information.
- 69** A summary of the incidents that have occurred during 2011–12 is published in the Management Report.

Financial governance, management and controls

Financial governance

- 70** 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.
- 71** DfT's finance professionals support corporate governance. Finance business partners were appointed in January 2011, reporting directly to the Group Director of Finance. In 2011–12 the Department completed the move of Finance staff to the new structure. They lead all aspects of financial management and facilitate its effective implementation. They played a key role in 2011–12 in ensuring that structures on the Department's finance systems, and budgets, were updated to reflect the new organisational structure.
- 72** As part of a revised group operating model for finance, the finance directors of executive agencies and other arm's length bodies now have a more formal reporting relationship to the Group Finance Director, and are involved in taking forward the Department's financial management improvement programme.
- 73** 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 under the Clear Line of Sight framework, i.e. resource DEL, capital DEL, resource AME, capital AME, cash and administration.
- 74** 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 include systems support teams who manage the relationship

³⁵ www.dft.gov.uk/publications/information-asset-register/

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.

- 75** DfT Finance has worked this year to identify and deliver more efficient financial management processes, focusing on management information; planning, budgeting and forecasting; purchase to pay; finance organisation structure; and other processes.

Financial and corporate planning

- 76** Strategic Finance and Planning (SFP) division manages the Spending Review (SR) and annual financial planning processes. The 2010 SR set out the Department's spending priorities and total expenditure, by type, allocated to the Department for the years 2011–12 to 2014–15. The Department has set indicative budgets for its programmes through the SR which will be reconfirmed through the annual corporate planning process. Allocated budgets are processed and approved via the Main Estimate and then at a more detailed level on source systems.
- 77** A new corporate planning process for 2012–13 and beyond was designed and introduced during 2011–12, which aimed to align both staff and financial resources to DfT's objectives and enable priority areas such as HS2, roads reforms and rail franchising to be resourced.

Control and assurance framework

- 78** The DfT's control and assurance framework comprises a number of key elements:
- management assurance (operation of and assurance on controls);
 - compliance functions (scrutiny and guidance);
 - independent reporting (Internal Audit); and
 - external review (External Reporting and Audit).

Management assurance

- 79** Management assurance is regarded as a vital pillar in the internal control framework, helping the Accounting Officer, supported by the Board, to identify potential areas of concern and focus resources to remedy these.
- 80** FCG leads the management assurance process, and proactively promotes compliance with and operation of controls, through guidance published on the Departmental intranet and by holding formal training sessions and workshops. Directors General and Directors have reviewed internal control within their areas and completed management assurance returns at the mid-year and year-end points, which were reviewed by the Group Audit Committee. A management assurance return was also requested from each of the Department's executive agencies, NDPBs and trading funds.
- 81** Overall the assessment at year-end has provided a lower level of assurance for the core Department than for 2010–11, with a movement in 'full' assurance from 51% in 2010–11 to 41%, and 'substantial' assurance from 34% to 46%. The percentage of 'partial' assurance assessments has remained low at 3% and there continue to be no areas reporting 'nil' assurance.

- 82** The lower level of ‘full’ assurance is attributable mainly to the restructuring and to a changed reporting methodology. Relatively low assurance levels were reported against four themes: records management, succession planning and (to a lesser extent) business continuity and equalities duties. Actions have been identified to address these areas, and the assurance levels for these themes in some areas have shown improvement during the year.

Review of risk of financial loss

- 83** In October 2010 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.
- 84** In line with other Government departments DfT(c) completed a review of all relevant processes by 31 March 2012 to ensure that the risk controls had been assessed. The majority of the 15 financial processes reviewed were found to have the necessary level of control in place. In two processes it was found that DfT(c) needed to strengthen the controls in place to avoid potential risks.
- 85** A key benefit arising from the project has been the highlighting of the profile of financial risk management. Included amongst these is the Bus Service Operator Grant process review which identified segregation of duty issues currently being addressed. Reduced staff levels within Procurement has also been raised as an issue, and this has since been addressed in the Corporate Planning process for 2012–13. Monitoring of the identified processes will continue throughout the forthcoming year to ensure that risk of financial loss is a focus of management attention.

Fraud, bribery and whistleblowing

- 86** The Department takes a zero tolerance approach to fraud. All cases of actual or suspected fraud are investigated vigorously and promptly and disciplinary action is taken where appropriate. 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 or concerns. The Department also has a Fraud, Error and Debt Group which meets once a quarter to take strategic decisions on policy and procedures and to share business-critical issues.
- 87** The Department actively participates in the fraud alerts system run by the National Fraud Authority, which seeks to share intelligence about specific fraud risks encountered across Government.
- 88** During the course of the year an instance of fraud was identified within a contractor in the Highways Agency’s supply chain where an individual had defrauded the contractor, and consequently the Agency had made overpayments through the creation of fictitious schemes and over-scoping costs on small works over a number of years. This fraud impacted a relatively small number of task orders placed with the main contractor at the time in this one region. The Highways Agency worked with the contractor to investigate the mechanics of the fraud and reviewed its own related control framework. The police were engaged in the investigation and arrests have been made. Agreements have been reached with all of the contractors involved to recover fully all monies which have been overpaid.

Further information on the circumstances of this issue, and the actions taken by the Highways Agency to address it, is set out within the Agency's Governance Statement.

- 89 Where appropriate, other incidents occurring within DfT's agencies and NDPBs during 2011–12 have been noted within their own governance statements.

Compliance functions

Investment Appraisal Framework

- 90 Strategic Finance and Planning (SFP) reviews and scrutinises business cases, which are considered as part of a three-tier governance structure, as set out in the Investment Appraisal Framework (IAF), which is owned and maintained by SFP. The IAF provides a single unifying structure for the appraisal, assurance, scrutiny and approval of project business cases at all levels across DfT. Criteria relating to the three tiers are set out in the IAF: financial cost, risk, cross-DfT/Government working, change in strategic direction, lost opportunity, or key Government projects. The tiers are:
- Tier 1 – The Board Investment and Commercial Sub-Committee. Financial thresholds are: Highways Major Programmes and maintenance spend over £200 million, and all other projects, programmes, announcements and policy proposals with a whole life cost over £100 million. 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 are: Highways Major Programmes and Maintenance spend between £50 million and £200 million. All other projects and programmes, announcements and policy proposals with spend of £50 million–£100 million.
 - Tier 3 – Individual project teams and agency directorates should consider investment decisions falling below Tier 2 thresholds.

Management reporting

- 91 Management reporting is undertaken throughout the Department. Business partners produce detailed monthly reports for their Director General groups to manage budgets and performance. These reports are reviewed with the Permanent Secretary quarterly.
- 92 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. Quarterly reports were provided to the DfT Board during 2011–12 on delivery progress against published Business Plan commitments and Major Projects.
- 93 Decision making generally takes place through the Executive Committee. Proposals are made to them through specific documents, which SFP initially reviews for financial implications.

Independent reporting

Internal Audit

- 94** The Department's Group Internal Audit directorate operates to prescribed Government Internal Audit Standards. The Head of Internal Audit provides the Accounting Officer with an independent opinion on the adequacy and effectiveness of the Department's system 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 Plan 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.

Group Audit Committee

- 95** The membership and remit of the Group Audit Committee (GAC) is set out in the section on Board sub-committees. At each meeting the GAC receives from the Head of Internal Audit a summary of the most 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. This report is shared with the Board following each meeting of the GAC.

Major Projects Authority and Gateway Reviews

- 96** In January 2011 the Prime Minister wrote to Cabinet confirming the mandate for the new Major Projects Authority (MPA) in the Cabinet Office. The MPA was set up to address the findings from the NAO report *Assurance of High Risk Projects (June 2010)* and from the Major Projects Review undertaken during summer 2010, with the aim of improving the delivery success rate of major projects across Central Government.
- 97** 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. DfT was managing sixteen Major Projects during 2011–12.
- 98** 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 map developed by the MPA. During 2011–12 DfT undertook thirteen assurance reviews in total. Eleven of these were MPA reviews for Government Major Projects Portfolio projects and programmes, one was a Gateway Review (an external peer review) and one was a Health Check review.

External review

External reporting and accounting changes

- 99** FCG leads external financial reporting to HM Treasury (HMT) and Parliament for the Department, acting as the liaison point between the Department and HMT on issues of regularity or on those which require HMT approval. There are three key elements:
- the Departmental Accounts reflect DfT's results and are audited by the NAO;
 - the Estimate reflects the expenditure voted and approved by Parliament. The Main Estimate for 2011–12, as amended by the Supplementary Estimate, sets out the permitted expenditure for the year; and

- full-year forecast and year-to-date outturns are updated monthly and reported to HMT. Outturn figures are further updated alongside the resource accounts and published via HMT as the provisional outturn for the year.

100 HM Treasury has completed the Clear Line of Sight (CLOs) project to align the three different reporting systems which operate in Government departments: budgets, estimates and accounts. 2011–12 is the first year DfT has reported its budget and outturn, including its Estimates and accounts, fully on this basis. The accounts show comparative figures for 2010–11 restated on a post-CLOs basis. The main impact on the accounts is that all arm's length bodies included within the Central Government boundary are now consolidated.

External Audit

101 During 2011–12 the National Audit Office published five reports relating to the Department, available on their website.³⁶ These were:

- Office of Rail Regulation: *Regulating Network Rail's efficiency*;
- *Reducing Costs in the Department for Transport*;
- *Department for Transport: Local Authority Major Capital Schemes*;
- *The Completion and Sale of High Speed 1*; and
- *Effective road and traffic management – a briefing for the Transport Select Committee*.

102 In addition the NAO published a report on Government Shared Services which covered DfT's Shared Services system. Themes covered by the recommendations included learning and evaluating the analytical and commercial lessons from DfT's experiences of rail franchising and project procurements, and improving the assurance the Department receives on the value for money of expenditure and delivery of objectives through third-party organisations. The Department has responded to these reports and put in place actions to address the recommendations.

Localism and accountability

Introduction

103 The statement below provides a summary of DfT's Accountability System Statement, which will be published in full on the DfT website in summer 2012.

104 The Department distributes a number of grants to local government from its Departmental Expenditure Limit (DEL). These can be classified into three broad groups: formulaic grants, challenge or bid-based grants and the Greater London Authority's transport grant (TfL's block grant).³⁷

Formula funding

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

³⁶ www.nao.org.uk/

³⁷ As set out at section 101 of the Greater London Authority Act 1999: www.legislation.gov.uk/ukpga/1999/29/section/101

- 106** The funding is not ring-fenced: this provides local authorities (LAs) with flexibility to spend the funding according to local priorities. This means that these grants are not subject to any additional DfT restrictions on how the LAs use the resources. However, there is an audit process in place for all such funds through the normal accountability requirements placed on LAs as independent statutory bodies.
- 107** The Department for Communities and Local Government's Accounting Officer, as lead Accounting Officer across central government with respect to local government, provides the assurance³⁸ 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.

Challenge/bid-based funding

- 108** The Department also 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.
- 109** Award of grant funding is usually provided in arrears, and mechanisms are in place to ensure the regularity of the funding, i.e. the funding has been spent for the purpose for which it was intended.
- 110** 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

- 111** 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 to Transport for London. The Department cannot direct the London Mayor 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.
- 112** How it ensures this is again set out in detail in the Department's Accountability System Statement. However, the key principles are the democratic accountability of the Mayor, TfL's own scrutiny arrangements, for example internal and external audit, the Greater London Assembly and the role of the Independent Investment Programme Advisory Group.

Review of the effectiveness of the system of internal control

- 113** 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.

³⁸ www.communities.gov.uk/publications/localgovernment/accountabilitylocalgovernment

- 114** I have been advised on 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.
- 115** The Group Head of Internal Audit (HIA) has provided me with a report on internal audit activity in the Department for 2011–12, which includes his independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements.
- 116** The HIA has informed me that there is 'reasonable' assurance that the arrangements for control, risk management and governance have been adequate and effective in 2011–12. There have been internal audit reports issued across DfT and its agencies with overall 'partial' or 'none' assurance opinions; however, none of these, either individually or in aggregate, warranted specific mention in the overall opinion for the Department.
- 117** The Group Audit Committee has received summaries of Internal Audit reports and considers the HIA's annual opinion on the effectiveness of risk management, control and governance.

Conclusion

- 118** 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.
- 119** Having reviewed the evidence provided to me by the management assurance exercises and compliance functions, the HIA's opinion and the external audits of the Department, I am satisfied that the Department has maintained a sound system of internal control during the financial year 2011–12.

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

10 July 2012

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 2012 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 2012 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 2012 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 Measurement of performance and progress, Core Tables, Management Report and the Governance Statement 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
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

12 July 2012

Accounts

Statement of Parliamentary Supply for the year ended 31 March 2012

Summary of Resource and Capital Outturn 2011–12

£000

		2011–12			2010–11				
		Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total	
Departmental Expenditure Limit									
– Resource	2	5,983,332	–	5,983,332	5,591,444	–	5,591,444	391,888	5,855,979
– Capital	2	7,710,098	(3,803)	7,706,295	7,708,417	(5,118)	7,703,299	1,681	6,318,864
Annually Managed Expenditure									
– Resource	2	1,096,709	–	1,096,709	876,924	–	876,924	219,785	597,644
– Capital		–	–	–	(33,464)	–	(33,464)	33,464	–
Total Budget		14,790,139	(3,803)	14,786,336	14,143,321	(5,118)	14,138,203	646,818	12,772,487
Non-Budget									
– Resource	2	–	–	–	(211,049)	–	(211,049)	211,049	–
– Capital		–	–	–	–	–	–	–	–
Total		14,790,139	(3,803)	14,786,336	13,932,272	(5,118)	13,927,154	857,867	12,772,487
Total Resource		7,080,041	–	7,080,041	6,257,319	–	6,257,319	822,722	6,453,623
Total Capital		7,710,098	(3,803)	7,706,295	7,674,953	(5,118)	7,669,835	35,145	6,318,864
Total		14,790,139	(3,803)	14,786,336	13,932,272	(5,118)	13,927,154	857,867	12,772,487

Net Cash Requirement 2011–12

		2011–12		2010–11	
		Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	
Note					(Restated)
Net Cash Requirement	4	13,291,734	12,469,749	821,985	14,427,987
Administration Costs 2011–12 (Net)					
		Estimate	Outturn		2010–11 (Restated) Outturn
	3.2	273,220	216,374		238,296

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control

The notes on pages 112 to 192 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	£000	2011-12			2010-11		
		Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies
Administration costs							
Staff costs	7	89,054	125,209	129,259	101,981	139,735	139,735
Other costs	8	58,844	109,125	112,892	76,076	125,500	125,500
Income	10	(16,778)	(28,120)	(28,128)	(15,794)	(28,038)	(28,038)
Programme expenditure							
Staff costs	7	27,352	326,922	544,939	26,781	337,876	563,077
Other costs	9	11,652,063	14,477,380	14,533,107	10,570,528	13,003,457	12,428,082
Income	10	(1,640,777)	(2,181,017)	(2,461,952)	(1,600,819)	(2,165,182)	(2,494,972)
EU income	10	(16,262)	(18,240)	(18,240)	(7,254)	(10,545)	(10,545)
Totals		10,153,496	12,811,259	12,811,877	9,151,499	11,402,803	10,722,839
Dividend Receivable		(24,776)	(24,776)	(31,009)	(956,090)	(949,251)	(131,403)
Interest Receivable		(22,798)	(42,279)	(44,360)	(23,471)	(41,825)	(41,948)
Net Operating Costs for the year		10,105,922	12,744,204	12,736,508	8,171,938	10,411,727	10,549,488
Total expenditure		11,827,313	15,038,636	15,320,197	10,775,366	13,606,568	13,256,394
Total income	10	(1,721,391)	(2,294,432)	(2,583,689)	(2,603,428)	(3,194,841)	(2,706,906)
Net Operating Costs for the year		10,105,922	12,744,204	12,736,508	8,171,938	10,411,727	10,549,488
Other Comprehensive Net Expenditure							
Net (gain)/loss on:							
– revaluation of property, plant & equipment	11	(42)	(2,752,011)	(2,752,678)	(3,177)	(10,789,161)	(10,790,830)
– revaluation of intangibles	12	–	(2,414)	(2,414)	–	(2,468)	(2,468)
– revaluation of investments	13	(288,739)	(288,739)	(300,752)	–	–	(24,521)
– pension schemes	28	219,500	219,500	310,900	(43,500)	(43,500)	(216,080)
Total comprehensive expenditure for the year		10,036,641	9,920,540	9,991,564	8,125,261	(423,402)	(484,411)

The notes on pages 112 to 192 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2012

£000		2012			2011			2010
		Core			Core			(Restated)
		Core	Department	Departmental	Core	Department	Departmental	Departmental
Note		Department	& Agencies	Group	Department	& Agencies	Group	Group
Non-current assets:								
Property, plant & equipment	11	3,521,287	112,147,270	112,198,718	3,567,741	103,860,369	103,916,765	91,838,192
Intangible assets	12	3,304	107,576	114,751	7,889	119,067	124,925	129,839
Financial assets	13	750,628	733,485	1,223,884	658,729	639,681	1,101,755	962,870
Trade and other receivables	16	3,284,719	3,628,379	3,628,633	3,195,574	3,514,284	3,514,456	3,292,389
Inventories	15	–	2,882	2,882	–	2,906	2,906	2,568
Total non-current assets		7,559,938	116,619,592	117,168,868	7,429,933	108,136,307	108,660,807	96,225,858
Current Assets:								
Assets classified as held for sale	11.1	–	17,620	17,620	–	12,564	12,564	8,125
Inventories	15	27,241	83,977	90,669	15,281	105,151	108,885	153,347
Trade & other receivables	16	414,733	632,540	660,191	445,566	676,146	713,377	984,567
Cash & cash equivalents	17	75,140	202,176	324,400	159,034	213,624	370,779	494,612
Total current assets		517,114	936,313	1,092,880	619,881	1,007,485	1,205,605	1,640,651
Total assets		8,077,052	117,555,905	118,261,748	8,049,814	109,143,792	109,866,412	97,866,509
Current liabilities								
Trade and other payables	18	(1,109,663)	(1,744,892)	(1,792,995)	(1,628,837)	(2,236,505)	(2,337,329)	(2,988,807)
Provisions	19	(16,184)	(141,481)	(142,110)	(16,540)	(182,499)	(184,203)	(222,213)
Total current liabilities		(1,125,847)	(1,886,373)	(1,935,105)	(1,645,377)	(2,419,004)	(2,521,532)	(3,211,020)
Total assets less net current liabilities		6,951,205	115,669,532	116,326,643	6,404,437	106,724,788	107,344,880	94,655,489
Non-current liabilities								
Provisions	19	(73,665)	(272,419)	(272,437)	(76,092)	(234,127)	(264,176)	(647,484)
Other payables	18	(5,598,283)	(7,684,637)	(7,722,696)	(5,714,446)	(7,478,704)	(7,477,381)	(7,294,868)
Financial liabilities	13	(3,310,477)	(3,310,477)	(3,310,477)	(3,220,839)	(3,220,839)	(3,220,839)	(3,055,920)
Total non-current liabilities		(8,982,425)	(11,267,533)	(11,305,610)	(9,011,377)	(10,933,670)	(10,962,396)	(10,998,272)
Assets less liabilities excluding pension liability		(2,031,220)	104,401,999	105,021,033	(2,606,940)	95,791,118	96,382,484	83,657,217
Pension liability	28	(1,249,242)	(1,249,242)	(1,555,512)	(1,012,542)	(1,012,542)	(1,215,802)	(1,711,927)
Assets less liabilities		(3,280,462)	103,152,757	103,465,521	(3,619,482)	94,778,576	95,166,682	81,945,290
Taxpayers' equity and other reserves:								
General fund		(3,576,744)	40,026,863	40,293,156	(3,626,983)	36,581,712	36,935,729	34,824,080
Revaluation reserve		296,282	63,125,894	63,172,365	7,501	58,196,864	58,230,953	47,121,210
Total equity		(3,280,462)	103,152,757	103,465,521	(3,619,482)	94,778,576	95,166,682	81,945,290

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10 July 2012

The notes on pages 112 to 192 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	£000	2011-12	2010-11 <i>(Restated)</i>
Cash flows from operating activities	Note		
Net operating cost		(12,736,508)	(10,549,488)
Adjustments for non-cash transactions	8, 9, 10	1,551,725	347,084
Adjust for non-cash transactions related to pension schemes		28,810	(280,060)
Release of government grant		(135)	(8,070)
(Increase)/Decrease in Inventories		16,197	44,124
less movement in inventory relating to items not passing through the Statement of Comprehensive Net Expenditure		734	–
(Increase)/Decrease in trade and other receivables		(58,948)	49,123
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		79,301	(3,564,547)
Increase/(Decrease) in trade and other payables		(303,470)	(450,309)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		415,818	3,539,971
Use of provisions	19	(148,638)	(190,364)
Non-cash movement in classification of provision		–	(4,612)
Adjustment for capital and interest element of PFI payments		52,443	58,856
Net cash outflow from operating activities		(11,102,671)	(11,008,292)
Cash flows from investing activities			
Purchase of property, plant and equipment – Additions	11	(1,320,135)	(1,653,236)
less Purchase of property, plant and equipment – Non-Cash additions		787	–
Purchase of intangible assets – Cash additions	12	(22,102)	(21,415)
Proceeds of disposal of property, plant and equipment		486	6,469
Proceeds of disposal of assets held for sale		8,640	6,645
Proceeds of disposal of investments		–	760,648
Capital element of Lands Provision		59,921	86,107
Loans to other bodies		(10,487)	(334,604)
Repayments from other bodies		38,361	74,268
Repayments of NLF Loans		1,801	1,585
Net cash outflow from investing activities		(1,242,728)	(1,073,533)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		13,253,138	12,914,500
Capital Grant Funding		4,449	474
Repayments of loans from the National Loans Fund		(1,801)	(1,585)
Capital element of payments in respect of finance leases		(77)	(607)
Capital element of payments in respect of on-balance sheet PFI contracts		(54,100)	(60,425)
Net Financing		13,201,609	12,852,357
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		856,210	770,532
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		188	31
Payments of amounts due to the Consolidated Fund		(902,777)	(894,396)
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	4	(46,379)	(123,833)
Cash and cash equivalents at the beginning of the period	17	370,779	494,612
Cash and cash equivalents at the end of the period	17	324,400	370,779

The notes on pages 112 to 192 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	£000	Note	General Fund	Revaluation Reserve	Total Reserves
Balance at 31 March 2010			34,647,071	47,121,210	81,768,281
Prior year adjustment			177,009	–	177,009
Restated balance at 1 April 2010			34,824,080	47,121,210	81,945,290
Net gain on revaluation of property, plant and equipment			–	10,790,830	10,790,830
Net gain on revaluation of intangible assets			–	2,468	2,468
Net gain/(loss) on revaluation of investments			–	24,521	24,521
Receipt of grant			474	–	474
Release of reserves to the operating cost statement			(8,177)	107	(8,070)
EU grants			4,409	–	4,409
Non-cash charges – auditor's remuneration		8, 9	774	–	774
Transfers between reserves			31,894	(31,894)	–
Net operating cost for the year			(10,549,488)	–	(10,549,488)
Reversionary interest on M6 toll road			48,645	–	48,645
Adjustment to non-current assets			556,129	298,090	854,219
Actuarial Gain/(Loss) recognised in pension scheme			216,080	–	216,080
Other movements			50,337	25,621	75,958
Total recognised income and expense for 2010–11			25,175,157	58,230,953	83,406,110
Net Parliamentary Funding – drawn down			12,914,500	–	12,914,500
Net Parliamentary Funding – deemed			265,779	–	265,779
Supply (payable)/receivable adjustment			333,828	–	333,828
CFERs payable to the Consolidated Fund			(1,210,469)	–	(1,210,469)
Other payable to the Consolidated Fund			(577,106)	–	(577,106)
Balance at 31 March 2011			36,901,689	58,230,953	95,132,642
Prior year adjustment			34,040	–	34,040
Restated balance at 1 April 2011			36,935,729	58,230,953	95,166,682
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			–	300,752	300,752
Release of reserves to the operating cost statement			(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			(12,736,508)	–	(12,736,508)
Reversionary interest on M6 toll road			6,120	–	6,120
Adjustment to non-current assets			3,557,492	2,027,193	5,584,685
Actuarial Gain/(Loss) recognised in pension scheme			(310,900)	–	(310,900)
Other movements			(21,455)	–	(21,455)
Total recognised income and expense for 2011–12			27,572,850	63,172,365	90,745,215
Net Parliamentary Funding – drawn down			12,917,941	–	12,917,941
Net Parliamentary Funding – deemed			–	–	–
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			40,293,156	63,172,365	103,465,521

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

The Revaluation Reserve records the unrealised gain on revaluation of assets and includes an element of Available For Sale Financial Instrument Reserve.

The notes on pages 112 to 192 form part of these accounts.

Statement of Changes in Taxpayers' Equity

Core Department and Agencies

for the year ended 31 March 2012

	£000	Note	General Fund	Revaluation Reserve	Total Reserves
Balance at 31 March 2010			34,328,246	47,112,578	81,440,824
Prior year adjustment			177,009	–	177,009
Restated balance at 1 April 2010			34,505,255	47,112,578	81,617,833
Net gain on revaluation of property, plant and equipment			–	10,789,161	10,789,161
Net gain on revaluation of intangible assets			–	2,468	2,468
Release of reserves to the operating cost statement			(6,878)	107	(6,771)
EU grants			4,409	–	4,409
Non-cash charges – auditor's remuneration		8, 9	774	–	774
Transfers between reserves			31,161	(31,161)	–
Net operating cost for the year			(10,411,727)	–	(10,411,727)
Reversionary interest on M6 toll road			48,645	–	48,645
Adjustment to non-current assets			560,001	323,711	883,712
Actuarial Gain/(Loss) recognised in pension scheme			43,500	–	43,500
Other movements			46,000	–	46,000
Total recognised income and expense for 2010–11			24,821,140	58,196,864	83,018,004
Net Parliamentary Funding – drawn down			12,914,500	–	12,914,500
Net Parliamentary Funding – deemed			265,779	–	265,779
Supply (payable)/receivable adjustment			333,828	–	333,828
CFERs payable to the Consolidated Fund			(1,210,469)	–	(1,210,469)
Other payable to the Consolidated Fund			(577,106)	–	(577,106)
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	63,125,894	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)
Balance at 31 March 2012			40,026,863	63,125,894	103,152,757

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

The Revaluation Reserve records the unrealised gain on revaluation of assets and includes an element of Available For Sale Financial Instrument Reserve.

The notes on pages 112 to 192 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 2011–12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Transport for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department for Transport are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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

1.1 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 2012, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may need to be adopted in subsequent periods:

- IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. It simplifies the classification of financial assets, which determines how they are measured. Application of this standard is required for reporting periods beginning on or after 1 January 2013. Earlier application is permitted. IFRS 9 is yet to receive EU endorsement. It is expected that IFRS 9 will need to be applied from 2015; however, until it receives EU endorsement, it is difficult to predict the actual application date. The impact of initial application of IFRS 9 is not expected to be significant, as it seems the measurement approaches used by the Department 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.
- 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.
- IFRS 13 sets out an IFRS framework for measuring fair value, which is required for arrangements such as investment properties and financial instruments. This standard has not received EU endorsement, so the effective date remains uncertain. It seems likely that the standard will increase the disclosures required for non-financial items held at fair value, such as property, plant and equipment, particularly where there are few similar items that are not traded in active markets. 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 BRBR on

or around 31 March 2013. 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.

- IFRS 7 – There are two amendments due to come into effect in 2012–13 and 2013–14 respectively. The first deals with disclosures concerning transfers of financial assets where the transferor retains some continuing involvement with the asset and the second deals with disclosures concerning netting arrangements. The Department considers that these amendments to IFRS 7 will have no impact.
- The International Public Sector Accounting Standards Board (IPSASB) has released guidance on grantor accounting for service concessions, IPSAS 32. IPSASB pronouncements are not regarded as definitive within Central Government, but may provide a source of guidance on issues not explicitly addressed by extant IASs and IFRSs. IPSAS 32 is broadly consistent with previous FReM guidance, but may require earlier recognition of a service concession asset under construction, where the operator has the right to charge the public. The Department currently has no service concession arrangements at that stage of development.
- 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 amendments to the FReM due to come into effect after 2011–12 are considered to have no impact on the Department.

1.2 Transparency and Clear Line of Sight

As part of the Clear Line of Sight programme, arrangements have been made to harmonise and simplify the mechanisms governing Central Government financial reporting, budgeting and control. The process by which departments seek funding from Parliament has changed, with only one Supplementary Estimate, and with expenditure measured net of income. Expenditure categories have been simplified, with most expenditure previously classified as non-cash DEL (Departmental Expenditure Limit) being reclassified to AME (Annually Managed Expenditure). Depreciation remains within DEL.

1.3 Trunkings/Detrunkings

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

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

1.4 Basis of consolidation

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. There are five in total, four of which have been included in all previous consolidated accounts (MCA, GCDA, VCA and HA) plus DVLA. DVLA was recognised as a Trading Fund up until 31 March 2011 but as a consequence of the HM Treasury Clear Line of Sight initiative (refer to page 52 in the Management Report) it has been treated as an Executive Agency for periods 2009–11;

and for the first time:

- non-Departmental Public Bodies, such as British Transport Police Authority, Passenger Focus and High Speed 2.

- 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.

The subsidiaries of LCR Ltd and Directly Operated Rail Ltd are excluded from the consolidation boundary because they are not classified to Central Government by the Office for National Statistics, but rather to the wider Public Sector, 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. The core Department is defined as the main Department alone, the core Department and Agencies is defined as the core Department and the Executive Agencies and the Departmental Group incorporates the core Department, the Executive Agencies, the Non-Departmental Public Bodies and the other entities with the DfT group which have been classified as Central Government.

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

1.5 Prior year adjustments

Items are retrospectively restated where either there has been a change in accounting policy or a correction of a prior year error, in accordance with IAS 8.

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 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.

During the year the A3 Hindhead tunnel was opened to traffic. On opening to traffic, the structure was designated as a Special Structure for valuation purpose and valued at actual cost rather than standard cost. This approach resulted in an adjustment of £34 million to the opening position of 2011/12 and £177 million to the opening position of 2010/11. Further detail on this adjustment is contained within Note 26.

1.6 Non-current assets: Property, plant and equipment

Property, plant and equipment is sub-categorised into National Trunk Roads and non-network assets. National Trunk Roads relate to the motorways and all-purpose trunk roads (APTAs) in England, which form a single integrated network. The National Trunk 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-network 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.

1.6.1 Capitalisation policy

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, for which there is no minimum value, and infrastructure construction schemes in the Highways Agency, for which the minimum is £100,000. Expenditure falling below these values is charged as an expense in the Statement of Comprehensive Net Expenditure.

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

Expenditure on construction schemes in the course of design or construction is capitalised when it is reasonably certain the scheme will go ahead. Where a scheme is subsequently withdrawn from the capital programme, cumulative design expenditure is written-off to the Statement of Comprehensive Net

Expenditure. Any retained land and property is transferred to surplus land and buildings or dwellings, as appropriate. Surplus land, buildings or dwellings to be sold within one year are valued and reported as assets held for sale, in accordance with IFRS 5.

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

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

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

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

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

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

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

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

1.7 Valuation

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

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

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

1.7.1 National Trunk Road Network

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

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

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

Unit rates are determined for the following elements: road, structures, technology equipments and land. When calculating the unit rates for the various elements of the network, a number of assumptions are implicit in determining the network valuation. These assumptions are reviewed only once every five years when the Highways Agency seeks to provide a new valuation of the network. A full valuation of the National Trunk Road network was carried out by EC Harris LLP, professional surveyors, during the year ended 31 March 2010. In addition, during the year end 31 March 2012 the Agency has reviewed the specific methodology for valuing structures, moving to a more simplified categorisation of structure types and the application of standard road dimensions (rather than individual structure dimensions) where possible.

Determining unit rates for valuation

Unit Cost	Unit cost determination
Road	The standard costing for roads has a series of road types created to identify all roads and determine the unit costs. Each road type will have a width for the carriageway, hard-strip or hard-shoulder, central reservations etc.
Structures	<p>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.</p> <p>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.</p>

Land	Land is an integral part of the road network and forms an important part of the valuation. Although some of the land occupied by the network may not actually be owned by the Department, it is considered that, as the Department had an entitlement to use the land in perpetuity, it is included within the valuation at freehold values. The unit costs rates for land are determined by a series of rates calculations based on Valuation Office indices.
Technology	Technology equipment unit costs are developed using rates from technology frameworks currently in place between the Department and their contractors and bulk purchase prices for materials procured direct by the Department. The unit costs also include a percentage of the subcontractors' preliminaries and other on-costs where applied to construction works.

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

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:

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

Indexation based on 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.

1.7.2 Assets Under Construction

All new 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 National Trunk Road 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).

1.7.3 Write-downs

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

- i) One of the assumptions in the standard cost is that all construction is new build on a 'green-field' site. This is not always the case; therefore cost of new constructions can be much higher due to building in non-rural areas or replacing existing roads etc.; and
- ii) Generally it is cheaper to build a three lane motorway in the first instance rather than two lanes initially and then to widen at some point thereafter. In a road widening scheme, a significant amount of cost will be in traffic management and therefore will be written-down.

The Agency uses standard write-down percentages for different types of projects. These percentages are based on projects constructed over the previous 5 years. The write down percentages are applied to construction projects lasting more than one year, this ensures the Highways Agency writes-down the asset 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.

1.7.4 Land and Buildings, including Dwellings

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

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

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

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

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

1.7.5 Plant and Equipment

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

1.7.6 Information Technology

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

1.8 Depreciation

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

1.8.1 National Trunk Roads

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

Road Surfaces

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.

1.8.2 Non-network assets

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

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

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

1.9 Non-current assets: Assets held for sale

Assets held for sale comprise surplus land, buildings and dwellings, 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.

1.10 Non-current assets: Intangible assets

1.10.1 Intangible assets acquired separately

Purchased computer application software licences are capitalised as intangible assets.

1.10.2 Internally generated intangible assets, including research and development

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

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

1.10.3 Subsequent valuation

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

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

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

1.11 Impairment of non-current assets

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

1.12 Investments and financial instruments

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

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

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

1.12.2 Held-to-maturity investments

This classification is required for non-derivative financial assets with fixed or determinable payments and fixed maturity (for example, listed bonds) that the entity intends to hold to maturity. These are held at amortised

cost, using the effective interest method. During the period covered by this account, the Department held no such instruments.

1.12.3 Loans and receivables

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

1.12.4 Available-for-sale financial assets

For the Department, this typically comprises equity investments. Where investments are in other public sector entities, they are recognised at historic cost less impairment adjustments where required.

Entities consolidated in these financial statements hold significant shareholdings in other entities, such as LCR Ltd's investments in Eurostar International Ltd and in property development partnerships and the core Department's shareholding in National Air Traffic Service (NATS). Such interests might ordinarily be accounted for as associates or joint ventures when being consolidated into a group account. However, in accordance with the FReM, they are accounted for as available-for-sale financial assets.

Where these investments are in private sector entities, they are recognised at fair value. This is how LCR's investment in property development partnerships have been valued. This is set out in Note 13.3.3.

If an investment is not traded in an active market, the fair value is calculated based on models. Changes in fair value, other than impairments, are recognised in reserves. The fair value of the Department's shareholding in the NATS has been calculated in this way. This is set out in Note 13.3.1.

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. This is how the investment in Eurostar International Ltd has been valued. This is set out in Note 13.3.3.

The Secretary of State's holdings in companies, in the form of special shares, are each valued at a nominal value of £1. Further information is included in Note 13 to the accounts.

1.12.5 Investment properties

The classification of investment properties, as defined by IAS 40 Investment properties, requires that properties are classified as such where they are held for the purpose of capital appreciation or to earn rentals. The Department owns a limited number of commercial properties where part of the property is leased out to third parties.

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.

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. They are recognised at the amount initially raised, being the fair value, and subsequently at amortised cost using the effective interest

method. Under the effective interest method, future repayments under the arrangements are discounted by the rate which, at inception, exactly discounts all future repayments back to the amount initially raised.

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. Future cash flows are re-estimated to reflect actual and forecast changes. Then, the effective interest rate is revised to the rate that exactly discounts the re-estimated cash flows back to the previous carrying amount.

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.

1.12.8 Valuation of financial instruments

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

- Fair value – The fair value of the instrument is the amount for which an asset could be sold or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- Amortised cost – Where a financial asset or liability is subsequently valued at amortised cost, IAS 39 specifies that this is the amount at which the item was recognised at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest method (defined below) and minus any reduction of financial assets for impairment or uncollectability.
- Effective interest rate method – The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest for the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the instruments. In calculating the effective interest rate, all contractual flows are considered but future credit losses are not.
- Adjustment for uncollectability and impairment of financial assets – These are calculated using the incurred loss method, reflecting events that occurred between the initial recognition of the asset and the end of the current reporting period that have an impact on future cash flows. The existence of evidence of the occurrence of such events as at the end of the current reporting period, is assessed individually, then collectively for other financial assets. This includes estimates based on historic experience of the incidence of such events, adjusted for recent factors that would affect incidence.

1.13 Inventories

The entities consolidated in these accounts maintain a variety of 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

Many of the entities consolidated in these accounts for the first time earn revenues through 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 Driver and Vehicle Licensing Agency, which receives fees for issuing driving licences and sells registration marks; and
- London and 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.

Other entities consolidated for the first time receive little revenue from external sources and instead are largely dependent on grants or other sources of financing from the core Department.

Operating income is income that relates directly to the operating activities of the Department. It is stated net of VAT. Operating income is measured at the fair value of the consideration received or receivable and is recognised in accordance with IAS 18, which requires specifically that:

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

1.15 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between programme and non-programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury. 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. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department. The Clear Line of Sight initiative increases the number of entities which are required to analyse income and expenditure between Administration and Programme. For example entities such as the Maritime and Coastguard Agency and the Vehicle Certification Agency which previously were solely programme, now need to analyse net expenditure between administration and programme.

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 covered by sections of the Railways Pension Schemes. These defined benefit schemes are accounted for in accordance with IAS 19. Current service costs, unwinding the discount on scheme liabilities and financing gains and losses are recognised in the Statement of Comprehensive Net Expenditure, and actuarial gains and losses are recognised in equity, as required by the Financial Reporting Manual (FRoM).

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 schemes. 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 FRoM.

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

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

1.17 Leases

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

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

Rentals under operating leases are charged to the 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. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

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

1.26 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 such assets have been held since the incorporation of the entity. 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. For this purpose, we use the forecast rate provided by HM Treasury, which is currently 3.4% per annum.

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 £200 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

The Department has recognised obligations to provide LCR Finance plc and CTRL Section 1 Finance plc with funds to meet the repayment of their long-term borrowings. The companies have issued debt instruments with maturity dates between 2028 and 2051. The valuation of the associated liabilities at amortised cost is based on judgements concerning the timing and amount of repayments. The timing of repayments assumes that the debt instruments will run to their planned maturity and will not be repaid early. The amount of repayments is fixed under most of the instruments, but repayments on the index-linked notes are determined by changes in the Retail Prices Index. These accounts have assumed an annual increase of 3.4 per cent.

The valuation method to be used for index-linked financial liabilities is not prescribed in IAS 39. Two commonly used approaches are: firstly, to adjust the carrying amount for actual changes in RPI; and secondly to estimate future changes in RPI to forecast cash flows, and to reflect any changes in the effective interest rate. The first approach is used by CTRL Section 1 Finance plc and is reflected on the consolidated Statement of Financial Position. In this approach, estimated future changes in RPI have a negligible impact. The second approach is used by the core Department and is reflected on its Statement of Financial Position. In this approach, the valuation is sensitive to estimated future changes in RPI. In these accounts, future changes in RPI have been estimated at 3.4 per cent per annum.

1.27.7 Valuation of the trunk road network

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

2. Net outturn

2.1 Analysis of net resource outturn by section

	£000						2011–12		2010–11		
							Outturn	Estimate	<i>(restated)</i>		
	Administration			Programme				Net total compared to	Outturn		
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Estimate	Total	
Spending in Departmental Expenditure Limit (DEL)											
Voted:											
A	Tolled Crossings	–	–	–	21,903	(88,290)	(66,387)	(66,387)	(58,795)	(7,592)	(85,767)
B	Local Authority Transport	–	–	–	250,520	–	250,520	250,520	260,815	(10,295)	335,768
C	Highways Agency	60,340	(1,746)	58,594	1,886,217	(63,323)	1,822,894	1,881,488	2,015,163	(133,675)	1,631,236
D	Network Rail	–	–	–	–	(199,226)	(199,226)	(199,226)	(203,314)	4,088	(187,237)
E	Rail NDPBs (net)	8,826	–	8,826	57,470	–	57,470	66,296	103,733	(37,437)	76,332
F	Other railways	–	–	–	1,087,204	(1,316,234)	(229,030)	(229,030)	(165,399)	(63,631)	(146,863)
G	Sustainable Travel	–	–	–	59,303	(2,001)	57,302	57,302	52,932	4,370	66,406
H	Bus Subsidies & Concessionary Fares	–	–	–	508,877	–	508,877	508,877	515,928	(7,051)	743,832
I	GLA transport grants	–	–	–	2,804,060	–	2,804,060	2,804,060	2,804,075	(15)	2,774,169
J	Crossrail	–	–	–	–	–	–	–	–	–	–
K	Support for Olympic and Paralympic Games	–	–	–	2,162	–	2,162	2,162	12	2,150	2,060
L	Aviation, Maritime, Security and Safety	–	–	–	104,142	(71,754)	32,388	32,388	38,033	(5,645)	117,500
M	Maritime and Coastguard Agency	9,143	–	9,143	143,176	(15,481)	127,695	136,838	144,442	(7,604)	127,025
N	Motoring Agencies	18,287	(12,057)	6,230	561,971	(405,217)	156,754	162,984	223,640	(60,656)	187,017
AO	Renewable Transport Fuels Obligation (net)	–	–	–	–	–	–	–	–	–	(265)
O	Science, research and support functions	–	–	–	29,771	(1,344)	28,427	28,427	46,668	(18,241)	41,428
P	Central Administration	147,897	(14,316)	133,581	23,694	(2,530)	21,164	154,745	205,399	(50,654)	173,338
Total Spending in DEL											
		244,493	(28,119)	216,374	7,540,470	(2,165,400)	5,375,070	5,591,444	5,983,332	(391,888)	5,855,979

2.1 Analysis of net resource outturn by section – *continued*

		£000						2011-12		2010-11	
		Administration		Programme				Outturn	Estimate	Outturn	
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Estimate	Total
		Spending in Annually Managed Expenditure (AME)									
		Voted									
R	Tolled Crossings	-	-	-	150,000	-	150,000	150,000	150,000	-	-
S	Highways Agency	-	-	-	491,676	-	491,676	491,676	650,876	(159,200)	724,718
T	Rail NDPBs	-	-	-	(21,337)	593	(20,744)	(20,744)	(38,800)	18,056	(33,405)
U	Other Railways	-	-	-	218,629	-	218,629	218,629	280,148	(61,519)	(101,905)
AB	GLA Transport Grants	-	-	-	(60)	-	(60)	(60)	-	(60)	45
V	Maritime and Coastguard Agency	-	-	-	1,725	-	1,725	1,725	5,350	(3,625)	24
W	Motoring Agencies	-	-	-	46,241	-	46,241	46,241	51,100	(4,859)	(3,362)
X	Central Administration	-	-	-	(10,543)	-	(10,543)	(10,543)	(1,965)	(8,578)	11,529
		Non-voted									
AM	Other Railways	-	-	-	-	-	-	-	-	-	-
		Total Spending in AME									
		-	-	-	876,331	593	876,924	876,924	1,096,709	(219,785)	597,644
		Non-budget									
		Voted									
AC	Highways Agency	-	-	-	(211,049)	-	(211,049)	(211,049)	-	(211,049)	-
		Total Non-Budget spending									
		-	-	-	(211,049)	-	(211,049)	(211,049)	-	(211,049)	-
		Resource Outturn									
		244,493	(28,119)	216,374	8,205,752	(2,164,807)	6,040,945	6,257,319	7,080,041	(822,722)	6,453,623

2.2 Analysis of net capital outturn by section

		£000			2011–12	2010–11
						<i>(restated)</i>
					Outturn	Outturn
					Estimate	
					Net total compared with	
		Gross	Income	Net	Net Estimate	Net
Spending in Departmental Expenditure Limit (DEL)						
Voted:						
A	Tolled Crossings	–	(2,846)	(2,846)	(2,846)	(2,652)
B	Local Authority Transport	1,679,928	–	1,679,928	1,582,806	1,810,563
C	Highways Agency	1,323,607	(8,918)	1,314,689	1,287,711	1,601,856
D	Network Rail	3,541,928	–	3,541,928	3,531,000	3,395,356
E	Rail NDPBs (net)	33,059	–	33,059	116,292	12,040
F	Other railways	52,371	–	52,371	43,072	(58,483)
G	Sustainable Travel	13,715	–	13,715	113,940	48,151
H	Bus Subsidies & Concessionary Fares	110,109	–	110,109	75,000	26,831
I	GLA transport grants	439,000	–	439,000	424,000	–
J	Crossrail	517,000	–	517,000	517,000	220,000
K	Support for Olympic and Paralympic Games	–	–	–	–	233,799
L	Aviation, Maritime, Security and Safety	4,282	–	4,282	12,021	9,919
M	Maritime and Coastguard Agency	6,982	(94)	6,888	9,265	4,504
N	Motoring Agencies	31,039	(35,848)	(4,809)	(1,640)	(10,878)
AO	Renewable Transport Fuels Obligation (net)	–	–	–	–	–
O	Science, research and support functions (excluding central admin)	1,598	–	1,598	900	1,054
P	Central Administration	1,834	(329)	1,505	1,577	6,650
		7,756,452	(48,035)	7,708,417	7,710,098	7,298,710
					(1,681)	
Non-voted expenditure						
Q	Aviation, Maritime, Security and Safety	–	(5,118)	(5,118)	(3,803)	–
AL	Other Railways – Non-Voted DEL	–	–	–	–	–
AR	Motor Safety and Government Car Agencies	–	–	–	–	–
AS	Support for Bus Operators and Passengers	–	–	–	–	–
		–	(5,118)	(5,118)	(3,803)	–
					(2,996)	
	Total Spending in DEL	7,756,452	(53,153)	7,703,299	7,706,295	7,298,710

2.2 Analysis of net capital outturn by section – *continued*

		£000			2011-12		2010-11
					Outturn	Estimate	(restated) Outturn
		Gross	Income	Net	Net	Estimate	Net
					Net total compared with		
					Net	Estimate	Net
Spending in Annually Managed Expenditure (AME)							
Voted expenditure							
S	Highways Agency	(33,464)	-	(33,464)	-	(33,464)	-
T	Rail NDPBs – Voted AME	-	-	-	-	-	-
U	Other Railways	-	-	-	-	-	-
V	Maritime and Coastguard Agency	-	-	-	-	-	-
W	Motoring Agencies	-	-	-	-	-	-
X	Central Administration	-	-	-	-	-	-
Non-voted expenditure							
AM	Other Railways	-	-	-	-	-	-
Total Spending in AME		(33,464)	-	(33,464)	-	(33,464)	-
Non-Budget spending							
Voted expenditure							
AN	GLA transport grants	-	-	-	-	-	-
AO	Other Railways	-	-	-	-	-	-
AP	Renewable Transport Fuels Obligation (net)	-	-	-	-	-	-
Total Non-Budget spending		-	-	-	-	-	-
Capital Outturn		7,722,988	(53,153)	7,669,835	7,706,295	(36,460)	7,298,710

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	2011–12	2010–11 <i>(restated)</i>
Total resource outturn in Statement of Parliamentary Supply	Note	Outturn	Outturn
Budget	2	6,468,368	6,453,623
Non-Budget		(211,049)	–
		<u>6,257,319</u>	<u>6,453,623</u>
Add: Capital grants		6,352,790	5,306,334
Prior year adjustments		211,049	–
Less: Non-supply income (CFERs)		(84,650)	(1,210,469)
		<u>12,736,508</u>	<u>10,549,488</u>
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure		12,736,508	10,549,488

3.2 Outturn against final Administration Budget and Administration net operating cost

	£000	2011–12	2010–11 <i>(restated)</i>
Estimate – Administration costs limit (Gross)		<u>313,024</u>	<u>304,521</u>
Estimate – Administration costs limit (Net)		<u>273,220</u>	<u>266,102</u>
Outturn – Gross Administration costs		244,493	266,209
Outturn – Gross Income relating to administration costs		(28,119)	(27,913)
Outturn – Net Administration costs		<u>216,374</u>	<u>238,296</u>
Reconciliation to operating costs:			
Less: provisions utilised (transfer from Programme)		2,351	1,099
Less: Other		–	–
Administration Net Operating Costs		<u>214,023</u>	<u>237,197</u>

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

	£000	2011-12	2010-11 <i>(restated)</i>
Net Cash Requirement – core department and agencies		(12,469,749)	(14,427,987)
From the Consolidated Fund – current year		13,253,138	12,914,500
Clear Line of Sight adjustment		–	577,106
Capital Grants		4,449	–
Amounts due to the Consolidated Fund received in the prior year and paid over		(829,366)	(8,497)
Amounts due to the Consolidated Fund received and not paid over		11,427	829,366
Adjustment for overdraft held by the Agencies		18,653	–
Movement in cash held by core department and agencies		(11,448)	(115,512)
Movement in cash held by arms length bodies		(34,931)	(8,321)
Net movement in cash held by departmental group		(46,379)	(123,833)
	<i>from the Consolidated Statement of Cash Flows</i>		

5. Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

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

	£000	Outturn 2011-12		Outturn 2010-11 <i>(restated)</i>	
		<i>Income</i>	<i>Receipts</i>	<i>Income</i>	<i>Receipts</i>
Operating income outside the ambit of the Estimate – Resource	84,650	84,650	84,650	194,140	176,119
Operating income outside the ambit of the Estimate – Capital	–	–	–	1,016,329	1,016,329
	84,650	84,650	84,650	1,210,469	1,192,448
Other payable to the Consolidated Fund	–	–	–	577,106	577,106
	84,650	84,650	84,650	1,787,575	1,769,554
Non-budget amounts collectable on behalf of the Consolidated Fund	188	188	188	31	31
Total income payable to the Consolidated Fund	84,838	84,838	84,838	1,787,606	1,769,585

5.2 Consolidated Fund Income

Consolidated Fund income shown in note 5.1 above does not include any amounts collected by 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	2011-12	2010-11 <i>(restated)</i>
Licence fees, penalties and fines		40,183	51,628
Less:			
Costs of collection – <i>where deductible</i>		–	–
Amount payable to the Consolidated Fund		40,183	51,628
Balance held at the start of the year		–	–
Payments into the Consolidated Fund		(40,183)	(51,628)
Balance held on trust at the end of the year		–	–

6. Statement of Operating Costs by Operating Segment

	£000					2011–12
	Corporate	Domestic – Rail	Domestic – Local & Roads	International Strategy & Environment	Major Projects & London	Total
Administration expenditure	106,917	11,136	83,785	25,353	14,960	242,151
Programme expenditure	1,154,342	4,299,454	5,135,722	295,390	4,193,138	15,078,046
Gross expenditure	1,261,259	4,310,590	5,219,507	320,743	4,208,098	15,320,197
Income	(745,294)	(233,800)	(134,774)	(79,103)	(1,315,349)	(2,508,320)
Net Expenditure	515,965	4,076,790	5,084,733	241,640	2,892,749	12,811,877
Dividend Receivable						(31,009)
Interest Receivable						(44,360)
Net Operating Costs per Statement of Comprehensive Net Expenditure						12,736,508

	£000					2010–11
	Corporate	Domestic – Rail	Domestic – Local & Roads	International Strategy & Environment	Major Projects & London	Total
Administration expenditure	147,362	504	88,765	19,038	9,566	265,235
Programme expenditure	1,296,936	3,658,955	3,313,484	317,767	4,404,017	12,991,159
Gross expenditure	1,444,298	3,659,459	3,402,249	336,805	4,413,583	13,256,394
Income	(875,353)	(203,029)	(168,829)	(72,489)	(1,213,885)	(2,533,585)
Net Expenditure	568,945	3,456,430	3,233,420	264,316	3,199,698	10,722,839
Dividend Receivable						(131,403)
Interest Receivable						(41,948)
Net Operating Costs per Statement of Comprehensive Net Expenditure						10,549,488

The Department completed an organisational restructuring at the beginning of 2011–12. The comparative data has been restated.

Corporate

Corporate Group provides essential back office support services across the whole departmental group. This includes financial management, communication, Internal Audit and Procurement. In addition it provides sponsorship to the Motoring Agencies.

Domestic – Rail

Domestic Rail helps Ministers decide what outcomes they want from the rail network, and then secures these through partnership with the rail industry and local partners, and through regulation, contracts and effective public expenditure.

Domestic – Local and Roads

Domestic – Local and Roads provides local transport capital, develops 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 deals 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 and Environment

This Group covers 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 and London Group

The Major Projects and London Group is the Department's commercial engine and plays a key role in delivering the Department's significant transport programmes and projects. The Group sponsors strategic road and rail projects including the M1 and M25 widening, Thameslink and Crossrail programmes. This group also contains the London and Olympics team which is leading the Government's assurance of the transport arrangements for London 2012.

7. Staff numbers and related costs

Staff costs comprise:

	£000				2011–12	2010–11 (restated)
	Permanently employed staff	Other Staff	Ministers	Special advisers	Total	Total
Wages and salaries	522,737	17,286	149	107	540,280	567,395
Social security costs	43,282	–	13	12	43,307	44,203
Other pension costs	91,668	–	–	24	91,692	92,764
Sub Total	657,687	17,286	162	143	675,278	704,362
Less recoveries in respect of outward secondments	(1,080)	–	–	–	(1,080)	(1,550)
Total net costs	656,607	17,286	162	143	674,198	702,812
Of which:						
Core Department	112,113	3,988	162	143	116,406	128,762
Core Department and Agencies	440,096	11,730	162	143	452,131	477,611
Departmental Group	656,607	17,286	162	143	674,198	702,812

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 2011–12, employers' contributions of £65,696,442 were payable to the PCSPS (2010–11 £67,784,497) at one of four rates in the range 16.7% to 24.3% (2010–11: 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 2011–12 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 £428,902 (2010–11: £454,418) 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% (2010–11: 3.0 to 12.5%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £29,822, 0.8% (2010–11: £31,852, 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 £18,907 (2010–11: £20,228). Contributions prepaid at that date were £nil (2010–11: £nil).

3 persons (2010–11: 5 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £3,308 (2010–11: £ 6,616).

The remaining balance of £25,514,619 (2010–11: £24,466,389) relates to other pension schemes operated by the Arm's 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 was as follows. These figures include those working in the Department as well as in agencies and other bodies included within the consolidated departmental account.

Activity	Permanently employed staff	Others	Ministers	Special advisers	2011–12	2010–11
					Number	Number
					Total	Total
Average number of persons employed	17,483.3	450.0	4.0	2.0	17,939.3	18,020.9
Total	17,483.3	450.0	4.0	2.0	17,939.3	18,020.9
Of which:						
Core Department	1,939.0	119.0	4.0	2.0	2,064.0	2,061.0
Core Department and Agencies	12,891.5	372.0	4.0	2.0	13,269.5	13,342.0
Departmental Group	17,483.3	450.0	4.0	2.0	17,939.3	18,020.9

7.1 Reporting of Civil Service and other compensation schemes – exit packages

Comparative data to be shown (in brackets) for previous year

Exit package cost band	Core Dept				Core Dept. and Agencies				Departmental Group									
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band							
<£10,000	–	(–)	2	(8)	2	(8)	–	(–)	12	(59)	12	(59)	3	(2)	35	(64)	38	(66)
£10,000 – £25,000	–	(–)	30	(18)	30	(18)	–	(–)	53	(48)	53	(48)	4	(1)	58	(54)	62	(55)
£25,000 – £50,000	2	(–)	34	(37)	36	(37)	2	(–)	71	(79)	73	(79)	5	(–)	73	(81)	78	(81)
£50,000 – £100,000	–	(–)	24	(39)	24	(39)	–	(–)	29	(83)	29	(83)	2	(1)	44	(91)	46	(92)
£100,000 – £150,000	–	(–)	7	(31)	7	(31)	–	(–)	7	(36)	7	(36)	–	(–)	7	(38)	7	(38)
£150,000 – £200,000	–	(–)	–	(23)	–	(23)	–	(–)	–	(24)	–	(24)	–	(–)	–	(24)	–	(24)
£200,000 plus	–	(–)	–	(8)	–	(8)	–	(–)	–	(8)	–	(8)	–	(–)	1	(12)	1	(12)
Total number of exit packages	2	(–)	97	(164)	99	(164)	2	(–)	172	(337)	174	(337)	14	(4)	218	(364)	232	(368)
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	
2010–11 Total cost /£	–		14,531,090		14,531,090		–		20,496,834		20,496,834		–		21,591,601		21,591,601	

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.

In December 2010 the Civil Service Compensation Scheme rules changed. As such, unlike in previous years leavers under the new scheme were given the option to use their compensation lump sum to buy out their actuarial reduction. If however, their compensation lump sum was not sufficient to buy out the full reduction, the Department is obliged to make up the shortfall. Not all staff will have taken the buyout option and not all who did will have a shortfall. The total cost of buyouts by the Department were £764,781.

During the financial year 2011–12, a number of payments were made which were not covered by the Civil Service Compensation Scheme. These are detailed below:

The following ex-gratia payments were agreed with HM Treasury:

- One (2010–11: Three) payment under £10k of compensation for termination of employment;
- Five (2010–11: Two) payments between £10k and £25k of compensation for termination of employment;
- One (2010–11: Five) payment between £25k and £50k of compensation for termination of employment including Nil (2010–11: one) payments for loss of office;
- Nil (2010–11: One) payments between £25k and £50k relating to flexible early retirement;
- Two (2010–11: Three) payments between £50k and £100k of compensation for termination of employment; and
- Nil (2010–11: One) payments between £100k and £150k relating to flexible early retirement.

The following payments did not require HM Treasury approval:

- Nil (2010–11: Two) payments of under £1k relating to legal costs; and
- One (2010–11: Eight) payments of £undisclosed (2010–11: £132k) under compromise agreements including One (2010–11: Four) undisclosed payments under compromise agreements.

8. Other Administration Costs

	£000		2011–12			2010–11 (restated)	
	Note	Core Department & Agencies	Core Department & Agencies	Departmental Group	Core Department & Agencies	Core Department & Agencies	Departmental Group
Cash Items							
Rentals under Operating Leases		11,975	18,241	18,644	15,758	22,248	22,248
Research and Development expenditure		59	69	69	205	180	180
Communication & Information Technology		10,289	30,646	31,380	12,050	31,849	31,849
Consultancy		8,497	8,883	8,883	16,050	16,420	16,420
Professional Services		900	1,319	2,789	1,667	2,089	2,089
Accommodation		12,363	20,653	20,811	11,197	19,040	19,040
Support Services		3,160	3,160	3,175	5,941	5,941	5,941
Travel and Subsistence		1,442	2,732	2,871	1,685	3,559	3,559
Vehicle Costs and Services		316	4,006	4,006	269	4,682	4,682
Auditors' remuneration and expenses – Cash		7	7	51	–	–	–
Other Costs		5,220	11,618	12,197	6,135	10,642	10,642
Sub Total-Cash Items		54,228	101,334	104,876	70,957	116,650	116,650
Non-cash items							
Depreciation		3,749	6,366	6,576	4,356	7,036	7,036
Amortisation		138	257	272	425	814	814
Impairment of Fixed Assets and Assets Held for Sale	14	–	–	–	–	179	179
Downward revaluation of fixed assets		–	145	145	–	85	85
Loss on disposal of fixed assets		329	331	331	–	36	36
Auditors' remuneration and expenses		355	748	748	332	774	774
Provisions provided in year		–	–	–	–	–	–
Provisions for bad/doubtful debt		45	(56)	(56)	6	(74)	(74)
Sub Total-Non Cash Items		4,616	7,791	8,016	5,119	8,850	8,850
Statement of Comprehensive Net Expenditure		58,844	109,125	112,892	76,076	125,500	125,500

9. Programme Costs

Cash Items	£000		2011-12			2010-11 (restated)	
	Note	Core		Departmental Group	Core		
		Department	& Agencies		Department	& Agencies	Departmental Group
Corporation Tax Refund		–	–	(285)	–	–	(366)
Rentals under Operating Leases		1,018	2,705	10,650	2,656	4,301	11,929
Interest Charges		211,275	213,766	224,327	237,495	239,502	253,170
PFI interest charges		–	138,369	138,369	–	122,999	122,999
Research and Development expenditure		8,728	12,475	12,475	16,683	24,652	23,452
Capital Grants		6,352,790	6,352,790	6,352,790	5,306,334	5,306,334	5,306,334
Current Grants		3,257,650	3,257,650	3,257,650	3,603,625	3,603,625	3,603,625
Grant in Aid		52,650	52,650	–	232,315	42,702	–
EU Capital Grants		16,262	16,262	16,262	7,242	7,242	7,242
Subsidies		445,310	445,310	445,310	504,514	504,514	504,514
Support for Passenger Rail Services		664,112	664,112	664,112	768,282	768,282	768,282
Road Network Current Maintenance		–	541,599	541,599	–	549,283	549,283
PFI Services charges		–	314,814	314,814	–	289,346	289,346
Eurocontrol Payments		37,852	37,852	37,852	43,259	43,259	43,259
SAR Helicopters		–	28,565	28,565	–	28,199	28,199
Emergency Towing Vessels		–	8,710	8,710	–	11,454	11,454
Disbursement							
Civil Hydrography		–	5,707	5,707	–	5,970	5,970
Weather bulletins & navigational warnings		–	5,318	5,318	–	5,522	5,522
Communication and Information Technology		7,358	179,222	193,471	7,807	162,263	175,579
Consultancy		34,994	35,994	61,392	20,938	22,297	34,327
Professional Services		(418)	2,755	4,783	1,017	4,554	35,185
Accommodation		3,879	26,705	36,330	2,924	23,554	32,518
Publicity		4,395	4,494	4,543	1,507	2,884	3,093
Support Services		46,361	46,686	46,764	17,202	2,693	2,764
Travel and Subsistence		2,038	8,220	13,057	2,371	8,846	13,764
Auditors' remuneration and expenses – Cash		–	–	226	–	87	351
Other costs		270,062	469,681	480,020	264,869	445,305	483,620
Sub Total-Cash		11,416,316	12,872,411	12,904,811	11,041,040	12,229,669	12,315,415
Non-cash items:							
Depreciation		49,588	798,903	808,376	51,228	488,909	498,003
Amortisation		1,802	31,870	33,815	466	27,414	28,858
Impairment of Fixed Assets and Assets Held for Sale	14	5	33,138	33,138	–	73,474	78,145
Impairment of Share Capital	14	–	–	–	–	–	(534,708)
Downward revaluation of fixed assets		–	758	1,068	–	22	1,122
Write down in value of assets		–	506,593	506,593	–	724,718	724,718
Loss/(Profit) on disposal of fixed assets		–	389	427	–	3,619	(48,821)
Loan write off expense		153,280	153,280	153,280	–	–	–
Pension Scheme costs		17,200	17,200	28,810	(186,900)	(186,900)	(280,060)
Auditors' remuneration and expenses		–	134	134	–	–	–
Provisions provided in year		13,923	56,685	56,636	(298,012)	(342,369)	(341,208)
Unwinding of discount on provisions	19	–	341	341	–	(14)	(14)
Financial Guarantee released in year		(56)	(56)	(56)	(37,320)	(37,320)	(37,320)
Provision for bad/doubtful debt		5	5,734	5,734	26	22,235	23,952
Sub Total – Non Cash Items		235,747	1,604,969	1,628,296	(470,512)	773,788	112,667
Statement of Comprehensive Net Expenditure		11,652,063	14,477,380	14,533,107	10,570,528	13,003,457	12,428,082

10. Income

10.1 Income

	2011–12			2010–11 (restated)		
	£000	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	
Cash Items						
Rental Income	419	4,450	4,845	412	3,956	6,006
Fees & Charges to Other Government Depts	18,623	31,213	30,771	15,102	29,527	29,580
Fees & Charges to external customers	200,579	717,130	718,121	189,225	711,640	729,643
EU income	16,262	18,240	18,240	7,254	10,545	10,545
Dartford road user charges	73,873	73,873	73,873	71,326	71,326	71,326
Claims for Damages to Road Network	–	8,219	8,219	–	12,949	12,949
Income from Train Operating Companies	1,033,069	1,033,069	1,294,764	1,049,204	1,049,204	1,315,998
Eurocontrol Receipts	44,247	44,247	44,247	46,448	46,448	46,448
Other Income	232,358	242,549	259,328	190,509	206,905	248,496
Sub Total – Cash Items	1,619,430	2,172,990	2,452,408	1,569,480	2,142,500	2,470,991
Non cash items						
Release of government grant	–	–	135	–	6,878	8,177
Amortisation of deferred income	54,387	54,387	55,777	54,387	54,387	54,387
Sub Total – Non cash items	54,387	54,387	55,912	54,387	61,265	62,564
Operating Income	1,673,817	2,227,377	2,508,320	1,623,867	2,203,765	2,533,555
Dividends receivable	24,776	24,776	31,009	956,090	949,251	131,403
Interest receivable	22,798	42,279	44,360	23,471	41,825	41,948
Statement of Comprehensive Net Expenditure	1,721,391	2,294,432	2,583,689	2,603,428	3,194,841	2,706,906

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

	2011–12			2010–11 (restated)		
	£000	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	
Operating Income by Admin and Programme						
Administration income	16,778	28,120	28,128	15,794	28,038	28,038
Programme income	1,657,039	2,199,257	2,480,192	1,608,073	2,175,727	2,505,517
Operating income	1,673,817	2,227,377	2,508,320	1,623,867	2,203,765	2,533,555
Dividends and interest receivable	47,574	67,055	75,369	979,561	991,076	173,351
Statement of Comprehensive Net Expenditure	1,721,391	2,294,432	2,583,689	2,603,428	3,194,841	2,706,906

10.3 Fees and Charges information

	£000		2011-12			2010-11 (restated)	
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)	
Government Car and Despatch Agency							
Government Car Service	5,019	12,514	(7,495)	8,934	15,646	(6,712)	
InterDespatch Service	–	–	–	7,200	5,313	1,887	
Government Mail Services	6,433	6,877	(444)	–	–	–	
Highways Agency							
Road Damage Claims	8,219	8,885	(666)	12,949	13,630	(681)	
Road Contract Income (S278 Schemes)	10,546	10,546	–	27,600	27,600	–	
Rental Income	4,031	4,549	(518)	3,545	6,112	(2,567)	
Maritime and Coastguard Agency							
Marine Surveys	5,260	4,923	337	5,537	5,182	355	
Registration of Ships	1,218	1,457	(239)	352	602	(250)	
Seafarers' Examination & Certification	2,837	2,594	243	2,634	2,725	(91)	
Wider Market Initiatives and EU Twinning Projects	1,141	836	305	1,254	1,073	181	
Vehicle Certification Agency							
Product Certification	9,519	9,198	321	9,149	7,129	2,020	
Management System Certification	1,493	1,819	(326)	1,559	2,194	(635)	
Driver and Vehicle Licensing Agency							
Fees	399,892	342,309	57,583	389,212	323,466	65,746	
DVLA Personalised Registrations	68,648	30,949	37,699	83,299	12,894	70,405	
	524,256	437,456	86,800	553,224	423,566	129,658	

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

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

11. Property, plant and equipment

Consolidated											2011-12
£000	National Trunk Road Network	Infrastructure Assets	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
	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
Detrunings	-	-	-	-	-	-	-	-	-	-	-
Prior year adjustments	-	-	34,040	-	-	-	-	-	-	-	34,040
	<u>114,458,369</u>	<u>3,546,000</u>	<u>1,186,286</u>	<u>157,471</u>	<u>309,449</u>	<u>57,060</u>	<u>180,909</u>	<u>43,514</u>	<u>16,439</u>	<u>148,301</u>	<u>120,103,798</u>
Opening balance adjustment	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)
Transfers	834,848	-	(859,562)	439	2,289	6,595	3,625	-	(71)	10,913	(924)
Reclassifications	-	-	-	(5,180)	2,934	(8,034)	(12,011)	-	-	(23,909)	(46,200)
Revaluations*	3,099,322	-	-	17,172	66,649	6,509	2,682	681	81	(154)	3,192,942
At 31 March 2012	<u>125,846,897</u>	<u>3,546,000</u>	<u>765,691</u>	<u>168,784</u>	<u>391,769</u>	<u>60,979</u>	<u>179,905</u>	<u>44,384</u>	<u>16,841</u>	<u>88,052</u>	<u>131,109,302</u>
Depreciation											
At 1 April 2011	15,784,192	76,753	-	-	70,811	-	90,727	22,864	9,492	132,194	16,187,033
Detrunings	-	-	-	-	-	-	-	-	-	-	-
	<u>15,784,192</u>	<u>76,753</u>	<u>-</u>	<u>-</u>	<u>70,811</u>	<u>-</u>	<u>90,727</u>	<u>22,864</u>	<u>9,492</u>	<u>132,194</u>	<u>16,187,033</u>
Opening balance adjustment	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
Impairments	(362,231)	-	-	-	(296)	-	(1)	-	-	-	(362,528)
Disposals	-	-	-	-	(241)	-	(3,461)	(913)	(2,669)	(53,247)	(60,531)
Reclassifications	-	-	-	-	3,529	-	(3,529)	-	-	(27,516)	(27,516)
Transfers	-	-	-	-	2	-	26	-	(28)	-	-
Revaluations*	388,857	-	-	-	50,178	-	2,268	297	139	(264)	441,475
At 31 March 2012	<u>18,458,270</u>	<u>123,322</u>	<u>-</u>	<u>-</u>	<u>135,423</u>	<u>-</u>	<u>97,120</u>	<u>26,552</u>	<u>9,726</u>	<u>60,171</u>	<u>18,910,584</u>
Carrying amount at 31 March 2012	<u>107,388,627</u>	<u>3,422,678</u>	<u>765,691</u>	<u>168,784</u>	<u>256,346</u>	<u>60,979</u>	<u>82,785</u>	<u>17,832</u>	<u>7,115</u>	<u>27,881</u>	<u>112,198,718</u>
Carrying amount at 31 March 2011	<u>98,674,177</u>	<u>3,469,247</u>	<u>1,186,286</u>	<u>157,471</u>	<u>238,638</u>	<u>57,060</u>	<u>90,182</u>	<u>20,650</u>	<u>6,947</u>	<u>16,107</u>	<u>103,916,765</u>
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 sheet (SoFP) 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	<u>107,388,627</u>	<u>3,422,678</u>	<u>765,691</u>	<u>168,784</u>	<u>256,346</u>	<u>60,979</u>	<u>82,785</u>	<u>17,832</u>	<u>7,115</u>	<u>27,881</u>	<u>112,198,718</u>
Of the total:											
Core Department	-	3,422,678	3,737	11,261	59,697	-	10,154	784	2	12,974	3,521,287
Core Department and Agencies	107,388,627	3,422,678	763,856	168,783	225,233	60,979	76,850	17,020	2,238	21,006	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

* Revaluations in the above note includes £1,211,000 which has been taken to administration and programme costs and £1,586,00 which has passed to the Revaluation Reserve because the assets have devalued below their original cost.

Consolidated

2010-11

(restated)

	National Trunk Road Network	Infrastructure Assets	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
£000											
Cost or valuation											
At 1 April 2010	100,811,794	3,546,000	730,383	173,143	297,192	38,494	176,104	51,424	16,277	202,537	106,043,348
Detrunings	(91,324)	-	-	-	-	-	-	-	-	-	(91,324)
Prior year adjustment	-	-	177,009	-	-	-	-	-	-	-	177,009
	100,720,470	3,546,000	907,392	173,143	297,192	38,494	176,104	51,424	16,277	202,537	106,129,033
Opening balance adjustment	632,945	-	48,645	796	77	2,404	128	-	21	-	685,016
Additions	335,813	-	1,271,862	1,507	17,456	613	18,875	278	2,528	4,304	1,653,236
Write-down of capital additions	-	-	(724,718)	-	-	-	-	-	-	-	(724,718)
Disposals	-	-	-	(5,797)	(346)	-	(9,858)	(10,571)	(2,444)	(53,100)	(82,116)
Impairments	(118,253)	-	-	(4,757)	(19,405)	(284)	(7)	-	-	(7)	(142,713)
Transfer	313,838	-	(350,049)	2,240	8,543	17,363	6,404	1,029	49	583	-
Reclassifications	-	-	(886)	(11,900)	4,933	(5,872)	(20,093)	-	-	(1,094)	(34,912)
Revaluations*	12,573,556	-	-	2,239	999	4,342	9,356	1,354	8	(4,922)	12,586,932
At 31 March 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
Depreciation											
At 1 April 2010	13,895,319	30,701	-	-	67,231	-	99,390	28,423	8,301	173,344	14,302,709
Detrunings	(11,868)	-	-	-	-	-	-	-	-	-	(11,868)
	13,883,451	30,701	-	-	67,231	-	99,390	28,423	8,301	173,344	14,290,841
Opening balance adjustment	(245,644)	-	-	-	(1,488)	-	132	-	(6)	-	(247,006)
Charged in year	411,703	46,052	-	-	9,749	-	15,037	4,371	2,808	15,319	505,039
Impairments	(64,536)	-	-	-	(37)	-	-	-	-	-	(64,573)
Disposals	-	-	-	-	(257)	-	(9,628)	(10,273)	(1,646)	(52,779)	(74,583)
Reclassifications	-	-	-	-	(98)	-	(18,972)	-	-	(817)	(19,887)
Transfer	-	-	-	-	-	-	-	-	-	-	-
Revaluations*	1,799,218	-	-	-	(4,289)	-	4,768	343	35	(2,873)	1,797,202
At 31 March 2011	15,784,192	76,753	-	-	70,811	-	90,727	22,864	9,492	132,194	16,187,033
Carrying amount at 31 March 2011	98,674,177	3,469,247	1,152,246	157,471	238,638	57,060	90,182	20,650	6,947	16,107	103,882,725
Carrying amount at 31 March 2010	86,837,019	3,515,299	907,392	173,143	229,961	38,494	76,714	23,001	7,976	29,193	91,838,192
Asset financing:											
Owned	96,342,242	3,469,247	970,250	157,040	193,670	57,060	89,620	11,608	6,947	15,607	101,313,291
Finance Leased	-	-	-	-	17,016	-	562	-	-	500	18,078
On-balance (SoFP) sheet PFI Contracts	2,331,935	-	-	431	27,952	-	-	9,042	-	-	2,369,360
PFI residual interests	-	-	181,996	-	-	-	-	-	-	-	181,996
Carrying amount at 31 March 2011	98,674,177	3,469,247	1,152,246	157,471	238,638	57,060	90,182	20,650	6,947	16,107	103,882,725
Of the total:											
Core Department	-	3,469,247	11,416	11,261	61,852	-	11,188	1,375	3	1,399	3,567,741
Core Department and Agencies	98,674,177	3,469,247	1,142,296	150,642	217,875	57,060	85,009	19,643	1,848	8,532	103,826,329
Departmental Group	98,674,177	3,469,247	1,152,246	157,471	238,638	57,060	90,182	20,650	6,947	16,107	103,882,725

* Revaluations in the above note includes £1,100,000 which has been taken to administration and programme costs.

11.1 Assets Held for Sale

Consolidated

	£000
Cost or valuation	
At 1 April 2011	12,564
Reclassifications	13,352
Disposals	(6,388)
Impairments	(1,908)
At 31 March 2012	<u>17,620</u>
 Cost or valuation	
At 1 April 2010	8,125
Reclassifications	13,901
Disposals	(9,457)
Impairments	(5)
At 31 March 2011	<u>12,564</u>
 Cost or valuation	
At 1 April 2009	11,776
Reclassifications	2,924
Disposals	(6,271)
Impairments	(304)
At 31 March 2010	<u>8,125</u>

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

11.2 Infrastructure Assets

Infrastructure asset valuation as at 1 April 2011 was restated to include the following adjustments:

- Change in structure classification – a prior year adjustment of £34,040 (2011–12) and £177,009 (2010–11) was made in Assets Under Construction for a change in the valuation classification of the A3 Hindhead tunnel. The new Hindhead tunnel was part of the wider project to upgrade and deliver a new A3 by-pass at Hindhead. The project was designated an improvement project and this determined the valuation classification of the project at the start of construction. However, the Hindhead tunnel is one of the longest land tunnels in the UK and due to its innovative construction techniques the Department decided this was best classified as a special structure and valued in accordance with the valuation methodology for such unique structures.
- There was an adjustment of £190,534,000 for dimensional variance. This variance results from improved information on dimensions for road pavements, individual structures etc.
- There was an increase of £55,646,000 in the infrastructure valuation due to re-referencing. This is the outcome from improvement in data re-measurement, changes in individual road sections etc.
- During the year the Agency revised the methodology for structures valuation to provide an improved methodology that places less reliance on detailed engineering data. In addition, a full review was undertaken of the valuation of special structures which are those structures that, due to a combination of their size, construction and character, valuation is based on unit rates and actual cost data of modern equivalent structures. The changed estimation technique resulted in an overall increase in the book value of structures by £5,336,047,000.

11.3 Valuation Adjustments

Capital renewal – the Department spent £345,103,000 (2010–11: £335,813,000) on capital renewal expenditure during 2011–12. This reflects the ongoing programme to update and improve on a wide variety of renewals schemes that will yield benefits in future years. The above amount represents the gross value of materials replaced by the capital renewal programme and is therefore removed from the gross value of the infrastructure assets.

11.4 Write-down

The Department's valuation of the infrastructure network is based on standard cost and indexation. There is always a difference between the actual cost of construction and the standard cost valuation methodology. This difference is defined as write-down. In 2011–12 the write-down was £506,593,000 (2010–11: £724,718,000). This amount is impacted by the type of scheme under construction or opened to traffic during the year.

11.5 Revaluation

The network infrastructure valuation increased by £2,710,465,000 (2010–11: £10,774,338,000) during the year as a result of the following:

- Each financial year the Department applies an indexation factor to the gross valuation of the network infrastructure assets to reflect the impact of current prices. The indexation applied is based on an agreed construction industry index.
- Indexation was also applied to the revised valuation methodology.

12. Intangible assets

Consolidated

	£000	Software Licences	Development Expenditure	Assets under Construction	2011–12 Total
Cost or valuation					
At 1 April 2011		49,600	262,177	16,371	328,148
Additions		2,335	2,531	17,236	22,102
Transfer		2,327	18,700	(20,103)	924
Disposals		(470)	–	–	(470)
Impairments		–	–	–	–
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
Impairments		–	–	–	–
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	16,371	124,925
Asset financing:					
Owned		15,882	52,800	13,504	82,186
Finance Leased		–	32,565	–	32,565
Contracts		–	–	–	–
Carrying amount at 31 March 2012		15,882	85,365	13,504	114,751
Of the total:					
Department		3,304	–	–	3,304
Agencies		9,056	81,712	13,504	104,272
Other designated bodies		3,522	3,653	–	7,175
Carrying amount at 31 March 2012		15,882	85,365	13,504	114,751

Consolidated

				2010-11 <i>(restated)</i>	
	£000	Software Licences	Development Expenditure	Assets under Construction	Total
Cost or valuation					
At 1 April 2010		57,089	220,201	12,740	290,030
Prior year balances adjustment		–	22,931	–	22,931
Additions		1,352	5,328	14,735	21,415
Transfer		(530)	11,634	(11,104)	–
Disposals		(10,460)	–	–	(10,460)
Impairments		–	(179)	–	(179)
Revaluations		178	2,262	–	2,440
Reclassifications		1,971	–	–	1,971
At 31 March 2011		49,600	262,177	16,371	328,148
Amortisation					
At 1 April 2010		29,663	130,528	–	160,191
Prior year balances adjustment		–	22,924	–	22,924
Charged in year		7,192	22,480	–	29,672
Impairments		–	–	–	–
Disposals		(10,353)	–	–	(10,353)
Revaluations		(28)	–	–	(28)
Reclassifications		817	–	–	817
At 31 March 2011		27,291	175,932	–	203,223
Carrying amount at 31 March 2011		22,309	86,245	16,371	124,925
Carrying amount at 31 March 2010		27,426	89,673	12,740	129,839
Asset financing:					
Owned		22,309	86,245	16,371	124,925
Finance Leased		–	–	–	–
Contracts		–	–	–	–
Carrying amount at 31 March 2011		22,309	86,245	16,371	124,925
Of the total:					
Department		7,889	–	–	7,889
Agencies		10,624	84,183	16,371	111,178
Other designated bodies		3,796	2,062	–	5,858
Carrying amount at 31 March 2011		22,309	86,245	16,371	124,925

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, 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 and does not draw down Supply cash, 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 £660 million (2011: £628 million), using the valuation methodology applied by CTRL Section 1 Finance plc. 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 2011–12, the rate used was 3.4%.

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 £206,000. However, the effect on forecast costs over the next four years would be between £3 million and £4 million 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 2012 were: Government Guaranteed Bonds issued by LCR Finance plc £3,305 million (2011: £2,896 million) and Asset-backed Notes issued by CTRL Section 1 plc £1,743 million (2011: £1,554 million). The carrying values are disclosed in Note 18.

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 – non-current

		31 March 2012	31 March 2011	31 March 2010
	£000		<i>(restated)</i>	<i>(restated)</i>
Financial assets	Note			
Loans	13.1.1	325,774	507,809	542,077
Share capital	13.1.2	831,687	532,141	356,447
Investment properties	13.1.3	26,210	19,695	20,435
Public dividend capital	13.1.4	32,459	32,459	32,459
National loans fund	13.1.5	7,754	9,651	11,452
		<u>1,223,884</u>	<u>1,101,755</u>	<u>962,870</u>
Financial liabilities				
Financial guarantees	13.4	<u>(3,310,477)</u>	<u>(3,220,839)</u>	<u>(3,055,920)</u>
Of which:				
Core Department				
Financial assets		750,628	658,729	771,675
Financial liabilities		<u>(3,310,477)</u>	<u>(3,220,839)</u>	<u>(3,055,920)</u>
		<u>(2,559,849)</u>	<u>(2,562,110)</u>	<u>(2,284,245)</u>
Core Department and Agencies				
Financial assets		733,485	639,681	752,627
Financial liabilities		<u>(3,310,477)</u>	<u>(3,220,839)</u>	<u>(3,055,920)</u>
		<u>(2,576,992)</u>	<u>(2,581,158)</u>	<u>(2,303,293)</u>
Departmental Group				
Financial assets		1,223,884	1,101,755	962,870
Financial liabilities		<u>(3,310,477)</u>	<u>(3,220,839)</u>	<u>(3,055,920)</u>
		<u>(2,086,593)</u>	<u>(2,119,084)</u>	<u>(2,093,050)</u>

The Core Department and Agencies balance excludes an intragroup loan between the Core Department and the DVLA which at the 31 March 2012 was £17,143,000 (2011: £19,048,000).

The Departmental Group balance excludes an intragroup loan between Directly Operated Railways and the Core Department which at 31 March 2012 was £10,000,000 (2011: £21,000,000).

13.1 Financial Assets

13.1.1 Loans

	VOSA	DSA	Mersey Tunnel	Humber Bridge	Other Loans	Total
	£000					
Balance at 1 April 2011	98,574	69,478	4,035	332,122	3,600	507,809
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	76,102	53,155	1,689	181,628	13,200	325,774
Balance at 1 April 2010	122,591	77,077	6,187	332,622	3,600	542,077
Advances	–	–	–	–	40,000	40,000
Write Off	–	–	–	–	–	–
Repayment	(24,017)	(7,599)	(2,152)	(500)	(40,000)	(74,268)
Balance at 31 March 2011 (restated)	98,574	69,478	4,035	332,122	3,600	507,809

	NATS Holdings Ltd	Eurostar International Limited	King's Cross Central	Stratford City Business District	Total
	£000				
Balance at 1 April 2011	68,761	313,880	129,300	20,200	532,141
Additions	–	–	887	–	887
Revaluations	288,739	(2,093)*	11,413	600	298,659
Balance at 31 March 2012	357,500	311,787	141,600	20,800	831,687
Balance at 1 April 2010	68,761	176,886	110,800	–	356,447
Additions	–	309,426	5,779	8,400	323,605
Disposals	–	(172,432)	–	–	(172,432)
Revaluations	–	–	12,721	11,800	24,521
Balance at 31 March 2011 (restated)	68,761	313,880	129,300	20,200	532,141

*This is a release from provision to investment and did not go through the Revaluation Reserve.

13.1.3 Investment Properties

	Investment properties	Total
	£000	
Balance at 1 April 2011	19,695	19,695
Additions	–	–
Revaluations	6,515	6,515
Balance at 31 March 2012	26,210	26,210
Balance at 1 April 2010	20,435	20,435
Additions	–	–
Revaluations	–	–
Impairments	(740)	(740)
Balance at 31 March 2011	19,695	19,695

The fair value of the Department's investment properties as at 31 March 2012 has been arrived at on the basis of valuations carried out by a number of independent chartered surveyors working for London and Continental Railways Limited.

13.1.4 Public Dividend Capital

	VOSA	DSA	Total
	£000		
Balance at 1 April 2011	28,984	3,475	32,459
Advances	–	–	–
Repayment	–	–	–
Balance at 31 March 2012	28,984	3,475	32,459
Balance at 1 April 2010	28,984	3,475	32,459
Advances	–	–	–
Repayments	–	–	–
Balance at 31 March 2011 (restated)	28,984	3,475	32,459

13.1.5 National Loans Fund

	Civil Aviation Authority	Kings Lynn Harbour Conservancy	Total
	£000		
Balance at 1 April 2011	9,621	30	9,651
Advances	–	–	–
Repayments	–	–	–
	9,621	30	9,651
Loans Repayable within One Year Transferred to Receivables	(1,892)	(5)	(1,897)
Balance at 31 March 2012	7,729	25	7,754
Balance at 1 April 2010	11,417	35	11,452
Advances	–	–	–
Repayments	–	–	–
	11,417	35	11,452
Loans Repayable within One Year Transferred to Receivables	(1,796)	(5)	(1,801)
Balance at 31 March 2011 (restated)	9,621	30	9,651

13.2 Investments in other public sector bodies

The Secretary of State holds the following shares (All the shares are held directly):

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

Prior to 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.

In 2011–12, 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. Although the shares are not actively traded, the market value has been estimated using a combination of discounted cash flow and precedent transaction techniques. 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. NATS reported Capital and Reserves of £526.0 million as at 31 March 2012 and Operating Profit of £239.5 million for the period ending 31 March 2012.

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
2011–12 Pre-tax profit	£194,500,000
2012 Net assets	£526,000,000
2010–11 Pre-tax profit	£106,100,000
31 March 2011 Net assets	£527,200,000
2009–10 Pre-tax profit	£78,300,000
31 March 2010 Net assets	£537,000,000

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 Ltd is a wholly owned subsidiary of Directly Operated Railways (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 Pre-tax profit/(loss)	Not available at date of issue.
2012 Net assets	Not available at date of issue.
2011 Pre-tax profit	£7,935,000
2011 Net assets	£3,640,000
2010 Pre-tax profit	£1,900,000
2010 Net assets	£1,366,000

13.3.3 London & Continental Railways Limited (LCR Ltd)**Directly owned**

The investments in Stratford City Business District and King's Cross Central were independently valued at market value as at 31 March 2012.

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. The market value of LCR Ltd's share of the Stratford City Business District venture as at 31 March 2012 is £20.8 million.

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 as yet no accounts have been filed.
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 as yet no accounts have been filed.
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	£1,500,000 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 Stratford – The International Quarter venture and are shown within the above market value:

- 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. The market value of LCR's share of the King's Cross Central venture as at 31 March 2012 is £141.6 million.

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 market value:

- 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;
- Metropolitan King's Cross Limited (no accounts filed).

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	100 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	
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	£1,366,000 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*

In accordance with IAS 39, the Department sought to determine a fair value for the Eurostar International Limited shareholding. A fair value could not be established because the unique nature and new structure of the organisation prevented appropriate comparatives. This investment has therefore been shown at historic cost less any impairment:

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 1 September 2010, the UK, France and Belgium had been responsible for operating the Eurostar service within their own countries. EIL is owned as follows: London and Continental Railways (LCR) 40%, NMBS/SNCB 5% and SNCF 55%.
Year end date	31 December*
2011 Pre-tax profit	£21,400,000 (group)
2011 Net assets	£739,300,000 (group)
2010 Pre-tax profit	£31,900 (group)
2010 Net liabilities	(£1,484,200) (group)
2009 Pre-tax profit	£63,500,000 (group)
2009 Net liabilities	(£1,589,000,000) (group)

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

*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 £235.6 million as at 31 March 2011 and Profit

before Tax of £0.3 million for the period ending 31 March 2011 and as at the date of issue the 31 March 2012 accounts were not published; and

- 100% of the issued share capital in the following companies:
 - Goldings Rail Limited;
 - Hays Rail Limited;
 - OQS Rail Limited;
 - Strutton Rail Limited;
 - Orchard Rail Limited;
 - Broadway Rail Limited;
 - 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 £150 million 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.
- The Bridge Board also made a capital repayment of £500,000 on 31 March 2012, and therefore the total outstanding debt on 1 April 2012 was £181,628,000.

HS1 sold in November 2010

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

13.4 Financial Liabilities

Financial Guarantees

£000	London & Continental Railways	Network Rail ¹	Air Travel Trust Fund	Total
Balance at 1 April 2011	–	3,220,699	140	3,220,839
Charged in year	–	114,084	–	114,084
Released	–	(200,000)	(56)	(200,056)
Unwinding discount	–	175,610	–	175,610
Balance at 31 March 2012	–	3,310,393	84	3,310,477
Balance at 1 April 2010	37,320	3,018,460	140	3,055,920
Charged in year	–	226,167	–	226,167
Released	(37,320)	(186,500)	–	(223,820)
Unwinding discount	–	162,572	–	162,572
Balance at 31 March 2011	–	3,220,699	140	3,220,839

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

14. Impairments

	£000	2011–12	2010–11 (restated)	2009–10 (restated)
Core Department				
Impairments through the Statement of Comprehensive Net Expenditure – Fixed Assets and Assets Held for Sale		5	–	19,676
Impairments through the Statement of Comprehensive Net Expenditure – Share Capital		–	–	3,094,600
Impairments through the revaluation reserve		–	–	–
		5	–	3,114,276
Core Department & Agencies				
Impairments through the Statement of Comprehensive Net Expenditure – Fixed Assets and Assets Held for Sale		33,138	73,653	60,734
Impairments through the Statement of Comprehensive Net Expenditure – Share Capital		–	–	3,094,600
Impairments through the revaluation reserve		–	–	275
		33,138	73,653	3,155,609

Departmental Group

Impairments through the Statement of Comprehensive Net Expenditure – Fixed Assets and Assets Held for Sale	33,138	78,324	60,734
Impairments through the Statement of Comprehensive Net Expenditure – Share Capital	–	(534,708)	3,094,600
Impairments through the revaluation reserve	–	–	275
	33,138	(456,384)	3,155,609

Of which:

Other Administration Costs	–	179	1,723
Programme Costs	33,138	(456,563)	3,153,611
Revaluation reserve	–	–	275
	33,138	(456,384)	3,155,609

15. Inventories

£000	2011–12			2010–11 (restated)			2009–10 (restated)		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Current Assets									
Stocks	27,241	83,522	90,214	15,281	104,620	108,354	55,030	145,838	153,063
Work in Progress	–	455	455	–	531	531	–	284	284
	27,241	83,977	90,669	15,281	105,151	108,885	55,030	146,122	153,347
Non-Current Assets									
Stocks	–	2,882	2,882	–	2,906	2,906	–	2,568	2,568
Work in Progress	–	–	–	–	–	–	–	–	–
	–	2,882	2,882	–	2,906	2,906	–	2,568	2,568

16. Trade receivables and other assets

	£000		2011–12			2010–11 (restated)			2009–10 (restated)	
	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department & Agencies	Core Department Department & Agencies	Depart- mental Group
Amounts falling due within one year:										
Trade receivables	3,292	15,117	33,876	16,843	35,638	52,371	24,360	43,700	62,045	
Deposits and advances	653	6,935	7,202	627	11,772	12,214	744	10,164	10,511	
VAT receivables	1,926	98,558	98,566	2,416	98,680	98,803	2,558	122,633	122,803	
Other receivables	27,751	42,497	46,936	26,577	48,622	62,605	56,820	83,701	657,211	
Prepayments and accrued income	68,886	133,701	137,879	32,588	91,411	97,361	78,082	124,665	130,338	
Current part of NLF loan	1,898	1,898	1,898	1,801	1,801	1,801	1,585	1,585	1,585	
Amounts due in respect of Consolidated Fund										
Extra Receipts	–	6	6	54,387	54,394	54,394	–	74	74	
Amounts due from the Consolidated Fund in respect of supply not drawn down at year end	310,327	333,828	333,828	310,327	333,828	333,828	–	–	–	
	414,733	632,540	660,191	445,566	676,146	713,377	164,149	386,522	984,567	

	£000		2011–12			2010–11 (restated)			2009–10 (restated)	
	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department & Agencies	Core Department Department & Agencies	Depart- mental Group
Amounts falling due after more than one year:										
Trade receivables	–	–	–	–	–	–	–	–	–	
Deposits and advances	–	8,988	8,988	–	4,653	4,653	–	58	58	
Amounts due in respect of Consolidated Fund										
Extra Receipts	–	221,323	221,323	–	216,357	216,357	–	193,772	193,772	
Other receivables	3,284,719	3,331,103	3,331,204	3,195,574	3,233,320	3,233,320	2,998,001	3,044,168	3,044,168	
Prepayments and accrued income	–	66,965	67,118	–	59,954	60,126	–	54,110	54,391	
	3,284,719	3,628,379	3,628,633	3,195,574	3,514,284	3,514,456	2,998,001	3,292,108	3,292,389	
Total	3,699,452	4,260,919	4,288,824	3,641,140	4,190,430	4,227,833	3,162,150	3,678,630	4,276,956	

16.1 Intra-Government Balances

	£000	Amounts falling due within one year			Amounts falling due after more than one year		
		2011-12	2010-11 <i>(restated)</i>	2009-10 <i>(restated)</i>	2011-12	2010-11 <i>(restated)</i>	2009-10 <i>(restated)</i>
Balances with other central government bodies	444,879	514,564	113,412	100	–	225,637	
Balances with local authorities	10,517	8,997	6,839	–	–	–	
Balances with NHS bodies	–	41	77	–	–	–	
Balances with public corporations and trading funds	28,311	44,882	31,661	–	–	–	
Subtotal: intra-government balances	483,707	568,484	151,989	100	–	225,637	
Balances with bodies external to government	176,484	144,893	832,578	3,628,533	3,514,456	3,066,752	
Total receivable at 31 March 2012	660,191	713,377	984,567	3,628,633	3,514,456	3,292,389	

17. Cash and cash equivalents

	£000		2011-12		2010-11 <i>(restated)</i>		2009-10 <i>(restated)</i>		
	Core Department Department & Agencies	Core Department & Agencies	Departmental Group	Core Department Department & Agencies	Core Department & Agencies	Departmental Group	Core Department Department & Agencies	Core Department & Agencies	Departmental Group
Balance at 1 April 2011	159,034	213,624	370,779	232,261	329,136	494,612	49,095	155,037	173,068
Net change in cash and cash equivalent balances	(83,894)	(11,448)	(46,379)	(73,227)	(115,512)	(123,833)	183,166	174,099	321,544
Balance at 31 March 2012	75,140	202,176	324,400	159,034	213,624	370,779	232,261	329,136	494,612
The following balances at 31 March were held at:									
Office of HM Paymaster General									
Government Banking Service	75,015	180,114	180,224	158,872	228,531	228,950	232,120	320,133	329,052
Commercial banks and cash in hand	125	22,062	144,176	162	(14,907)	141,829	141	9,003	165,560
Balance at 31 March 2012	75,140	202,176	324,400	159,034	213,624	370,779	232,261	329,136	494,612

18. Trade payables and other liabilities

	£000		2011–12		2010–11 <i>(restated)</i>		2009–10 <i>(restated)</i>		
	Core Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department & Agencies	Depart- mental Group	Core Department & Agencies	Core Department & Agencies	Depart- mental Group	
Amounts falling due within one year									
VAT	–	295	617	–	382	848	–	669	1,064
Other taxation and social security	2,288	5,106	9,153	1,997	4,945	9,159	1	3,195	7,319
Pension	27	1,886	1,917	–	1,932	1,999	–	57	101
Trade payables	14,020	24,354	25,765	14,872	52,657	56,521	35,994	59,929	63,492
Other payables	103,264	113,377	117,124	110,066	121,463	145,355	85,309	98,137	115,517
Obligations in respect of Channel Tunnel Rail Link debt	64,775	64,775	49,378	34,964	34,964	49,045	1,064,597	1,064,597	1,059,936
Accruals and deferred income	475,209	1,013,948	1,067,890	593,908	1,082,237	1,136,477	632,851	1,338,739	1,408,334
Current part of finance leases	–	59,638	59,638	–	52,364	52,364	–	57,108	57,108
Current part of NLF loans	1,898	1,898	1,898	1,801	1,801	1,801	1,585	1,585	1,585
Amounts issued from the Consolidated Fund for supply but not spent at year end	448,182	448,182	448,182	–	–	–	242,283	265,779	265,779
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund									
received	–	11,427	11,427	816,842	829,366	829,366	2,260	8,498	8,498
receivable	–	6	6	54,387	54,394	54,394	–	74	74
	1,109,663	1,744,892	1,792,995	1,628,837	2,236,505	2,337,329	2,064,880	2,898,367	2,988,807
Amounts falling due after more than one year:									
Imputed finance lease element of on-balance sheet (SoFP) PFI contracts and other service concession arrangements	–	1,825,533	1,825,533	–	1,530,007	1,530,007	–	1,196,162	1,196,162
NLF loans	7,754	7,754	7,754	9,651	9,651	9,651	11,452	11,452	11,452
Consolidated Fund Extra Receipts due to the Consolidated Fund	–	221,323	221,323	–	216,357	216,357	–	193,772	193,772
Other payables	1,267	40,765	47,679	–	17,894	24,613	1,267	14,074	174,536
Accruals and deferred income	1,486,581	1,486,581	1,486,581	1,595,355	1,595,355	1,595,355	1,649,742	1,649,742	1,649,742
Obligations in respect of Channel Tunnel Rail Link debt	4,102,681	4,102,681	4,133,826	4,109,440	4,109,440	4,101,398	4,072,831	4,072,831	4,069,204
	5,598,283	7,684,637	7,722,696	5,714,446	7,478,704	7,477,381	5,735,292	7,138,033	7,294,868
Total	6,707,946	9,429,529	9,515,691	7,343,283	9,715,209	9,814,710	7,800,172	10,036,400	10,283,675

18.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year			
	£000	2011-12	2010-11 <i>(restated)</i>	2009-10 <i>(restated)</i>	2011-12	2010-11 <i>(restated)</i>	2009-10 <i>(restated)</i>
Balances with other central government bodies		577,354	1,008,874	394,335	1,808,526	1,816,307	2,088,535
Balances with local authorities		141,098	17,036	273,968	–	–	–
Balances with NHS bodies		11	2	–	–	–	–
Balances with public corporations and trading funds		14,667	24,974	11,506	–	9,651	11,452
Subtotal: intra-government balances		733,130	1,050,886	679,809	1,808,526	1,825,958	2,099,987
Balances with bodies external to government		1,059,865	1,286,443	2,308,998	5,914,170	5,651,423	5,194,881
Total payables at 31 March 2012		1,792,995	2,337,329	2,988,807	7,722,696	7,477,381	7,294,868

18.2 National Loans Fund (NLF) loans

NLF loans are repayable by the following bodies:

	Civil Aviation Authority Fixed Rates		Kings Lynn Harbour Conservancy Fixed Rates		
	£000	2011-12	2010-11 <i>(restated)</i>	2011-12	2010-11 <i>(restated)</i>
Within one year		1,892	1,801	5	1,897
Over one and under two years		2,499	1,897	6	2,505
Over two and under five years		3,325	4,699	19	3,344
More than five years		1,905	3,055	–	1,905
Total		9,621	11,452	30	9,651

The Department has lent money made available by the National Loans Fund to the Civil Aviation Authority and to the Kings Lynn Harbour Conservancy. The profile of repayments receivable by the Department is set out in Note 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 4.3% and 7.875%.

19. Provisions for liabilities and charges

	£000			2011–12			2010–11 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Balance at 1 April 2011	92,632	416,626	448,379	435,105	867,184	869,697			
Provided in the year*	29,756	181,843	182,063	16,939	162,434	193,764			
Provisions not required written back	(15,833)	(65,239)	(67,598)	(314,951)	(418,693)	(419,864)			
Provisions utilised in the year	(16,706)	(119,671)	(148,638)	(44,609)	(189,445)	(190,364)			
Borrowing costs (unwinding of discounts)	–	341	341	–	(14)	(14)			
Prior Year Adjustment	–	–	–	–	(228)	(228)			
Reclassification*	–	–	–	148	(4,612)	(4,612)			
Balance at 31 March 2012	89,849	413,900	414,547	92,632	416,626	448,379			

Of which:

Amounts falling due within one year:	16,184	141,481	142,110	16,540	182,499	184,203
Amounts falling due after more than one year:	73,665	272,419	272,437	76,092	234,127	264,176
	89,849	413,900	414,547	92,632	416,626	448,379

* Includes land provision adjustments of £59.9 million (2010–11: £81.5 million, 2009–10: £9.1 million) and reclassifications of provisions of £nil (2010–11: £4.6 million, 2009–10: £nil million) which are not recognised via the Statement of Comprehensive Net Expenditure.

19.1.1 Departmental Group

	£000	Early	National	Highways	Others	Total
		departure costs	Freight Company Pension	scheme costs		
Balance at 1 April 2011		30,828	44,300	296,814	76,437	448,379
Provided in the year		6,176	26,235	95,990	53,662	182,063
Provisions not required written back		(7,915)	–	(46,746)	(12,937)	(67,598)
Provisions utilised in the year		(12,464)	(8,135)	(94,470)	(33,569)	(148,638)
Borrowing costs (unwinding of discounts)		195	–	–	146	341
Balance at 31 March 2012		16,820	62,400	251,588	83,739	414,547

19.1.2 Core Department and Agencies

	£000	Early	National	Highways	Others	Total
		departure costs	Freight Company Pension	scheme costs		
Balance at 1 April 2011		29,778	44,300	296,814	45,734	416,626
Provided in the year		6,176	26,235	95,990	53,442	181,843
Provisions not required written back		(7,901)	–	(46,746)	(10,592)	(65,239)
Provisions utilised in the year		(11,446)	(8,135)	(94,470)	(5,620)	(119,671)
Borrowing costs (unwinding of discounts)		195	–	–	146	341
Balance at 31 March 2012		16,802	62,400	251,588	83,110	413,900

19.1.3 Core Department

£000	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
Balance at 1 April 2011	15,854	44,300	–	32,478	92,632
Provided in the year	501	26,235	–	3,020	29,756
Provisions not required written back	(7,838)	–	–	(7,995)	(15,833)
Provisions utilised in the year	(6,707)	(8,135)	–	(1,864)	(16,706)
Borrowing costs (unwinding of discounts)	–	–	–	–	–
Balance at 31 March 2012	1,810	62,400	–	25,639	89,849

Analysis of expected timing of discounted flows

£000	2011–12			2010–11 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	16,184	143,926	144,574	16,540	182,499	213,673
Later than one year and not later than five years	41,736	227,736	227,736	64,576	214,768	215,818
Later than five years	31,929	42,238	42,237	11,516	19,359	18,888
Balance at 31 March 2012	89,849	413,900	414,547	92,632	416,626	448,379

£000	Early Departure	National Freight Company	Highways Scheme costs	Others	Total
Not later than one year	5,812	7,864	118,274	12,624	144,574
Later than one year and not later than five years	10,407	28,301	127,036	61,990	227,734
Later than five years	601	26,235	6,278	9,125	42,239
Balance at 31 March 2012	16,820	62,400	251,588	83,739	414,547

19.2 Provisions for liabilities and charges

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

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

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 (1 April 2010 – £37.3 million; 31 March 2011 – £32.8 million; 31 March 2012 – £45.2 million) – reimbursement to NFC pension trustees in respect of payments covering unfunded pension service with NFC before 1 April 1975 (Part III, Transport Act 1980);

NFC travel concession (1 April 2010 – £13.9 million; 31 March 2011 – £11.5 million; 31 March 2012 – £17.2 million) – reimbursements to NFC and its subsidiaries for providing travel concession to staff previously employed by the road transport division of British Rail (s21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

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 European Union 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.

Migration, 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 has been made which estimates the number and value of the claims received as at 31 March 2012 that will require settlement by the Highways Agency.

The pension liability relates to former staff who left the Highways Agency's employment before the formal retirement age of 60. The Highways 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:

- South Eastern Trains (SET) (1 April 2010 – £10 million; 31 March 2011 – £1.6 million; 31 March 2012 – zero) – covers the potential liability faced by the Department upon the transfer of the previous SET franchise to the incoming franchisee, Govia;
- British Railways Board's ex-employees' pensions (1 April 2010 – £21.1 million; 31 March 2011 – £19.7 million; 31 March 2012 – £14.3 million) – reimbursement to trustees of railway pension schemes in respect of pension payments, covering the unfunded proportion of pensions deriving from service with British Railways Board before 1 January 1975 (Part III, Transport Act 1980);
- Dilapidations of core Department buildings (1 April 2010 – £10.8 million; 31 March 2011 – £11 million; 31 March 2012 – £8.2 million) – the Department recognises as a provision its best estimate as at the end of the current reporting period of the costs of reversing the accumulated wear and tear on the properties it occupies as a tenant, where this is a requirement under the relevant tenancy agreements; and
- Highways Agency compensation claims were £3.2 million (2010–11: £2.1 million) – third parties who have suffered damage or injury as a result of the road network being damaged and are entitled to submit a claim to the Highways Agency for compensation.

20. Capital and other commitments

20.1 Capital commitments

	£000		2011-12		2010-11 (restated)		2009-10 (restated)		
	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department Department & Agencies	Depart- mental Group
Contracted capital commitments at 31 March not otherwise included in these financial statements									
Property, plant and equipment	1,931	235,998	235,998	-	418,622	418,622	115	1,071,195	1,072,985
Intangible assets	-	319	319	-	2,066	2,066	-	959	959
	1,931	236,317	236,317	-	420,688	420,688	115	1,072,154	1,073,944

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		2011-12		2010-11 (restated)		2009-10 (restated)		
	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department Department & Agencies	Depart- mental Group
Obligations under operating leases for the following periods comprise:									
Land									
Not later than one year	-	600	600	-	646	646	-	677	677
Later than one year and not later than five years	-	1,857	1,857	-	2,128	2,128	-	2,089	2,089
Later than five years	-	2,064	2,064	-	2,440	2,440	-	2,661	2,661
	-	4,521	4,521	-	5,214	5,214	-	5,427	5,427
Buildings									
Not later than one year	11,705	29,691	30,358	15,320	31,327	31,786	13,817	25,778	25,840
Later than one year and not later than five years	33,423	82,480	84,751	40,844	99,827	102,127	46,442	91,201	92,343
Later than five years	14,746	79,410	150,760	27,388	118,634	198,046	39,764	119,795	195,578
	59,874	191,581	265,869	83,552	249,788	331,959	100,023	236,774	313,761
Other:									
Not later than one year	-	442	448	-	1,122	1,128	-	2,208	2,208
Later than one year and not later than five years	-	807	815	-	3,557	3,570	-	669	669
Later than five years	-	-	-	-	2,176	2,177	-	-	-
	-	1,249	1,263	-	6,855	6,875	-	2,877	2,877

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	2011–12			2010–11 <i>(restated)</i>			2009–10 <i>(restated)</i>		
	Core Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department & Agencies	Core Department & Agencies	Depart- mental Group
Obligations under finance leases for the following periods comprise:									
Buildings									
Not later than one year	–	182	182	–	174	174	–	191	191
Later than one year and not later than five years	–	729	729	–	696	696	–	843	843
Later than five years	–	592	592	–	696	696	–	1,473	1,473
	–	1,503	1,503	–	1,566	1,566	–	2,507	2,507
Less interest element	–	(281)	(281)	–	(258)	(258)	–	(317)	(317)
Present Value of obligations	–	1,222	1,222	–	1,308	1,308	–	2,190	2,190
Other									
Not later than one year	–	210	210	–	998	998	–	250	250
Later than one year and not later than five years	–	735	735	–	307	307	–	500	500
Later than five years	–	–	–	–	–	–	–	–	–
	–	945	945	–	1,305	1,305	–	750	750
Less interest element	–	(56)	(56)	–	–	–	–	–	–
Present Value of obligations	–	889	889	–	1,305	1,305	–	750	750

20.3 Commitments under PFI and other service concession arrangements

20.3.1 On-balance sheet (SoFP)

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

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

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

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 creditor has been created to reflect the work capitalised. This creditor 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**Imputed finance lease obligations under on balance sheet PFI contracts comprise:****20.3.2 Departmental Group
Imputed finance lease obligations under on
balance sheet PFI contracts comprise:**

£000	2011–12	2010–11 <i>(restated)</i>	2009–10 <i>(restated)</i>
Rentals due within 1 year	175,603	167,638	135,244
Rentals due within 2 to 5 years	776,053	641,156	494,628
Rentals due thereafter	3,023,539	2,297,612	1,536,629
	<u>3,975,195</u>	<u>3,106,406</u>	<u>2,166,501</u>
Less: Interest element	<u>(2,090,339)</u>	<u>(1,523,497)</u>	<u>(912,634)</u>
	<u>1,884,856</u>	<u>1,582,909</u>	<u>1,253,867</u>

Capital element under on balance sheet PFI contracts comprises:

£000	2011–12	2010–11 <i>(restated)</i>	2009–10 <i>(restated)</i>
Not later than one year	40,913	60,251	57,705
Later than one year and not later than five years	276,939	246,118	216,694
Later than five years	1,567,004	1,276,540	979,468
	<u>1,884,856</u>	<u>1,582,909</u>	<u>1,253,867</u>

Interest element under on balance sheet PFI contracts comprises:

£000	2011–12	2010–11 <i>(restated)</i>	2009–10 <i>(restated)</i>
Not later than one year	134,690	107,387	77,539
Later than one year and not later than five years	499,114	395,038	277,934
Later than five years	1,456,535	1,021,072	557,161
	<u>2,090,339</u>	<u>1,523,497</u>	<u>912,634</u>

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 £314,814,000 (2010–11: £289,346,000, 2009–10: £241,613,000).

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

£000	2011–12		2010–11 <i>(restated)</i>		2009–10 <i>(restated)</i>	
	Core Department Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Depart- mental Group
Not later than one year	–	553,453	553,453	–	402,845	402,845
Later than one year and not later than five years	–	2,092,012	2,092,012	–	1,778,124	1,778,124
Later than five years	–	12,957,954	12,957,954	–	11,935,054	11,935,054
	<u>–</u>	<u>15,603,419</u>	<u>15,603,419</u>	<u>–</u>	<u>14,116,023</u>	<u>14,116,023</u>
	<u>–</u>	<u>15,603,419</u>	<u>15,603,419</u>	<u>–</u>	<u>12,183,452</u>	<u>12,183,452</u>

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 £16,582 million 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.

In addition, as at 31 March 2012, the Department had 16 contracts with Train Operating Companies for the provision of rail services. One contract is with the East Coast Main Line Company Ltd (ECML). ECML is owned by Directly Operated Railways Ltd which is in turn a wholly owned subsidiary company of the Department for Transport.

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

The figures below under Franchise Agreements show the base contract payments committed by the Department under the suite of franchise agreements which the Department has entered into. The actual amounts payable under each franchise contract are subject to variation in accordance with the terms of the individual contracts which take account of a number of factors including changes to assumed passenger revenues and variations to Network Rail's income requirements as determined by the Office of Rail Regulation.

In addition, the figures in the table below do not attempt to forecast any commitments by the Department for the provision of rail services beyond the expiry of the current suite of contracts with the rail industry. They do not include the receipts payable by Train Operating Companies to the Department which are expected to be per the base contracts £1,517,286,000 next year and £2,814,805,000 thereafter.

£000	2011–12			2010–11 (restated)			2009–10 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	3,761,873	3,794,446	3,794,446	3,874,531	3,882,403	3,882,403	3,822,998	3,822,998	3,822,998
Later than one year and not later than five years	3,603,782	4,159,356	4,159,356	7,232,250	7,873,492	7,873,492	10,966,879	10,966,879	10,966,879
Later than five years	–	–	–	–	–	–	76,428	76,428	76,428
	7,365,655	7,953,802	7,953,802	11,106,781	11,755,895	11,755,895	14,866,305	14,866,305	14,866,305

21. Contingent liabilities disclosed under IAS 37

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

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 2012	31 March 2011
	£m	£m
Indemnities in respect of Crossrail funding and delivery		
To support delivery of the Crossrail project, the Department has provided indemnities to parties carrying risks that they would be unable to bear.	2,290	2,570
Guarantees to promote investment in railway assets		
The Secretary of State has provided non-statutory guarantees to promote investment in the rail sector, including for the Olympics.	9	–
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.	174	169
Possible obligations in relation to engineering and construction services.	7	7
Third-party claims.	9	4
Legal claims		
From time to time, the Department experiences legal claims and challenges which it defends vigorously.	21	20
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.	378	362

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 time of crises and war.

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

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

Some EU legislation needs to be transposed into Member States' domestic law in order to have effect. The Department for Transport has responsibility for transposing EU legislation that relates to transport issues. To ensure that all EU citizens receive the same benefits from this legislation, the EU sets deadlines for transposition and has the power to impose financial penalties on Member States that do not meet those deadlines or that incorrectly implement obligations. Under the Lisbon Treaty, which came into effect on 1 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 through late or faulty implementation may be awarded damages by the courts.

During the Olympics, access to airspace over London will be restricted, as part of the security plan for the Games. These restrictions will be enforced by a dedicated air traffic control unit, called Atlas Control, operated by the MoD using equipment supplied by NATS. Through its contract with the Department for the construction of this temporary facility, NATS has received a government indemnity against any claims for damages arising from provision of this facility. The costs of meeting any successful claim arising from this indemnity would be shared across government, depending on the facts of the specific case.

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

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

Contractual arrangements may also fall to be measured according to the requirements of IAS39, as financial guarantee contracts. See note 13 (financial instruments) for further details.

	31 March 2012 £m	31 March 2011 £m	Amount reported to Parliament by departmental minute £m
Guarantees to support Network Rail's borrowings			
To reduce Network Rail's cost of borrowing and increase the amount invested in the rail infrastructure, the Department has provided the following measures of financial support:			
Indemnity			
A financial indemnity in support of Network Rail's Debt Issuance Programme.	27,300	25,100	28,600
Letter of comfort			
A standby credit facility, with a term of 50 years, to act as a long-term contingency buffer. This has not been used to date.	4,000	4,000	4,000
These measures of financial support of Network Rail's borrowings are recognised as a financial guarantee contract in the Financial Liabilities section of note 13.4, with a market value of £3 billion, payable by Network Rail to the Department over the life of the Debt Issuance Programme.			
Other guarantees, indemnities and letters of comfort			
Should the International Maritime Organization building be partially or completely destroyed, the government would be obliged to reconstruct the building, suspend or reduce the rent for a period of three years and fund alternative accommodation.	69	69	Unquantified
A guarantee has been offered to Barclays Bank to enable the Air Travel Trust Fund borrow to meet the claims of package holidaymakers in the event of the failure of tour operators. These measures of financial support of Air Travel Trust Fund's borrowings are recognised as a financial guarantee in the financial liabilities section of Note 13.4.	30	42	55

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

Listed in Note 21.3.1	1 April 2011	Increase/ (decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2012	Amount reported to Parliament by departmental minute
	£000					
Guarantees	111,000	–	–	(12,000)	99,000	Unquantified
Letters of Comfort	4,000,000	–	–	–	4,000,000	4,000,000
Indemnities	25,100,000	2,200,000	–	–	27,300,000	28,600,000

22. Losses and special payments

22.1 Losses Statement

	2011–12		2010–11 (restated)		2009–10 (restated)	
	Core Department Department & Agencies	Departmental Group	Core Department Department & Agencies	Departmental Group	Core Department Department & Agencies	Departmental Group
Total number of cases	47	5,864	45	2,758	12	2,606
Total amount (£'000)	154,384	160,806	473	48,637	367	6,933

The losses disclosed above include 3,078 cases valued at £5,066,000 (2010–11: 1,863 cases, valued at £4,510,000, 2009–10: 1,920 cases, valued at £5,763,000) for damages to the road network where the culprit could not be identified, or otherwise pursued for costs.

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

The following losses require separate disclosure:

- The Humber Bridge (Debts) Order 2012 (No. 716) wrote down £150 million from the Humber Bridge debt on 31 March 2012. More detail on this write down is provided in Note 13.3.4.
- The core Department partially wrote off loans to the Vehicle and Operator Services Agency (VOSA), a Trading Fund of the Department for Transport, the write-off totalling £3,280,000. The loans had previously been issued to enable the agency to develop an IT portal for all on-line commercial transactions for the Motoring Services Agencies. The portals running costs including repayment and interest costs were allocated to each agency on the basis of expected transaction volumes. After a year of the portal's operation, it became clear that the original volume assumptions used to calculate the amount of loans to VOSA, were incorrect. The core Department chose to reduce VOSA's cost by partially writing off the loans.
- A loss of £264,853.74 was recorded by the core department during 2011–12 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 payments in advance subsequently went into liquidation before satisfying the terms of their funding. Attempts were made to recover funds but these concluded that there was no prospect of recovery.
- During 2011–12 there were two cases of £267,000 and £429,000 where debts from third parties have been written-off due to book-keeping errors in prior years (2010–11: one case of £366,000). These were recorded in the Highways Agency accounts.
- During 2011–12 there were several confirmed incidents of metal theft across the Agency's road network. The cost to repair and reinstatement has been estimated at £5.9 million. This excludes any costs arising from the loss of service.

22.2 Special Payments

	2011–12				2010–11 (restated)				2009–10 (restated)
	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Depart- mental Group	Core Department Department & Agencies	Core Department & Agencies	Depart- mental Group	Depart- mental Group
Total number of cases	26	1,242	1,242	40	1,250	1,251	29	1,351	1,351
Total amount (£'000)	173	434	434	1,203	2,164	2,262	603	782	782

22.3 Other payments

- During 2010–11, eight road schemes in the course of development were cancelled as a result of the Government decision, taken as part of the 2010 Spending Review, to proceed with 14 other schemes to be started between 2011–12 and 2014–15.
- In April 2010 a key supplier of the technical equipment to DVLA became insolvent owing the Agency goods and services. The costs of these goods and services were expensed within the Statement of Comprehensive Net Expenditure in 2009–10 as there was considerable uncertainty as to whether they would be received. In 2010–11 DVLA had subsequently received the majority of outstanding goods and services through negotiation, but the final distribution from the administrators of £749,000 was received in April 2012, leaving an unrecovered amount already expended in 2009–10 of £984,000.

23. Related-party transactions

The Department for Transport is parent of the following agencies:

- Highways Agency
- Maritime and Coastguard Agency
- Government Car and Despatch Agency
- Vehicle Certification Agency
- Driver and Vehicle Licensing Agency

The Department for Transport group is a sponsor to the following Non-Departmental Bodies and central government organisations:

- British Transport Police Authority
- Directly Operated Railways Limited
- HS2 Ltd
- Passenger Focus
- London and Continental Railways Limited
- Channel Tunnel Section 1 Finance PLC
- London and Continental Railways Finance PLC

A number of additional sponsored bodies are detailed in Note 25.

The sponsored bodies listed in Note 25 together with the entities identified above 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 £74,344,700 in 2011–12 (£81,528,457 in 2010–11) and as at 31 March 2012 £6,475,198 was outstanding (£5,789,218 at 31 March 2011).

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 2011–12 staff costs recharged to LUL were £45.0 million (£43.7 million for the year ended 31 March 2011). The average number of police officers and police staff employed on London Underground during 2011–12 was 944 (932 for the year ended 31 March 2011). LUL was invoiced by the Authority £11,101,720 in 2011–12 for non staff related costs (£10,475,577 in 2010–11) and as at 31 March 2012 £2,688,541 was outstanding (£1,363,477 at 31 March 2011).

Directly Operated Railways (DOR) has a subsidiary, East Coast, which is not consolidated as part of the Departmental Account. 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 2012, amounted to £188,614,000 (2011: £176,279,000).

The Highways Agency had transactions with QinetiQ, a public limited company in which the Ministry of Defence holds shares. The Highways Agency also has a contract with Lex Autolease Ltd whose ultimate parent company is Lloyds Banking Group in which the Government holds an interest.

London and 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 and Continental Railways Limited are 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 and Continental Railways Limited received £12,082,000 from EIL in the year, which cleared a debtor, and £2,496,000, by way of a dividend declared by EIL (paid in April 2012).

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 only entity within the Departmental group which holds third-party assets is the Highways Agency.

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

The Highways Agency was appointed as the co-ordinator for a Coordination Action under the EU Sixth Framework Programme. It holds a Lloyds TSB Euro bank account where funding from the EU is deposited and subsequently distributed to the eleven partners across Europe. 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.

	31 March 2011	Gross Inflows	Gross Outflows	31 March 2012
	£000			
Lloyds TSB Escrow bank account	2,944	1,299	(2,208)	2,035
Lloyds TSB Euro bank account	111	9	(5)	115
Total	<u>3,055</u>	<u>1,308</u>	<u>(2,213)</u>	<u>2,150</u>

25. Entities within and outside the departmental boundary

25.1 Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2011–12 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

Commission for Integrated Transport

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 *

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 *

Renewable Fuels Agency (merged into Department from 1 April 2011)

Other Entities

London and Continental Railways Limited *

Channel Tunnel Section 1 Finance PLC *

London and Continental Railways Finance PLC *

* These entities are reported within the accounts of the Department and also produce their own separate own accounts.

25.2 Not reported within the Departmental Accounting boundary

The following entities are not reported as part of the Department's 2011–12 departmental accounts:

Tribunal Non Departmental Public Body

Traffic Commissioners and Licensing Authorities (Traffic Areas).

This entity is reported within the accounts of the Vehicle and Operator Services Agency. As a tribunal non-departmental public body, the Traffic Commissioner and Licensing Authorities should be disclosed within the Departmental Accounts per Clear Line of Sight guidance as per the Management Report. This entity is embedded within the operations of VOSA and does not have any significant transactions or balances and for this reason it has not been consolidated with the Departmental Accounts.

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 for Irish Lights;
- Northern Lighthouse Board (also recognised as an Executive NDPB); and
- Trinity House Lighthouse Service (also recognised as an Executive NDPB).

ITSO Ltd

ITSO Services Ltd

Milford Haven Port Authority

Poole Harbour Commissioners

Port of London Authority

Port of Tyne Authority

Shoreham Port Authority

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

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

During the year the A3 Hindhead tunnel was opened to traffic. On opening to traffic, the structure was designated as a Special Structure for valuation purpose and valued at actual cost rather than standard cost. This approach resulted in £211,049,000 write back for prior periods.

	£000	2012	2011
Change in accounting treatment of assets under construction	Note		
As previously stated		1,118,206	553,374
Prior year adjustment	11	34,040	177,009
As Restated		1,152,246	730,383
General Fund			
As previously stated		36,867,649	34,470,062
Prior year adjustment		34,040	177,009
As Restated		36,901,689	34,647,071

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 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 £27.3 billion had been borrowed at 31 March 2012. The FIM is available until 2052. The indemnity also covers guarantees provided by NRIF in respect of certain financial obligations of Network Rail Infrastructure Limited.

Network Rail is outside the 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 2012

	2011-12	2010-11	2009-10
	£m	£m	£m
Revenue	6,004	5,712	5,668
Operating costs	(3,657)	(3,674)	(3,687)
Operating profit	2,347	2,038	1,981
Revaluation gains/(losses) on disposals of properties	19	11	62
Net investment and finance costs	(1,891)	(1,607)	(1,648)
Profit before tax	475	442	395
Taxation	286	(122)	(111)
Profit for the year	761	320	284

Statement of Financial Position as at 31 March 2012

	2011-12	2010-11	2009-10
	£m	£m	£m
Intangible assets	70	71	72
Property, plant and equipment – the railway network	43,112	39,577	36,629
Investment property	878	778	764
Financial assets	683	587	1,106
Non-current assets	44,743	41,013	38,571
Current assets	2,693	1,894	3,478
Current liabilities	(4,285)	(5,534)	(5,533)
Non-current liabilities	(35,234)	(30,288)	(29,961)
Net assets	7,917	7,085	6,555

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 were 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 are 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 2012 by the Government Actuary's Department (GAD), for the purpose of providing these disclosures.

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension. On the 20 March 2012, the Court of Appeal rejected the appeal against the outcome of the judicial review.

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all Central Government reporting entities where RPI has been used for inflation indexing for many years.

Analysis of pension liability recognised in the Statement of Financial Position

	Core Department			Departmental Group			
	£m	2011-12	2010-11	2009-10	2011-12	2010-11	2009-10
Deficit at beginning of period		(1,012.5)	(1,243.0)	(1,299.8)	(1,215.8)	(1,712.0)	(1,591.9)
Contributions paid		2.7	2.2	3.9	28.7	25.3	26.4
Current service cost		(1.1)	(1.0)	(1.1)	(40.2)	(48.4)	(28.1)
Past service cost		-	270.9	-	-	406.6	-
Settlement		(1.5)	-	-	(1.5)	-	-
Other finance charges		(17.3)	(85.1)	(147.7)	(15.9)	(103.4)	(169.7)
Employees share of deficit		-	-	-	-	-	-
Actuarial gain/(loss)		(219.5)	43.5	201.7	(310.9)	216.1	51.3
Deficit at end of period		(1,249.2)	(1,012.5)	(1,243.0)	(1,555.6)	(1,215.8)	(1,712.0)

The deficit at the end of period appears in the Statement of Financial Position as £1,249,242,000 for 2011-12 (2010-11: (£1,012,542,000), 2009-10: (£1,242,927,000)).

The deficit comprises the following balances:

	£m	Note	Core Department			Departmental Group		
			2011-12	2010-11	2009-10	2011-12	2010-11	2009-10
Scheme:								
1994 Section		28.1	(1,170.0)	(979.0)	(1,184.2)	(1,170.0)	(979.0)	(1,184.2)
BR Shared Cost Section		28.2	(32.9)	(12.4)	(18.1)	(32.9)	(12.4)	(18.1)
British Railways Superannuation Fund (BRSF)		28.3	(36.0)	(11.0)	(28.0)	(36.0)	(11.0)	(28.0)
BR (1974) Pension Fund		28.4	(10.3)	(10.1)	(12.7)	(10.3)	(10.1)	(12.7)
BTP Force Superannuation Fund (BTPFSF)		28.5	-	-	-	(279.2)	(181.1)	(425.9)
BTP Section of the Railways Pension Scheme (RPS)		28.6	-	-	-	(27.2)	(22.2)	(43.1)
Total deficit at the end of the period			(1,249.2)	(1,012.5)	(1,243.0)	(1,555.6)	(1,215.8)	(1,712.0)

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.

The amounts recognised in the statement of financial position are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Present value of funded obligations		4,378	4,525	4,878
Fair value of plan assets		(3,208)	(3,546)	(3,694)
Net liability		<u>1,170</u>	<u>979</u>	<u>1,184</u>
Amounts in the statement of financial position Liabilities				
Liabilities		1,170	979	1,184
Assets		–	–	–
Net Liability		<u>1,170</u>	<u>979</u>	<u>1,184</u>

The amounts recognised in the operating costs statement are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Past Service cost		–	(250)	–
Interest on obligation		238	267	293
Expected return on plan assets		(222)	(189)	(157)
Total		<u>16</u>	<u>(172)</u>	<u>136</u>

The amounts recognised in the Statement of Changes in Taxpayers' Equity are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Gain/(loss) on assets		(175)	51	729
Experience gain/(loss) on liabilities		128	(11)	139
Gain/(loss) on change of assumptions		(133)	(8)	(678)
Total gain/(loss)		<u>(180)</u>	<u>32</u>	<u>190</u>

*The item 'past service cost' a (gain) arises from the change in indexation from Retail Prices Index (RPI), to Consumer Prices Index (CPI). The move to CPI arose following a change in Government policy.

Changes in the present value of the defined benefit obligation are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Opening defined benefit obligation		4,525	4,877	4,452
Interest cost		238	267	293
Experience (gain)/loss on liabilities		(128)	11	(139)
Actuarial (gain)/loss		(257)	(630)	271
Closing defined benefit obligation		<u>4,378</u>	<u>4,525</u>	<u>4,877</u>

Changes in the fair value of plan assets are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Opening fair value of plan assets		3,546	3,694	3,215
Expected return		222	189	157
Gain/(loss) on assets		(175)	51	729
Actuarial gain/(loss)		(385)	(388)	(407)
Closing fair value of plan assets		<u>3,208</u>	<u>3,546</u>	<u>3,694</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted average):

	<u>31 March 2012</u>	<u>31 March 2011</u>	<u>31 March 2010</u>
Discount rate at 31 March	4.5%	5.5%	5.7%
Expected return on plan assets at 31 March	*	6.5%	5.4%
Future pension increases	2.0%	2.6%	3.6%
Consumer Price Index	2.0%	2.6%	n/a
Rate of increase for deferred pensions	2.0%	2.6%	3.6%

*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.

Amounts for the current and previous four periods are as follows:

	<u>£m</u>	<u>2012</u>	<u>2011*</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Defined benefit obligation		(4,378)	(4,525)	(4,877)	(4,452)	(4,785)
Plan assets		3,208	3,546	3,694	3,215	4,549
Surplus/(deficit)		(1,170)	(979)	(1,183)	(1,237)	(236)
Experience adjustment on plan liabilities		128	(11)	139	12	111
Experience adjustment on plan assets		(175)	51	729	(1,221)	(258)

*For 2009–10 and the preceding periods data was calculated by reference to the Retail Prices Index (RPI), the measure used to increase pension benefits at that time. Following a change in Government policy, pension benefits in the Section are now indexed

Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, the Government Actuary's Department has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2012 of changes to the main actuarial assumptions.

The principal financial assumptions are the real rates of return in excess of pension 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.

Table 3 shows the indicative effects on the total liability as at 31 March 2012 of changes to these assumptions.

Table 3
Sensitivity to main assumptions

Change in assumption¹	Approximate effect on total liability
Rate of return	
(i) in excess of earnings:	-½% a year
(ii) in excess of pensions:	-½% a year
Pensioner mortality	
(iii) pensioners experience the mortality of a member one year younger:	4%

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 pension 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 pension increases differs from the central assumptions (by ½% a year). The total actuarial liability would change by about 4%.

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 4%.

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 £103.3 million in 31 March 2012 (31 March 2011: £63.7 million). This is approximately 76% (2011: 84%) of the corresponding value of the projected accrued liabilities.

Though this Fund is closed to new members the Eurostar Section to the BR Section of the Railways Pension Scheme was transferred in during the year.

The deficit on the scheme as at 31 March 2012 was £32.9 million (2010–11: £12.4 million).

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 31 March 2012 was £36.0 million (2010–11: £11.0 million).

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 cost of the balance of the emerging benefits met by the Secretary of State.

The deficit on the scheme as at 31 March 2012 was £10.3 million (2010–11: £10.1 million).

28.5 British Transport Police Force Superannuation Fund (BTPFSF)

The British Transport Police Force Superannuation Fund was established by a Trust Deed made on 30 December 1974 which amalgamated the British Transport Police Force Superannuation and Retirement Benefit Funds, 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 forty-fifth of final average salary less one thirtieth of final average State flat-rate pension for each year of beneficial membership. In addition a lump sum is payable on retirement. This value of this is dependent on the rules applicable to the individual concerned.

The BTPFSF (new) 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 2012	31 March 2011	31 March 2010
Present value of funded obligations		1,140	1,034	1,215
Fair value of plan assets		(861)	(853)	(789)
Net liability		<u>279</u>	<u>181</u>	<u>426</u>
Amounts in the statement of financial position				
Liabilities		279	181	426
Assets		–	–	–
Net Liability		<u>279</u>	<u>181</u>	<u>426</u>

The amounts recognised in the operating costs statement are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Current Service cost		33	39	22
Past Service cost		–	(125)	–
Interest on obligation		57	70	59
Expected return on plan assets		(57)	(52)	(36)
Total		<u>33</u>	<u>(68)</u>	<u>45</u>

The amounts recognised in the Statement of Changes in Taxpayers' Equity are:

	£m	31 March 2012	31 March 2011	31 March 2010
Gain/(loss) on assets		(1)	(5)	(1)
Experience gain/(loss) on liabilities		25	152	21
Gain/(loss) on change of assumptions		(88)	156	(132)
Total gain/(loss)		<u>(64)</u>	<u>303</u>	<u>(112)</u>

*The item ‘past service cost’ (a gain) arises from the change in indexation from Retail Prices Index (RPI), to Consumer Prices Index (CPI). The move to CPI arose following a change in Government policy.

Changes in the present value of the defined benefit obligation are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Opening defined benefit obligation		1,034	1,215	863
Current Service cost		33	39	22
Interest cost		57	70	59
Experience (gain)/loss on liabilities		(25)	(152)	(21)
Actuarial (gain)/loss		41	(138)	292
Closing defined benefit obligation		1,140	1,034	1,215

Changes in the fair value of plan assets are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010
Opening fair value of plan assets		853	789	592
Expected return		56	51	38
Gain/(loss) on assets		(1)	(5)	(1)
Actuarial gain/(loss)		(47)	18	160
Closing fair value of plan assets		861	853	789

Principal actuarial assumptions at the balance sheet date (expressed as weighted average):

	31 March 2012	31 March 2011	31 March 2010
Discount rate at 31 March	5.10%	5.50%	5.70%
Expected return on plan assets at 31 March	5.47%	6.70%	6.60%
Future pension increases	2.40%	2.75%	3.70%
Consumer Price Index	2.40%	2.75%	n/a
Rate of increase for deferred pensions	2.40%	2.75%	3.70%

Amounts for the current and previous four periods are as follows:

	£m	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Defined benefit obligation		(1,140)	(1,034)	(1,215)	(863)	(999)
Plan assets		861	853	789	592	830
Surplus/(deficit)		(279)	(181)	(426)	(271)	(169)
Experience adjustment on plan liabilities		25	152	21	24	21
Experience adjustment on plan assets		(1)	(5)	(1)	(4)	(2)

Sensitivity Analysis

Amounts for the current and previous four periods are as follows:

£m	2011-12	2010-11	Disc rate -0.25% ¹	Disc rate +0.25% ¹
Fair value of plan assets	861.6	853.0	861.6	861.6
Present Value of funded benefit obligation	(1,140.7)	(1,034.1)	(1,201.1)	(1,084.5)
(Deficit)/surplus for funded plans	(279.1)	(181.1)	(339.5)	(222.9)
Projected Expense for 2012-13 (Modelling Limited to Liability Adjustments Only)				
Current service cost	37.6	33.3	41.1	34.1
Interest cost	58.4	57.1	58.6	58.2
Expected return on plan assets	(47.2)	(57.1)	(47.2)	(47.2)
Total pension cost before asset limits	48.8	33.3	52.5	45.1

£m	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	861.6	861.6	947.8	775.4	861.6
Present Value of funded benefit obligation	(1,083.1)	(1,202.0)	(1,140.7)	(1,140.7)	(1,160.0)
(Deficit)/surplus for funded plans	(221.5)	(340.4)	(192.9)	(365.3)	(298.4)
Projected Expense for 2012-13 (Modelling Limited to Liability Adjustments only)					
Current service cost	34.1	41.1	37.6	37.1	38.3
Interest cost	55.4	61.7	58.4	58.4	59.5
Expected return on plan assets	(47.2)	(47.2)	(51.9)	(42.5)	(47.2)
Total pension cost before asset limits	42.3	55.6	44.1	53.0	50.6

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 31/03/12 (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 and benefit obligation at the end of the year was £65.4 (2011: £58.1 million) and £92.6 (2011: £80.3 million). The deficit on the scheme was £27.2 million (2011: £22.2 million).

Under the Pension Trust and Regulations the RPS is subject to an independent triennial actuarial valuation to monitor the funding level and determine the employer's and employees' contribution rates. An independent actuarial valuation is being carried out as at 31 December 2010 by Towers Watson. The results are due to be finalised in March 2012. The Authority uses Mercer Limited to provide the IAS19 valuation.

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.

Appendix A:

List of abbreviations

A

A in A	Appropriations in Aid
AME	Annually Managed Expenditure
AUC	asset under construction
AVC	additional voluntary contribution
AWDL	Average Working Days Lost

B

BEAMA	British Electrotechnical & Allied Manufacturers
BICC	Board Investment and Commercial Committee
BIS	Department for Business, Innovation and Skills
BRSF	British Railways Superannuation Fund
BTPA	British Transport Policy Authority

C

CD	Communication Directorate
CETV	Cash Equivalent Transfer Value
CFER	Consolidated Fund Extra Receipts
CLoS	Clear Line of Sight
COBR	Cabinet Office Briefing Room

D

DfT	Department for Transport
DfT (C)	Department for Transport (Central)
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DG	Director General
DOR	Directly Operated Railways Ltd
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency

E

ECML	East Coast Main Line
ERG	Efficiency and Reform Group
EU	European Union
ExCo	Executive Committee

F

FCG	Finance Control and Governance division
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FOI	Freedom of Information
FreM	Financial Reporting Manual
FRS	Financial Reporting Standard(s)
FSP	Financial Strategy and Planning
G	
GAD	Government Actuary's Department
GCDA	Government Car and Despatch Agency
GHIA	Group Head of Internal Audit
GLA	Greater London Authority
GRC	Gross Replacement Cost
H	
HA	Highways Agency
HR	Human Resources
HS1	High Speed 1
	HS2 High Speed 2
I	
IAO	Information Asset Owner
IAS	International Accounting Standard(s)
IFRS	International Financial Reporting Standard(s)
IT	Information Technology
ITT	Invitation To Tender
J	
JESP	Job Evaluation for Senior Posts
L	
LCR	London and Continental Railways Ltd
M	
MCA	Maritime and Coastguard Agency
MFS	Motoring and Freight Services
MoD	Ministry of Defence
MP	Member of Parliament
MPL	Major Projects and London
MPA	Major Projects Authority
N	
NAO	National Audit Office
NATS	National Air Traffic Services
NBV	Net Book Value
NDPB	Non-Departmental Public Body
NFC	National Freight Company
NN	National Networks
O	
O&M	Operation and Maintenance
ORR	Office of Rail Regulation
P	
PAC	Public Accounts Committee
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PFI	Private Finance Initiative

PPA Prior Period Adjustment
 PPP Public Private Partnership
 PSA Public Service Agreement

R

RFA Renewable Fuels Authority
 RICS Royal Institution of Chartered Surveyors
 RMPT Resource Management and Planning Team
 ROCOS Resource Cost Index of Road Construction
 RoSCo Rolling Stock Company
 RPC Regulatory Policy Committee
 RPI Retail Prices Index
 RPS Railways Pension Scheme

S

SAR-H Search and Rescue Helicopter(s)
 SCNE Statement of Comprehensive Net Expenditure
 SCS Senior Civil Service
 SET Southeastern Trains
 SI Statutory Instrument
 SNCF Société Nationale des Chemins de Fer Français
 SOGE Sustainable Operations on the Government Estate
 SRP Structural Reform Plan

T

tCO₂ tonnes of carbon dioxide
 TO Treat Official
 TOC Train Operating Company

V

VCA Vehicle Certification Agency
 VfM value for money
 VOA Valuation Office Agency
 VOSA Vehicle and Operator Services Agency

W

WGA Whole of Government Accounts



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