Department for Transport

Resource Accounts 2009-2010

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Department for Transport

Resource Accounts 2009-2010

(For the year ended 31 March 2010)

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Scope

Entities Consolidated

The Resource Accounts present the consolidated results for the year ended 31 March 2010 for the following entities:

The Department for Transport and:

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

A list of bodies included and those excluded from consolidation is set out in Note 34 to the accounts.

Management commentary

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

Most of its resources are provided by Parliament, which votes funding on an annual basis in the context of HM Treasury's Spending Reviews. It provides grant funding to local government (including the Greater London Authority), Network Rail and other entities that deliver major projects. It contracts with train-operating and freight 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.

Aim

From 1 April 2009 to 31 March 2010, the Department's aim was 'Transport that works for everyone' - achieving the greatest benefits of transport whilst trying to limit its negative effects.

Financial performance

2009-10 Outturn versus Estimate

The Net Resource Outturn reported in Note 3 was £15,984 million, which is £755 million (4.5%) below the Estimate of £16,739 million. The material components of this underspend by Estimate line are explained below.

J: Olympics - £37 million underspend

This is a result of a lower than expected funding requirement for the Department's contributions to the Olympic programme.

L: Highways Agency - £323 million underspend

This is due to a downward revision of a depreciation charge following the outcome of the network condition survey.

M: Railways - £256 million overspend; and Y: Other transport grants (capital) - £79 million underspend

This is mainly due to certain London and Continental Railways Ltd disbursement costs being paid direct and not through line AC (see below); spend of £172 million recorded against Line M with budget cover in Line Y; and increased spend of £92 million largely as a result of bringing forward delivery of Local Authority related programmes.

Q: Vehicle & Operator Services Agency trading fund - £11 million overspend

This is due to planned increased spend on various VOSA programmes which were not known at the time of the Spring Supplementary Estimate.

T: Central Administration - £23 million underspend

This is largely due to reduced costs associated with the Shared Services, including the writing back of provisions (£10 million) and lower than expected development costs (£12 million).

U: Research, statistics, publicity, consultancies and other services for roads - £35 million underspend; and X: Other transport grants (resource) - £38 million underspend

This is largely due to lower than expected costs relating to ITSO Limited (£12 million) and underspends on other programmes (£41 million), including Bus Service Operator Grant, Towards a Sustainable Transport System, Cycling and Sustainable Travel.

W: GLA transport grants (resource) - £20 million underspend

This is due to budget cover for a capital grant not being required as this was funded correctly through Line Y.

Z: Highways Agency - £191 million underspend

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

AA: Railways and other expenditure - £342 million underspend and AC: Grant in Aid funding of Non-Departmental Public Bodies and Public Corporations - £341 million underspend

At the beginning of the financial year the Department held Financial Guarantees which largely represented the full value of the liability and guarantees that were held in connection with the London and Continental Railways Group. During the year the relationship with the London and Continental Railways Group has changed and a restructuring has taken place. This change in relationship and the subsequent restructuring has led to the two underspends detailed above.

AA: Railways and other expenditure – Prior Period Adjustment – £416 million overspend

A Prior Period Adjustment has been recognised under line AG. Note 35 provides further details regarding this Prior Period Adjustment. This Prior Period Adjustment relates to the de-risking of payments to be made by the Department, which had been used by LCR as security for loans, that had been taken out in June 2003. At this time these loans were secured on de-risked Government Grants. When the Department de-risked the payments, to rearrange the security package, a provision should have been recognised. It is this provision that the Department has now recognised by way of a Prior Period Adjustment. The requirement for this provision was only identified during the account preparation period, after the Spring Supplementary Estimate. For this reason the Department did not have Estimate cover for the provision and a technical overspend arose. The Department will secure Estimate cover at the next possible opportunity.

Financial position

As explained in greater detail below, under the heading International Financial Reporting Standards (IFRS), the Department moved on to the IFRS accounting basis in 2009-10. This accounting change has required the 2009-10 figures, and the 2008-09 comparatives, to be produced using IFRS.

The accounts indicate that during 2009-10 the Department's net assets have increased by £591 million. This increase masks the following significant movements:

- Property, Plant and Equipment has reduced by £2.08 billion. This reduction is explained by a decrease in infrastructure assets of £0.5 billion and a decrease in land value of £2 billion offset by an increase in Assets under Construction of £0.4 billion. The significant reduction in the value of the land category within Property, Plant and Equipment has resulted from the restructuring of London and Continental Railways and the revaluation to zero of the land below the Channel Tunnel Rail Link. A liability for deferred income, which matched the value of the land below the Channel Tunnel Rail Link, has also been reduced to zero.
- Total current assets have increased by £224 million. This has primarily been caused by increases in inventories and Trade and Other Receivables.
- Total non-current liabilities have reduced by £3.7 billion. This has resulted from a reduction in Financial Liabilities of £5.3 billion and an increase in Non Current payables of £2.02 billion both caused by the financial restructuring of London and Continental Railways that began on the 6 June 2009 and was described in the Post Balance Sheet Events Note within the 2008-09 Departmental Resource Accounts.
- Current liabilities have increased by £1.3 billion. This increase is due to Financial Guarantee contracts related to the London and Continental Railways transferring to payables.

External stakeholders

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

The Communication Directorate (CD) leads our efforts to convey information about the Department's activities. We work to achieve effective and efficient communication of DfT's aims and objectives, targeting the press, stakeholders and the general public.

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

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

- the allocation of road salt during the winter;
- the high-speed rail and rail electrification announcements; and
- British Airways and other national strikes affecting transport.

Social responsibility and community relations

Information rights

Overall in 2009 we met the deadlines for response in 92% of the 2,461 Freedom of Information (FoI) requests received across the Department. This was an improvement on our performance during 2008 (91%), even though we handled just over 26% more requests (the largest number received so far). We were able to provide all the information requested in approximately 63% of cases.

We publish details of responses to requests on our disclosure log and have adopted the Information Commissioner's model FoI publication scheme. These are both available in the FoI pages on DfT's website at www.dft.gov.uk/foi/. This Department was one of two recently commended by the Information Commissioner's Office for the quality of our disclosure log and publication scheme.

Equality of opportunity

One of the Department's strategic objectives is to promote greater equality of opportunity, with a view to making sure that everyone, especially those from disadvantaged groups and areas, can gain access to jobs, services and social networks.

As a public authority, we are required to demonstrate how we intend to fulfil our Equality Duties. In December 2009 we published our first Single Equality Scheme, bringing together in one document what we are doing to promote equality of opportunity. This covers our duties to the travelling public, to businesses and to our own employees.

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 30 of these accounts.

Events affecting performance this year

In the Post Balance Sheet Events Note within last year's account explanation was provided on the restructuring of London and Continental Railways (LCR). This restructuring took place following the receipt of State Aid Clearance from the European Commission on 14 May 2009. The restructuring process commenced on the 6 June 2009 and involved the following actions:

- The Department purchased, for a nominal sum, the shares of LCR taking it into direct government ownership.
- LCR was the owner and operator of High Speed One (formerly the Channel Tunnel Rail Link) and the UK operator of the Eurostar passenger services through the Channel Tunnel. Following the restructuring these two entities remained as subsidiaries of LCR and became classified as Public Corporations.
- Ownership of LCR's finance subsidiaries, which were together liable for £5.169 billion debt in the form of bonds and securitised notes, was transferred to the Department.
- The obligations of LCR and its subsidiaries to the finance companies, under inter-company loan and other agreements, were novated to the Department.
- As part of the suite of contractual arrangements involved in these transactions, a number of guarantees previously issued to LCR have been cancelled.

The effect of these actions has been to replace the existing financial guarantee contract liabilities and the provisions for other guarantees issued with respect to LCR with liabilities (creditors/payables) to provide the finance subsidiaries with resources to meet debt repayments. The Department provides the funding support to allow the financial subsidiaries to service the debt. This has allowed LCR's subsidiaries (Public Corporations) to operate on a sustainable commercial basis.

In November 2009 following the termination of the National Express East Coast (NXEC) franchise resulting from a breach of terms, the East Coast franchise was transferred into temporary public ownership. DfT monitors the financial and contractual performance of the Train Operating Companies closely and has established procedures to prepare for such events, as required under its statutory responsibility to maintain services under Section 30(1) of the Railways Act 1993 (as amended). Mobilisation of the new train operator East Coast Main Line Ltd, was largely undertaken by Directly Operated Railways Ltd, its parent company, which acted as an agent of DfT. Directly Operated Railways Ltd is a wholly owned subsidiary of the Department for Transport.

Bad weather affected the country during the winter of 2009-10 and this significantly impacted upon the activities of the Department, its agencies and the groups and organisations that are worked with. The Cabinet Office Briefing Room (COBR), the Government's dedicated crisis management facilities, was activated in response to the impact of the severe winter weather and the necessary cross-government and transport industry response was led by the Department.

At the beginning of the year new governance arrangements were introduced which brought the Shared Service Centre directly under the control of the Department. This governance relationship is different from that which existed in the prior year and this has led to a change in the way that the Shared Service Centre is accounted for. All Income and Expenditure relating to the Shared Service Centre now flows through the Core Department's ledger and is therefore recorded in this set of Resource Accounts.

Events affecting future performance

The change of Administration at the beginning of 2010-11 will lead to a redirection of the Department's activity over the period ahead.

International Financial Reporting Standards

The March 2008 Budget announced that central government would implement International Financial Reporting Standards (IFRS) in 2009-10. HM Treasury issued a detailed timetable for transition including key dates that needed to be met. All Departments, Executive Agencies, Non-Departmental Public Bodies and Trading Funds were required to comply with this direction. The Department for Transport has successfully completed the transition to IFRS. The 2009-10 Resource Accounts and the 2008-09 comparatives have been prepared on an IFRS basis.

Public interest

Equal opportunities and recruitment

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

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

Staff relations

The Department was the subject of Civil Service wide strike action during the year, because of pay and job security issues. Two one-day strikes took place which affected the Department and its agencies. The Department continues to manage its pay remit within the bounds of the wider public sector pay policy. The Department's sickness absence policies clearly define line-management responsibilities and include a reduction in sick absence trigger points to ensure action is taken earlier and costs are reduced. The Department has access to occupational health advisers to assist in managing sick absence cases. Employee assistance programmes are available to all staff to help with personal and work-related issues.

Payment of suppliers

The Department complies with the Prompt Payment Code of paying 98% of undisputed bills within 30 days of receipt, or within the contractual term, if less. For the year 2009-10, the Department paid 99.43% of invoices within 30 days of receipt, an increase from 2008-09 when 79.39% of bills were paid on time. During the year 2009-10 the Department paid 85.89% of all invoices to small and medium-sized businesses within 10 days of receipt.

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 measures to support increasing demand for travel must work in tandem with our goals of protecting the environment and improving the quality of life for everyone, whether or not they are travelling. This means seeking solutions that meet our long-term economic, social and environmental goals. Under the previous Labour Administration, the Department published:

- its Carbon Reduction Strategy, *Low Carbon Transport: A Greener Future* (July 2009), and subsequently *Transport Carbon Reduction Delivery Plan* (March 2010); and
- its *Climate Change Adaptation Plan for Transport 2010-2012* (March 2010).

Our progress was measured against the previous Administration's public service agreements for the natural environment and climate change, as well as its key headline indicators in the UK Sustainable Development Strategy.

Personal data related incidents

The Department for Transport holds some of the Government's largest databases, such as the driving licence and vehicle databases at DVLA and we are at the forefront of implementing e-government services. Ensuring the confidentiality, availability and integrity of the information for which we are responsible remains a top priority.

Over the last year, the Department sought to embed a culture that values, protects, and makes proper use of information. The Data Handling Review measures – including the key role of information asset owners (IAOs) – have been fully implemented and all staff have gone through a course of training on protecting information, with more specialist training provided for IAOs and relevant senior managers. New staff are required to complete the training when they start, and there will be refresher training for others in 2010.

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

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

Month of incident	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
July 2009	Unintentional disclosure of personal data in response to FoI request	Name, address, registration mark, driver number and amount of compensation paid	408	None because risk of harm deemed to be low but additional security markers placed on affected records

Summary of other protected personal data related incidents

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	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	8
V	Other	0

The Department will continue to monitor and assess its information risks in the light of the events noted above to avoid such events occurring in future. In order to ensure continuous improvement of our data handling systems the Department will continue to identify and address any weaknesses in policies and procedures.

Auditors

The Comptroller and Auditor General carries out the audit of the Department's accounts, including agencies, under the Government Resources and Accounts Act 2000, at an annual notional cost of £855,000. The prior year figure was £850,500.

The Department, at HM Treasury's direction, has for the first time produced the Resource Accounts using International Financial Reporting Standards (IFRS) rather than UK GAAP. In order to satisfy this requirement, the Department has had to produce the 2009-10 Resource Accounts using IFRS which has required the 2007-08 closing Balance Sheet and the entire 2008-09 Account to be restated under IFRS.

The Comptroller and Auditor General has been required to review the transitional steps undertaken by the Department to move from UK GAAP to IFRS. Of the above annual notional charge for 2009-10, £112,000 related to this transitional review activity. Additional work in support of the transition to IFRS was also undertaken in the prior year and this incurred a notional charge of £99,500, which is included within the prior year total stated.

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

Statement regarding the disclosure of information to the auditors

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

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

Reconciliation of resource expenditure between Estimates, accounts and budgets

		2009-10 £000	2008-09 £000
Net Resource Outturn (Estimates)	Note	**15,983,596**	**19,882,067**
Adjustments to additionally include:			
Consolidated Fund Extra Receipts in the Operating Cost Statement	5.1	(21,487)	(45,968)
Prior Year Adjustments	5.1	(416,307)	(5,168,456)
IFRS conversion	2	-	277,629
Net Operating Cost (Accounts)		**15,545,802**	**14,945,272**
Adjustments to remove:			
Gains/losses from sale of capital assets		(180)	-
Capital grants		(5,519,040)	(5,630,739)
European Union income related to capital grants		28,868	24,603
Voted expenditure outside the budget		(509,063)	(199,326)
Adjustments to additionally include:			
Other Consolidated Fund Extra Receipts		1,008	-
Resource consumption of non departmental public bodies		565,474	402,346
Other adjustments		369,683	(16,972)
Resource Budget Outturn (Budget)		**10,482,552**	**9,525,184**
of which			
Departmental Expenditure Limit (DEL)		6,594,728	5,795,642
Annually Managed Expenditure (AME)		3,887,824	3,729,542

Departmental Remuneration Report

Remuneration policy

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

SCS remuneration is determined following independent advice from the Review Body on Senior Salaries in an annual report to the Prime Minister. Further information about their work and copies of the annual reports can be found on the Office of Manpower Economics website at www.ome.uk.com.

The Cabinet Office sends the Government's decisions on SCS remuneration to the Department. The Department's SCS Remuneration Committee takes annual pay review decisions for individual members of the SCS within the key pay parameters communicated by the Cabinet Office.

Pay system and performance management

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

The base salary rewards value or contribution which is determined using three criteria:

- individual's overall growth in competence;
- challenge associated with the job, informed by job weight and departmental priorities; and
- confidence in the individual's future performance, based on sustained past performance or rigorous assessment of potential.

Individual annual pay award decisions take into account:

- whether there are anomalies between individuals in the SCS that can and should be addressed;
- the full range of possible awards, to reflect and reinforce important messages about contribution;
- that, over time, the strongest contributors should usually be paid higher in the pay band than others; and
- when an individual's pay is at or above an appropriate level in the pay band for their contribution, it is reasonable to consider whether any pay increase is appropriate or not.

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

In order to determine relative performance, SCS members are ranked from strongest to weakest. The rank is then divided into four performance groups:

- **Group 1**: top 25% of performers;
- **Group 2**: next 40% of performers;
- **Group 3**: next 25-30% of performers; and
- **Group 4:** bottom 5-10% of performers.

For 2009-10 bonuses were only awarded to Groups 1 and 2.

All base pay and non-consolidated pay decisions are monitored by gender, ethnicity, disability and working pattern to guard against bias.

Remuneration Committee

This Committee comprises the Department for Transport's Permanent Secretary (as Chairman), all Directors General, and a non-executive Board member. For the year to 31 March 2010, its members were:

Robert Devereux	Permanent Secretary, Department for Transport
Steve Gooding	Director General, Motoring and Freight Services
Richard Hatfield	Director General, International Networks and Environment
Bronwyn Hill	Director General, City and Regional Networks
Mike Mitchell	Director General, National Networks
Barbara Moorhouse (to 8 May 2009)	Director General, Corporate Support Functions
David Hipple (from 8 May 2009 to 31 August 2009)	Acting Director General, Corporate Support Functions
Clare Moriarty (from 21 September 2009)	Director General, Corporate Support Functions
Ed Smith	Non-Executive Director

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

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The code requires appointment to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may be made otherwise.

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

Official	**Contract period**
Mike Mitchell	3 May 2008 to 31 December 2010
Notes: Mike Mitchell is subject to the termination agreements/notice periods as laid out in the standard Senior Civil Service contract for fixed-term appointments.	

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (ie Board members) of the Department and the Department and the remainder of this Remuneration Report has been audited.

Remuneration

Ministers	**2009-10**	**2008-09**
	£	**£**
Lord Andrew Adonis – Secretary of State	95,523	-
(from 6 June 2009)		
Full-year equivalent	106,356	-
Lord Andrew Adonis – Minister of State	15,204	34,601
(to 5 June 2009)		
Full-year equivalent	83,043	83,043
Sadiq Khan MP – Minister of State	28,539	-
(from 6 June 2009)		
Full-year equivalent	40,646	-
Paul Clark MP – Parliamentary Under Secretary of State		
(from 5 October 2008 to 8 June 2009)	Chose to be unpaid	Chose to be unpaid
(from 9 June 2009)	25,109	-
Full-year equivalent	30,851	-
Chris Mole MP - Parliamentary Under Secretary of State	25,109	-
(from 9 June 2009)		
Full-year equivalent	30,851	-
Geoff Hoon MP – Secretary of State	33,737	32,648
(to 5 June 2009)		
Full-year equivalent	78,356	78,356
Jim Fitzpatrick MP – Parliamentary Under Secretary of State	8,485	30,851
(to 7 June 2009)		
Full-year equivalent	40,646	30,851
Ruth Kelly MP – Secretary of State	-	39,810
(from 29 June 2007 to 3 October 2008)		
Full-year equivalent	-	78,356
Rosie Winterton MP – Minister of State	-	23,710
(from 30 June 2007 to 5 October 2008)		
Full-year equivalent	-	40,646
Tom Harris MP – Parliamentary Under Secretary of State	-	15,840
(from 7 September 2006 to 5 October 2008)		
Full-year equivalent	-	30,851

Officials	**2009-10 £000**	**2008-09 £000**
Robert Devereux – Permanent Secretary (from 31 May 2007)	155-160	160-165
Mike Mitchell – Director General (from 3 May 2005)	240-245	230-235
Richard Hatfield – Director General (from 26 August 2008) Full-year equivalent	160-165	80–85 145-150
Bronwyn Hill - Director General (from 25 June 2007)	145-150	145-150
Steve Gooding – Director General (from 2 January 2009) Full-year equivalent	135-140	25-30 115-120
Clare Moriarty – Director General (from 21 September 2009) Full-year equivalent	60-65 125-130	-
Barbara Moorhouse[1] – Director General (from 30 July 2007 to 8 May 2009) Full-year equivalent	15-20 195-200	195-200
David Hipple – Acting Director General (From 8 May 2009 to 31 August 2009) Full-year equivalent	40-45 125-130	-
Simon Webb – Director General (to 2 March 2009) Full-year equivalent	- -	140-145 150-155
Stephen Hickey – Director General (from 2 January 2003 to 25 July 2008) Full-year equivalent	-	40 – 45 125-130

Notes:
1 Barbara Moorhouse received £379,372 as a severance package.

Benefits in kind are disclosed separately below.

Non-executive directors

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

Non-executive director	**2009-10 £000**	**2008-09 £000**
Ed Smith[1] (from 1 January 2009) Full-year equivalent	25-30	5–10 25-30
Alan Cook (from 1 January 2009) Full-year equivalent	20-25	5–10 20-25

Sally Davis (from 1 January 2009) Full-year equivalent	20-25	5–10 20-25
Anne Hemingway (from 5 July 2003 to 31 July 2008) Full-year equivalent		5–10 15-20
Deborah Williams[2] (from 10 October 2005 to 3 July 2009)	5-10	20-25
Andy Friend (from 1 September 2009) Full-year equivalent	10-15 20-25	-

Notes:

1 Ed Smith took over as Chair of the Audit Committee on 24 February 2009 and his remuneration includes a fee for holding this position.

2 Deborah Williams was previously Chair of the Audit Committee through to 23 February 2009 and remained on the Board in an advisory capacity. Her remuneration includes a fee for this additional responsibility.

Salary

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

This report is based on 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 (£64,766 from 1 April 2009, £63,291 from 1 April 2008, £61,820 from 1 November 2007) 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 employer and treated by HM Revenue and Customs as a taxable emolument. The Permanent Secretary is allowed the private use of a Government car and driver in the circumstances permitted by the Civil Service Management Code. Robert Devereux's benefit relating to the use of this car for the period was £6,395 (2008-09: £8,753). The amounts quoted above include the tax and national insurance liability paid on behalf of the individual by the Department to HM Revenue and Customs. No other ministers or officials received any benefits in kind.

Pension benefits

Minister	**Accrued pension at age 65 as at 31/3/10**	**Real increase in pension at age 65**	**CETV at 31/3/10**	**CETV at 31/3/09**	**Real increase in CETV**
Lord Andrew Adonis Secretary of State (from 6 June 2009, Minister of State from 31 March 2009)	10-15	2.5-5	117	78	21

Sadiq Khan MP Minister of State (from 6 June 2009)	0-5	0-2.5	12	4	4
Chris Mole MP Parliamentary Under Secretary of State (from 9 June 2009)	0-5	0-2.5	9	0	6
Paul Clark MP Parliamentary Under Secretary of State (was unpaid from 5 October 2008, received payment from 9 June 2009)	0-5	0-2.5	44	35	5
Rt Hon Geoff Hoon MP Secretary of State (to 5 June 2009)	15-20	0-2.5	281	257	19
Jim Fitzpatrick MP Parliamentary Under Secretary of State (to 7 June 2009)	5-10	0-2.5	90	83	2

Ministerial pensions

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

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for ministers provide benefits on an 'average salary' basis, taking account of all service as a minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those who 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 employee 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 changes in the Retail Price Index. From 1 April 2009, members pay contributions of 5.9% of their ministerial salary, if they have opted for the 1/60th accrual rate or 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is 28.7% of the ministerial salary.

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

Cash Equivalent Transfer Value (CETV)

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

Real increase in the value of the CETV

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

Officials	**Accrued pension at pension age as at 31/03/10**	**Real increase in pension at pension age**	**CETV at 31/03/10**	**CETV at 31/3/09**	**Real increase in CETV**
	£000	**£000**	**£000**	**£000**	**£000**
Robert Devereux Permanent Secretary (from 31 May 2007)	60-65 plus 185-190 lump sum	2.5-5 plus 12.5-15 lump sum	1,251	1,098	91
Richard Hatfield Director General (from 26 August 2008)	65-70 plus 195-200 lump sum	2.5-5 plus 7.5-10 lump sum	1,471	1,335	64
Mike Mitchell Director General (from 3 May 2005)	5-10	0 – 2.5	199	151	44
Bronwyn Hill Director General (from 25 June 2007)	45 – 50 plus 140-145 lump sum	2.5 – 5 plus 10 – 12.5 lump sum	836	720	65
Barbara Moorhouse Director General (from 30 July 2007 – 8 May 2009)	15-20	7.5-10	240	119	125
Steve Gooding Director General (from 2 January 2009)	45-50 plus 90-95 lump sum	7.5-10 plus 12.5-15 lump sum	773	599	132
Clare Moriarty Director General (from 21 September 2009)	40-45	5-7.5	587	504	87
David Hipple Acting Director General (from 8 May 2009 – 31 August 2009)	0-5	-	57	55	3

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** members build up a pension based on their 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 RPI. In all cases members may opt to give up (commute) pension for 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 on www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values (CETV)

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

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

Real increase in value of CETV

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

Robert Devereux 09 July 2010

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

Statement of Accounting Officer's Responsibilities

Under s5 of the Government Resources and Accounts Act 2000, the Department for Transport is required to prepare resource 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 resource accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to the objectives, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

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

Statement on Internal Control

Scope of responsibility

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

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

    - the Department's three trading funds – the Driver and Vehicle Licensing Agency (DVLA), the Driving Standards Agency (DSA) and the Vehicle and Operator Services Agency (VOSA);
    - the Department's five executive non-departmental public bodies, which are referred to as NDPBs – Passenger Focus (formerly the Rail Passengers Council), the British Transport Police Authority (BTPA), the Renewable Fuels Agency (RFA), Channel Tunnel Section 1 Finance PLC and London and Continental Railways Finance PLC;
    - the British Railways Board (Residuary), which is a Public Corporation; and
    - The Department's only tribunal NDPB, referred to as the Traffic Commissioners. The Traffic Commissioners are located within VOSA, which is a Trading Fund. By being located within a Trading Fund, the Traffic Commissioners fall outside the Departmental accounting boundary.

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

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

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

5. On the 6 June 2009 the Department took control of London and Continental Railways Limited and its subsidiaries that existed at that time. These organisations are listed in Note 34 of these accounts. For the 2009-10 Resource Accounts neither London and Continental Railways Limited or its subsidiaries are consolidated within the Departmental Resource Accounts. Furthermore, this Statement on Internal Control does not cover the control frameworks within these organisations.

6. There are a number of public corporations and limited companies which are outside the Department's accounting boundary. All such organisations are listed in Note 34 of these accounts, including this year Directly Operated Railways Ltd and East Coast Mainline Ltd. These organisations contribute to the Department's objectives. Their control frameworks are not commented upon within the Department's Statement on Internal Control. The annual accounts produced by these bodies are not consolidated within the Departmental Resource Accounts.

7. Within the central Department the Director General of the Motoring and Freight Services (MFS) Group is an Additional Accounting Officer. The MFS Group comprises the Driver and Vehicle Licensing Agency (DVLA),

the Driving Standards Agency (DSA), the Vehicle Certification Agency (VCA), the Vehicle and Operator Services Agency (VOSA) and the Government Car and Despatch Agency (GCDA). The Group does not produce separate financial statements but provides an additional layer of assurance via the activity of the Additional Accounting Officer.

8. Also within the central Department, the Director General of the National Networks (NN) Group is an Additional Accounting Officer with responsibility for the resources provided to the NN Group. The NN Group also undertakes the sponsorship function for the Highways Agency. The Group does not produce separate financial statements but provides an additional layer of assurance via the activity of the Additional Accounting Officer.

Purpose of the system of internal control

9. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for Transport for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

10. Leadership on risk management is provided by the Department's Board, which monitors performance and risk, making choices (or recommendations to ministers) on priorities across the DfT family. Significant risks to key objectives are identified by managers within the Department and escalated to the Board. At the end of 2009-10, the Department's Board included the five Directors General in the central Department and four non-executive members.

11. The following forums help ensure that risks are managed effectively:

    - an Executive Committee, which assesses progress on and risks to key deliverables and budgets, and assesses the potential impact on plans of major new initiatives from ministers or beyond the Department;
    - the Management Board of the Motoring and Freight Services (MFS) Group, which monitors delivery against key objectives across the MFS Group agencies, including risks to their achievement;
    - A monthly 'risk' forum discusses and provides challenge to the risk registers across the MFS group. Regular sponsorship boards, with those Agencies within MFS, also provide a challenge forum for operational and other risks;
    - the Management Board of the National Networks Group, which monitors delivery against key objectives across the Group, including the Highways Agency, and the controls for risk management;
    - the Management Boards of the Cities and Regional Networks Group and the International Networks and the Environment Group, which monitor delivery against key objectives, including risks to their achievement;
    - Senior Leadership Team meetings within the Corporate Support Functions Group (CSFG), which are chaired by the CSFG Director General, which monitor and review risks to the delivery of their objectives; and
    - the Boards of the Maritime and Coastguard Agency, the Highways Agency, the Vehicle and Operator Services Agency, Government Car and Despatch Agency, the Driver and Vehicle Licensing Agency, the Driving Standards Agency, the Vehicle Certification Agency and of the individual Executive NDPBs, which monitor and review risks to the delivery of their objectives.

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

13. Officials consult ministers regularly on risk. Submissions to ministers incorporate assessments of key risks including, for example, to the operation of the transport system and to the successful delivery of new policies.

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

15. A new overall DfT Group Risk Management Framework was introduced in 2008/09 and is now embedded in Departmental processes. This Framework revised the criteria for Board-level risks and specified the responsibilities for each of the Director General groups in relation to improving risk management within their groups. Each group has a risk management framework which is documented and placed on Transnet, the Department's Intranet. Resource Management Planning Teams (RMPTs), embedded within each Director General group, have continued to support their respective Director General on implementing and updating policies and procedures to improve the identification and mitigation of Board- and group-level risks. Risk management guidance is available to staff on Transnet.

16. During 2009-10 Board Risk Reporting was developed further to support the escalation criteria defined in 2008-09. All Board level risks are now grouped under themes and from 2010-11 the Board will review in detail a risk theme each month.

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

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

19. In the past 12 months the COBR crises response facilities have been activated in response to a number of incidents, most notably, the severe winter weather of 2009-10 and the disruptions caused by the Icelandic volcanic ash (April 2010). These two incidents caused disruption nationally across all modes of transport. The biggest issue during the severe weather crisis was the unprecedented demand for salt for gritting roads. The necessary cross Government and transport industry response to the emergency was led by the Department.

20. In addition to these real emergencies, DfT participates in regular cross Departmental exercises to test the DfT's resilience to simulated crisis situations and ability to act on lessons learned.

Risk and control framework

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

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

23. A number of well established programmes exist for involving the public in managing the risks associated with transport. These include road safety campaigns and work by the Maritime and Coastguard Agency to communicate with the public on improving maritime safety. The Department has also identified its ability to manage major transport disruptions as a key corporate risk, and has in place an active programme, working with partners, to ensure that adequate contingency and emergency plans are maintained, developed and reviewed.

Capability Review

24. In 2009 the Department underwent a second external assessment by the Cabinet Office, referred to as a Capability Review. The purpose of this review was to determine how well placed the Department was in terms of leadership, strategy and delivery, to meet current and future challenges. The re-review found that we were a better Department than when the original review was carried out in 2007. It found that we had made progress in every single one of the ten capability themes, and sufficient progress to achieve a higher score in three. But it found our pace slow on internal change and that the current change agenda focused on improving business as usual but did not recognise the need for major change to address future challenges.

25. In response, a new more focussed Change Programme, ‘Better Outcomes in Tougher Times’, was launched in September 2009 to run to the end of 2010. It has metrics to drive performance and specific focus on the changes needed to meet the significant challenges ahead, including a step change in leadership. The programme relies on locally developed and managed change underpinned with a supporting portfolio of work-streams, managed by a high level Change and Internal Communications Committee.

Information and data handling

26. I am aware that the handling of information and data carries with it a significant risk to Government Departments and this is taken seriously. Over the last year, the Department has made further progress in embedding a culture that values, protects, and makes proper use of information. The Data Handling Review measures – including the key role of Information Asset Owners (IAO) – have been fully implemented, and all staff have gone through a course of training on Protecting Information, with more specialist training provided for IAOs and relevant senior managers.

27. The Department, VOSA, DSA and DVLA have been independently assessed by Communications-Electronics Security Group (CESG) against the Information Assurance Maturity Model and Assessment Framework issued by the Cabinet Office. These reports documented significant progress in terms of security and control of data.

28. The management assurance exercise, described in paragraph 35, identified that a significant proportion of the Department only gave partial assurance in response to the question regarding Information Management. For each of the areas which did report partial assurance, an action plan to resolve the weakness has been put in place.

29. A full disclosure of incidents that have occurred in 2009-10 can be reviewed within the Management Commentary.

Review of effectiveness

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

31. The Department’s Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government’s Internal Audit Standards. The work of the Audit Risk and Assurance Division is based upon

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

32. Each year the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. This report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. The Head of Internal Audit has informed me that the arrangements for risk management, governance and control processes have been adequate and effective in 2009-10. However, the following matters were noted:

    - The audit work undertaken at the Shared Service Centre has demonstrated an improvement in the effectiveness of the operation of the internal control environment throughout the year which has enabled some reduction in the compensating controls put in place by its customers. There are a number of actions with respect to controls which do not directly impact the financial statements which remained ongoing at the 2009-10 year end; and
    - There have been internal audit reports issued across DfT and its Agencies with overall 'weak' or 'unacceptable' opinions. However, none of these, either individually or in aggregate, warranted specific mention in the overall opinion for the Department. In addition, a follow-up database has been implemented during 2009-10 which enables both management and the Group Audit Committee to ensure that agreed management actions from the work of the auditors are being implemented as agreed.

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

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

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

36. This year, the Group Audit Committee requested that the Finance Director in each of the Department's Executive Agencies, Executive Non-Departmental Public Bodies and Trading Funds provided a summary, using a standard format, of the issues that arose via that organisation's management assurance exercise. Each organisation's Audit Committee was requested to endorse its return prior to submission and review by the Group Audit Committee. The majority of Audit Committees were able to take this step during the limited time that was available.

37. The Group Audit Committee is a sub-committee of the Department for Transport Board, which is chaired by the Permanent Secretary. The Chair of the Group Audit Committee reports regularly to the Departmental Board on the Committee's views on the effectiveness of internal control.

38. As part of a series of audits of Value for Money (VfM) Programmes, in 2009 the NAO reviewed the Department's reported VfM savings for 2008-09. Its report, published in December 2009, made two recommendations. The first recommendation was that the Department for Transport should recalculate its Rail savings in the light of the most accurate information available. We have now recalculated our rail baselines and savings, drawing on the most up to date information available. The NAO also recommended that in future, the Department should carry out a challenge to the reported savings prior to publication. This work has been carried out by the Department's internal audit service. Both of these responses have been approved by HM Treasury and the NAO itself.

39. In the last year, the Committee of Public Accounts investigated and reported on the failure of Metronet. In my evidence to the Committee, I acknowledged, and regretted, the estimated loss to the taxpayer of between £170m and £410m. I also noted that these estimates were only possible because the PPP contracts provided a mechanism for assessing efficient and effective spend, which over the same period had been in excess of £4,000m; a marked improvement on the historical performance of London Underground. I also identified, albeit with the benefit of hindsight, how the original contracts might have been improved to prevent the loss occurring.

Shared Service Centre

40. The development of the Shared Service Centre (SSC) is overseen by the Business Process Programme Board (BPPB). The remit of this board is to drive greater efficiency and effectiveness in common core functions (finance, HR, procurement and IT) across the Department, particularly through the use of shared services. The BPPB is chaired by the Director General of the Department's Corporate Support Functions Group and its membership includes the Chief Executives of each of the SSC's customers as well as the Director of Shared Services.

41. In the 2008-09 SIC, weaknesses in the financial control and management reporting functions of the SSC were identified. In 2009-10, to counter these weaknesses, the SSC made a number of improvements. Though improvements have been achieved, additional control processes and detailed monitoring of financial management information, implemented by customers in previous years, has continued throughout 2009-10. This was considered appropriate as Internal Audit reported that core internal controls had not been operational throughout the year.

42. These steps have ensured that there has been no material impact upon the financial statements of any of the SSC customers during 2009-10.

Robert Devereux 09 July 2010
Permanent Secretary and Accounting Officer
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

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

I certify that I have audited the financial statements of the Department for Transport for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows 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 Management Commentary included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse 16 July 2010
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Statement of Parliamentary Supply

for the year ended 31 March 2010

Summary of Resource Outturn 2009-10

								2009-10 £000	2008-09 £000
				Estimate			Outturn		Outturn
	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)	Net Total
Request for Resources 1	3	18,177,935	(1,438,955)	16,738,980	17,203,798	(1,220,202)	15,983,596	755,384	19,882,067
Total resources	5	18,177,935	(1,438,955)	16,738,980	17,203,798	(1,220,202)	15,983,596	755,384	19,882,067
Non-operating cost A in A	9			(26,854)			(26,854)	-	(31,157)

Net cash requirement 2009-10

				2009-10 £000	2008-09 £000
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	6	14,181,261	13,726,255	455,006	12,347,695

Summary of the income payable to the Consolidated Fund

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

			Forecast 2009-10 £000		Outturn 2009-10 £000
	Note	Income	Receipts	Income	Receipts
Total	7	114,065	*114,065*	174,385	*158,278*

The notes on pages 38 to 108 form part of these accounts.

Consolidated Operating Cost Statement

for the year ended 31 March 2010

		2009-10 £000 Core Department			2009-10 £000 Consolidated			2008-09 £000 Core Department (restated)	2008-09 £000 Consolidated (restated)
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	Total	Total
Administration Costs:									
Staff costs	11	108,337			179,090			94,989	159,915
Other administration costs	12		105,507			144,517		99,556	144,323
Operating income	14			(20,375)			(45,812)	(5,442)	(29,106)
Programme Costs									
Staff costs	11	28,199			149,599			25,562	140,537
Programme costs	13		10,726,395			16,343,658		9,796,681	15,491,776
Operating Income	14			(1,068,240)	-		(1,151,151)	(758,487)	(870,516)
EU Income	14			(28,868)			(30,571)	(25,799)	(27,959)
Dividend receivable	14			(4,638)			(4,638)	(26,433)	(26,433)
Interest receivable	14			(22,751)			(38,890)	(22,667)	(37,265)
Totals		136,536	10,831,902	(1,144,872)	328,689	16,488,175	(1,271,062)	9,177,960	14,945,272
Net Operating Cost	5			9,823,566			15,545,802	9,177,960	14,945,272

All operations are continuing

The notes on pages 38 to 108 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £000 Consolidated Department		31 March 2009 £000 Consolidated Department (restated)	01 April 2008 £000 Consolidated Department (restated)
Non-current assets					
Property, plant and equipment	16	88,077,430		90,155,472	86,548,544
Intangible assets	17	30,190		55,085	54,073
Financial Assets	18	673,799		647,682	624,901
Trade and other receivables	21	3,284,094		3,254,993	3,154,481
Inventories	20	2,568		-	-
Total non-current assets			92,068,081	94,113,232	90,381,999
Current assets					
Assets classified as held for sale	16	8,125		11,776	34,504
Inventories	20	146,122		68,103	24,029
Trade and other receivables	21	286,590		185,956	205,363
Cash and cash equivalents	22	268,449		219,254	101,932
Total current assets			709,286	485,089	365,828
Total Assets			**92,777,367**	**94,598,321**	**90,747,827**
Current liabilities					
Trade and other payables	23	(2,949,072)		(1,464,006)	(1,333,518)
Provisions	24	(216,478)		(369,163)	(143,641)
Total current liabilities			(3,165,550)	(1,833,169)	(1,477,159)
Non-current assets less net current liabilities			89,611,817	92,765,152	89,270,668
Non-current liabilities					
Financial Liabilities	18	(3,055,919)		(8,333,613)	(8,281,538)
Other Payables	23	(5,327,612)		(3,305,538)	(3,264,549)
Provisions	24	(635,314)		(1,067,615)	(1,064,538)
Total non-current liabilities			(9,018,845)	(12,706,766)	(12,610,625)
Assets less liabilities excluding pension liability			80,592,972	80,058,386	76,660,043
Pension Liability	37		(1,242,927)	(1,299,743)	(251,139)
Assets less liabilities			**79,350,045**	**78,758,643**	**76,408,904**
Taxpayers' equity					
General Fund			32,234,431	31,352,355	32,724,999
Revaluation Reserve			47,108,165	47,406,288	43,683,905
Other Reserve			7,449	-	-
Total taxpayers' equity			**79,350,045**	**78,758,643**	**76,408,904**

Robert Devereux 09 July 2010
Permanent Secretary and Accounting Officer
Department for Transport
Great Minster House
76 Marsham Street
London
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The notes on pages 38 to 108 form part of these accounts.

Core Department Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £000 Core Department		31 March 2009 £000 Core Department (restated)	01 April 2008 £000 Core Department (restated)
Non-current assets					
Property, plant and equipment	16	82,135		2,076,065	2,055,777
Intangible assets	17	7,619		25,911	29,964
Financial Assets	18	673,799		647,682	624,901
Trade and other receivables	21	2,998,001		2,980,844	2,930,580
Total non-current assets			3,761,554	5,730,502	5,641,222
Current assets					
Inventories	20	55,030		37,223	-
Trade and other receivables	21	130,255		62,797	88,493
Cash and cash equivalents	22	232,261		163,892	155,702
Total current assets			417,546	263,912	244,195
Total Assets			**4,179,100**	**5,994,414**	**5,885,417**
Current liabilities					
Trade and other payables	23	(2,191,766)		(793,988)	(833,358)
Provisions	24	(75,811)		(105,032)	(143,641)
Total current liabilities			(2,267,577)	(899,020)	(976,999)
Non-current assets less net current liabilities			1,911,523	5,095,394	4,908,418
Non-current liabilities					
Financial Liabilities	18	(3,055,919)		(8,333,613)	(8,281,538)
Other Payables	23	(3,958,664)		(2,004,205)	(1,945,548)
Provisions	24	(359,294)		(690,969)	(377,216)
Total non-current liabilities			(7,373,877)	(11,028,787)	(10,604,302)
Assets less liabilities excluding pension liability			(5,462,354)	(5,933,393)	(5,695,884)
Pension Liability	37		(1,242,927)	(1,299,743)	(251,139)
Assets less liabilities			**(6,705,281)**	**(7,233,136)**	**(5,947,023)**
Taxpayers' equity					
General Fund			(6,709,605)	(7,233,502)	(5,971,123)
Revaluation Reserve			4,324	366	24,100
Other Reserve			-	-	-
Total taxpayers' equity			**(6,705,281)**	**(7,233,136)**	**(5,947,023)**

Robert Devereux 09 July 2010
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The notes on pages 38 to 108 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2010

	Note	2009-10 £000	2008-09 £000
Cash flows from operating activities			
Net operating cost		(15,545,802)	(14,945,272)
Adjust for non-cash transactions	12, 13	3,736,643	4,401,674
Adjust for non-cash transactions related to pension schemes	37	144,900	20,400
Increase in Inventories		(80,587)	(44,074)
Increase in trade and other receivables		(129,735)	(81,105)
less movements in receivables relating to items not passing through the OCS		(188,986)	50,130
Increase in trade and other payables		3,507,140	171,477
less movements in payables relating to items not passing through the OCS		(2,886,323)	(155,951)
Use of provisions	24	(315,085)	(323,727)
Non-cash movement in classification of provision	24	-	87
In year spend on Detrunkings		-	(9,329)
Adjustment for capital and interest element of PFI payments		52,968	49,242
Net cash outflow from operating activities		**(11,704,867)**	**(10,866,448)**
Cash flows from investing activities			
Purchase of property, plant and equipment - Cash Additions	16	(1,951,115)	(1,523,104)
Purchase of property, plant and equipment - Non-cash Additions		(356)	3,715
Purchase of intangible assets - Cash Additions	17	(2,154)	(1,598)
Purchase of intangible assets - Non-Cash Additions		-	14
Proceeds of disposal of property, plant and equipment		307	21,193
Proceeds of disposal of intangible assets		-	-
Proceeds of disposal of assets held for sale		4,750	-
Capital element of Lands Provision		9,125	111,608
Loans to other bodies	18	(38,617)	(37,000)
Repayments of loans from the National Loans Fund	18,21	1,034	1,051
National Loan Funds Loans given	18	(6,000)	-
Repayments from other bodies	18	16,915	13,185
Net cash outflow from investing activities		**(1,966,111)**	**(1,410,936)**
Cash flows from financing activities			
From Consolidated Fund (Supply): Current year		13,785,720	12,520,000
Advances from the Contingencies Fund		-	1,500,000
Repayments to the Contingencies Fund		-	(1,503,500)
Loans received from the National Loans Fund		6,000	-
Repayments of loans from the National Loans Fund	18,21	(1,034)	(1,051)
Capital element of payments in respect of on-balance-sheet PFI contracts		(52,968)	(49,242)
Net Financing		**13,737,718**	**12,466,207**
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		66,740	188,823
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		150,924	152,585
Payments of amounts due to the Consolidated Fund		(168,469)	(224,086)
Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**49,195**	**117,322**
Cash and cash equivalents at the beginning of the period	**22**	**219,254**	**101,932**
Cash and cash equivalents at the beginning of the period	**22**	**268,449**	**219,254**

The notes on pages 38 to 108 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund	Revaluation Reserve	Other Reserve	Total Reserves (restated)
		£'000	£'000	£'000	£'000
Balance at 31st March 2008		**33,364,515**	**44,049,443**	**-**	**77,413,958**
Detrunking		(639,516)	(365,538)	-	(1,005,054)
Restated balance at 1st April 2008		**32,724,999**	**43,683,905**	**-**	**76,408,904**
				-	-
Changes in taxpayers' equity for 2008-09					
Net gain on revaluation of property, plant and equipment		-	3,915,660	-	3,915,660
Net loss on revaluation of intangible assets		-	(180)	-	(180)
Release of reserves to the operating cost statement		-	2,780	-	2,780
Non-cash charges - cost of capital	12, 13	2,698,533	-	-	2,698,533
Non-cash charges - auditor's remuneration	12	851	-	-	851
Transfers between reserves		109,010	(109,010)	-	-
Net operating cost for the year		(14,945,272)	-	-	(14,945,272)
Reversionary interest on M6 toll road		18,746	-	-	18,746
In year spend on detrunked roads		(9,326)	-	-	(9,326)
Other prior year adjustments		(524,154)	(86,867)	-	(611,021)
Actuarial Gain/(Loss) recognised in pension scheme		(1,055,200)	-	-	(1,055,200)
Other movements		32,643	-	-	32,643
Total recognised income and expense for 2008-09		**19,050,830**	**47,406,288**	**-**	**66,457,118**
Net Parliamentary Funding - drawn down		12,520,000	-	-	12,520,000
Net Parliamentary Funding - deemed		34,004	-	-	34,004
Contingencies Fund		3,025	-	-	3,025
Supply receivable adjustment		(206,315)	-	-	(206,315)
CFERs payable to the Consolidated Fund		(49,189)	-	-	(49,189)
Balance at 31 March 2009		**31,352,355**	**47,406,288**	**-**	**78,758,643**
Changes in taxpayers' equity for 2009-10					
Net gain on revaluation of property, plant and equipment		-	(138,448)	-	(138,448)
Net gain on revaluation of intangible assets		-	52	-	52
Receipt of donated assets		-	-	135	135
Receipt of grant		-	-	15,122	15,122
Release of reserves to the operating cost statement		-	589	(7,808)	(7,219)
Non-cash charges - cost of capital	12, 13	2,774,776	-	-	2,774,776
Non-cash charges - auditor's remuneration	12	855	-	-	855
Transfers between reserves		23,317	(23,317)	-	-
Net operating cost for the year		(15,545,802)	-	-	(15,545,802)
Reversionary interest on M6 toll road		(4,288)	-	-	(4,288)
Other prior year adjustments		(270,418)	(136,724)	-	(407,142)
Actuarial Gain recognised in pension scheme		201,700	-	-	201,700
Impairments through Revaluation Reserve		-	(275)	-	(275)
Other movements		(856)	-	-	(856)
Total recognised income and expense for 2009-10		**18,531,639**	**47,108,165**	**7,449**	**65,647,253**
Net Parliamentary Funding - drawn down		13,785,720	-	-	13,785,720
Net Parliamentary Funding - deemed		206,315	-	-	206,315
Supply payable/(receivable) adjustment		(265,779)	-	-	(265,779)
CFERs payable to the Consolidated Fund		(23,464)	-	-	(23,464)
Balance at 31 March 2010		**32,234,431**	**47,108,165**	**7,449**	**79,350,045**

The notes on pages 38 to 108 form part of these accounts

Core Department Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2008		**(5,971,123)**	**24,100**	**(5,947,023)**
Changes in taxpayers' equity for 2008-09				
Net loss on revaluation of property, plant and equipment		-	(21,927)	(21,927)
Net loss on revaluation of intangible assets		-	(174)	(174)
Non-cash charges - cost of capital	12, 13	(256,051)	-	(256,051)
Non-cash charges - auditor's remuneration	12	365	-	365
Transfers between reserves		1,634	(1,634)	-
Net operating cost for the year		(9,177,960)	-	(9,177,960)
Other prior year adjustments		(369,937)	-	(369,937)
Actuarial Loss recognised in pension scheme		(1,055,200)	-	(1,055,200)
Other movements		32,784	1	32,785
Total recognised income and expenses for 2008-09		**(16,795,488)**	**366**	**(16,795,122)**
Net Parliamentary Funding - drawn down		9,642,750	-	9,642,750
Net Parliamentary Funding - deemed		108,636	-	108,636
Contingencies Fund		3,025	-	3,025
Supply receivable adjustment		(172,638)	-	(172,638)
CFERs payable to the Consolidated Fund		(19,787)	-	(19,787)
Balance at 31 March 2009		**(7,233,502)**	**366**	**(7,233,136)**
Changes in taxpayers' equity for 2009-10				
Net gain on revaluation of property, plant and equipment		-	3,958	3,958
Non-cash charges - cost of capital	12, 13	(222,561)	-	(222,561)
Non-cash charges - auditor's remuneration	12	375	-	375
Net operating cost for the year		(9,823,566)	-	(9,823,566)
Actuarial Gain recognised in pension scheme		201,700	-	201,700
Other movements		1,213	-	1,213
Total recognised income and expenses for 2009-10		**(17,076,341)**	**4,324**	**(17,072,017)**
Net Parliamentary Funding - drawn down		10,439,295	-	10,439,295
Net Parliamentary Funding - deemed		172,638	-	172,638
Supply receivable adjustment		(242,283)	-	(242,283)
CFERs payable to the Consolidated Fund		(2,914)	-	(2,914)
Balance at 31 March 2010		**(6,709,605)**	**4,324**	**(6,705,281)**

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.

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

The notes on pages 38 to 108 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2010

	2009-10			2008-09		
			£000			£000
	Gross	Income	Net	Gross	Income	Net
Aim						
Objective 1	8,286,624	(603,159)	7,683,465	8,069,093	(480,350)	7,588,743
Objective 2	1,239,797	(35,099)	1,204,698	1,213,314	(24,825)	1,188,489
Objective 3	4,217,058	(79,486)	4,137,572	3,807,819	(94,460)	3,713,359
Objective 4	2,855,672	(489,016)	2,366,656	2,594,419	(336,031)	2,258,388
Objective 5	217,713	(64,302)	153,411	251,906	(55,613)	196,293
Net operating costs	**16,816,864**	**(1,271,062)**	**15,545,802**	**15,936,551**	**(991,279)**	**14,945,272**

The Department's objectives were as follows:

Objective 1 – To support national economic competitiveness and growth, by delivering reliable and efficient transport networks

Objective 2 – To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of avoiding dangerous climate change

Objective 3 – To contribute to better safety, security and health and longer life-expectancy through reducing the risk of death, injury or illness arising from transport, and promoting travel modes that are beneficial to health

Objective 4 – To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society

Objective 5 – To improve quality of life for transport users and non-transport users, and to promote a healthy natural environment

Although expenditure is allocated in accordance with its primary objective, in practice much of it contributes to more than one objective.

The notes on pages 38 to 108 form part of these accounts.

Notes to the Departmental Resource Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *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 two additional primary statements. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Consolidated Statement of Operating Cost by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with ministers.

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 First-time adoption of International Financial Reporting Standards

As these financial statements represent the Department's first-time adoption of IFRS, an explanation of the effect of transition is given in Note 2 to these financial statements. Note 2 includes a reconciliation of the Department's equity as previously reported under UK GAAP as at the date of transition and as at the end of the current reporting period, and a reconciliation of the Net Operating Cost for the previous accounting period under UK GAAP.

The date of transition to IFRS was 1 April 2008. The Department has elected to take advantage of the following exemptions, which are permitted in IFRS 1:

- The Department has designated its shareholdings as available-for-sale financial assets with effect from the date of transition to IFRS rather than with effect from the date of initial acquisition.
- Where items that are required under IFRS to be recognised as Intangible Assets were previously recognised and revalued as Property, Plant and Equipment, the Department has elected to use the carrying value, as at the date of reclassification as the deemed cost of those items.
- The Department has elected to apply the transitional provisions in both IFRIC 4 *Determining whether an Arrangement contains a Lease* and IFRIC 12 *Service Concession Arrangements*. Consequently, in determining whether an arrangement contains a lease, the Department has made that determination to arrangements existing as at 1 April 2008 on the basis of facts and circumstances existing at that date. In accounting for service concessions which were previously not recognised in the Statement of Financial Position, the Department measures the non-current asset at 1 April 2008 on the same basis as for other non-current assets of that generic type. It measures the liability at fair value as at that date, being the outstanding liability in respect of the property, discounted by the interest rate implicit in the contract.

1.1.1 New standards and interpretations adopted early

The Department has chosen not to adopt early any new standards or interpretations.

1.1.2 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 2010, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may need to be adopted in subsequent periods:

- IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is required for reporting periods beginning on or after 1 January 2013. Earlier application is permitted. It is planned that IFRS 9 will be applied initially in 2013-14. The impact of initial application of IFRS 9 is not expected to be significant.
- IAS 24 Related Party Disclosures has been revised. The revisions to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled, or significantly influenced by a government. Application of the revised IAS 24 is required for reporting periods beginning on or after 1

January 2011. Earlier application is permitted. It is planned that IAS 24 will be applied initially in 2011-12. Initial application of the revised IAS 24 will result in partial exemption from the disclosure requirements of IAS 24, and the relevant disclosures may be reduced from those presented in 2009-10.

- IAS 17 Leases has been amended. The revision clarifies that where a lease includes both land and buildings elements, they are separately assessed in accordance with the general guidance on the classification of leases in IAS 17, taking into account that land normally has an indefinite economic life. Thus the land element may be classified as a finance lease, even if title is not expected to pass to the lessee. Application of the amended IAS 17 is required for reporting periods beginning on or after 1 January 2010. Earlier application is permitted. It is planned that IAS 7 will be applied initially in 2010-11. Initial application of the revised IAS 7 is expected to have limited impact.

1.1.3 FReM

The Government Financial and Reporting Manual (FReM) includes the following accounting changes that have been issued and will be effective in 2010-11:

- Notional Cost of Capital charge: the notional Cost of Capital calculated for each class of business, as required by HM Treasury, will no longer be applicable. This will affect the Operating Cost Statement (which for 2009-10 includes a charge of £2,775m) and will be offset by an equivalent adjustment in the Statement of Changes in Taxpayers’ Equity.

1.2 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.

There were no detrunked routes in 2009-10.

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 and treated as in-year adjustments.

1.3 Basis of consolidation

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

A list of all those entities within the Departmental boundary is given at Note 34.

1.4 Non-current assets: Property, plant and equipment

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

1.4.1 Capitalisation policy

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

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 Operating Cost Statement. 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 IFRS5. Internal staff costs that can be attributed directly to the construction of an asset have been capitalised.

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

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

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

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

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

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

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

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

1.5 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, while downwards movements are taken initially to the revaluation reserve (insofar as there is a balance related to the specific asset) and otherwise to the operating cost statement. 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 a downwards movement is taken initially to the revaluation reserve (insofar as there is a balance related to the specific asset) and otherwise to the operating cost statement.

1.5.1 Infrastructure Assets

The road network infrastructure, which is intended to be maintained at a specific level of service potential by continual replacement and refurbishment, is valued at depreciated replacement cost

The infrastructure asset valuation is based on a standard costs model. External professional surveyors undertake a full valuation of the network at intervals not exceeding five years using internal costing and physical assets records provided by the agency. In the years between full valuations, the value of the network is adjusted to reflect:

- movements in prices using appropriate published indices (see below);
- expenditure on new schemes or enhancements which increase the capacity of the network; and
- detrunkings (refer to note 16.3).

The valuation is based upon a non-recoverable VAT rate of 17.5% which reflects a consistent long term approach to valuing the network. Certain large structures are valued at historic prices appropriately indexed, or insurance valuations have been used as the best approximation of replacement cost.

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

Between full valuations, the values are adjusted using the following indices:

Roads and structures:	ROCOS (resource cost index of road construction); published on a quarterly basis by the Department for Business, Innovation and Skills (BIS)
Communications:	BEAMA (British Electrotechnical & Allied Manufacturers) index sourced from its website.
Land:	Land indices published twice yearly by the Valuation Office Agency (VOA).
	The road surface is subject to an annual impairment in accordance with IAS 36.

1.5.2 Assets Under Construction

Assets in the course of design or construction are capitalised at the lower of actual and expected standard cost. This is a two-stage process:

- During the course of construction capital additions are made at actual costs.
- A review of the additions is carried out and an adjustment is made to reflect the difference between actual and estimated standard costs.

1.5.3 Land and Buildings, including Dwellings

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

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

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

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

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

1.5.4 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.

1.5.5 Information Technology

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

1.6 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.

1.6.1 Infrastructure Assets

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

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

Road surface assets comprise:

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

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

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

Asset	Life in years
Road bridges, tunnels and underpasses	20 to 120
Road culverts	20 to 120
Retaining walls	20 to 120
Gantries	20 to 120
Road communications assets	15 to 50

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

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

1.6.2 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
Plant and Equipment	
Winter maintenance equipment	25 years
Office equipment	5 to 10 years
Communications equipment	15 to 25 years
Vehicles	5 to 10 years
Test equipment	5 to 10 years

IT equipment	5 years
Structural steelwork	10 years
Assets in storage	no depreciation
Assets awaiting sale	no depreciation

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

1.7 Non-current assets: Assets held for sale

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

1.8 Non-current assets: Intangible assets

1.8.1 Intangible assets acquired separately

Purchased computer application software licences are capitalised as intangible assets.

1.8.2 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.

1.8.3 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 Operating Cost Statement. 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.

1.9 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.

1.10 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.

1.10.1 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 Operating Cost Statement. During the period covered by this account, the Department held no such instruments.

1.10.2 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.

1.10.3 Loans and receivables

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

1.10.4 Available-for-sale financial assets

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

1.10.5 Other financial liabilities

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

1.10.6 Financial guarantee contracts

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

Where no fee is specified, the Department values the guarantee using estimation techniques that reflect the market approach as closely as possible. For example, it will try to identify comparable unguaranteed debt, and observe the credit terms provided and the consequent reduction in interest payable by the borrower. The Department would then value the guarantee at the net present value of the differential in interest payments over the life of the debt instrument. Where no examples of unguaranteed debt are identifiable, the Department may use techniques such as option pricing methods, or the expected value of borrower default or other statistical approaches.

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

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

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

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

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

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

1.11 Inventories

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

1.12 Operating income

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

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

1.13 Administration and programme expenditure

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

1.14 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (3.5%) on the average carrying amount of all assets less liabilities, except for:

- property, plant and equipment, non-current assets held for re-sale and intangible assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions;
  - disposals as valued in the comparative statement of financial position (plus any subsequent capital expenditure prior to disposal);
  - impairments at the amount of the reduction in the value recognised in the comparative statement of financial position (plus any subsequent capital expenditure); and
  - depreciation of property, plant and equipment, and amortisation of intangible assets:
- cash balances with the Office of the Paymaster General, where the charge is nil; and
- the Department's investments and loans, where the charge is between 3.5 and 7.875%, based on the rate of return on the investment with the exception of the Humber Bridge Board Loan, where the capital charge is set at 7.75% and the interest rate charged on the loan is 4.25%.

1.15 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 11. The defined benefit scheme is unfunded and is non-contributory, except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

Pension benefits to ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). Further details are provided in the Remuneration Report. Other schemes 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 *Financial Reporting Manual (FReM).*

The Department has undertaken to fund the pension of a small number of special post holders, including the PPP Arbiter and this is recognised as a provision in accordance with IAS 37. 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.

1.16 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 Operating Cost Statement 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 Operating Cost Statement over the period of the lease at a constant periodic rate in relation to the balance outstanding.

1.17 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 and recognises the related liability. The asset is accounted for in a manner consistent with other assets of that type. Interest on the liability and expenditure on services provided under the service concession are recognised in the Operating Cost Statement 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, at the end of the concession, all or part of the property reverts to the Department for a specified value, the difference between the expected fair value of the residual asset on reversion at the start of the contract and any agreed payment on reversion is built up over the life of the contract to ensure proper allocation of payments between the cost of services under the contract and acquisition of the residual interest. Capitalisation of residual interest is disclosed within Non-Current Assets under Assets under Construction.

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.

1.18 Grants payable

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

1.19 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.

1.20 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.

1.21 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.

1.22 Prior year adjustments

Material adjustments applicable to prior periods arising from Machinery of Government changes, accounting policy changes, or from the correction of material errors are accounted for as prior year adjustments.

1.23 Rail franchise agreements

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

1.24 Foreign currencies

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

1.25 Significant estimation techniques

The Department applies the following significant estimation techniques.

As explained in Note 1.5.1, professional surveyors undertook a full valuation of the network during the year. Such a full valuation is required at intervals not exceeding five years. The valuation process requires the use of assumptions and estimates. As a result of the full valuation, the net book value of the network decreased by £502 million, and the value at 31 March 2010 was £86,916 million. The reduction in the valuation of the network was influenced by internal and external factors including more efficient and better value design and construction processes resulting in cost reductions, and a realignment of costs to actual rather than indexed values. Valuation of financial instruments for which there is no active market is carried out using techniques that make maximum use of market inputs, including transactions in comparable instruments. Models are constructed to be consistent with those that a market participant would use to value an instrument of that type. Valuations produced by a model are adjusted to reflect only differences between the instruments reflected in the model and the instrument being valued – for example, adjustments for illiquidity – and are not adjusted for reasons of conservatism. Valuations of loans and receivables include estimations as to the recoverability of the balance outstanding using the incurred loss method.

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

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

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

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

1.26 Critical judgements and key sources of estimation uncertainty

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

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

1.26.2 Changes to franchise premia/subsidies

The Office of the Rail Regulator reviews Network Rail's funding requirements every five years (Periodic Review). This includes the balance between direct government grant and regulated charges from Train Operating Companies (TOCs). Each of the franchise arrangements let by the Department contains provisions whereby the financial details of the franchise are adjusted following each Periodic Review. This is to ensure that the subsidy/premium profile agreed with the TOC at the time the franchise is let is not distorted by significant changes to regulated charges, which are outside their control and for which they are unable to make reasonable assumptions within their bids.

The current control period (CP4), during which the outcome of the latest Periodic Review applies, commenced on 1 April 2009 and will be in place until March 2014. The financial year 2009-10 is therefore the first year in which the premia received from, and subsidies paid to, TOCS have been calculated under the new arrangements.

The final financial implications of the implementation of the CP4 arrangements will be known only when all the CP4 adjustments are processed through a financial model, which is due to take place by the end of September 2010. However, the Department has estimated and agreed with TOCSs significant elements of the CP4 adjustments.

The Department has included in these accounts its best estimate of amounts payable and recoverable in respect of the 2009-10 financial year. The Department recognises that final adjustments in respect of 2009-10 may lead to additional net income or expenditure and, unless material, these adjustments will be reflected in the 2010-11 accounts.

1.26.3 Valuation of guarantees to London and Continental Railways

During the year, the Department has de-recognised guarantees in respect of debt issued by LCR Finance plc and CTRL Section 1 Finance plc, on the grounds that it is now funding repayment of that debt and has recognised liabilities to those companies in the place of the financial guarantee contract liabilities. The remaining debt, issued by HS1 Ltd, was re-secured on payment streams from other group companies and the Department has re-measured its guarantees on that debt. This was done by comparing the repayments under the existing, guaranteed debt, with those applicable to unguaranteed debt instruments. The instruments selected were bonds of similar tenors, issued by entities in the infrastructure and transport sectors, with the same credit rating that we have been advised that HS1 Ltd could obtain for debt instruments covering the amount of outstanding debt.

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

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

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

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

1.26.6 Valuation of provisions

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

1.26.7 Valuation of liabilities of defined benefit pension schemes

In valuing the liabilities of defined benefit pension schemes, the Department consults actuaries who provide valuations based on estimates of demographic factors, such as life expectancy. Sensitivity analyses are provided in accordance with IAS 19 in note 37 to these accounts.

2. First-time adoption of IFRS

Re-stated consolidated Statement of Financial Position as at 31 March 2008

	UK GAAP									IFRS Adjusted		
	£'000	£'000	IAS1 £'000	IFRS5 £'000	IAS38 £'000	IAS 38 (SIC 32) £'000	IAS16 £'000	SIC 15 £'000	IAS19 £'000	Opening Balance £'000	£'000	
Fixed Assets												Non Current Assets
Tangible Assets	86,607,404		-	(34,504)	(17,406)	(6,488)	(462)	-	-	86,548,544		Property Plant & Equipment
Intangible Assets	30,179		-	-	17,406	6,488	-	-	-	54,073		Intangible Assets
Investments	624,901		-	-	-	-	-	-	-	624,901		Financial Assets
		87,262,484										
Debtors >1year	3,154,481									3,154,481		Trade & Other Receivable
											90,381,999	Total Non Current assets
												Current Assets
Assets held for sale			-	34,504	-	-	-	-	-	34,504		Assets classified as held for sale
Stock	24,029		-	-	-	-	-	-	-	24,029		Inventories
Debtors	205,363		-	-	-	-	-	-	-	205,363		Trade & Other Receivables
												Financial Assets
Cash at bank and in hand	101,932									101,932		Cash & cash equivalents
	3,485,805										365,828	Total Current assets
											90,747,827	Total Assets
Current Liabilities												Current Liabilities
Creditors <1 year	(1,328,542)		-	-	-	-	-	(141)	(4,835)	(1,333,518)		Trade & Other Payables
Provisions: current element			(143,641)	-	-	-	-	-	-	(143,641)		Other Liabilities
Net Current Assets		2,157,263									(1,477,159)	Total Current Liabilities
Fixed Assets plus Net Current Assets		89,419,747									89,270,668	Non Current Assets plus / less Net Current Assets / Liabilities
												Non Current Liabilities
Creditors > 1year		(3,263,552)	-	-	-	-	-	(997)	-	(3,264,549)		
Pension Liability		(251,139)	-	-	-	-	-	-	-	(251,139)		
										(3,515,688)		Other Payables
Financial Liabilities		(8,281,538)	-	-	-	-	-	-	-	(8,281,538)		Financial Liabilities
Provisions for Liabilities & Charges		(1,208,179)	143,641	-	-	-	-	-	-	(1,064,538)		Provisions
											(12,861,764)	Total Non Current Liabilities
Total Assets less Liabilities		76,415,339	-	-	-	-	(462)	(1,138)	(4,835)		76,408,904	Assets less liabilities
Taxpayers' Equity												Taxpayers' Equity
General Fund	(32,730,972)		-	-	-	-	-	1,138	4,835	(32,724,999)		General Fund
Revaluation Reserve	(43,684,367)		-	-	-	-	462	-	-	(43,683,905)		Revaluation Reserve
		(76,415,339)	-	-	-	-	462	1,138	4,835		(76,408,904)	Total Taxpayers' Equity

Re-stated consolidated Statement of Financial Position as at 31 March 2009

	UK GAAP									IFRS Adjusted		
	2008-09 £'000	£'000	IAS1 £'000	IFRS5 £'000	IAS38 £'000	IAS 38 (SIC 32) £'000	IAS16 £'000	SIC 15 £'000	IAS19 £'000	2008-09 £'000	£'000	
Fixed Assets												Non Current Assets
Tangible Assets	90,477,368		-	(11,783)	(23,279)	(4,130)	(282,704)	-	-	90,155,472		Property Plant & Equipment
Intangible Assets	27,676		-	-	23,279	4,130	-	-	-	55,085		Intangible Assets
Investments	647,682		-	-	-	-	-	-	-	647,682		Financial Assets
	91,152,726											
Debtors >1year	3,245,915									3,254,993		Trade and other receivables
											94,113,232	Total Non Current assets
												Current Assets
Assets held for sale			-	11,776	-	-	-	-	-	11,776		Assets classified as held for sale
Stock	68,103		-	-	-	-	-	-	-	68,103		Inventories
Debtors	195,034		-	-	-	-	-	-	-	185,956		Trade & Other Receivables
			-	-	-	-	-	-	-	-		Financial Assets
Cash at bank and in hand	219,254		-	-	-	-	-	-	-	219,254		Cash & cash equivalents
	3,728,306										485,089	Total Current assets
											-	
											94,598,321	Total Assets
Current Liabilities												Current Liabilities
Creditors <1 year	(1,458,867)		-	-	-	-	-	(141)	(4,998)	(1,464,006)		Trade & Other Payables
Provisions: current element			(369,163)	-	-	-	-	-	-	(369,163)		Other Liabilities
Net Current Assets		2,269,439									(1,833,169)	Total Current Liabilities
											-	
											-	
Fixed Assets plus Net Current Assets		93,422,165									92,765,152	Non Current Assets plus / less Net Current Assets / Liabilities
											-	
												Non Current Liabilities
Creditors > 1year		(3,304,274)	-	-	-	-	-	(1,267)	-	(3,305,541)		
Pension Liability		(1,299,743)	-	-	-	-	-	-	-	(1,299,743)		
										(4,605,284)		Other Payables
Financial Liabilities		(8,333,613)	-	-	-	-	-	-	-	(8,333,613)		Financial Liabilities
Provisions for Liabilities & Charges		(1,068,879)	369,163	-	-	-	-	-	-	(699,716)		Provisions (refer to Note 35 for 2009-10 Prior Perior Adjustment)
											(13,638,613)	Total Non Current Liabilities
Total Assets less Liabilities		79,415,656	-	(7)	-	-	(282,704)	(1,408)	(4,998)		79,126,539	Assets less liabilities
Taxpayers' Equity												Taxpayers' Equity
General Fund	(32,008,906)		-	8	-	-	282,241	1,408	4,998	(31,720,251)		General Fund
Revaluation Reserve	(47,406,750)		- -	1	-	-	463	-	-	(47,406,288)		Revaluation Reserve
			-	-	-	-	-	-	-	-		
		(79,415,656)	-	7	-	-	282,704	1,408	4,998	-	(79,126,539)	Total Taxpayers' Equity

Restated Consolidated Operating Cost Statements for 2008-09

Operating Cost Statement consolidation
for the year ended 31 March 2009

	UK GAAP					IFRS		
	2008-09	IAS 19	IAS 16	IAS 17 (SIC 15)	IFRS 5	2008-09	2009-10 change in accounting	2008-09
	£000	£000	£000	£000	£000	£000	£000	£000
Administration costs								
Staff costs	161,912	70	(2,067)	-	-	159,915	-	159,915
Other administration costs	144,053	-	-	270	-	144,323	-	144,323
Operating Income	(29,106)	-	-	-	-	(29,106)	-	(29,106)
Programme costs								
Staff costs	140,444	93	-	-	-	140,537	-	140,537
Programme costs	15,216,167	-	279,255	-	8	15,495,430	(3,654)	15,491,776
Income	(874,170)	-	-	-	-	(874,170)	3,654	(870,516)
EU Income	(27,959)	-	-	-	-	(27,959)	-	(27,959)
Dividend Receivable	(26,433)	-	-	-	-	(26,433)	-	(26,433)
Interest Receivable	(37,265)	-	-	-	-	(37,265)	-	(37,265)
Net Operating Cost	14,667,643	163	277,188	270	8	14,945,272	-	14,945,272

Re-stated Statement of Financial Position for the core Department as at 31 March 2008

UK GAAP												IFRS Adjusted		
Restated	as at 31 March 2008 Restatement	£'000	£'000	IAS1 £'000	IFRS5 £'000	IAS38 £'000	IAS17 £'000	IAS 38 (SIC 32) £'000	IAS16 £'000	SIC 15 £'000	IAS19 £'000	Opening Balance £'000	£'000	
Fixed Assets														Non Current Assets
Tangible Assets		2,062,265	2,062,265	-	-	-	-	(6,488)	-	-	-	2,055,777	-	Property Plant & Equipment
Intangible Assets		23,476	23,476	-	-	-	-	6,488	-	-	-	29,964	-	Intangible Assets
Investments		624,901	624,901	-	-	-	-	-	-	-	-	624,901	-	Financial Assets
Debtors >1year	2,927,080	3,500	2,930,580	-	-	-	-	-	-	-	-	2,930,580	-	Trade & Other Receivable
		-	5,641,222	-	-	-	-	-	-	-	-	-	5,641,222	Total Non Current assets
		-	-	-	-	-	-	-	-	-	-	-	-	
Stock		-	-	-	-	-	-	-	-	-	-	-	-	Inventories
Debtors		88,493	-	-	-	-	-	-	-	-	-	88,493	-	Trade & Other Receivables
		-	-	-	-	-	-	-	-	-	-	-	-	Financial Assets
Cash at bank and in hand		155,702	-	-	-	-	-	-	-	-	-	155,702	-	Cash & cash equivalents
		244,195	-	-	-	-	-	-	-	-	-	-	244,195	Total Current assets
		-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	5,885,417	Total Assets
		-	-	-	-	-	-	-	-	-	-	-	-	
Current Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	Current Liabilities
Creditors <1 year		(833,217)	-	-	-	-	-	-	-	(141)	-	(833,358)	-	Trade & Other Payables
Provisions: current element		-	-	(143,641)	-	-	-	-	-	-	-	(143,641)	-	Other Liabilities
		(833,217)	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	
Net Current Liabilities		-	(589,022)	-	-	-	-	-	-	-	-	-	(976,999)	Total Current Liabilities
		-	-	-	-	-	-	-	-	-	-	-	-	
Fixed Assets less Net Current Liabilities		-	5,052,200	-	-	-	-	-	-	-	-	-	4,908,418	Non Current Assets plus / less Net Current Assets / Liabilities
		-	-	-	-	-	-	-	-	-	-	-	-	Non Current Liabilities
Creditors > 1year	-	-	(1,944,551)	-	-	-	-	-	-	(997)	-	(1,945,548)	-	
Pension Liability	-	-	(251,139)	-	-	-	-	-	-	-	-	(251,139)	-	
	-	-	-	-	-	-	-	-	-	-	-	(2,196,687)	-	Other Payables
Financial Liabilities	-	(8,281,538)	(8,281,538)	-	-	-	-	-	-	-	-	(8,281,538)	-	Financial Liabilities
	-	-	-	-	-	-	-	-	-	-	-	-	-	
Provisions for Liabilities & Charges	-	-	(520,857)	143,641	-	-	-	-	-	-	-	(377,216)	-	Provisions
	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	(10,855,441)	Total Non Current Liabilities
	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Assets less Liabilities	-	-	(5,945,885)	-	-	-	-	-	-	(1,138)	-	-	(5,947,023)	Assets less liabilities
	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxpayers' Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	Taxpayers' Equity
	-	-	-	-	-	-	-	-	-	-	-	-	-	
General Fund	5,354,458	615,527	5,969,985	-	-	-	-	-	-	1,138	-	5,971,123	-	General Fund
Revaluation Reserve	-	(24,100)	(24,100)	-	-	-	-	-	-	-	-	(24,100)	-	Revaluation Reserve
	-	-	-	-	-	-	-	-	-	-	-	-	5,947,023	
	-	-	5,945,885	-	-	-	-	-	-	1,138	-	-	5,947,023	Total Taxpayers' Equity

Re-stated Statement of Financial Position for the core Department as at 31 March 2009

UK GAAP			DfT (c) IFRS Adjusted Balances 2008-09									IFRS Adjusted		
2008-09	Note	£'000	£'000	IAS1 £'000	IFRS5 £'000	IAS38 £'000	IAS17 £'000	IAS 38 (SIC 32) £'000	IAS16 £'000	SIC 15 £'000	IAS19 £'000	2008-09 £'000	£'000	
Fixed Assets														Non Current Assets
Tangible Assets		2,080,195	-	-	-	-	-	(4,130)	-	-	-	2,076,065	-	Property Plant & Equipment
Intangible Assets		21,781	-	-	-	-	-	4,130	-	-	-	25,911	-	Intangible Assets
Investments		647,682	-	-	-	-	-	-	-	-	-	647,682	-	Financial Assets
		2,749,658		-	-	-	-	-	-	-	-			
Debtors >1year		2,980,844	-	-	-	-	-	-	-	-	-	2,980,844	-	Trade and other receivables
		-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	5,730,502	Current Assets
		-	-	-	-	-	-	-	-	-	-	-	-	
Stock		37,223	-	-	-	-	-	-	-	-	-	37,223	-	Inventories
Debtors		62,797	-	-	-	-	-	-	-	-	-	62,797	-	Trade & Other Receivables
		-	-	-	-	-	-	-	-	-	-	-	-	Financial Assets
Cash at bank and in hand		163,892	-	-	-	-	-	-	-	-	-	163,892	-	Cash & cash equivalents
		3,244,756	-	-	-	-	-	-	-	-	-	-	263,912	Total Current assets
		-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	5,994,414	Total Assets
		-	-	-	-	-	-	-	-	-	-	-	-	
Current Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	Current Liabilities
Creditors <1 year		(793,847)	-	-	-	-	-	-	-	(141)	-	(793,988)	-	Trade & Other Payables
Provisions: current element		-	-	(105,032)	-	-	-	-	-	-	-	(105,032)	-	Other Liabilities
		(793,847)	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	
Net Current Liabilities		-	2,450,909	-	-	-	-	-	-	-	-	-	(899,020)	Total Current Liabilities
		-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	
Fixed Assets less Net Current Liabilities		-	5,200,567	-	-	-	-	-	-	-	-	-	5,095,394	Non Current Assets plus / less Net Current Assets / Liabilities
		-	-	-	-	-	-	-	-	-	-		-	
		-	-	-	-	-	-	-	-	-	-	-	-	Non Current Liabilities
Creditors > 1year		-	(2,002,938)	-	-	-	-	-	-	(1,267)	-	(2,004,205)	-	
Pension Liability		-	(1,299,743)	-	-	-	-	-	-	-	-	(1,299,743)	-	
		-	-	-	-	-	-	-	-	-	-	(3,303,948)	-	Other Payables
Financial Liabilities		-	(8,333,613)	-	-	-	-	-	-	-	-	(8,333,613)	-	Financial Liabilities
		-	-	-	-	-	-	-	-	-	-	-	-	
Provisions for Liabilities & Charges		-	(428,103)	105,032	-	-	-	-	-	-	-	(323,071)	-	Provisions (refer to Note 35 for 2009-10 Prior Perior Adjustment)
		-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	(11,960,632)	Total Non Current Liabilities
		-	-	-	-	-	-	-	-	-	-		-	
Total Assets less Liabilities		-	(6,863,830)	-	-	-	-	-	-	(1,408)	-	-	(6,865,238)	Assets less liabilities
		-	-	-	-	-	-	-	-	-	-	-	-	
Taxpayers' Equity		-	-	-	-	-	-	-	-	-	-	-	-	Taxpayers' Equity
		-	-	-	-	-	-	-	-	-	-	-	-	
General Fund		6,864,196	-	-	-	-	-	-	-	1,408	-	6,865,604	-	General Fund
Revaluation Reserve		(366)	-	-	-	-	-	-	-	-	-	(366)	-	Revaluation Reserve
		-	-	-	-	-	-	-	-	-	-	-	6,865,238	
		-	6,863,830	-	-	-	-	-	-	1,408	-	-	6,865,238	Total Taxpayers' Equity

Restated operating cost statement for the core Department for 2008-09

	UK GAAP			IFRS
	2008-09	**IAS 19**	**IAS 17 (SIC 15)**	**2008-09**
	£'000	**£'000**	**£'000**	**£'000**
Administration costs				
Staff costs	94,989	-	-	94,989
Other administration costs	99,286	-	270	99,556
Operating Income	(5,442)	-	-	(5,442)
Programme Costs				
Staff costs	25,562	-	-	25,562
Programme costs	9,796,681	-	-	9,796,681
Income	(758,487)	-	-	(758,487)
EU Income	(25,799)	-	-	(25,799)
Dividend Receivable	(26,433)	-	-	(26,433)
Interest Receivable	(22,667)	-	-	(22,667)
Net Operating Cost	**9,177,690**	**-**	**270**	**9,177,960**

2.1 Prior Period Adjustments (PPA)

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut-off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

2.2 Summary of significant adjustments

	General Reserve	Revaluation Reserve
	£'000	£'000
Taxpayers' equity at 31 March 2009 under UK GAAP	**32,008,906**	**47,406,750**
Adjustments for:		
IFRS5	(8)	1
IAS16	(282,241)	(463)
SIC15	(1,408)	-
IAS19	(4,998)	-
Taxpayers' equity at 1 April 2009 under IFRS	**31,720,251**	**47,406,288**

	General Reserve	Revaluation Reserve
	£'000	£'000
Taxpayers' equity at 31 March 2008 under UK GAAP	**32,730,972**	**43,684,367**
Adjustments for:		
IFRS5	-	-
IAS16	-	(462)
SIC15	(1,138)	-
IAS19	(4,835)	-
Taxpayers' equity at 1 April 2008 under IFRS	**32,724,999**	**43,683,905**

	Net Operating Costs
	£000
For 2008-09 under UK GAAP	**14,667,643**
Adjustments for:	
IFRS5	8
IAS16	277,188
SIC15	270
IAS19	163
For 2008-09 under IFRS	**14,945,272**

A cash balance of £219,254,000 was reported by the Consolidated Department (£163,892,000 core Department) under UK GAAP at 31 March 2009. No cash equivalents were reported under UK GAAP as investments. The adoption of IFRS has no impact on the cash position reported. No reconciliation is therefore required for prior year cash flow.

2.3 Assets held for sale (IFRS 5)

In accordance with IFRS 5, it has been necessary to reduce by £7,000 the value of non-current assets whose value will be recovered through sale rather than through continuing use. This reduction has been recognised as expenditure in 2008-09, as it was during the year that senior management determined that their value should be recovered through sale.

2.4 Valuation of the road network (IAS 16)

Highways Agency has adopted a revised version of renewals accounting in accordance with guidance provided by HM Treasury in the Financial Reporting Manual as an interpretation of IAS 16. This requires that maintenance that enhances the road network should be capitalised and that depreciation should be calculated to reflect changes in condition of the road surface, using a revised survey methodology. The effect has been a net reduction in asset values of £282,704,000 and a net increase in depreciation charged of £277,188,000.

2.5 Leases (SIC 15)

SIC 15 requires that benefits provided to a lessee under an operating lease should be accrued over the life of the lease rather than the period until the next rent review. As a result, the accrued benefit has increased by £1,408,000 as at 31 March 2009, and operating lease rentals incurred during 2008-09 increased by £270,000.

2.6 Employee benefits (IAS 19)

It has been necessary to recognise an additional liability of £4,998,000 and additional expenditure of £163,000 in respect of paid leave earned but not taken, in accordance with the requirements of IAS 19.

3. Analysis of net resource outturn by section

									2009-10 £000	2008-09 £000
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total compared with Estimate	Net Total
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government spending									
A	Ports and shipping Services	-	22,496	2,353	24,849	(2,099)	22,750	20,625	2,125	41,870
B	Maritime and Coastguard Agency	-	148,309	-	148,309	(12,611)	135,698	136,367	(669)	131,306
C	Aviation services, Transport Security and Royal Travel	-	43,716	66,798	110,514	(62,721)	47,793	39,942	7,851	26,433
D	Accident Investigation Branches	-	17,113	-	17,113	(133)	16,980	18,172	(1,192)	16,379
E	Trans European network payments for transport projects (net)	-	-	2	2	-	2	3	(1)	-
F	Cleaner Fuels and Vehicles	-	17,583	9,349	26,932	(150)	26,782	28,039	(1,257)	15,956
G	Bus Service Operators Grant	-	447,101	6,149	453,250	-	453,250	461,290	(8,040)	435,877
H	Tolled River Crossings	-	26,029	-	26,029	(87,806)	(61,777)	(60,400)	(1,377)	(58,268)
I	Accessibility & Equalities	-	1,115	3,437	4,552	(12)	4,540	9,466	(4,926)	4,977
J	Support construction of venues and infrastructure related to Olympic Games	-	-	202,901	202,901	-	202,901	240,000	(37,099)	75,027
K	Commission for Integrated Transport & Transport Direct	-	11,128	55	11,183	(598)	10,585	12,705	(2,120)	11,057
L	Highways Agency	83,841	1,938,002	-	2,021,843	(55,259)	1,966,584	2,289,124	(322,540)	1,709,837
M	Railways - in year	-	818,228	3,816,078	4,634,306	(920,260)	3,714,046	3,457,769	256,277	3,595,294
N	Government Car & Despatch Agency	25,699	-	-	25,699	(23,757)	1,942	2,100	(158)	138
O	Freight grants	-	22,550	822	23,372	(945)	22,427	24,324	(1,897)	20,502
P	Transformation, Licensing, Logistics & Sponsorship	-	37,112	2,500	39,612	-	39,612	30,227	9,385	24,576
Q	Vehicle & Operator Services Agency trading fund	-	27,731	-	27,731	(7,413)	20,318	8,835	11,483	278
R	Driving Standards Agency trading fund	-	-	-	-	-	-	(1,200)	1,200	(409)
S	Vehicle Certification Agency	-	13,264	-	13,264	(14,014)	(750)	(1,100)	350	(786)

									2009-10 £000	2008-09 £000
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total compared with Estimate	Net Total
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government spending									
T	Central Administration	214,529	(8,128)	-	206,401	(22,105)	184,296	206,891	(22,595)	199,806
U	Research, statistics, publicity, consultancies & other services for roads and local transport	-	79,551	45,511	125,062	(717)	124,345	159,514	(35,169)	46,132
	Support for Local Authorities									
V	Area Based Grants	-	159	241,687	241,846	(92)	241,754	249,347	(7,593)	254,570
W	Greater London Authority transport grants (resource)	-	-	2,593,086	2,593,086	-	2,593,086	2,613,000	(19,914)	2,505,080
X	Other transport grants (resource)	-	301,912	304,197	606,109	(5,000)	601,109	638,748	(37,639)	601,478
Y	Other transport grants (capital)	-	3,656	1,108,218	1,111,874	-	1,111,874	1,191,220	(79,346)	862,847
	Spending in Annually Managed Expenditure (AME)									
	Central Government Spending									
Z	Highways Agency	-	3,639,310	-	3,639,310	-	3,639,310	3,830,782	(191,472)	3,678,862
AA	Railways and other expenditure	-	(284,558)	-	(284,558)	(124)	(284,682)	56,976	(341,658)	47,600
AA	Railways and other expenditure - Prior Period Adjustment	-	416,307	-	416,307	-	416,307	-	416,307	-
	Non-Budget									
AB	Driver and Vehicle Licensing Agency trading fund	-	667	241,785	242,452	(4,386)	238,066	240,600	(2,534)	220,895
AC	Grant in Aid funding of Non Departmental Public Bodies & Public Corporations	-	(37)	287,985	287,948	-	287,948	629,114	(341,166)	1,033
AD	Other Grants to Greater London Authority	-	-	206,500	206,500	-	206,500	206,500	-	431,000
AF	Financial Instruments	-	-	-	-	-	-	-	-	5,168,456
AG	London & Continental Railways	-	-	-	-	-	-	-	-	(185,736)
	Total	**324,069**	**7,740,316**	**9,139,413**	**17,203,798**	**(1,220,202)**	**15,983,596**	**16,738,980**	**(755,384)**	**19,882,067**

Detailed explanations of significant variances between Estimate and Net Resources Outturn are shown in the management commentary.

4. Segmental Reporting

	2009-10	2008-09
	£000	£000
Motoring and Freight Services	473,125	310,940
Cities and Regional Networks	5,483,730	4,803,566
International Networks and Environment	256,259	238,849
National Networks	9,202,431	9,381,224
Corporate Support Functions	138,926	152,624
Stand Alone Units	12,818	12,145
Prior Period Adjustment	416,307	-
Changes in Accounting Policy:		
Financial Instruments	-	5,168,455
London and Continental Railways	-	(185,736)
Net Resource Outturn	**15,983,596**	**19,882,067**

The operating segments disclosed above are business activities that are regularly reviewed by the Department's Board and senior management.

During the year performance against budget and forecast data was reviewed. For the purposes of this Note Net Resource Outturn has been split across the operating segments.

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

5.1 Reconciliation of net resource outturn to net operating cost

		2009-10			2008-09 (restated)
		£000			£000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	3	15,983,596	16,738,980	755,384	19,882,067
Prior period adjustments	35	(416,307)	-	416,307	(5,168,456)
IFRS changes					277,629
Non-supply income (CFERs)	7	(21,487)	(15,900)	5,587	(45,968)
Non-supply expenditure		-	-	-	-
Net Operating Cost		15,545,802	16,723,080	1,177,278	14,945,272

5.2 Outturn against final Administration Budget

	2009-10		2008-09
	£000	£000	£000
	Budget	Outturn	Outturn
Gross Administration Budget	305,785	324,069	308,251
Income allowable against the Administration Budget	(26,093)	(45,681)	(26,397)
Net Outturn against Administration Budget	279,692	278,388	281,854

6. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	2009-10 £000 Net Total Outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	3	16,738,980	15,983,596	755,384
Capital				
Capital Expenditure		2,012,736	1,953,625	59,111
Loans (Advances)	18	-	38,617	(38,617)
Non-Operating A in A				
Proceeds from fixed asset disposals		(26,854)	(5,061)	(21,793)
Repayment of loans (DSA and VOSA)	18	-	(14,941)	14,941
Excess Non-Operating A-in-A		-	-	-
Accruals adjustments:				
Non-cash items	12,13	(5,108,419)	(3,736,643)	(1,371,776)
Non-cash movements related to Pension Scheme	37	-	(144,900)	144,900
Changes in working capital other than cash		452,232	(237,690)	689,922
Use of provision	24	112,586	315,085	(202,499)
Non-cash movement in provisions		-	(9,125)	9,125
Increase/(decrease) in third party balances		-	(1)	1
Detrunkings		-	-	-
Prior Period Adjustment				
LCR - Prior Period Adjustment		-	(416,307)	416,307
Net Cash Requirement		14,181,261	13,726,255	455,006

7. Analysis of income payable to the Consolidated Fund

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

		Forecast 2009-10 £000		Outturn 2009-10 £000	
	Note	Income	Receipts	Income	Receipts
Operating income and receipts - Excess A in A		-	*-*	-	*-*
Other operating income and receipts not classified as A in A		15,900	*15,900*	21,487	*5,380*
		15,900	*15,900*	21,487	*5,380*
Other non-operating income and receipts not classified as A in A	10	1,974	*1,974*	1,974	*1,974*
Other amounts collectable on behalf of the Consolidated Fund		96,191	*96,191*	150,924	*150,924*
		114,065	***114,065***	**174,385**	***158,278***

8. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009-10 £'000	2008-09 £'000
Operating Income	14	1,271,062	991,279
Adjustment - Non cash profit on disposal of Fixed Assets[1]		-	3,654
Income authorised to be Appropriated in Aid	3	(1,220,202)	(923,795)
Income netted off within subhead		(28,869)	(24,602)
Interest to be paid to National Loans Fund		(504)	(568)
Operating income payable to the Consolidated Fund	**7**	**21,487**	**45,968**

[1] For 2008-09 the Profit on disposal of Fixed Assets (Non Cash) was included as part of income rather than netted off of expenditure as directed by the HM Treasury Financial Reporting Manual. The appropriate accounting treatment has been applied in 2009-10. In 2009-10, the Profit on disposal for Fixed Assets (Non Cash) was £385k.

9. Non-operating income – Excess appropriations in aid

	Note	2009-10 £000	2008-09 £000
Principal repayments of Voted loans (DSA and VOSA)	18	14,941	11,174
Proceeds on disposals of fixed assets		5,061	21,193
less Non-Operating A in A Cover in Estimate		(26,854)	(31,157)
Non-operating Income - Excess A in A		(6,852)	1,210

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

	Note	Income £000	Receipts £000
Mersey Tunnel	18	1,974	1,974
Total		**1,974**	**1,974**

11. Staff numbers and related costs

11.1 Staff costs

Staff costs comprise:

	2009-10					2008-09
	£'000					£'000
	Total	Permanent Staff	Other Staff	Ministers	Special Advisers	Total (restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	261,074	241,716	19,010	216	132	235,473
Social security costs	21,391	21,355	0	23	13	19,632
Other pension costs	46,224	46,193	0	0	31	45,347
Total Net Costs *	**328,689**	**309,264**	**19,010**	**239**	**176**	**300,452**
of which:						
Core Department	136,536	126,160	9,961	239	176	120,551

* Of the total, £17,602K has been charged to capital

Of the Consolidated Staff Costs total, £179,090k is classified as Administration cost and £149,599k is classified as Programme. The equivalent split for the core Department is £108,337k Administration and £28,199k Programme.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £45,997,996 were payable to the PCSPS (2008-09: £45,075,979) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%.The contribution rates are set to meet the cost of the benefits accruing during 2009-10 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 £205,584 (2008-09: £265,922) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2008-09: 3.0 to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £15,109, 0.8% (2008-09: £13,855, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £5,019 (2008-09: £0). Contributions prepaid at that date were £0 (2008-09: £0).

3 persons (2008-09: 10 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £6,543 (2008-09: £14,219).

11.2 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 Core Department as well as in Agencies and other bodies included within the consolidated Departmental resource account:

	2009-10 Number					2008-09 Number (restated)
	Total	Permanent Staff	Other Staff	Ministers	Special Advisers	Total
Objective						
1	2,952.55	2,732.38	218.98	0.80	0.40	2,787.76
2	428.25	382.64	44.39	0.80	0.40	504.77
3	3,586.41	3,404.71	180.50	0.80	0.40	3,229.41
4	619.80	577.03	41.57	0.80	0.40	390.84
5	103.33	95.78	6.35	0.80	0.40	48.91
Total	**7,690.34**	**7,192.54**	**491.79**	**4.00**	**2.00**	**6,961.69**
Of which:						
Core Department	2,563.32	2,257.53	299.79	4.00	2.00	1,871.69

12. Other Administration Costs

	Note	2009-10 Core Department	2009-10 Consolidated	2008-09 Core Department (restated)	2008-09 Consolidated (restated)
		£000	£000	£000	£000
Rentals under Operating Leases		14,169	19,358	17,551	25,281
Research and Development expenditure		550	595	375	405
Communication & Information Technology		12,066	14,406	10,638	12,752
Consultancy and Professional Services		45,906	48,000	38,064	39,794
Accommodation		11,223	18,288	6,532	14,922
Support Services		2,761	2,761	8,570	8,570
Travel and Subsistence		2,766	5,694	3,104	6,779
Vehicle Costs and Services		360	5,530	558	4,874
Other costs		7,809	13,922	10,162	16,081
Subtotal - Cash items		**97,610**	**128,554**	**95,554**	**129,458**
Non-cash items:					
Depreciation	16	3,542	5,428	3,355	6,612
Amortisation	17	342	1,708	377	1,181
Impairment of Assets	19	1,723	1,723	-	32
Downward revaluation of assets		-	115	-	-
(Profit)/Loss on disposal of assets (Net)		-	(33)	132	1,124
Cost of Capital Credit		(701)	(627)	(988)	(520)
Auditors' remuneration and expenses		375	855	365	851
Provisions provided for in year		2,616	6,778	792	5,553
Provision for bad/doubtful debt		-	16	(31)	32
Subtotal - Non-cash items		**7,897**	**15,963**	**4,002**	**14,865**
Operating Cost Statement		**105,507**	**144,517**	**99,556**	**144,323**

13. Programme Costs

	Note	2009-10 Core Department £'000	2009-10 Consolidated £'000	2008-09 Core Department (restated) £'000	2008-09 Consolidated (restated) £'000
Rentals under Operating Leases		1,101	1,429	812	1,068
Interest Charges		448,557	448,573	24,268	24,784
PFI service charges		-	78,822	-	72,127
Research and Development expenditure		40,146	50,115	29,571	40,920
Capital Grants		5,490,172	5,490,172	5,606,138	5,606,138
Current Grants		3,071,708	3,071,708	3,066,406	3,066,406
Grant in Aid		530,195	530,195	241,901	241,901
EU Capital Grants		28,870	28,870	24,603	24,603
Subsidies		518,049	518,049	477,893	477,893
Support for Passenger Rail Services		938,144	938,144	330,672	330,672
Road Network Current Maintenance		-	712,788	-	680,398
PFI Contract Shadow Tolls		-	241,613	-	180,646
Eurocontrol Payments		58,143	58,143	47,919	47,919
SAR Helicopters		-	27,184	-	25,135
Emergency Towing Vessls		-	11,020	-	11,037
Disbursements					
- Civil Hydrography		-	6,260	-	5,883
- Weather bulletins & navigational warnings		-	5,390	-	5,197
Communication & Information Technology		10,166	41,418	9,622	43,336
Consultancy and Professional Services		85,173	88,751	64,522	67,026
Accommodation		1,855	12,059	1,887	12,567
Publicity		25,387	25,387	30,269	30,269
Support Services		36,765	36,765	25,348	25,348
Travel and Subsistence		2,318	7,088	2,409	7,172
Other costs		131,815	193,035	25,019	76,522
Sub-total - Cash items		**11,418,564**	**12,622,978**	**10,009,259**	**11,104,967**
Non cash items					
Depreciation	16	6,930	830,734	3,052	934,598
Amortisation	17	418	8,241	2,598	12,472
Impairment of Assets	19	17,953	59,011	23,476	34,966
Downward revaluation of assets		-	474	-	2,780
Write down in value of assets		-	599,674	-	681,533
Loss on disposal of assets (Net)		-	3,641	-	429
Cost of Capital Charges		(221,860)	2,775,403	(255,063)	2,699,053
Provisions provided/released for in year		(226,591)	(292,611)	13,244	19,211
Unwinding of discount	24	6,616	6,647	-	-
Financial Guarantee released/charged in year	18	(318,073)	(318,073)	(242,854)	(242,854)
Unwinding of discount - Financial Guarantees	18	42,438	42,438	242,966	242,966
Provision for bad/doubtful debt		-	5,101	3	1,655
Sub-total Non cash items		**(692,169)**	**3,720,680**	**(212,578)**	**4,386,809**
Total - Operating Cost Statement		**10,726,395**	**16,343,658**	**9,796,681**	**15,491,776**

14. Income

14.1 Income

	Note	2009-10 Core Department £000	2009-10 Consolidated £000	2008-09 Core Department £000	2008-09 Consolidated £000
Rental Income		318	4,379	1,804	6,301
Fees & Charges to OGD		16,509	42,525	10,676	37,074
Fees & Charges to external customers		176,237	229,484	93,387	168,743
Eurocontrol Receipts		61,672	61,672	51,226	51,226
Dartford road user charges		72,972	72,972	69,360	69,360
Claims for Damages to Road Network		-	15,204	-	16,715
Income from TOCs		588,234	588,234	415,946	415,946
Other		172,673	182,493	121,530	134,257
Operating Income	14.2	1,088,615	1,196,963	763,929	899,622
EU Income		28,868	30,571	25,799	27,959
Dividends receivable		4,638	4,638	26,433	26,433
Interest receivable		22,751	38,890	22,667	37,265
Operating Cost Statement		**1,144,872**	**1,271,062**	**838,828**	**991,279**

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

		Note	2009-10 Core Department £000	2009-10 Consolidated £000	2008-09 Core Department £000	2008-09 Consolidated £000
Operating Income:						
	Administration		20,375	45,812	5,442	29,106
	Programme		1,068,240	1,151,151	758,487	870,516
Operating Income		14.1	**1,088,615**	**1,196,963**	**763,929**	**899,622**

14.3 Fees and Charges information

	2009-10 Income £000	2009-10 Full Cost £000	2009-10 Surplus/ (deficit) £000	2008-09 Income £000	2008-09 Full Cost £000	2008-09 Surplus/ (deficit) £000
Government Car and Despatch Agency						
Government car service	14,609	17,047	(2,438)	15,578	15,470	108
Government mail service	7,177	8,388	(1,211)	5,682	5,789	(107)
Highways Agency						
Road damage claims	15,204	16,004	(800)	16,715	17,594	(879)
Road contract income (s278 schemes)	20,374	20,374	-	21,188	21,188	-
Rental income	4,074	5,158	(1,084)	4,497	3,796	701
Maritime and Coastguard Agency						
Marine survey	5,513	6,079	(566)	5,193	3,241	1,952
Registration of ships	1,008	1,133	(125)	1,162	939	223
Seafarers' examination and certification	2,203	1,895	308	2,453	2,005	448
Wider market initiatives and EU twinning projects	1,380	1,067	313	1,528	973	555
Vehicle Certification Agency						
Product certification	6,563	6,001	562	6,831	4,645	2,186
Management system certification	1,315	1,872	(557)	1,316	1,645	(329)
	79,420	**85,018**	**(5,598)**	**82,143**	**77,285**	**4,858**

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

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

15. Statement of Net Operating Cost by Spending Body

	2009-10 Outturn £000	2008-09 Outturn £000
Spending body:		
Core Department	4,522,911	4,288,254
Non-Departmental Public Bodies	526,014	221,929
Local Authorities	4,754,322	4,654,973
Other bodies	20,319	(132)
Government Car Despatch Agency	1,942	138
Highways Agency	5,586,354	5,650,717
MCA	134,690	130,167
VCA	(750)	(774)
Total	15,545,802	14,945,272

16. Property, plant and equipment

	Infrastructure Assets	Assets under Construction	Land	Buildings excluding Dwellings	Dwellings	Plant and Machinery	Furniture and Fittings	Transport Equipment	Information Technology	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
Balance at 1 April 2009	101,490,315	320,611	2,140,296	200,641	40,804	136,563	2,926	5,913	115,052	104,453,121
Prior year balance adjustment	(498,265)	(4,293)	-	(16)	-	(47)	3	-	276	(502,342)
Additions	732,963	1,188,836	37	900	-	27,094	17	681	587	1,951,115
Valuation Adjustment	(732,963)	-	-	-	-	-	-	-	-	(732,963)
Write down of capital additions	-	(599,695)	-	-	-	-	-	-	-	(599,695)
Disposals	-	-	(1,921)	(265)	-	(1,249)	-	(733)	(767)	(4,935)
Impairment	(90,582)	-	(361)	-	(422)	(148)	-	-	(1,723)	(93,236)
Transfers	171,965	(179,929)	35	357	-	1,831	-	-	5,741	-
Reclassifications	-	(404)	-	1,037	(3,225)	(13,847)	(18)	-	(718)	(17,175)
Revaluation	(261,636)	-	11,340	9,872	1,335	55	27	1	9,002	(230,004)
CTRL land Impairment	-	-	(1,996,395)	-	-	-	-	-	-	(1,996,395)
Balance at 31 March 2010	100,811,797	725,126	153,031	212,526	38,492	150,252	2,955	5,862	127,450	102,227,491
Depreciation										
Balance at 1 April 2009	14,072,216	-	-	45,651	-	90,761	1,713	3,554	83,754	14,297,649
Prior year balance adjustment	(92,238)	-	-	-	-	(44)	4	2	-	(92,276)
Valuation Adjustment	(732,963)	-	-	-	-	-	-	-	-	(732,963)
Impairments	(50,484)	-	-	-	-	-	-	-	-	(50,484)
Provided in year	798,861	-	-	7,229	-	7,661	262	634	21,515	836,162
Disposals	-	-	-	(156)	-	(1,141)	-	(581)	(673)	(2,551)
Transfers	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	(16)	-	(13,674)	(11)	-	(219)	(13,920)
Revaluation	(100,072)	-	-	4,654	-	(1,126)	17	(407)	5,378	(91,556)
Balance at 31 March 2010	13,895,320	-	-	57,362	-	82,437	1,985	3,202	109,755	14,150,061
NBV as at 1 April 2010	**86,916,477**	**725,126**	**153,031**	**155,164**	**38,492**	**67,815**	**970**	**2,660**	**17,695**	**88,077,430**
NBV as at 31 March 2009	**87,418,099**	**320,611**	**2,140,296**	**154,990**	**40,804**	**45,802**	**1,213**	**2,359**	**31,298**	**90,155,472**
Asset financing:										
Freehold	84,695,784	591,775	153,031	153,481	38,492	67,815	970	2,660	14,608	85,718,616
Short term lease	-	-	-	-	-	-	-	-	750	750
PFI contracts recognised in the Statement of Financial Position	2,220,693	-	-	1,683	-	-	-	-	2,337	2,224,713
PFI reversionary interest	-	133,351	-	-	-	-	-	-	-	133,351
NBV at 31 March 2010	**86,916,477**	**725,126**	**153,031**	**155,164**	**38,492**	**67,815**	**970**	**2,660**	**17,695**	**88,077,430**

	Infrastructure Assets (restated)	Assets under Construction	Land	Buildings excluding Dwellings (restated)	Dwellings (restated)	Plant and Machinery (restated)	Furniture and Fittings	Transport Equipment (restated)	Information Technology (restated)	Total (restated)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
Balance at 1 April 2008	96,681,252	557,758	2,110,170	212,062	31,403	131,355	2,494	5,701	117,267	99,849,462
Detrunkings	(1,115,590)	-	-	-	-	-	-	-	-	(1,115,590)
Restated balance at 1 April 2008	95,565,662	557,758	2,110,170	212,062	31,403	131,355	2,494	5,701	117,267	98,733,872
Prior year balance adjustment	(338,839)	18,746	(650)	16	131	(3,440)	18	(594)	(464)	(325,076)
Additions	351,393	1,155,049	121	2,689	680	2,586	531	1,315	8,740	1,523,104
Write down of capital additions	(385,935)	(681,533)	-	-	-	-	-	-	-	(1,067,468)
Disposals	-	-	(18)	(284)	-	(753)	-	(615)	(4,122)	(5,792)
Impairment	-	-	(3,863)	(27,777)	(3,000)	(7)	-	(5)	(332)	(34,984)
Transfers	616,764	(646,571)	2,033	489	1,501	4,389	-	-	(453)	(21,848)
Reclassifications	34,542	(82,838)	(5,871)	48,089	9,237	184	(173)	4	(5,203)	(2,029)
Revaluation	5,646,728	-	(22,726)	(34,643)	852	2,249	56	107	(381)	5,592,242
CTRL land revaluation	-	-	61,100	-	-	-	-	-	-	61,100
Balance at 31 March 2009	101,490,315	320,611	2,140,296	200,641	40,804	136,563	2,926	5,913	115,052	104,453,121
Depreciation										
Balance at 1 April 2008	12,080,415	-	1,269	38,212	-	93,900	1,341	3,450	77,277	12,295,864
Detrunkings	(110,536)	-	-	-	-	-	-	-	-	(110,536)
Restated balance at 1 April 2008	11,969,879	-	1,269	38,212	-	93,900	1,341	3,450	77,277	12,185,328
Prior year balance adjustment	(483,422)	-	(1,269)	16	-	(3,513)	10	(574)	(325)	(489,077)
Provided in year	908,377	-	-	8,636	-	6,549	331	1,082	16,235	941,210
Disposals	-	-	-	(59)	-	(720)	-	(405)	(4,016)	(5,200)
Transfers	-	-	-	-	-	(6,440)	-	-	-	(6,440)
Reclassifications	-	-	-	(17)	-	-	-	-	(4,737)	(4,754)
Revaluation	1,677,382	-	-	(1,137)	-	985	31	1	(680)	1,676,582
Balance at 31 March 2009	14,072,216	-	-	45,651	-	90,761	1,713	3,554	83,754	14,297,649
NBV as ar 31st March 2009	**87,418,099**	**320,611**	**2,140,296**	**154,990**	**40,804**	**45,802**	**1,213**	**2,359**	**31,298**	**90,155,472**
NBV at 1 April 2008	**83,595,783**	**557,758**	**2,108,901**	**173,850**	**31,403**	**37,455**	**1,153**	**2,251**	**39,990**	**86,548,544**

	Infrastructure Assets (restated)	Assets under Construction	Land	Buildings excluding Dwellings (restated)	Dwellings (restated)	Plant and Machinery (restated)	Furniture and Fittings	Transport Equipment (restated)	Information Technology (restated)	Total (restated)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Asset financing:										
Freehold	85,334,774	182,972	2,140,296	153,295	40,804	45,802	1,213	2,359	19,579	87,921,094
Short term lease	-	-	-	-	-	-	-	-	-	-
PFI contracts recognised in the Statement of Financial Position	2,083,325	-	-	1,695	-	-	-	-	11,719	2,096,739
PFI reversionary interest	-	137,639	-	-	-	-	-	-	-	137,639
NBV at 31 March 2009	**87,418,099**	**320,611**	**2,140,296**	**154,990**	**40,804**	**45,802**	**1,213**	**2,359**	**31,298**	**90,155,472**
Asset financing:										
Freehold	81,597,671	438,865	2,108,901	171,636	31,403	31,071	1,153	2,251	17,981	84,400,932
Short term lease	-	-	-	-	-	6,384	-	-	-	6,384
PFI contracts recognised in the Statement of Financial Position	1,998,112	-	-	2,214	-	-	-	-	22,009	2,022,335
PFI reversionary interest	-	118,893	-	-	-	-	-	-	-	118,893
NBV at 1 April 2008	**83,595,783**	**557,758**	**2,108,901**	**173,850**	**31,403**	**37,455**	**1,153**	**2,251**	**39,990**	**86,548,544**

16.1 Analysis of Property, Plant and Equipment

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

	Infrastructure Assets	Assets under Construction	Land	Buildings excluding Dwellings	Dwellings	Plant and Machinery	Furniture and Fittings	Transport Equipment	Information Technology	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
as at 31 March 2010										
Core Department	-	6,251	10,340	45,732	-	11,719	901	3	7,189	82,135
Agencies	86,916,477	718,875	142,691	109,432	38,492	56,096	69	2,657	10,506	87,995,295
as at 31 March 2009										
Core Department	-	6,682	2,005,746	45,631	-	7,757	1,134	16	9,099	2,076,065
Agencies	87,418,099	313,929	134,550	109,359	40,804	38,045	79	2,343	22,199	88,079,407
as at 1 April 2008										
Core Department	-	51,701	1,944,352	45,356	-	6,592	1,065	22	6,689	2,055,777
Agencies	83,595,783	506,057	164,549	128,494	31,403	30,863	88	2,229	33,301	84,492,767

16.2 Assets Held for Sale

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

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

	£000
Cost or valuation	
At 1 April 2007	-
Transfers In	34,504
Transfers Out	-
Disposals	-
Impairment	-
At 31 March 2008	34,504

16.3 Infrastructure Assets

Infrastructure Assets as at 1 April 2009 have been restated:

- The opening position of Infrastructure Assets as at 1 April 2009 was restated to show amendments to the Highway's Agency Network asset databases. These amendments are not correction of fundamental errors but adjustments to records for operational reasons. These amendments are as follows:
  - Dimensional variances – an adjustment of (£384,149,482) was made to reflect better information on the dimensions of individual bridges and other structures.
  - Re-referencing variance – an adjustment of (£21,877,131) was made to reflect changes arising from a number of schemes capitalised in prior year.
- In previous years the Highways Agency has completed a programme of detrunking trunk road network assets and transferring them to local authorities. This policy, as outlined in the 1998 White Paper, is now complete. There were no detrunked routes in 2009-10.

16.4 Valuation Adjustments

Derecognised costs - the adjustment of £732,962,847 in the gross valuation of the Road Network is the value of materials replaced by in-year capital renewal expenditure and is derecognised from the books of account.

Write-down - the adjustment of £599,695,163 is made to reflect the difference between actual costs incurred and current replacement cost (CRC) for network assets that will be capitalised. The Department accounts for the difference between the actual build cost of a scheme and its CRC as follows:

- The difference between actual build cost and CRC is treated as write-down when the scheme is capitalised.

- However, due to the difference between actual build cost and CRC during the year, the Department reviews all assets under construction additions and make adjustment on a yearly basis. This adjustment, which is recognised as a write-down or impairment ('impair as you go'), is made as the asset is constructed.

16.5 Assets under Construction

The Assets under Construction balance at 1 April 2009 has been adjusted to include £4,287,826 of reversionary interest for the M6 toll road.

17. Intangible assets

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

	Software licences (restated)	Development costs (restated)	Total (restated)
	£000	£000	£000
Cost or valuation			
At 1 April 2008	26,626	103,202	129,828
Additions	378	1,220	1,598
Transfers	87	15,743	15,830
Disposals	(1,109)	(48)	(1,157)
Reclassification	-	(47,255)	(47,255)
Revaluation	(798)	(123)	(921)
At 31 March 2009	**25,184**	**72,739**	**97,923**
Amortisation			
At 1 April 2008	8,869	66,886	75,755
Charged in year	5,273	8,380	13,653
Disposals	(1,085)	(46)	(1,131)
Reclassification	-	(44,698)	(44,698)
Revaluation	(623)	(118)	(741)
At 31 March 2009	**12,434**	**30,404**	**42,838**
Net book value:			
31 March 2009 - Statement of Financial Position	12,750	42,335	55,085
1 April 2008 - Statement of Financial Position	17,757	36,316	54,073

17.1 Analysis of intangible assets

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

	Total £000	Software licenses £000	Development costs £000
as at 31 March 2010			
Core Department	7,619	7,619	-
Agencies	22,571	4,937	17,634
as at 31 March 2009			
Core Department	25,911	7,958	17,953
Agencies	29,174	4,792	24,382
as at 1 April 2008			
Core Department	29,964	12,011	17,953
Agencies	24,109	5,746	18,363

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

18. Financial Instruments

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

Due to the largely non-trading nature of its activities and the way in which government departments are financed, the Department is not exposed to the degree of financial risk faced by many business entities.

Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The Department has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

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

For those customers and counter parties that are not public sector organisations, the Department has policies and procedures in place to ensure Credit Risk is kept to a minimum.

The 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 is a central government organisation therefore this risk is negligible.

Short-term liquidity is managed by the draw-down of funds from the Office of the Paymaster General.

Market risk

Some of the Department's rights and obligations under its financial instruments are linked to movements in the Retail Prices Index (RPI). These are the Domestic Capacity Charge provision, payable to London and Continental Railways, and the Financial Indemnity Memorandum (and related fee) in respect of Network Rail.

Under central government funding regimes, increases in a liability due to an increase in RPI score as expenditure, and this expenditure needs to be funded through the Estimates process. The Department manages this risk by recalculating these liabilities at prevailing RPI rates before each Estimate and by making prudent forecasts about expected changes in RPI for the remainder of that year.

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.

Fair Values

For PFI obligations not carried at fair value, there is no active market for them, and it is not possible to make a reliable estimate of fair value. The Department has no intention of disposing of these obligations. Accordingly, it has not disclosed a fair value for these obligations.

18.1 Financial Assets

Public Dividend Capital

	Vehicle and Operator Services Agency	Driver and Vehicle Licensing Agency	Driving Standards Agency	Total
	£000	£000	£000	£000
Balance at 1 April 2008	28,984	19,048	3,475	51,507
Balance at 31 March 2009	28,984	19,048	3,475	51,507
Balance at 31 March 2010	**28,984**	**19,048**	**3,475**	**51,507**

Loans

	Vehicle and Operator Services Agency	Driving Standards Agency	Humber Bridge Board	Mersey Tunnel	Other	Total
	£000	£000	£000	£000		£000
Balance at 1 April 2008	89,392	64,376	332,822	9,972	-	496,562
Advances	20,000	17,000	-	-	-	37,000
Repayments	(6,678)	(4,496)	(200)	(1,811)	-	(13,185)
Balance at 31 March 2009	102,714	76,880	332,622	8,161	-	520,377
						-
Advances	28,717	6,300	-	-	3,600	38,617
Repayments	(8,839)	(6,102)	-	(1,974)		(16,915)
						-
Balance at 31 March 2010	**122,592**	**77,078**	**332,622**	**6,187**	**3,600**	**542,079**

	National Air Traffic Holdings Ltd	Total
	£000	£000
Share Investments		
Balance at 1 April 2008	68,761	68,761
Disposals	-	-
Balance at 31 March 2009	68,761	68,761
Disposals	-	-
Balance at 31 March 2010	**68,761**	**68,761**

	Civil Aviation Authority	Kings Lynn Harbour Conservancy	Total
	£000	£000	£000
National Loans Fund			
Balance at 1 April 2008	8,027	44	8,071
Loans repayable within one year transferred to debtors	(1,030)	(4)	(1,034)
Balance at 31 March 2009	6,997	40	7,037
Advances	6,000	-	6,000
Loans repayable within one year transferred to receivables	(1,580)	(5)	(1,585)
Balance at 31 March 2010	**11,417**	**35**	**11,452**

	£000
Total Investments at 1 April 2008 - Statement of Financial Position	624,901
Total Investments at 31 March 2009 - Statement of Financial Position	647,682
Total Investments at 31 March 2010 - Statement of Financial Position	673,799

18.2 Investments in other public sector bodies

The Secretary of State holds the following shares:

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

- One redeemable special share of £1 in Eurostar International Ltd (formerly Eurostar (UK) Limited (EUKL)). The special share provides the Secretary of State with certain consent rights in respect of Eurostar International Ltd, including amendments to its Memorandum and Articles of Association which affect such rights, resolutions for the winding up of EUKL, the carrying on of any business other than the management and operation of international passenger train services through the Channel Tunnel, and the entry into any agreements by Eurostar International Ltd, which would or might breach the ring fencing obligations in respect of Eurostar International Ltd.

- 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 36).

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

18.3 Share investments that have not been consolidated

The following share investments have not been consolidated into the Department's Resource Accounts because they are outside the Department's consolidation boundary (see Note 34). These investments have been shown at historic cost less any impairment:

- 49% of the £1 ordinary share capital in National Air Traffic Services Holdings Limited (NATS). 47% of the £0.80 ordinary share capital is also held. NATS reported Capital and Reserves of £363.3 million as at 31 March 2009 and Operating Profit of £176.8 million for the period ending 31 March 2009;

- 100% of the issued share capital in SRA Investment Company Limited (SICL), which was purchased at its nominal value of £100. At the beginning of the year SICL acted as a holding company for the Secretary of State's 50% shareholding (nominal value £1) in Cross London Rail Links Limited (CLRL) with the remaining 50% shareholding being held by Transport Trading Limited, a subsidiary of Transport for London. In December 2008 the Secretary of State transferred his shareholding from SICL to TFL. SICL was dissolved in April 2009.

- one share in British Railways Board (Residuary) Limited (nominal value £1). This represents 100% of the share capital. BRBR reported Capital and Reserves of £178.3m as at 31st March 2009 and Operating Profit of £91.1m for the period ending 31st March 2009 ; and

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

- Westminster Rail Limited.

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

- The Secretary of State for Transport provided debt finance for the construction of the Humber Bridge, which is owned and managed by the Humber Bridge Board (a joint local authority board). The bridge was completed in 1981. In 1998, the Department agreed to a restructuring of the loan arrangement with the Board so that, under the Humber Bridge (Debts) Order 1998, interest on £240 million of the £359 million principal due was suspended on 1 April 1998; thereafter, the proportion of the debt being charged with interest increased each year until the whole principal again became subject to the interest charge, which would happen on 1 April 2014. At 31 March 2006, the amount of suspended debt was £153 million out of a total of £333 million.

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

18.4 Other investments – Wholly-owned subsidiaries

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

18.4.1 Directly owned

LCR Ltd – Group Accounts consolidating the activities of the London and Continental Railways Group	
Function	Parent of HS1, EUKL; participator in property investments
Status	Central Government (not NDPB)
Year end date	31 December
2009 Pre-tax loss	(£1,348,600,000)[1] group
2009 Net assets	£981,200,000[2] group
2008 Pre-tax loss	(£286,800,000) group
2008 Net Liabilities	(£3,094,600,000) group
Notes: 1 LCR Ltd group loss largely attributable to £2.9bn charge of impairment of rail infrastructure asset, offset by accelerated amortization of £1.8bn government grant. 2 Reduction in net liabilities in LCR Ltd due to removal of £3.8bn liabilities to other group entities following the Department's acquisition of LCR Finance plc and CTRL Section 1 Finance plc during June 2009, offset by reduction of £1bn in amounts receivable from other group entities	

LCR Finance plc	
Function	Issuer of government guaranteed bonds • £1bn 4.75% due 2010; • £1.225bn 4.5% due 2028; • £0.425bn 4.5% due 2038; and • £1.1bn 5.1% due 2051 Repayments of interest and capital are being financed by the Department; this obligation is recognised as a payable in Note 23. LCR Finance plc recognises a balance receivable from the Department (formerly

	from LCR Ltd) and interest receivable from the same source, which exactly offset its liabilities and interest payable to the bondholders
Status	NDPB
Year end date	31 December
2009 Pre-tax profit/(loss)	nil
2009 Net assets	£50,000
2008 Pre-tax loss/(loss)	nil
2008 Net assets	£50,000

Name: CTRL Section 1 Finance plc

Function:
Issuer of asset-backed notes:
- £748 million 5.234%fixed rate notes due 2035; and
- £500 million 2.334% index-linked notes due 2051.
Repayments of interest and capital are being financed by the Department; this obligation is recognised as a payable in Note 23. CTRL Section 1 Finance plc recognises a balance receivable from the Department (formerly from HS1 Ltd), and interest receivable from the same source, which largely offset its liabilities and interest payable to the noteholders. The values of interest payable and receivable, and therefore of balances payable and receivable, will fluctuate in line with movements in the Retail Price Index, affecting the index-linked notes.

Status: NDPB

Year end date: 31 December

2009 Pre-tax loss: (£578,000)

2009 Net assets: £4,806,000

2008 Pre-tax profit: £2,848,000

2008 Net assets: £5,384,000

Directly Operated Railways Ltd	
Function	Directly Operated Railways Ltd fulfils the Secretary of State's requirements under Section 30 of the Railways Act to secure the continued provision of passenger railway services should an existing franchise not be able to complete its full term. Directly Operated Railways Ltd has East Coast Main Line Company Limited (East Coast) as a subsidiary.
Status	Central Government (not NDPB)
Year end date	31 March 2010
2009 Pre-tax loss	Yet to be released
2008 Net assets	Yet to be released

18.4.2 Indirectly owned

HS1 Ltd	
Function	Operator of High Speed Rail link between London and the Channel.

Status	Public Corporation, company limited by shares and wholly owned by LCR Ltd. The figures stated below are taken from the HS1 accounts as they appear in the LCR Ltd Group Report and Accounts at 31 December 2009.
Year end date	31 December
2009 Pre-tax loss	(£2,419,900,000)[1]
2009 Net liabilities	(£945,700,000)
2008 Pre-tax profit	£35,800,000
2008 Net assets	£60,600,000

Notes:
1 HS1 Ltd loss largely attributable to £3.6bn impairment of rail infrastructure asset, offset by accelerated amortisation of £1bn government grant.

Eurostar International Limited (formerly Eurostar (UK) Limited)	
Function	The UK participant in the unincorporated Eurostar business.
Status	Public Corporation, company limited by shares and wholly owned by LCR Ltd. EIL produces Group accounts and the figures stated below are taken from the EIL Group accounts as they appear in the LCR Ltd Group Report and Accounts at 31 December 2009.
Year end date	31 December
2009 Pre-tax profit	£63,500,000 (group)
2009 Net liabilities	(£1,589,000,000) (group)
2008 Pre-tax loss	(£146,500,000) (group)
2008 Net liabilities	(£1,877,100,000) (group)

18.5 Other investments – Associates and Joint Ventures

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

18.5.1 Directly owned

NATS Holdings Limited	
Function	Providing air traffic control services
Status	Private sector company limited by shares. Shares held by the Department (49%), the Airline Group (42%), BAA (4%) and the Employees' Share Ownership Scheme (5%)
Year end date	31 March
2009 Pre-tax profit	£135,500,000
2009 Net assets	£363,300,000[1]
2008 Pre-tax profit	£66,700,000

2008 Net assets	£666,000,000
Notes: 1 Reduction in net assets due largely to actuarial loss on defined benefit pension scheme of £355.1m, recognised directly in equity.	

18.5.2 Indirectly owned

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

18.6 Financial Liabilities

18.6.1 Financial Guarantee Contracts

	London & Continental Railways	Network Rail[1]	Other Financial Guarantees	Total
	£000	£000	£000	£000
Balance at 1 April 2008	(5,351,087)	(2,927,080)	(3,371)	(8,281,538)
Prior period adjustments				
Charged in year	-	-	-	-
Released	241,387	91,667	1,467	334,521
Unwinding of the discount	(242,966)	(143,630)	-	(386,596)
Balance at 31 March 2009	**(5,352,666)**	**(2,979,043)**	**(1,904)**	**(8,333,613)**
Charged in year	(39,741)	(60,616)	-	(100,357)
Released	356,050	173,500	1,764	531,314
Unwinding of the discount	(42,438)	(152,302)	-	(194,740)
Transfer to payables	5,041,477	-	-	5,041,477
Balance at 31 March 2010	**(37,318)**	**(3,018,461)**	**(140)**	**(3,055,919)**

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

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

In June 2009 the Department acquired the entire share capital of LCR Finance plc and CTRL Section 1 Finance plc from the previous owner, LCR Limited. It assumed responsibility for providing these companies with funding to meet their liabilities to the holders of the financial instruments as they fall due.

19. Impairments

	2009-10 Core Department £'000	2009-10 Consolidated £'000
Impairments through the Operating Cost Statement	19,676	60,734
Impairments through the revaluation reserve	-	275
	19,676	61,009

This impairment primarily reflects an initial write-down to Depreciated Replacement Cost of assets previously recognised at cost and a reduction in the value of land due to a decline in local property markets.

20. Inventories

Core Department	**31-Mar-10**	**31-Mar-09**	**01-Apr-08**
	£000	**£000**	**£000**
Non Current:			
Stocks	-	-	-
Work-in-progress	-	-	-
Sub-total	**-**	**-**	**-**
Current:			
Stocks	55,030	37,223	-
Work-in-progress	-	-	-
Sub-total	**55,030**	**37,223**	**-**
Statement of Financial Position	**55,030**	**37,223**	**-**

Consolidated Department	**31-Mar-10**	**31-Mar-09**	**01-Apr-08**
	£000	**£000**	**£000**
Non Current:			
Stocks	2,568	-	-
Work-in-progress	-	-	-
Sub-total	**2,568**	**-**	**-**
Current:			
Stocks	145,838	67,869	23,996
Work-in-progress	284	234	33
Sub-total	**146,122**	**68,103**	**24,029**
Statement of Financial Position	**148,690**	**68,103**	**24,029**

The Department has acquired certain properties for transfer to Transport for London, to enable construction of Crossrail.

21. Trade receivables and other current receivables

21.1 Analysis by type

	31-Mar-10		31-Mar-09		01-Apr-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:						
Trade Receivables	24,360	38,538	6,305	20,505	4,508	16,623
Deposits and Advances	744	10,164	764	8,461	597	9,110
VAT	2,558	113,472	9,209	89,145	6,881	92,111
Other receivables	666	11,393	2,853	13,847	9,000	11,292
Financial Indemnity Mechanism receivable	22,260	22,260	-	-	-	-
Prepayments and accrued income	78,082	89,104	42,632	52,964	66,455	74,719
Current part of NLF loan	1,585	1,585	1,034	1,034	1,052	1,052
Amounts due in respect of Consolidated Fund Extra Receipts	-	74	-	-	-	456
Total	130,255	286,590	62,797	185,956	88,493	205,363
Amounts falling due after more than one year:						
Deposits and advances	-	58	-	67	-	71
Other receivables	1,800	241,739	1,800	237,819	3,500	196,831
Financial Indemnity Mechanism receivable	2,996,201	2,996,201	2,979,044	2,979,044	2,927,080	2,927,080
Prepayments and accrued income	-	46,096	-	38,063	-	30,499
Total	2,998,001	3,284,094	2,980,844	3,254,993	2,930,580	3,154,481

21.2 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31-Mar-10	31-Mar-09	01-Apr-08	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000	£000	£000	£000
Balances with:						
Other central government bodies	122,752	94,878	107,258	1,800	1,800	3,500
Local authorities	3,920	1,659	1,894	-	-	-
NHS trusts	77	81	807	-	-	-
Public corporations and trading funds	12,186	203	3,073	-	-	-
Total intra-government balances	138,935	96,821	113,032	1,800	1,800	3,500
Bodies external to government	147,655	89,135	92,331	3,282,294	3,253,193	3,150,981
Total	**286,590**	**185,956**	**205,363**	**3,284,094**	**3,254,993**	**3,154,481**

22. Cash and cash equivalents

The Department held only cash at the year end.

	Core Department	Consolidated
	£000	**£000**
Balance at 1 April 2008	155,702	101,932
Net change in cash	8,190	117,322
Balance at 31 March 2009	163,892	219,254
Net change in cash	68,369	49,195
Balance at 31 March 2010	**232,261**	**268,449**

	31-Mar-10		31-Mar-09		01-Apr-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
The following balances were held at:						
Office of HM Paymaster General	232,120	265,243	163,756	216,851	155,561	99,815
Commercial banks and cash in hand	141	3,206	136	2,403	141	2,117
Total	**232,261**	**268,449**	**163,892**	**219,254**	**155,702**	**101,932**

23. Trade payables and other current payables

23.1 Analysis by type

	31-Mar-10		31-Mar-09		01-Apr-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:						
VAT	-	669	-	653	-	566
Other taxation and social security	1	3,252	2,455	2,816	2,490	2,775
Trade payables	35,994	42,108	46,418	131,588	174	22,838
Other payables	85,309	96,140	57,306	64,319	14,770	21,034
Payables to Channel Tunnel and LCR Finance PLC's	1,191,483	1,191,483	-	-	-	-
Accruals and deferred income	632,851	1,288,812	510,601	992,179	643,862	1,130,673
Current part of finance leases	-	56,501	-	52,164	-	49,167
Current part of NLF loans	1,585	1,585	1,034	1,034	1,052	1,052
Third Party Creditors	-	-	1	1	2,228	2,229
Amounts owed to the Contingencies Fund	-	-	-	-	3,500	3,500
Amounts issued from the Consolidated Fund for supply but not spent at year end	242,283	265,779	172,638	206,315	108,636	34,004
Amounts issued from the Consolidated Fund for supply not authorised but not spent at year end	-	-	-	-	3,025	3,025
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:						
Received	2,260	2,669	3,535	12,937	53,621	62,199
Receivable	-	74	-	-	-	456
Total	2,191,766	2,949,072	793,988	1,464,006	833,358	1,333,518
Amounts falling due after more than one year:						
Imputed finance leases element of on-balance sheet PFI contracts	-	1,162,369	-	1,107,588	-	1,159,830
NLF loans	11,452	11,452	7,037	7,037	8,071	8,071
Consolidated Fund Extra Receipts due to the Consolidated Fund	-	98,291	-	82,181	-	54,775
Other Creditors	1,267	109,555	1,268	112,832	2,677	107,073
Payables to Channel Tunnel and LCR Finance PLC's	3,945,945	3,945,945	-	-	-	-
CTRL land liability	-	-	1,995,900	1,995,900	1,934,800	1,934,800
Total	3,958,664	5,327,612	2,004,205	3,305,538	1,945,548	3,264,549

23.2 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31-Mar-10	31-Mar-09	01-Apr-08	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000	£000	£000	£000
Balances with:						
Other central government bodies	1,594,248	222,747	135,642	4,139,718	2,175,411	155,061
Local authorities	273,966	347,282	366,708	-	-	-
NHS trusts	-	-	1	-	-	-
Public corporations and trading funds	10,006	4,677	1,138	11,452	7,037	-
Total intra-government balances	1,878,220	574,706	503,489	4,151,170	2,182,448	155,061
Bodies external to government	1,070,852	889,300	830,029	1,176,442	1,123,090	3,109,488
Total	**2,949,072**	**1,464,006**	**1,333,518**	**5,327,612**	**3,305,538**	**3,264,549**

23.3 National Loans Fund (NLF) loans

NLF loans are repayable by the following bodies:

	Civil Aviation Authority Fixed Rates	Kings Lynn Harbour Conservancy Fixed Rates	2009-10 Total	2008-09 Total
	£000	£000	£000	£000
Within one year	1,580	5	1,585	1,034
Over one and under two years	1,796	5	1,801	1,012
Over two and under five years	5,466	17	5,483	3,493
More than five years	4,155	13	4,168	2,532
Total	**12,997**	**40**	**13,037**	**8,071**

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

24. Provisions for liabilities and charges

	Early Departure (i)	Greater London Authority (ii)	National Freight Company (iii)	Channel Tunnel Rail (iv)	Highways Schemes (v)	Other (vi)	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Balance at 1 April 2008	32,747	124,000	59,700	238,220	666,077	87,435	1,208,179
Prior year adjustment *	-	-	-	396,937	-	-	396,937
In year adjustment	(56)	-	-	(4,300)	-	4,273	(83)
Provided in year **	1,013	-	3,269	27,201	169,803	6,761	208,047
Provisions released **	(2,670)	-	-	(14,844)	(52,377)	(1,783)	(71,674)
Provisions utilised in year	(7,216)	(62,000)	(7,769)	(77,106)	(163,636)	(6,000)	(323,727)
Unwinding of discount	-	-	-	19,012	-	-	19,012
Provisions reclassified	87	-	-	-	8,966	(8,966)	87
Balance at 1 April 2009	23,905	62,000	55,200	585,120	628,833	81,720	1,436,778
In year adjustment	(86)	-	-	-	-	248	162
Provided in year **	2,537	-	4,552	17,494	53,681	13,260	91,524
Provisions released **	(9,051)	-	-	(223,837)	(116,989)	(18,357)	(368,234)
Provisions utilised in year	(4,559)	(62,000)	(8,552)	(54,489)	(168,632)	(16,853)	(315,085)
Unwinding of discount	20	-	-	6,616	-	11	6,647
Provisions reclassified	(1)	-	-	-	-	1	-
Balance at 31 March 2010	**12,765**	**-**	**51,200**	**330,904**	**396,893**	**60,030**	**851,792**

* Refer to Note 35 for details of prior year adjustment.

** Includes land provision adjustments of £9.1m (2008-09 £111.6m) which is not recognised via the Operating Cost Statement

	Early Departure (i)	Greater London Authority (ii)	National Freight Company (iii)	Channel Tunnel Rail (iv)	Other (vi)	Total
	£000	£000	£000	£000	£000	£000
Core Department						
Balance at 1 April 2008	26,944	124,000	59,700	238,220	71,993	520,857
Prior year adjustment *	-	-	-	396,937	-	396,937
In year adjustment	-	-	-	(4,300)	4,300	-
Provided in year **	849	-	3,269	27,201	1,705	33,024
Provisions released **	(2,670)	-	-	(14,844)	(1,473)	(18,987)
Provisions utilised in year	(4,662)	(62,000)	(7,769)	(77,106)	(3,305)	(154,842)
Unwinding of discount	-	-	-	19,012	-	19,012
Provisions reclassified	-	-	-	-	-	-
Balance at 1 April 2009	20,461	62,000	55,200	585,120	73,220	796,001
In year adjustment	-	-	-	-	-	-
Provided in year **	411	-	4,552	17,494	3,614	26,071
Provisions released **	(8,995)	-	-	(223,837)	(17,214)	(250,046)
Provisions utilised in year	(3,282)	(62,000)	(8,552)	(54,489)	(15,214)	(143,537)
Unwinding of discount	-	-	-	6,616	-	6,616
Provisions reclassified	-	-	-	-	-	-
Balance at 31 March 2010	**8,595**	**-**	**51,200**	**330,904**	**44,406**	**435,105**

* Refer to Note 35 for details of prior year adjustment.

** Includes land provision adjustments of £9.1m (2008-09 £111.6m) which is not recognised via the Operating Cost Statement

24.1 Analysis of expected timing of discounted flows

	Early Departure (i)	Greater London Authority (ii)	National Freight Company (iii)	Channel Tunnel Rail (v)	Highways scheme costs (iv)	Others (vi)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated							
In the remainder of the Spending Review period (to March 2011)	3,100	0	6,052	56,450	136,460	14,416	216,478
Between 2011 and 2015	9,420	0	27,950	274,454	248,159	18,915	578,898
Between 2016 and 2020	220	0	17,198	0	12,274	14,908	44,600
Thereafter	25	0	0	0	0	11,791	11,816
Balance at 31 March 2010	**12,765**	**0**	**51,200**	**330,904**	**396,893**	**60,030**	**851,792**

	Early Departure (i)	Greater London Authority (ii)	National Freight Company (iii)	CTRL (v)	Others (vi)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core department						
In the remainder of the Spending Review period (to March 2011)	2,455	0	6,052	56,450	10,854	75,811
Between 2011 and 2015	6,122	0	27,950	274,454	10,834	319,360
Between 2016 and 2020	18	0	17,198	0	11,012	28,228
Thereafter	0	0	0	0	11,706	11,706
Balance at 31 March 2010	**8,595**	**0**	**51,200**	**330,904**	**44,406**	**435,105**

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

There are no amounts to report that are expected to be called until after 2020.

24.3 Early Departure costs

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

24.4 Greater London Authority

In 2003, the then Secretary of State gave a commitment to TfL to take account of the need to meet shortfalls in the valuation of the London Regional Transport/London Underground pension schemes and the costs of pension administration. This was reflected in TfL's Spending Review 2004 settlement. A provision was recognised for this element of the grant, as reported to Parliament in the Department's Spring Supplementary Estimate 2007 and set out in the Appropriation Act 2007.

In accordance with the profile set out in the grant, disbursements of £124m were made in 2006-07 and 2007-08, with £62m being made in 2008-09 with a further £62m being made in 2009-10, reducing the provision to zero.

24.5 National Freight Company

National Freight Company plc (NFC) pension trustee (1 April 2009 - £39.8m; 31 March 2010 - £37.3m) - 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 2009 - £15.4m; 31 March 2010 - £13.9m) - 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).

24.6 Channel Tunnel Rail Link

De-risked payments (1 April 2009 – £217.2 million, re-stated to £585 million; 31 March 2010 – £330.9 million) – amounts payable to London and Continental Railways Limited (LCR) until 2022, under the 2003 Securitisation Framework Agreement between the Secretary of State and CTRL UK Ltd (now HS1 Ltd), as part-security for debt issued by LCR. The original provision represented amounts de-risked in 2003; the re-stated provision includes amounts de-risked subsequently payable until 2015 (refer to note 35). In June 2009, the obligation to repay the debt partly secured on the amounts de-risked in 2003 was novated to the Department and has been recognised in Payables (refer to note 23) the related provision has therefore been de-recognised.

24.7 Highways Schemes

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

24.8 Other

This heading covers a range of smaller provisions, including:

- South Eastern Trains (SET) (1 April 2009 - £13.5m; 31 March 2010 - £10m) - 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 2009 - £21.6m; 31 March 2010 - £21.1m) - 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 2009 - £8.7m; 31 March 2010 - £10.8m) - the Department recognises as a provision its best estimate as at the end of the current reporting period of the costs of reversing the accumulated wear and tear on the properties it occupies as a tenant, where this is a requirement under the relevant tenancy agreements; and
- Highways Agency compensation claims (1 April 2009 - £3.1m; 31 March 2010 - £2.5m) - 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.

25. Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

25.1 Programme grants and other current expenditures have been allocated as follows

	2009-10	2008-09 (restated)
	£000	£000
Main objective		
Objective 1	8,023,528	7,784,147
Objective 2	1,236,493	1,219,776
Objective 3	4,074,571	3,680,705
Objective 4	2,804,337	2,557,291
Objective 5	204,729	249,857
	16,343,658	**15,491,776**

25.2 Capital Employed by Departmental Strategic Objectives at 31 March 2010

	2009-10	2008-09 (restated)
	£000	£000
Main objective		
Objective 1	34,756,342	34,425,328
Objective 2	811,390	815,938
Objective 3	42,101,905	41,834,301
Objective 4	(50,271)	(47,647)
Objective 5	1,730,679	1,730,723
	79,350,045	**78,758,643**

The Department's objectives were as follows:

Objective 1 – To support national economic competitiveness and growth, by delivering reliable and efficient transport networks

Objective 2 – To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of avoiding dangerous climate change

Objective 3 – To contribute to better safety, security and health and longer life-expectancy through reducing the risk of death, injury or illness arising from transport, and promoting travel modes that are beneficial to health

Objective 4 – To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society

Objective 5 – To improve quality of life for transport users and non-transport users, and to promote a healthy natural environment

26. Capital commitments

	31-Mar-10		31-Mar-09		01-Apr-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments not otherwise included in these financial statements						
Property, plant and equipment	91	1,070,206	-	1,141,263	5,223	735,209
Intangible assets	-	959	-	-		

27. Commitments under leases

27.1 Operating leases

As a matter of policy, government bodies acquire administrative assets, such as headquarters buildings, under operating leases, to avoid constraining the decisions of future administrations. Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	31-Mar-10		31-Mar-09		01-Apr-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise						
Land						
Not later than one year	-	670	-	634	-	656
Later than one year and not later than five years	-	2,070	-	1,925	-	2,084
later than five years	-	2,639	-	2,717	-	3,436
Total	-	5,379	-	5,276	-	6,176
Buildings						
Not later than one year	141	11,335	169	12,865	-	10,630
Later than one year and not later than five years	8,116	49,860	10,060	61,474	4,223	43,818
later than five years	91,767	168,801	101,588	189,677	157,489	223,250
Total	100,024	229,996	111,817	264,016	161,712	277,698
Other						
Not later than one year	-	2,208	-	678	-	800
Later than one year and not later than five years	-	669	-	1,558	-	2,999
later than five years	-	-	-	-	-	-
Total	-	2,877	-	2,236	-	3,799

27.2 Finance leases

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

	31-Mar-10		31-Mar-09		01-Apr-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Obligations under finance leases comprise						
Buildings						
Not later than one year	-	174	-	174	-	-
Later than one year and not later than five years	-	696	-	696	-	-
later than five years	-	870	-	1,107	-	-
less interest element	-	(317)	-	(382)	-	-
Total	-	1,423	-	1,595	-	-
Other						
Not later than one year	-	250	-	250	-	-
Later than one year and not later than five years	-	500	-	751	-	-
later than five years	-	-	-	-	-	-
less interest element	-	-	-	-	-	-
Total	-	750	-	1,001	-	-

28. Commitments under PFI contracts

28.1 Recognised in the Statement of Financial Position

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

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

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

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

	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000
Not later than one year	131,792	121,369	121,246
Later than one year and not later than five years	480,819	450,688	456,540
Later than five years	1,502,107	1,364,167	1,552,885
	2,114,718	1,936,224	2,130,671
Less interest element	(896,214)	(776,469)	(921,674)
	1,218,504	1,159,755	1,208,997

28.3 Charge to the Operating Cost Statement and future commitment

The total amount charged in the Operating Cost Statement in respect of the service element of on balance sheet PFI transactions was £188,571,000 (2008-09 £180,646,000).

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.

	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000
Not later than one year	387,920	280,847	274,725
Later than one year and not later than five years	1,828,448	1,053,546	1,108,415
Later than five years	9,967,084	2,561,245	2,787,222
	12,183,452	3,895,638	4,170,362

29. Other financial commitments

In accordance with the Deed of Grant agreed in December 2008, the Department is committed to paying a grant of £16,582m to Network Rail spread over the financial years 2009-10 – 2013-14.

At 31 March 2010, 16 franchise agreements had been entered into for the provision of train services. The Strategic Rail Authority had entered into seven of these agreements, which have been transferred to the Department. Subsequent to this transfer, the Department has entered into nine franchise agreements with train operating companies for the provision of passenger rail services.

These are non-cancellable contracts (which are not leases or PFI contracts). The payments to which the Department is committed, analysed by the period during which the commitment expires are as follows.

	31-Mar-10	31-Mar-09	01-Apr-08
	Core	Core	Core
	£000	£000	£000
Not later than one year	3,822,998	4,667,676	3,873,695
Later than one year but not later than five years	10,966,879	16,584,300	4,578,462
Later than five years	76,428	62,681	113,239
Total	14,866,305	21,314,657	8,565,396

	31-Mar-10	31-Mar-09	01-Apr-08
	Consolidated	Consolidated	Consolidated
	£000	£000	£000
Not later than one year	3,822,998	4,667,676	3,873,695
Later than one year but not later than five years	10,966,879	16,584,300	4,578,462
Later than five years	76,428	62,681	113,239
Total	14,866,305	21,314,657	8,565,396

30. 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 two disclosure requirements are presented under separate headings, so that readers of the accounts can assess the level of risk that they represent.

The Department has revised the presentation of its contingent liabilities notes, with the following significant changes. Firstly, some contingent liabilities that were previously under the heading covering items that had been reported to Parliament have now been disclosed under the heading covering items that are disclosed in accordance with IAS 37. Secondly, some contingent liabilities which were previously described as “unquantifiable” have now been quantified, albeit that in many cases, such values may be highly approximate.

30.1.1 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 2010 £m	31 March 2009 £m
Letter of comfort in respect of London Underground PPP contract To support the PPP contract for certain London Underground lines, the Department has provided a letter of comfort, indicating the Secretary of State's intention to provide support under certain occurrences. The letter of comfort in respect of London Underground PPP contract features in the note to these accounts describing events after the reporting period (Note 39).	500	500
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.	1,020	730
Legal claims From time to time, the Department experiences legal claims and challenges which it defends vigorously.	724	1,006
Highways Agency The process of constructing and maintaining the strategic road network may bring the Highways Agency into disagreement with parties affected by this work. This can result in counter-claims, which are aggregated under the following sub-headings:		
Possible obligations in relation to land and property acquisition.	286	362
Possible obligations in relation to engineering and construction services.	1	5
Third-party claims.	7	9
General Lighthouse Authorities' pension fund deficiency The Department has guaranteed benefits payable from this unfunded pay-as-you go scheme, in the event that the Authorities' current operational revenues and investment returns prove insufficient. The value given is the most recent deficit on the scheme and thus reflects the Department's exposure if the Authorities receive no further operational revenues or investment returns, an outcome which is thought highly unlikely to materialise.	408	331
Guarantees to support the financing of the project to construct the Channel Tunnel Rail Link High Speed 1. The Department previously provided various guarantees supporting the financing of the Channel Tunnel Rail Link, raised by the company responsible for constructing it. During the current financial year, the Department took on responsibility for repaying the financing obligations, and these liabilities are now shown under Note 23	-	5,277

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 37) and thus they are recognised on the Department's balance sheet.

30.1.2 Unquantifiable contingent liabilities

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

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

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

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

A letter of comfort has been issued to the British Transport Police Authority in relation to a pension liability identified within their accounts.

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.

30.1.3 Contingent assets disclosed under IAS 37

	31 March 2010 £m	31 March 2009 £m
Transfer of legal claims to a third party The Department has agreed with a third party that the third party will meet legal claims that would otherwise have fallen to the Department.	25	0

30.2 Contingent liabilities disclosed because they have been reported to Parliament in accordance with Managing Public Money

30.2.1 Quantifiable contingent liabilities

	31 March 2010 £m	31 March 2009 £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 The Department has provided a financial indemnity in support of Network Rail's Debt Issuance Programme.	23,800	22,300	23,800
Letter of comfort A standby credit facility, with a term of 50 years, to act as a long term contingency buffer. This has not been used to date.	4,000	4,000	4,000
These measures of financial support of Network Rail's borrowings are recognised as a financial guarantee contract in the Financial Liabilities section of note 18, with a market value of £3bn, 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 the Air Travel Trust Fund to enable the trustees to borrow to meet the claims of package holiday makers in the event of the failure of tour operators.	55	31	55
A guarantee in respect of lease obligations of Eurostar (UK) Limited at Ashford International Passenger Station to 2022.	51	60	133

30.2.2 Financial Guarantees, Indemnities and Letter of Comfort

The Department has entered into the following quantifiable guarantees and 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. They therefore fall to be measured following the requirements of IAS 39.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament. These cost are reproduced in the table below.

	1 April 2008	Increase/ (decrease) in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009	Amount reported to Parliament
Listed in Note 30.2.1	£000	£000	£000	£000	£000	£000
Guarantees	160,000		-	-	160,000	Unquantified
Letters of comfort	7,900,000	1,800,000	-	(5,700,000)	4,000,000	Unquantified
Indemnity	14,800,000	8,230,000	-	-	23,030,000	22,730,000

	1 April 2009	Increase/ (decrease) in year	Liabilities crystallised in year	Obligation expired in year	31 March 2010	Amount reported to Parliament
Listed in Note 30.2.1	£000	£000	£000	£000	£000	£000
Guarantees	160,000	15,000	-	-	175,000	Unquantified
Letters of comfort	4,000,000	-	-	-	4,000,000	Unquantified
Indemnity	23,030,000	770,000	-	-	23,800,000	23,800,000

31. Losses and special payments

31.1 Losses Statement

	2009-10	2008-09
Total number of cases	1,987	3,011
	£000	£000
Total amount	6,895	8,355

In 2009-10 there were no losses individually in excess of £250,000.

The losses disclosed above include 1,920 cases valued at £5,763,000 (2008-09 2,815 cases; valued at £6,345,000) for damages to the road network where the culprit could not be identified, or otherwise pursued for costs.

31.2 Special Payments

	2009-10	2008-09
Total number of cases	30	29
	£000	£000
Total amount	643	178

32. Related-party transactions

The Department is the parent of the Highways Agency, the Maritime and Coastguard Agency, the Government Car and Despatch Agency, the Vehicle Certification Agency and a number of sponsored bodies listed in Note 34. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

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

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

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

33. Third-party assets

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

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

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

The amounts held are shown in the table below:

	31 March 2009	Gross Inflows	Gross Outflows	31 March 2010
	£000	£000	£000	£000
Lloyds TSB Escrow bank accounts	8,405	3,114	7,356	4,163
Lloyds TSB Euro bank account	35	116	0	151
	8,440	3,230	7,356	4,314

34. Entities within the Departmental boundary

34.1 Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2009-10 and are reported for as part of the Department's Resource Accounts:

Advisory Non Departmental Public Bodies

Commission for Integrated Transport

Disabled Persons' Transport Advisory Committee

Cycling England

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

Executive Agencies

Highways Agency

Maritime and Coastguard Agency

Government Car and Despatch Agency

Vehicle Certification Agency

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

Executive Non Departmental Public Body

Railway Heritage Committee

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

34.2 Not reported within the Departmental Accounting boundary

The following entities are not reported as part of the Department's 2009-10 Resource Accounts:

Tribunal Non Departmental Public Body

Traffic Commissioners and Licensing Authorities (Traffic Areas).

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

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

Executive Non Departmental Public Bodies

British Transport Police Authority

Passenger Focus

Renewable Fuels Agency

Channel Tunnel Section 1 Finance PLC

London and Continental Railways Finance PLC

Trading Funds

Driving Standards Agency

Driver and Vehicle Licensing Agency

Vehicle and Operator Services Agency

Public Corporations
Aberdeen Harbour Board
British Railways Board (Residuary) Limited
Civil Aviation Authority
Dover Harbour Board
Eurostar International Limited (formerly Eurostar (UK) Ltd)
General Lighthouse Fund, incorporating:

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

HS1 Ltd
Milford Haven Port Authority
Poole Harbour Commissioners
Port of London Authority
Port of Tyne Authority
Shoreham Port Authority

Other Entities
Cross Rail Complaints Commissioner
Directly Operated Railways Limited
East Coast Mainline Limited
ITSO Ltd
London and Continental Railways Limited
Marine and Aviation Insurance (War Risks) Fund
NATS Holdings Limited
Network Rail Limited
Office of the PPP Arbiter

35. Restatement of prior year balances

	1st April 2009		1st April 2009
	Before restatement for Prior Year Adjustment but after restatement for IFRS (Note 2)	Correction of error	As restated
	£m	£m	£m
Current liabilities - Provisions	(369)	-	(369)
Non current liabilities - Provisions	(700)	(368)	(1,068)
	(1,069)	**(368)**	**(1,437)**
General Fund			
Prior Period Adjustment - Value of provision	-	397	-
Prior Period Adjustment - Unwinding discount	-	19	-
Payments recognised and expensed in 2008-09	-	(48)	-
	31,720	**368**	**31,352**

A prior year adjustment has been made to correct a material error arising in a previous accounting period.

The Department de-risked certain payments to the LCR group in a previous accounting period, waiving conditions for receipt of those payments. At that point, the Department should have recognised a provision for those payments, to be consistent with IAS 37, which requires entities to recognise liabilities for present obligations. To correct this error, the Department has re-stated the relevant balances as at 1 April 2009.

The Prior Period Adjustment totals £416m. Payments totaling £48m were recognised and expensed in 2008-09.

36. Network Rail

36.1 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 30, 'Contingent liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability' and also under Note 18 Financial Instruments.

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 £23.8 billion had been borrowed at 31 March 2010. The FIM is available until 2052. The indemnity also covers guarantees provided by NRIF in respect of certain financial obligations of Network Rail Infrastructure Limited.

Network Rail is outside the Department's resource accounting boundary and is not consolidated in these accounts. In order to maintain openness and transparency regarding the relationship between the Department and Network Rail, the summary results and other details concerning Network Rail are shown below. For further details of Network Rail, copies of the financial statements of Network Rail Limited can be Network Rail reports to its members in the manner of a listed PLC and therefore follows European 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.

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.

36.2 Key Financial Figures

Income Statement for year ended 31 March 2010

	2009-10	2008-09
	£m	£m
Revenue[1]	5,668	6,160
Operating costs	(3,675)	(3,604)
Operating profit	1,993	2,556
Revaluation gains/(losses) on disposals of properties	62	(138)
Net investment and finance costs	(1,655)	(906)
Profit before tax	400	1,512
Taxation	(108)	(911)
Profit for the year	**292**	**601**

[1]Turnover includes £3,366m (2009: £3,899m) received directly from the Department for Transport and £1,656m (2009: £1,781m) received from train operating companies (TOCs) for track access charges

Statement of Financial Position as at 31 March 2010

	31-Mar-10	31-Mar-09
	£m	£m
Non-current assets		
Intangible assets	72	73
Property plant and equipment - the railway network	36,629	34,925
Investment property	764	700
Financial assets	715	783
	38,180	36,481
Current assets	3,478	3,257
Current liabilities	(5,537)	(5,534)
Non-current liabilities	(30,177)	(27,582)
Net assets	**5,944**	**6,622**

37. Pension Schemes

The Secretary of State for Transport fulfils the role of the ‘designated employer’ for the following defined benefit schemes:

- The 1994 Pensioners’ Section of the Railways Pension Scheme (RPS);
- The BR Section of the RPS (which includes some DfT staff members); and
- The British Railways Superannuation Fund (BRSF).

The Department applies IAS 19 to all these schemes. In accordance with IAS 19, the share of any deficits or recoverable surplus in the pension funds is recognised in the Statement of Financial Position. Interim valuations have been carried out as at 31 March 2010 by the Government Actuary's Department, for the purpose of providing these disclosures.

Analysis of pension liability recognised in the Statement of Financial Position

The British Railways Superannuation Fund (BRSF) had a surplus balance of £27m as at 31 December 2007 (the time of the last actuarial valuation). However informal funding updates as at 31 December 2008 and 31 December 2009 show that the Fund has now moved into deficit. In accordance with IAS 19, disclosures were not required for the BRSF in previous years while the scheme was in surplus. The 2008-09 opening balance of the Department’s deficit (on the table below) has been restated to include the BRSF.

	2009-10	2008-09
	£m	£m
Deficit at beginning of period	(1,299.8)	(224.2)
Contributions paid	3.9	4.0
Current service cost	(1.1)	(0.7)
Other finance charges	(147.7)	(23.7)
Employees share of deficit	-	-
Actuarial gain	201.7	(1,055.2)
Deficit at end of period	**(1,243.0)**	**(1,299.8)**

The deficit comprises the following balances:

	2009-10	2008-09
	£m	£m
Scheme:		
BR Shared Cost Section	(18.1)	(13.6)
1974 Section	(12.7)	(13.0)
1994 Section	(1,184.2)	(1,238.2)
British Railways Superannuation Fund (BRSF)	(28.0)	(35.0)
Total deficit at the end of the period	**(1,243.0)**	**(1,299.8)**

1994 Pensioners Section of the RPS

The 1994 Pensioners Section is a defined benefit scheme representing the majority, by value, of the Department's financial relationships with railway pension schemes. The Secretary of State has been the 'employer' and guarantor of the 1994 Pensioners Section (which consists mainly of those who were either pensioners or preserved pensioners at the time of privatisation) since 1994. Although the 1994 Pensioners Section is part of the industry-wide RPS, its assets and liabilities are identified separately from the remainder of the scheme. Further details are shown below.

The last actuarial review for funding purposes was carried out as at 31 December 2007 by the RPS Joint Scheme Actuaries, Watson Wyatt Ltd and GAD. Assets and accrued liabilities were valued using the market-related method.

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

	31 March 2010	31 March 2009
	£m	£m
Present value of funded obligations	4,877	4,452
Fair value of plan assets	(3,694)	(3,215)
Net liability	1,183	1,237
Amounts in the statement of financial position		
Liabilities	1,183	1,237
Assets	-	-
Net liability	1,183	1,237

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

	31 March 2010 £m	31 March 2009 £m
Interest on obligation	293	316
Expected return on plan assets	(157)	(294)
Total	136	22

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

Gain/(loss) on assets	729	(1,221)
Experience gain/(loss) on liabilities	139	12
Gain/(loss) on change of assumptions	(678)	230
Total gain/(loss)	**190**	**(979)**

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

	31 March 2010 £m	31 March 2009 £m
Opening defined benefit obligation	4,452	4,785
Interest cost	293	316
Experience gain/(loss) on liabilities	(139)	(12)
Actuarial gain/(loss)	271	(637)
Closing defined benefit obligation	**4,877**	**4,452**

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

	31 March 2010 £m	31 March 2009 £m
Opening fair value of plan assets	3,215	4,549
Expected return	157	294
Gain/(loss) on assets	729	(1,221)
Actuarial gain/(loss)	(407)	(407)
Closing fair value of plan assets	**3,694**	**3,215**

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

	31 March 2010	31 March 2009
Discount rate at 31 March	5.7%	6.9%
Expected return on plan assets at 31 March	*	5.1%
Future pension increases	3.6%	3.0%
Inflation	3.6%	3.0%
Rate of increase for deferred pensions	3.6%	3.0%

*In the opinion of the actuaries, the volatility of market conditions as at 31 March 2010 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:

	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Defined benefit obligation	(4,877)	(4,452)	(4,785)	(5,015)	(5,245)
Plan assets	3,694	3,215	4,549	4,918	4,899
Surplus/(deficit)	(1,183)	(1,237)	(236)	(97)	(346)
Experience adjustments on plan liabilities	139	12	111	(67)	(39)
Experience adjustments on plan assets	729	(1,221)	(258)	112	545

Other schemes

The Department's relationships with other schemes are described below. Given the relatively low value of the balances and transactions in respect of these schemes, detailed disclosures are not provided.

Railways Pension Scheme: BR Shared Cost Section

The BR Shared Cost Section of the RPS is a defined benefit scheme that covers most of BRB (Residuary) Limited's employees, and some former Strategic Rail Authority employees who are now employed by DfT.

The last actuarial review for funding purposes was performed at 31 December 2007 by the RPS Joint Scheme Actuaries, Watson Wyatt Ltd and GAD, 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 £60.8m at 31 March 2010. This is approximately 77 per cent of the corresponding value of the projected accrued liabilities.

The Fund is closed to new members.

British Railways Superannuation Fund

The Department is also responsible for funding the British Railways Superannuation Fund. This is a defined benefit scheme which the Department has inherited from the BRB. The Department has no employees participating in it. The latest actuarial valuation of this fund was carried out 31 December 2007 by the Joint Scheme Actuaries, Watson Wyatt Ltd and GAD.

38. Shared Service Centre

The Department for Transport (DfT) Shared Service Centre (SSC) is based in Swansea and was set up during 2006-07. The SSC provides a range of human resources, finance and payroll services to the core Department and a number of its Agencies.

The 2008-09 Resource Accounts disclosed that the SSC's assets were recognised in the core Department's accounts at the year end. It was also disclosed that SSC income and expenditure was accounted for in 2008-09 on a basis consistent with the 2007-08 accounts in that it was reported in the accounts of the Department for Transport, DVLA and DSA.

At the beginning of 2009-10 the accounting treatment for the reporting of the SSC's income and expenditure was changed following the introduction of new governance arrangements. The new governance arrangements recognised the core Department as controlling the activities of the Shared Service Centre.

During 2009-10 the Department incurred all costs in relation to the operation of the Shared Service Centre and invoiced users of the SSC in accordance with established Service Level Agreements.

39. Events after the reporting period

39.1 Non-adjusting Post-Balance Sheet Events

Sale of High Speed 1
On 21 June 2010, the Secretary of State announced the launch of the sale of HS1 Ltd, the company which holds the long-term concession to operate High Speed 1 (HS1). HS1 is the high-speed line between London and the Channel Tunnel and includes the stations at St Pancras, Stratford, Ebbsfleet and Ashford. The line is used by both Eurostar international services and LSER high-speed domestic services from Kent.

This is the culmination of work in the Department including the major financial restructuring of London and Continental Railways in 2008-09 and the clearance by the European Commission, in June 2010, of the proposed incorporation of Eurostar.

The expected sale proceeds cannot be estimated reliably at this stage and no adjustments have been made to the assets and liabilities shown in Department's accounts.

Transport for London acquisition of Tube Lines (Holdings) Limited
On 27 June 2010, Transport for London (TfL) completed the acquisition of Tube Lines (Holdings) Limited, the parent company of both Tube Lines Limited (the PPP contractor) and Tube Lines (Finance) plc. Prior to completion of the acquisition, and as part of the restructuring of Tube Lines' debt, the lenders to Tube Lines agreed to release all the security, project monitoring, project approval and similar rights over Tube Lines Limited in return for a full guarantee from TfL. The restructuring of the debt, which took effect on 5 July 2010, means that the lenders are no longer exposed to performance of the PPP by Tube Lines Limited and accordingly there is no longer any obligation in relation to which the DfT's comfort letter could have effect. Accordingly, DfT has asked TfL to confirm that the comfort letter no longer has any practical or legal effect and to undertake not to rely or seek to rely or ask others to endeavour to rely on the terms of the comfort letter for any purpose on or after 5 July 2010. DfT has also asked TfL to procure assurances in the same terms from other recipients of the comfort letter. On receipt of such confirmation and assurances DfT will be in a position to withdraw the comfort letter, which is included within the contingent liabilities listed in Note 30 to the accounts.

Sale of NATS
In addition to launching the sale of High Speed 1, as part of a wider programme of asset commercialisation over the next 12 months, the Government announced in its Budget statement on 22 June 2010 that it will explore with other shareholders the options for a potential sale process in the National Air Traffic Service (NATS).

39.2 Authorised for issue

These Financial Statements are laid before the House of Parliament by the 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. The authorised date for issue is 16 July 2010.

Annexes: Performance Data Tables

The information contained in these annexes does not form part of the Resource Accounts

Annex A: Public expenditure core tables

The information in this Annex does not form part of the Resource Accounts.

Introduction

These tables have been included within the Resource Accounts as a separate annex. The reader should be aware that the financial information in the tables is shown from a different perspective to the Resource Accounts and that figures may, therefore, differ between the Resource Accounts and this Annex.

The figures in the tables are calculated according to budgeting guidelines. The Departmental family measures and manages its budgets as below:

- Departmental Expenditure Limit (DEL), which is set annually within the context of the three-year spending plan. The Department can largely control this budget, although some elements may be demand-led.
- Annually Managed Expenditure (AME), which is demand-led, volatile and, therefore, difficult to predict. The Department sets AME budgets in consultation with HM Treasury through twice-yearly reviews. The majority of the Department's AME expenditure relates to the Highways Agency road programmes.

DEL and AME are broken down further into:

- resource budgets;
- administration budget;
- programme budget; and
- capital budgets.

There are two key differences between the Budgets and Resource Accounts:

- Boundaries – Budgets include resource and capital spend of Central Government Bodies (as classified by the ONS) and exclude grants to these bodies, whereas Resource Accounts include the grants and exclude the spend.
- Capital grants – Budgets allocate these to Capital whereas Resource Accounts allocate these to operating costs.

Central Government entities (including Executive Non Departmental Public Bodies) include:

- British Transport Police Authority;
- Passenger Focus;
- Railway Heritage Committee;
- Renewable Fuels Agency;
- Driver and Vehicle Licensing Agency (also a Trading Fund);
- London and Continental Railways Limited;
- Channel Tunnel Section 1 Finance PLC;
- London and Continental Railway Finance PLC; and
- Directly Operated Railways Limited.

The information for the budgetary spend and the Resource Accounts comes from the same financial systems for those bodies which are common to both and the cut-off point for inclusion is the same – 31 March.

The National Audit Office audits the Department's Resource Accounts on behalf of the Comptroller and Auditor General and the same core data is used to produce the budget outturn.

The tables show the Department of Transport spending (Budget Outturn) for the six years from 2004-05 to 2009-10 and the business plan for 2010-11

The 2009-10 Outturn, as adjusted for Clear Line of Sight changes, reflects the Provisional Outturn of the Department (as published in the Public Expenditure Outturn white paper).

The Provisional Outturn is reconciled to Resource Accounts included in this document. The 2009-10 Provisional Outturn is further reconciled to the post Clear Line of Sight outturn below.

The 2010-11 plan, reflects the Main Estimate 2010-11 (as published 22 June 2010).

Clear Line of Sight

The tables below (A1, A2, A3 and A5) have been adjusted for the impact of Clear Line of Sight accounting changes. The Clear line of Sight project will align accounting policies and boundaries for Accounts, Estimates and Budgets over three years, culminating in post Clear Line of Sight Resource Accounts in 2011-12. New budgeting rules are effective from April 2010; accordingly the tables within Appendix A have been completed in accordance with these new rules.

Both the 2009-10 Provisional Outturn and the Resource Accounts have been prepared on a pre Clear Line of Sight basis.

The most significant changes include the elimination of notional cost of capital charges and the reallocation of provisions movements, excluding payments, from DEL to AME.

The tables below show the reconciliation of pre to post Clear Line of Sight Resource DEL and AME.

£m	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn
Resource DEL (Post Clear Line of Sight)	**6,211**	**6,160**	**6,630**	**6,882**	**6,246**	**6,607**
Provision movements transferred to AME	2	48	373	(6)	(172)	(1)
Cost of Capital Charges eliminated	(137)	(141)	(82)	(82)	(371)	(22)
Profit/Loss on Disposal of Fixed Assets						12
Resource DEL (Pre Clear Line of Sight)	**6,076**	**6,067**	**6,921**	**6,794**	**5,703**	**6,596**

£m	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn
AME (Post Clear Line of Sight)	**426**	**571**	**990**	**675**	**602**	**1,083**
Provision movements transferred from DEL	(2)	(48)	(373)	6	172	1
Cost of Capital Charges eliminated	2,317	2,553	2,698	2,833	2,957	2,803
AME (Pre Clear Line of Sight)	**2,741**	**3,076**	**3,315**	**3,514**	**3,731**	**3,887**

Table A1 Total Departmental spending

This table summarises the expenditure on functions that are now administered by the Department for Transport from 2004-05 to 2010-11.

The resource budget includes both administration and programme expenditure.

Local authority expenditure on transport is also shown in this table to the extent to which it is supported by Department for Transport grants.

Table A1: Total Departmental spending (£m)							
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
To support the economy by delivering reliable and efficient transport networks	4,096	4,095	4,336	4,241	4,664	4,659	4,321
To reduce transport emissions and thus avoid dangerous climate change	382	385	393	449	484	504	528
To contribute to better safety, security, health and life-expectancy	1,433	1,634	1,767	2,002	837	1,380	1,272
To promote greater equality of opportunity for all and achieve a fairer society	289	23	105	156	221	24	234
To improve quality of life and to promote a healthy natural environment	11	24	29	34	40	40	34
Total resource budget DEL	**6,211**	**6,161**	**6,630**	**6,882**	**6,246**	**6,607**	**6,389**
To support the economy by delivering reliable and efficient transport networks	346	479	789	555	694	1,269	1,731
To contribute to better safety, security, health and life-expectancy	82	94	201	120	(92)	(186)	(58)
To promote greater equality of opportunity for all and achieve a fairer society	(2)	(2)	-	-	-	-	-
Total resource budget AME	**426**	**571**	**990**	**675**	**602**	**1,083**	**1,673**
Total resource budget	**6,637**	**6,732**	**7,620**	**7,557**	**6,848**	**7,690**	**8,062**
of which: depreciation	648	768	903	1,079	1,037	1,554	2,095
Total resource budget adjusted for inflation	**7,342**	**7,310**	**8,037**	**7,747**	**6,848**	**7,558**	**7,749**
To support the economy by delivering reliable and efficient transport networks	4,514	4,109	5,198	5,234	5,373	5,365	4,864
To reduce transport emissions and thus avoid dangerous climate change	46	68	73	206	415	468	346
To contribute to better safety, security, health and life-expectancy	645	818	1,193	1,478	1,319	2,201	1,699
To promote greater equality of opportunity for all and achieve a fairer society	17	0	39	135	75	219	263
To improve quality of life and to promote a healthy natural environment	-	-	-	-	-	-	7
Total capital budget DEL[2]	**5,222**	**4,995**	**6,503**	**7,053**	**7,182**	**8,253**	**7,179**
Total capital budget AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total capital budget	**5,222**	**4,995**	**6,503**	**7,053**	**7,182**	**8,253**	**7,179**
Total capital budget adjusted for inflation	**5,777**	**5,424**	**6,859**	**7,230**	**7,182**	**8,111**	**6,900**

Total Departmental spending†							
To support the economy by delivering reliable and efficient transport networks	8,540	8,158	9,698	9,323	10,006	10,594	9,632
To reduce transport emissions and thus avoid dangerous climate change	428	453	466	655	899	972	873
To contribute to better safety, security, health and life-expectancy	1,930	2,304	2,880	3,229	1,710	2,539	2,101
To promote greater equality of opportunity for all and achieve a fairer society	303	21	144	292	296	243	496
To improve quality of life and to promote a healthy natural environment	11	24	29	34	40	40	41
Total Departmental Spending†	**11,212**	**10,960**	**13,219**	**13,533**	**12,951**	**14,388**	**13,145**
Total Departmental Spending adjusted for inflation	**12,403**	**11,902**	**13,942**	**13,873**	**12,951**	**14,141**	**12,635**
of which:							
Total DEL	11,179	10,877	12,826	13,542	13,031	13,964	12,730
Total AME	33	83	393	(9)	(80)	424	415
† 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.							
Spending by local authorities on functions relevant to the department							
Current spending	**4,608**	**4,802**	**5,244**	**5,583**	**5,687**	**6,242**	-
of which:							
financed by grants from budgets above	2,670	2,577	2,849	3,100	3,001	3,336	-
Capital spending	**2,612**	**2,893**	**2,758**	**2,883**	**3,323**	**3,312**	-
of which:							
financed by grants from budgets above††	1,706	1,564	1,659	1,931	1,870	2,179	-
†† This includes loans written off by mutual consent that score within Resource Budgets and aren't included in the capital support to local authorities line in Table 3.							

Table A2 Resource budget

This table provides similar information to Table A1, though in greater detail. It shows the expenditure for key functional areas of the Department, indicating how it spends its money. The sub-categories used in this table are the same as those used in the Main Estimate voted table.

Table A2: Resource Budget DEL and AME (£m)							
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**
To support the economy by delivering reliable and efficient transport networks	**4,096**	**4,095**	**4,336**	**4,241**	**4,664**	**4,659**	**4,321**
of which:							
Ports & shipping services	7	6	11	8	40	32	67
Maritime & Coastguard Agency	118	117	120	126	128	132	135
Aviation services, transport security & royal travel	(5)	7	22	(10)	(16)	5	(2)
Tolled River Crossings	(84)	(85)	(84)	(84)	(84)	(88)	(87)
Highways Agency	138	130	161	103	1,354	1,136	1,164
Railways	1,346	1,219	1,062	887	63	(37)	(568)
Freight grants	-	5	-	-	-	-	-
Transformation, Licensing, Logistics & Sponsorship	3	17	11	15	10	10	9
Central Administration	190	199	206	214	202	192	266

Research, statistics, publicity and consultancies & other services for roads and local transport	5	(6)	6	15	20	47	20
Area Based Grants	102	103	93	98	103	106	196
GLA transport grants	2,259	2,182	2,266	2,396	2,405	2,494	2,765
Other transport grants (resource)	17	202	462	473	430	630	356
Other transport grants (capital)	-	-	-	-	9	-	-
To reduce transport emissions and thus avoid dangerous climate change	**382**	**385**	**393**	**449**	**484**	**504**	**528**
of which:							
Cleaner Fuels and Vehicles	21	9	13	16	16	27	23
Bus Service Operators Grant	363	377	371	415	436	446	464
Railways	-	-	-	-	1	1	1
Research, statistics, publicity and consultancies & other services for roads and local transport	(2)	(1)	2	10	4	19	4
Other transport grants (resource)	-	-	7	8	27	11	36
To contribute to better safety, security, health and life-expectancy	**1,433**	**1,634**	**1,767**	**2,002**	**837**	**1,380**	**1,272**
of which:							
Aviation services, transport security & royal travel	1	-	2	2	1	1	8
Accident Investigation Branches	14	13	15	15	16	17	18
Accessibility & Equalities	-	-	-	-	1	-	-
Highways Agency	1,241	1,399	1,470	1,589	403	840	825
Railways	5	5	-	5	10	130	63
Government Car & Despatch Agency	(1)	-	-	-	-	2	-
Freight grants	-	18	23	17	21	22	23
Transformation, Licensing, Logistics & Sponsorship	141	156	226	260	272	233	245
Vehicle & Operator Services Agency trading fund	9	8	(2)	(1)	(4)	13	-
Driving Standards Agency trading fund	(1)	(1)	-	-	(3)	-	-
Vehicle Certification Agency	1	1	1	-	-	-	-
Central Administration	-	-	-	-	3	4	5
Research, statistics, publicity and consultancies & other services for roads and local transport	19	33	31	32	35	37	24
Area Based Grants	4	2	1	83	82	81	59
Other transport grants (resource)	-	-	-	-	-	-	2
To promote greater equality of opportunity for all and achieve a fairer society	**289**	**23**	**105**	**156**	**221**	**24**	**234**
of which:							
Bus Service Operators Grant	-	(1)	(1)	(1)	(1)	(1)	-
Accessibility & Equalities	3	4	4	6	4	4	2
Commission for Integrated Transport & Transport Direct	-	-	1	1	1	-	1
Railways	271	11	81	103	-	-	-
Research, statistics, publicity and consultancies & other services for roads and local transport	1	1	1	3	(1)	-	-
Other transport grants (resource)	14	8	19	44	218	21	231

To improve quality of life and to promote a healthy natural environment	**11**	**24**	**29**	**34**	**40**	**40**	**34**
of which:							
Aviation Services, transport security & royal travel	11	24	29	34	40	40	34
Total resource budget DEL	**6,211**	**6,161**	**6,630**	**6,882**	**6,246**	**6,607**	**6,389**
of which:†							
Pay	606	634	533	552	577	594	573
Procurement	1,261	1,353	1,575	1,506	1,945	1,591	1,169
Current grants and subsidies to the private sector and abroad	1,134	1,243	1,382	1,441	154	927	754
Current grants to local authorities	2,670	2,577	2,849	3,100	3,275	3,336	3,660
Depreciation	254	279	307	392	397	896	837
To support the economy by delivering reliable and efficient transport networks	**346**	**479**	**789**	**555**	**694**	**1,269**	**1,731**
of which:							
Ports & shipping services	-	-	-	-	(1)	232	446
Maritime & Coastguard Agency	-	-	-	3	1	2	2
Aviation services, transport security & royal travel	-	-	-	-	-	7	-
Highways Agency	366	476	555	699	733	616	1,266
Railways	(25)	(46)	(8)	(16)	28	483	17
Central Administration	5	49	(6)	(7)	(5)	(9)	-
Other Transport grants (resource)	14	-	248	(124)	(62)	(62)	-
To contribute to better safety, security, health and life-expectancy	**82**	**94**	**201**	**120**	**(92)**	**(186)**	**(58)**
of which:							
Aviation services, transport security & royal travel	(12)	(7)	**-**	**-**	**-**	(2)	**-**
Highways Agency	97	92	203	124	(86)	(2)	(54)
	-	-	-	-	-	(180)	-
Transformation, Licensing, Logistics & Sponsorship	(3)	9	(2)	(4)	(4)	1	(2)
Central Administration	-	-	-	-	(2)	(3)	(2)
To promote greater equality of opportunity for all and achieve a fairer society	**(2)**	**(2)**	**-**	**-**	**-**	**-**	**-**
of which:							
Railways	(2)	(2)	-	-	-	-	-
Total resource budget AME	**426**	**571**	**990**	**675**	**602**	**1,083**	**1,673**
of which:†							
Pay	-	-	-	-	-	-	-
Procurement	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-
Current grants to local authorities	-	-	-	-	-	-	-
Depreciation	393	488	597	684	682	658	1,258
Total resource budget	**6,637**	**6,732**	**7,620**	**7,557**	**6,848**	**7,690**	**8,062**
Total resource budget adjusted for inflation	**7,342**	**7,310**	**8,037**	**7,747**	**6,848**	**7,558**	**7,749**

†The breakdown of Resource by economic category may exceed the total Resource reported above because of other income and receipts that score in Resource but aren't included as pay, procurement, or current grants to subsidies to the private sector, abroad and local authorities.

Table A3 Capital budget

This table provides details for the capital expenditure plans in the same format as Table A2. Capital grants (treated as resource in the Main Estimate) are included in this table.

Table A3: Capital budget DEL and AME (£m)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
To support the economy by delivering reliable and efficient transport networks	**4,514**	**4,109**	**5,198**	**5,234**	**5,373**	**5,365**	**4,864**
of which:							
Ports & shipping services	11	1	23	60	2	(3)	10
Maritime & Coastguard Agency	8	8	6	10	9	10	9
Aviation services, transport security & royal travel	5	(1)	16	(47)	(3)	2	(3)
Tolled River Crossings	(4)	(4)	(4)	(2)	(2)	-	(2)
Highways Agency	5	1	-	-	297	599	212
Railways	2,821	2,584	3,586	3,490	4,030	3,680	3,374
Transformation, Licensing, Logistics & Sponsorship	12	6	1	1	-	1	1
Central Administration[3]	3	1	1	4	3	8	18
Research, statistics, publicity and consultancies & other services for roads and local transport	-	-	3	-	-	1	1
Area Based Grants	1,395	1,364	1,332	856	858	902	975
GLA transport grants	-	-	-	-	100	100	-
Other transport grants (resource)	258	150	233	(4)	7	19	2
Other transport grants (capital)	-	-	1	866	72	46	267
To reduce transport emissions and thus avoid dangerous climate change	**46**	**68**	**73**	**206**	**416**	**468**	**346**
of which:							
Cleaner Fuels and Vehicles	-	-	-	-	-	2	22
Bus Service Operators Grant	-	-	-	-	-	-	-
Highways Agency	4	18	21	16	17	24	23
Railways	-	-	-	-	-	-	-
Government Car & Despatch Agency	1	1	2	1	2	1	1
Research, statistics, publicity and consultancies & other services for roads and local transport	10	2	4	-	-	18	-
Other transport grants (resource)	-	-	2	4	(2)	20	26
Other transport grants (capital)	31	46	44	185	399	403	274
Highways Agency	-	1	-	-	-	-	-
To contribute to better safety, security, health and life-expectancy	**645**	**818**	**1,193**	**1,478**	**1,319**	**2,201**	**1,699**
of which:							
Accident Investigation Branches	-	2	2	-	1	1	-
Highways Agency	602	735	1,094	1,041	817	1,304	1,421
Railways	7	16	11	8	11	162	(272)
Freight grants	3	3	6	(1)	(1)	1	6
Transformation, Licensing, Logistics & Sponsorship	22	16	41	40	63	61	4
VOSA trading fund	3	22	14	18	(7)	(2)	-

Driving Standards Agency trading fund	(1)	10	14	29	(4)	(6)	-
Vehicle Certification Agency	-	-	-	-	-	1	-
Research, statistics, publicity and consultancies & other services for roads and local transport	3	6	-	-	-	-	-
Area Based Grants	6	8	11	69	46	55	28
Other transport grants (capital)	-	-	-	274	393	624	512
To promote greater equality of opportunity for all and achieve a fairer society	**17**	**-**	**39**	**135**	**75**	**219**	**263**
of which:							
Bus Service Operator Grants	-	-	-	-	-	11	20
Accessibility & Equalities	-	-	-	(1)	-	-	1
Support construction of venues and infrastructure related to the Olympic Games	-	-	-	-	75	203	234
Railways	(2)	-	-	-	-	-	-
Research, statistics, publicity and consultancies & other services for roads and local transport	-	-	-	-	-	-	3
Other transport grants (capital)	19	-	39	136	-	-	-
Other transport grants (resource)	-	-	-	-	-	5	5
To improve quality of life and to promote a healthy natural environment	**-**	**-**	**-**	**-**	**-**	**-**	**7**
of which:							
Aviation Services, transport security & royal travel	-	-	-	-	-	-	7
Total capital budget DEL	**5,222**	**4,995**	**6,503**	**7,053**	**7,182**	**8,253**	**7,179**
of which:							
Capital expenditure on fixed assets net of sales	667	807	1,196	1,167	1,181	1,993	1,730
Capital grants to the private sector and abroad	2,160	1,996	3,119	3,173	4,018	3,686	3,403
Net lending to private sector	5	(5)	(1)	(63)	-	4	2
Capital support to public corporations	549	1,418	1,120	531	85	359	(3)
Capital support to local authorities	1,706	1,564	1,659	1,931	1,870	2,179	2,089
Total capital budget AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total capital budget	**5,222**	**4,995**	**6,503**	**7,053**	**7,182**	**8,253**	**7,179**
Of which:							
Capital expenditure on fixed assets net of sales	667	807	1,196	1,167	1,181	1,993	1,730
Capital grants to the private sector and abroad	2,160	1,996	3,119	3,173	4,018	3,686	3,403
Total capital budget adjusted for inflation	**5,777**	**5,424**	**6,859**	**7,230**	**7,182**	**8,111**	**6,900**

Explanatory footnotes for Tables A1, A2 and A3

\# Figures under plus or minus £500,000 are not shown. Numbers are rounded to the nearest £ million. All data is taken from the HMT Coins Database (where numbers are in £'000s).

1 During 2007-08 the Capital DEL was increased by £642 million of which £304 million was a Reserve claim to part cover a notional charge to reflect the marginal impact on Public Sector Net Debt in 2007-08 of Metronet's move into administration; and £337 million was take up of EYF. This was partially offset by a £17 million transfer to the Scottish Executive for rail services.

2 The figures for central administration in Table A2 and A3 consist of: the relevant net resource allowance within DfT administration budget (see Table A5); other administrative costs not included in the limit such as certain secondments and ex-gratia payments, together with capital investment in Departmental infrastructure, and departmental unallocated provisions.

Table A4 Capital employed

This table shows the capital employed by the Department. In a balance sheet format, it provides a high-level analysis of the value of the various categories of fixed assets employed by the Department. It also shows details of the current assets, debtor and creditor values, and also the extent of provisions made.

	2004-05 Outturn (UK GAAP)	2005-06 Outturn (UK GAAP)	2006-07 Outturn (UK GAAP)	2007-08 Outturn (IFRS)	2008-09 Outturn (IFRS)	2009-10 Outturn (IFRS)	2010-11 Projected Outturn (IFRS)
Assets on balance sheet at end of year:							
Assets							
Non-current assets	74,688	78,844	84,237	90,382	94,113	92,068	93,474
Property, Plant & Equipment	74,020	78,156	83,533	86,549	90,155	88,077	89,621
Intangible Assets	21	26	28	54	55	30	33
Financial Assets	647	663	676	625	648	674	670
Trade & other receivables	-	-	-	3,154	3,255	3,284	3,147
Inventories	-	-	-	-	-	3	3
Current Assets	598	766	694	366	485	709	512
Liabilities							
Current Liabilities	(1,001)	(1,294)	(1,213)	(1,477)	(1,833)	(3,165)	(2,773)
Non-current Liabilities	(4,971)	(4,458)	(4,409)	(12,611)	(12,706)	(9,019)	(8,842)
Pension Liabilities	(635)	(374)	(116)	(251)	(1,300)	(1,243)	(1,240)
Capital Employed within Main Department	**68,679**	**73,485**	**79,193**	**76,409**	**78,759**	**79,350**	**81,131**
NDPB total assets less liabilities	3,906	179	186	201	215	217	221
Total Capital Employed in Departmental Group	**72,585**	**73,663**	**79,378**	**76,609**	**78,974**	**79,667**	**81,352**

Notes

1 Outturn figures are taken from consolidated DfT Resource Accounts. Outturn is shown as restated to reflect that the Balance Sheet comparator within each set of Resource Accounts is adjusted to recognise the detrunking of parts of the road network. This adjustment is in accordance with merger accounting principles.

2 The activities of the Strategic Rail Authority transferred to the Main Department in 2005-06. Network Rail has also been excluded from this point.

3 Under IFRS, the long-term element of Trade and Other Receivables and Inventories is categorised under Non-current Assets.

Table 5 Departmental administration costs

This table presents information on the pay and other related costs included in the Departmental administration budget. Other administration costs related to the delivery of front-line services and certain Department's executive agencies are included within Table A2.

Table A5: Administration Costs (£m)							
	2007-08	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
Administration Expenditure							
Paybill	135	153	157	161	157	173	174
Other 2	165	170	158	148	145	138	131
Total administration expenditure 3,5	**300**	**323**	**315**	**309**	**302**	**311**	**305**
Administration income	(33)	(35)	(30)	(26)	(26)	(33)	(39)
Total administration budget	**267**	**288**	**285**	**283**	**275**	**278**	**266**

Notes

1 All figures in this table are consistent with the treatment of administration costs on a full resource accounting and budgeting (RAB) basis.

2 Consultancy costs previously counted within programme have been reclassified in all outturn years as part of the Administration Budget. This is the main reason for the year-on-year difference in other expenditure between 2005-06 and 2006-07.

3 From 1 April 2004, the DVLA became a Trading Fund with budgetary treatment akin to an NDPB and, therefore, no longer subject to Administration Budget controls.

4 The plan for the Administration Budget was agreed as part of the Consolidated Spending Review 2007.

5 The underspend of £6 million between 2007-08 and 2008-09 is mostly due to vacancies (£4 million) and higher than expected income (£2 million).

Table 6 Staff numbers

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

		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Planned
Department for Transport Centre[1]	**FTE**	1,900	1,801	1,816	1,930	1,853	1,894	1,902	1,963	1,963
	Overtime	70	70	30	30	30	30	30	27	-
	Casuals	30	30	-	-	-	-	-	-	-
	Total	**2,000**	**1,901**	**1,846**	**1,960**	**1,883**	**1,924**	**1,932**	**1,990**	**1,963**
Driver & vehicle Licensing Agency[2]	**FTE**	5,326	6,557	6,525	6,365	6,367	6,167	6,329	5,906	5,906
	Overtime	**106**	-	-	-	-	-	-	-	-
	Casuals	**411**	-	-	-	-	-	-	-	-
	Total	**5,843**	**6,557**	**6,525**	**6,365**	**6,367**	**6,167**	**6,329**	**5,906**	**5,906**
Driving Standards Agency[3]	**FTE**	1,949	2,184	2,465	2,541	2,584	2,607	2,574	2,525	2,525
	Overtime	-	-	-	-	-	-	-	-	-
	Casuals	-	-	-	-	-	-	-	-	-
	Total	**1,949**	**2,184**	**2,465**	**2,541**	**2,584**	**2,607**	**2574**	**2,525**	**2,525**

Highways Agency[4]	**FTE**	1,677	1,781	2,124	3,141	3,368	3,405	3,416	3,747	3,747
	Overtime	21	8	16	26	25	23	42	37	-
	Casuals	20	8	3	0	-	-	-	-	-
	Total	**1,718**	**1,797**	**2,143**	**3,167**	**3,393**	**3,428**	**3,458**	**3,784**	**3,747**
Maritime and Coastguard Agency	**FTE**	1,100	1,144	1,171	1,171	1,169	1,161	1,128	1,157	1,157
	Overtime	47	33	14	32	35	35	35	35	-
	Casuals	50	34	22	3	3	0	0	0	0
	Total	**1,197**	**1,211**	**1,207**	**1,206**	**1,207**	**1,196**	**1,163**	**1,192**	**1,157**
Vehicle Certification Agency[5]	**FTE**	104	111	110	111	111	122	136	139	139
	Overtime	3	-	-	-	-	-	-	3	-
	Casuals	3	-	-	-	-	-	-	-	-
	Total	**110**	**111**	**110**	**111**	**111**	**122**	**136**	**142**	**139**
Vehicle & Operator Services Agency[6]	**FTE**	2,110	2,760	2,703	2,619	2,481	2,479	2,638	2,444	2,444
	Overtime	-	-	-	-	-	-	-	-	-
	Casuals	80	-	-	-	-	-	-	-	-
	Total	**2,190**	**2,760**	**2,703**	**2,619**	**2,481**	**2,479**	**2,638**	**2,444**	**2,444**
Government Car & Despatch Agency[7]	**FTE**	298	298	297	296	295	293	315	310	310
	Overtime	-	-	-	-	-	-	-	-	-
	Casuals	-	-	-	-	-	-	-	-	-
	Total	**298**	**298**	**297**	**296**	**295**	**293**	**315**	**310**	**310**
Department Total		**15,305**	**16,819**	**17,296**	**18,265**	**18,321**	**18,216**	**18,545**	**18,219**	**18,130**
Office of Rail Regulation[8]	**FTE**	120	124	139	141	371	360	357	304	304
	Overtime	1	1	1	1	-	-	-	-	-
	Casuals	-	1	1	-	1	1	-	-	-
	Total	**121**	**126**	**141**	**142**	**372**	**361**	**357**	**304**	**304**

Notes

Staff numbers are expressed as full-time equivalents (FTEs), so two part-time staff each working 50 per cent of conditioned hours will count as one FTE. They are the number of FTE at the end of the financial year to which they relate, so 2004-05 figures are at 31 March 2005. Figures for overtime are not included in the data collected by the Office of National Statistics on Civil Service numbers.

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

1 The equivalent of 212 posts was transferred into the central Department in 2005-06 when it took on the responsibilities of the Strategic Rail Authority. Figures for 2005-06 and 2006-07 include additional front-line

posts and are due to the establishment of the Rail Accident Investigation Branch and strengthening of the Transport Security Directorate.

2 DVLA hosts the DfT Shared Service Centre (SSC). The 2006-07 figures include 270 FTE working for the SSC. This rises to approximately 350 FTE in the period covered by the table. Planned workforce reductions of approximately 100 FTE each year will help offset this.

3 2010-11 figure is included unchanged from 2009-10 as not available at time of publication.

4 HA anticipates that the FTE gains due to greater investment in the network and managed motorways will be offset by continuing efficiency savings in administration roles.

5 VCA headcount figures for 2005-06 onwards have been updated to comply with Office of National Statistics headcount definition.

6 On 1 April 2003 the Vehicle Inspectorate (VI) and the Traffic Area Network combined to become VOSA. Figures for 2002-03 are for VI. Headcount increase 2008-09 represents 127 FTEs to target high-risk traffic.

7 GCDA became an agency of DfT in November 2005.

8 ORR's headcount increase between 2005-06 and 2006-07 was due to a merger with HSE Rail on 1 April 2006.

Tables 7, 8 and 9 Regional spending

Table A7: Total identifiable expenditure on services by country and region, 2004-05 to 2010-11 (£ millions)

	National Statistics						
Department for Transport	**2004-05 outturn**	**2005-06 outturn**	**2006-07 outturn**	**2007-08 outturn**	**2008-09 outturn**	**2009-10 outturn**	**2010-11 plans**
North East	191	212	306	301	335	391	352
North West	834	815	1,101	1,078	997	1,201	947
Yorkshire and the Humber	393	418	665	590	686	829	684
East Midlands	432	485	601	623	559	690	590
West Midlands	711	695	832	823	745	846	709
East	426	446	659	673	699	863	863
London	966	898	1,152	1,174	901	1,087	960
South East	1,336	1,300	1,663	1,628	1,718	1,909	1,729
South West	534	615	816	751	688	733	696
Total England	**5,825**	**5,884**	**7,796**	**7,640**	**7,328**	**8,549**	**7,529**
Scotland	282	249	160	156	143	148	156
Wales	174	164	141	140	223	161	155
Northern Ireland	21	19	21	21	33	33	26
UK identifiable expenditure	**6,302**	**6,316**	**8,118**	**7,957**	**7,728**	**8,890**	**7,866**
Outside UK	156	143	113	104	27	-153	-244
Total identifiable expenditure	**6,459**	**6,459**	**8,231**	**8,061**	**7,755**	**8,737**	**7,621**
Non-identifiable expenditure	177	177	176	182	182	590	252
Total expenditure on services	**6,635**	**6,636**	**8,407**	**8,243**	**7,937**	**9,327**	**7,873**

Table A:8 Total identifiable expenditure on services by country and region, per head 2004-05 to 2010-11

							£ per head
Department for Transport	**National Statistics**						
	2004-05 outturn	**2005-06 outturn**	**2006-07 outturn**	**2007-08 outturn**	**2008-09 outturn**	**2009-10 outturn**	**2010-11 plans**
North East	75	83	120	117	130	152	136
North West	122	119	161	157	145	173	136
Yorkshire and the Humber	78	82	129	114	132	157	129
East Midlands	101	112	138	142	126	154	130
West Midlands	134	130	155	153	138	156	130
East	77	80	118	119	122	150	148
London	131	120	153	155	118	142	124
South East	164	159	202	196	205	227	204
South West	106	121	159	145	132	139	131
England	**116**	**117**	**154**	**150**	**142**	**165**	**144**
Scotland	56	49	31	30	28	29	30
Wales	59	56	47	47	75	54	51
Northern Ireland	12	11	12	12	19	18	15
UK identifiable expenditure	**105**	**105**	**134**	**131**	**126**	**144**	**126**

Regional DR tables: footnotes/explanatory text

Tables 7, 8 and 9 show analyses of the Department's spending by country and region, and by function. The data presented in these tables is consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2010. The figures were taken from the HMT public spending database in December 2009 and the regional distributions were completed in January and February 2010. The tables may not, therefore, show the latest position and are not consistent with other tables in the Departmental report.

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.

TES is a near-cash 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 2010.

The data is 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.

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.

The functional analyses of spending in Table 9 are based on the United Nations Classification of the Functions of Government, the international standard. The presentations of spending by function are consistent with those used in Chapter 9 of PESA 2010. These are not the same as the strategic priorities shown elsewhere in the report.

Table A9: Department for Transport's identifiable expenditure on services by function, county and region

Data in this table are National Statistics — **£ million**

Department for Transport	**North East**	**North West**	**Yorkshire and The Humber**	**East Midlands**	**West Midlands**	**East**	**London**	**South East**	**South West**	**England**	**Scotland**	**Wales**	**Northern Ireland**	**UK Identifiable expenditure**	**OUTSIDE UK**	**Total Identifiable expenditure**	**Not Identifiable**	**Totals**
General public services																		
General services	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.4
Total general public services	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**0.0**	**0.0**	**0.4**	**0.0**	**0.0**	**0.0**	**0.4**	**0.0**	**0.4**	**0.0**	**0.4**
Defence																		
Civil defence	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.5	0.0	0.0	0.0	0.7	0.0	0.7	0.0	0.7
Total defence	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**0.7**	**0.0**	**0.7**	**0.0**	**0.7**
Public order and safety																		
Police services	9.8	32.3	19.9	13.6	22.4	21.2	54.3	62.4	20.1	256.1	11.2	9.8	0.0	277.0	0.0	277.0	0.0	277.0
of which: other police services	*9.8*	*32.3*	*19.9*	*13.6*	*22.4*	*21.2*	*54.3*	*62.4*	*20.1*	*256.1*	*11.2*	*9.8*	*0.0*	*277.0*	*0.0*	*277.0*	*0.0*	*277.0*
Total public order and safety	**9.8**	**32.3**	**19.9**	**13.6**	**22.4**	**21.2**	**54.3**	**62.4**	**20.1**	**256.1**	**11.2**	**9.8**	**0.0**	**277.0**	**0.0**	**277.0**	**0.0**	**277.0**
Economic affairs																		
Transport	324.0	964.1	662.9	544.3	721.6	676.3	842.9	1,654.9	666.2	7,057.1	131.1	212.3	31.5	7,432.0	28.2	7,460.2	180.8	7,641.0
of which: local public transport	*29.2*	*67.2*	*48.3*	*29.8*	*44.4*	*36.3*	*89.8*	*49.2*	*36.9*	*431.2*	*2.0*	*1.7*	*0.0*	*434.9*	*1.9*	*436.8*	*0.0*	*436.8*
of which: national roads	*158.6*	*321.5*	*266.5*	*257.6*	*284.6*	*400.4*	*47.7*	*713.4*	*344.0*	*2,794.2*	*23.3*	*14.0*	*18.0*	*2,849.6*	*0.1*	*2,849.6*	*0.0*	*2,849.6*
of which: other transport	*16.2*	*44.1*	*27.3*	*26.0*	*33.1*	*24.3*	*38.2*	*54.1*	*31.2*	*294.6*	*11.5*	*9.9*	*5.8*	*321.9*	*1.3*	*323.1*	*180.8*	*503.9*
of which: railway	*120.0*	*531.2*	*320.8*	*230.9*	*359.4*	*215.3*	*667.1*	*838.2*	*254.1*	*3,537.1*	*94.3*	*186.6*	*7.6*	*3,825.6*	*25.0*	*3,850.5*	*0.0*	*3,850.5*
R&D economic affairs	1.2	0.3	2.3	1.0	0.6	1.3	1.7	-1.2	0.8	7.9	0.4	1.0	1.4	10.7	-0.9	9.8	1.0	10.8
Total economic affairs	**325.1**	**964.3**	**665.2**	**545.2**	**722.2**	**677.7**	**844.5**	**1,653.8**	**667.0**	**7,065.1**	**131.5**	**213.2**	**32.9**	**7,442.7**	**27.3**	**7,469.9**	**181.8**	**7,651.7**
Social protection																		
Old age	0.2	0.8	0.5	0.3	0.5	0.5	1.3	1.5	0.5	6.3	0.3	0.2	0.0	6.8	0.0	6.8	0.0	6.8
of which: pensions	*0.2*	*0.8*	*0.5*	*0.3*	*0.5*	*0.5*	*1.3*	*1.5*	*0.5*	*6.3*	*0.3*	*0.2*	*0.0*	*6.8*	*0.0*	*6.8*	*0.0*	*6.8*
Total social protection	**0.2**	**0.8**	**0.5**	**0.3**	**0.5**	**0.5**	**1.3**	**1.5**	**0.5**	**6.3**	**0.3**	**0.2**	**0.0**	**6.8**	**0.0**	**6.8**	**0.0**	**6.8**
Total for Department for Transport	**335.3**	**997.4**	**685.7**	**559.2**	**745.2**	**699.5**	**900.8**	**1,717.7**	**687.6**	**7,328.3**	**143.0**	**223.3**	**33.0**	**7,727.5**	**27.3**	**7,754.8**	**181.8**	**7,936.6**

Annnex B: Public service agreements and Departmental strategic objectives

Public service agreements

The table below shows our PSAs from the CSR07 and previous spending reviews.

Public service agreement	Indicator	Statement on data
CSR07		
PSA 5 Deliver reliable and efficient transport networks that support economic growth	**1 Journey time on main roads into urban areas** By 2010-11 the 10 largest urban areas[1] will meet the congestion targets set in their local transport plans relating to movement on main roads into city centres. The target will be deemed to have been met if, on the target routes in these areas, an average increase in travel of 4.4% is accommodated within an average increase of 3.6% in person journey time per mile.	Data for the period September 2008 to the end of July 2009[2] showed that the average person journey time across all the target routes had fallen by 5.5% between the baseline (2004-05 and 2005-06) and 2008-09. It was originally anticipated that a typical 30-minute commute on the target routes in the baseline period would take 30 minutes and 46 seconds in 2008-09. However, the data showed that, in 2008-09, such a journey took only 28 minutes and 20 seconds. The average level of travel fell in 2008-09 by 0.8% across all the target routes since the baseline period, against an anticipated increase of 2.6%.
	2 Journey time reliability on the strategic road network Minimise increases in delays between years ending March 2008 and March 2011 for the slowest 10% of journeys in the context of traffic growing by 1-2% a year. The SR04 PSA - Make journey times more reliable on the strategic network - has been subsumed into this indicator.	Figures for the year ending March 2010 showed that, across the strategic road network, average vehicle delay on the slowest 10% of journeys across the measured routes fell from 3.90 minutes per 10 miles in the baseline period (April 2007 to March 2008) to 3.65 minutes per 10 miles. This is equivalent to a saving of 14 seconds per 10 miles, or the average speed on these routes rising from 44.3 mph to 45.0 mph for the slowest 10% of journeys.

[1] These are London, Manchester, West Midlands, West Yorkshire, South Yorkshire, Tyne and Wear, Merseyside, West of England (Bristol), Nottingham and Leicester.
[2] Transport Statistics Bulletin: Road Traffic and Congestion in Great Britain: Q4 2009 (SB (10) 04)

	3 Level of capacity and crowding on the rail network – overview By 2013-14 increase rail capacity to accommodate an expected increase of 14.5% in rail passenger kilometres from 2008-09 while achieving the train-load factors specified in the Government's High Level Output Specification (HLOS) for the railway.	To date we have completed eight Deeds of Amendment with the train operating companies and procured 647 additional vehicles and a total of 56,100 additional capacity in the three morning peak hours. See Figure 1 below.
	4 Value for money of the Department's spending over the CSR07 period There is no national target for this indicator. However, the Department's aim is to maintain the same proportion of spend in the High Value for Money category as achieved over the SR04 period. Success will be judged over the three-year CSR07 period.	From April 2008 to March 2010, 95% of approved spending was in the 'high' value for money category, in line with the average in SR04 of 95%. Figure 2 below.
DfT contributions to other departments' PSAs		
PSA 26 Reduce the risk to the UK and its interests overseas from international terrorism The Home Office leads on this PSA.		For reasons of security, performance against this PSA remains classified information.
PSA 27 Lead the global effort to avoid dangerous climate change This PSA has subsumed the original SR04 PSA: Climate change. This is a joint target with DECC, Defra and BIS.	Reduce greenhouse gas emissions to 12.5% below 1990 levels in line with our Kyoto commitment and move towards a 20% reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables.	DECC is the lead department for this PSA so progress and the full indicator data can be found in the DECC report.
PSA 28 Secure a healthy natural environment for today and the future This is a shared target with Defra. This PSA has subsumed the original SR04 PSA: Air quality.	Meet the Air Quality Strategy objectives for eight air pollutants as illustrated by trends in measurements of two of the more important pollutants which affect public health: particulate matter and nitrogen dioxide (these are two of the eight pollutants measured under the UK Air Quality Strategy).	The UK is meeting its national Air Quality Strategy targets for six of eight pollutants. Emissions of air quality pollutants from road transport have fallen by 50% since 1990, despite traffic increasing by a fifth over that period. Some parts of the UK still exceed the air quality targets for two key pollutants, particulate matter (PM_{10}) and nitrogen dioxide (NO_2).

Legacy PSAs		
SR04 Bus and light rail use This PSA has subsumed SR02 PSA - By 2010 increase the use of public transport (bus and light rail) by more than 12% in England compared with 2000 levels, with growth in every region.	By 2010, increase the use of public transport (bus and light rail) by more than 12% in England compared with 2000 levels, with growth in every region.	With patronage 19.6% above baseline, in excess of target, we are on course to achieve the national patronage target as well as the associated improvements to reliability and disabled access. The target for growth in every region remains challenging.
SR04 Road safety	Reduce the number of people killed or seriously injured in Great Britain in road accidents reported to the police by 40% and the number of children killed or seriously injured by 50% by 2010 compared with the average for 1994-98, tackling the significantly higher incidence in disadvantaged communities.	See Figure 3 below.

Figure1: HLOS capacity[1] in the three morning peak hours

City	**Additional notional capacity (based on specimen options) to be procured by March 2014, subject to VfM**	**Current progress: contracted additional capacity as of March 2010**	**Expected capacity at end of reporting period: forecast additional capacity procured by March 2011**
London	115,948	51,261	95,281
Birmingham	9,583	475	5,110
Cardiff	2,307	See note 2	See note 2
Leeds	7,968	0	0
Manchester	9,111	2,751	8,071
Other urban areas	8,780	1,613	3,136
Total	153,697[3]	56,100[4]	82,712[4]

Notes:

1 Train capacity has generally been calculated on the total number of passengers that can be accommodated allowing 0.45m^2 space per person.

2 Capacity provided by Welsh Assembly Government.

3 Numbers are derived from the white paper, *Delivering a Sustainable Railway*.

4 Numbers are based on capacity secured through single tender negotiations and estimated capacity secured through franchise competitions and other programmes.

Figure 2: Value for money of Department for Transport spending

VfM Category	**Baseline (SR04 period) £m**		**CSR07 to date (Apr 08 to Mar 10) £m**	
High	5,532	(95%)	8,014	(95%)
Medium	206	(4%)	373	(4%)
Low	63	(1%)	36	(0%)
Poor	0	(0%)	14	(0%)
Total 'approved spending'	5,801	(100%)	8,437	(100%)
Number of 'approved schemes'	81		50	

Notes:

Totals may not add up because figures are rounded.

The table includes only spending decisions that are subject to the Department's VfM process.

'Approved spending' and 'approved schemes' refer to spending decisions and schemes that ministers have given final approval to within the period indicated. For example, ministers gave final approval to 81 schemes in the SR04 period covered by the Department's VfM process, though these projects may be delivered after that time.

Spending figures in this table refer to the 'cost to the Department' used in submissions seeking final approval by ministers. In some cases the cost to the Department does not represent the full cost of the scheme or intervention under consideration. Part of the cost might be covered by other public sector or private sector contributions. The cost represents the spending over the life of the project which, in many cases, extends beyond the spending review period.

Costs and/or benefits may change (from those presented to ministers for final approval) but remain within delegated limits. If they move beyond delegated limits, schemes are resubmitted to ministers. Secondly, precise costs and benefits can change when the Department negotiates delivery of projects with external delivery partners.

VfM categories are as follows:

- high - benefits are at least double the costs
- medium - benefits are 1.5 to 2 times the costs
- low - benefits are 1 to 1.5 times cost
- poor - benefits are less than costs

These categories are described in terms of the present value of benefits compared to the present value of costs.

In April 2009 we changed this categorisation:

- very high - benefits are estimated to be greater than four times the costs
- high - benefit cost ratio is between 2 and 4

For reporting progress on this indicator, we will continue to use the original VfM categories for the CSR07 period.

Figure 3: Road casualties

Performance indicator	Baseline	Latest reported figures
Number[1] of people killed or seriously injured in road accidents in Great Britian	Average annual number of all reported killed or seriously injured in the period 1994-98: 47,656[1]	26,906 reported killed or seriously injured in 2008 - 44% below the 1994-98 average
Number[1] of children killed or seriously injured in road accidents in Great Britain	Average annual number of children (under 16) reported killed or seriously injured in the period 1994-98: 6,860[1]	2,671 reported killed or seriously injured child casualties in 2008 - 61% below the 1994-98 average
Percentage reduction in the number of road deaths and injuries for the 88 local councils that are eligible to receive Neighbourhood Renewal Funding (NRF), compared to that for England as a whole	Average for the period 1999-01 in 88 NRF: 118,345	The percentage drop in total casualties in districts in these areas for 2005, compared to the annual average for 1999-2001, was greater than the overall percentage drop for England. This indicator was initially for the period up to 2005 but continued to be monitored. For children, the percentage drop in districts in the 88 NRF areas for 2009 compared to the annual average for 1999-2001 was greater than the overall percentage drop for England (child casualties fell by 49%and 48% respectively). However, total casualties in these areas fell by the same as the overall percentage drop for England (31%).

Notes:

1 Measured through casualties reported to the police.

2. Very few, if any; road accident fatalities are not reported to the police but it has long been known that a considerable proportion of non-fatal casualties are not known to the police. The data is therefore not a complete record of all injury accidents and this should be borne in mind when using it. The Department continues to undertake research to give further insight into levels of reporting in police road accident data. Further details and the most recent analysis can be found in an article published in *Reported Road Casualties Great Britain: 2008 – Annual Report*. The article also includes a broad estimate of total road casualties derived from the Department's National Travel Survey (NTS). See www.dft.gov.uk/adobepdf/162469/221412/221549/227755/rrcgb2008.pdf

Departmental strategic objectives

This table shows the Department's five strategic objectives, introduced in January 2009 and underpinned by key performance indicators.

Departmental strategic objective	Indicator	Statement on data
DSO 1 Support national economic competitiveness and growth, by delivering reliable and efficient transport networks.	**1** By 2010-11 minimise increases in journey times in the 10 largest urban areas in the morning peak time, accommodating an average increase in travel of 4.4% within an average increase of 3.6% in person journey times per mile.	For further details, see PSA 5 Indicator 1.
	2 Over the three years to 31 March 2011 achieve 1.7 million vehicle hour delay savings from new interventions on the strategic road network implemented over the same period.	At the end of March 2009, the Highways Agency had delivered a total estimated annual saving of over 0.6 million hours of delay across the strategic road network and by the end of March 2010 a further 0.7 million. For further information, see PSA 5 Indicator 2.
	3 By 2013-14 increase rail capacity to accommodate an expected increase of 14.5% in rail passenger kilometres from 2008-09 while achieving the train load factors specified in the Government's High Level Output Specification for the railway.	For details, see PSA 5 Indicator 3.
	4 Over the CSR07 period maintain the same proportion of spend in the High Value for Money category as achieved over the SR04 period.	For details, see PSA 5 Indicator 4.
	5 By March 2014 achieve reliability on the railway as measured by the Public Performance Measure Moving Annual Average (PPM MAA) of 92.6%.	From its overall starting point of 90.6% in April 2009, punctuality of franchised passenger services rose to 91.5% at 31 March 2010.

DSO 2 To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of avoiding dangerous climate change	**1** Develop a carbon reduction strategy for transport.	In July 2009 the Department published *Low Carbon Transport: A Greener Future*, which set out how transport will make a major contribution to reducing greenhouse gas emissions by: ▪ supporting a shift to new technologies and fuels; ▪ promoting lower-carbon choices; and ▪ using market mechanisms to encourage a shift to lower-carbon transport. The Department has published its *Transport Carbon Reduction Delivery Plan* in March 2010.
	2 Introduce successor arrangements to the Voluntary Agreements with car manufacturers on new car carbon dioxide.	In April 2009 the EU adopted a New Car CO_2 Regulation, setting EU-wide, sales-weighted CO_2 emission targets for manufacturers selling cars in Europe. It sets targets of 130g CO_2/km for 2012, with full compliance by 2015, and a long-term target of 95g CO_2/km by 2020. The UK was instrumental in lobbying for a 2020 target for CO_2 reduction. The European Commission has now brought out a draft regulation on van CO_2 emissions, similar to the one for cars. We are playing an active part in the discussions on this dossier.
	3 Agree an improved EU Emissions Trading System for the post-2012 period that includes aviation.	The Directive to include aviation in the EU Emissions Trading System (EU ETS) came into force on 2 February 2009.[3] In March 2009 the Secretary of State for Transport announced the appointment of the Environment Agency as Regulator of the System in England and Wales, with specialist input from the Civil Aviation Authority. Following consultation, the Aviation Greenhouse Gas Emissions Trading Scheme Regulations 2009 came into force on 17 September 2009. From 1 January 2010 operators were required to monitor emissions from flights departing from and arriving at EU airports.
	4 Introduce the Renewable Transport Fuel Obligation – requiring 5% of all UK fuel sold on UK forecourts to come from a renewable source by 2010.	The Renewable Fuels Agency submitted its first annual report to Parliament in January 2010. It showed the performance of biofuels supplied for road

[3] Directive 2008/101/EC of 19 November 2008

		transport use in the UK against the Government's targets: volume of supply (target 2.5%, actual approx 2.7%); greenhouse gas savings (target 40%, actual 46%); data capture (target 50% actual 64%); and biofuels meeting an environmental sustainability standard (target 30% actual 20%).
DSO 3 To contribute to better safety, security and health and longer life-expectancy through reducing the risk of death, injury or illness arising from transport, and promoting travel modes that are beneficial to health	**1** Reduce the number of children killed or seriously injured in road accidents by 50% by 2010 compared with the average for 1994-98, tackling the significantly higher incidence in disadvantaged communities.	For details, see PSA SR04 Road safety.
	2 Reduce the overall number of people killed or seriously injured in Great Britain in road accidents by 40% by 2010 compared with the average for 1994-98, tackling the significantly higher incidence in disadvantaged communities.	For details, see PSA SR04 Road safety.
	3 Deliver Transport's contribution to PSA 26: Reduce the risk to the UK and its interests overseas from international terrorism.	For details, see PSA 26.
	4 Contribute to meeting the Air Quality Strategy objectives for eight air pollutants as illustrated by trends in measurements of two of the more important pollutants which affect public health: particulate matter (PM_{10}) and nitrogen dioxide (NO_2).	For details, see PSA 28.

DSO 4 To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society	**1** Increase the number of stations re/accredited under the Secure Stations Scheme from 610 to 700 by March 2009.	We exceeded our business plan target of achieving 700 accreditations by March 2009 by 28%, with 898 accredited stations. There are currently 1,009 accreditations exceeding our March 2010 target of 950 accreditations.
	2 Ensure full compliance with Vehicle Accessibility Regulations for the bus fleet by 2017.	All new vehicles registered since 31 December 2000 must meet the provisions of the Public Service Vehicles Accessibility Regulations. These Regulations set out technical requirements that will make travelling on buses easier for disabled people. DfT publishes guidance so that manufacturers and operators understand what is expected in order to comply with the Regulations. Around 62% of the bus fleet is currently accessible to disabled people and meets the low-floor requirements.
	3 Ensure full compliance with Vehicle Accessibility Regulations for the heavy rail fleet by 2020.	The proportion of heavy rail vehicles (trains) built in compliance with modern accessibility standards rose during the year from 42% to 45% of the national heavy rail fleet. Across all rail vehicles in public transport service (including trams, underground, etc), 35% were considered to be sufficiently accessible to allow their use after 2019.
	4 Improve access to services and facilities by public transport, walking and cycling.	The Core Accessibility Indicators were published in June 2009. These showed access to seven services for target and 'at risk' population groups by public transport/walking, cycling and by car. In 2008, 97% of the target population was able to access an employment centre within the median travel time (20 minutes). At least 88% of the target population was able to access educational institutions, 77% health care institutions and 95% food stores within the median travel time.

DSO 5 To improve quality of life for transport users and non-transport users, and to promote a healthy natural environment	**1** Meet critical milestones for relevant transport infrastructure delivery for the 2012 Olympics ensuring delivery stays within approved budgets.	DfT is accountable for delivery of a number of infrastructure projects and decisions which will contribute to transport outcomes during the London 2012 Games. Many of these reflect specific commitments in the London Bid and/or in the Olympic Transport Plan. Three workstreams were completed during the 2009-10 financial year: the Olympic Route Network was designated; Stratford International Stations opened to the public; and Southeastern began its high-speed service to provide the Javelin shuttle service during the Games.
	2 Open High Speed One services at Stratford International in line with agreed timetable.	Stratford International Station opened on time, in December 2009 and High Speed One domestic services started in line with the agreed timetable.
	3 Ensure the rail industry produces Noise Action Plans, in accordance with the Environmental Noise Directive, and delivers in line with the agreed Plans.	The Department has worked with Defra and the rail industry to establish an action plan describing how rail noise will be managed. Defra published a draft action plan in summer 2009 and the consultation on it closed in early November. The noise action plans covering railways have undergone some small amendments following consultation. The current target remains for the action plans to be formally adopted in 2010 and implemented thereafter.

Annex C: CSR07 Value for Money Programme

The CSR07 Value for Money (VfM) programme has a commitment to deliver savings across Government of £35 billion for the spending review period of 2008-09, 2009-10 and 2010-11. The Department for Transport's target by the end of 2010-11 is shown below, along with actual savings achieved by the end of 2009-10.	
Department for Transport CSR07 VfM target	£1.762 billion
Department for Transport VfM savings at March 2010	**£1.629 billion**[1]

Notes:

1 As part of a continuing audit of the VfM programmes of major government departments, the National Audit Office (NAO) carried out an audit of the Department for Transport last year. The NAO made two recommendations for the Department's VfM Programme. These have now been fully addressed and the Department's response to the recommendations has been approved by the NAO and HM Treasury. The figures published here reflect the response to the NAO's recommendations in full.

Annex D: Public Accounts Committee recommendations

For full details of the PAC findings and the Department's response, see the relevant documents at www.parliament.uk.

For the original NAO reports, see publications at www.nao.org.uk.

DfT: Letting rail franchises 2005-2007	NAO Report: 15 October 2008 (HC 512 2007-2008) PAC hearing: 21 January 2009 PAC 21st Report: 19 May 2009 (HC 191) Treasury Minute: 21 July 2009 (Cm 7636)
Recommendations	**Progress to date**
The Department should provide regular analysis and assurance to demonstrate that rail franchising is consistent with government's wider objectives.	The Office of Rail Regulation publishes rail statistics on a range of indicators. In the most recent National Passenger Survey (Autumn 2009), the percentage of rail passengers satisfied with their journey overall was 83%, which is the highest percentage of satisfied passengers recorded by the survey since it began in 1999.
The Department should invite local and regional transport bodies to second suitably qualified staff to join the bid evaluation teams, to check against local needs.	The way that franchises will be specified and assessed in future is currently being considered, and this recommendation will be taken into account.
The Department should be flexible in recruitment and remuneration and use of staff with commercial experience.	DfT recognises the need to maintain and improve commercial skills and is taking steps to recruit and develop commercial staff.
The Department must do more to simplify fares and ticket structures. The lowest priced fare for a journey must be available at ticket offices as well as on the internet.	The Government is committed to fair pricing for rail travel. The Rail Value for Money study (being carried out by Sir Roy McNulty), and the Association of Train Operating Company's review of fares will provide a valuable basis for future decisions.
The Department should hold train operators to their contract terms, even if the bid contained over-optimistic revenue assumptions.	Operators are required to deliver the terms of their contract. The way in which franchises are let and managed in future is under consideration, including how the risk around future revenue will be managed.
The Department should develop robust contingency plans to keep train services running in the event of multiple failures.	The Department's ability to keep train services running in the event of a franchisee failure were tested during 2009 when National Express East Coast defaulted on its franchise. These arrangements worked effectively and the Department has improved its plans further to deal with any future failures
The Department should review the ability of issuers of performance bonds to respond to calls from the operating companies.	The Department monitors the financial health of bond issuers, and takes the risks into account during planning.

MCA's response to in the UK Merchant Fleet	NAO Report: 11 February 2009 (HC 131 2008-2009) PAC hearing: 1 June 2009 PAC 44th Report: 29 October 2009 (HC 586) Treasury Minute: 15 December 2009 (Cm 7736)
Recommendations	**Progress to date**
The Agency should produce a business plan that will maximise the opportunities from growth in the fleet.	Business planning in the Department and the Agency includes the UK Ship Register as the natural choice for quality shipping with the highest safety standards. However future business planning will need to take account of Government spending priorities.
The Agency should provide evidence to show that it is not facing a staffing crisis and can cope with growth in the fleet.	The Agency developed and implemented a recruitment strategy in August 2009 with: • open campaigns; • graduate recruitment scheme; • improving Continuous Professional Development programme; and • improving industrial relations. This has led to decreasing vacancies. Any that do arise are manageable.
The Agency must develop a robust strategy to recruit and retain marine surveyors to deliver its inspection programme.	The Agency developed and implemented a recruitment strategy in August 2009 which specifically targets specialist surveyor recruitment through open campaigns, a reserve list for surplus candidates that passed the assessment board and a Trainee Graduate Surveyor Scheme. As a result of these methods the number of operational surveyors in post at Grade 1 and Grade 2 has grown between 1 April 2009 and 31 March 2010. Figures have been provided to the NAO to demonstrate that the MCA has a much improved situation regarding its surveyor complement and age profile. Future recruitment strategy will take account of Government spending priorities.
The Agency should be proactive in meeting its target to increase the UK registered fleet by 7% each year between 2008 and 2012 and then set rolling five-year targets.	The 7% growth target was an aspirational goal, intended as a guide, to be adjusted in the light of prevailing economic conditions and the need to maintain a quality UK Register. In the financial year 2007-08, the Register increased by 4.4% in numbers of vessels and 11.6% in gross tonnage, with increases of 3.1% and 15.4% respectively in 2008-09. In 2009-10, following slight increases until September, there were subsequent decreases.
The Agency should develop a clear marketing strategy to show how it will attract ships to operate under the UK flag.	The Government believes that the emphasis on quality, rather than quantity, is of paramount importance. Rather than growth for growth sake, the Department and the Agency regard the more important objective is to ensure that the UK retains its reputation for quality as its strongest selling point.

The Agency should establish reasons for the decline in its quality advantage and develop a plan to restore its previous standing.	The UK Ship Register consistently remains towards the top of the Paris MOU flag states (an internationally acknowledged published list, derived from the number of ship detentions and deficiencies on each flag, ranking, in terms of quality, the best shipping registers).
The Agency should carry out more surprise inspections of high risk UK registered vessels.	Ships on the UK register are monitored through inspections at UK ports, some of which are not notified in advance. For those operating overseas inspections are normally carried out in conjunction with MCA surveys. Whilst the latter loses the surprise element, there is a resource issue in sending surveyors overseas at taxpayers' expense.
The Agency should produce an analysis of surveys and inspections for 2008-09.	The Agency has provided the NAO with the final figures for both 2008-9 and 2009-10.
The Agency should review and improve its procedures for setting inspection targets.	The Agency has provided the NAO with its procedures for setting inspection targets.

Improving road safety for pedestrians and cyclists in Great Britain	NAO Report: 8 May 2009 (HC 437 2008-2009) PAC hearing: 10 June 2009 PAC 49th Report: 22 October 2009 (HC 665) Treasury Minute: 15 December 2009 (Cm 7737)
Recommendations	**Progress to date**
The Department should prioritise promoting targeted road safety schemes in deprived areas.	The Department has completed a number of road safety partnership grant projects and the neighbourhood road safety initiative. It has published interim evaluations of what they have achieved.
The Department should promote measures to reduce speed, including speed cameras, 20 mph zones and road humps.	The Department has published research about the effectiveness of 20 mph zones and limits, including the city wide 20 mph limit in Portsmouth.
The Department should seek examples of successful road safety schemes run by local authorities and issue guidance on how to use more widely.	The road safety time bank has been supported by the Department and includes many examples of good schemes. A stronger local road safety knowledge centre is due to be launched by September, with a tool to enable the better selection and evaluation of local road safety measures also in preparation.
The Department should devise education, training and publicity measures to target anti-social behaviour by cyclists, particularly when they break traffic laws.	Where cyclists break the law, the Department encourages enforcement authorities to take the appropriate action.
The Department should take the lead in re-examining the practice of changing the clocks at the end of British summer time.	While a move to Single/Double Summer Time would reduce road casualties, a wide range of other issues would also need to be considered.
The Department should devise a formula for adjusting the police data in reporting progress against its targets each year.	The Department is matching police casualty data with those from the National Health Service. The Department published in September 2009 a broad estimate of total road casualties derived from the National Travel Survey.
The Department should develop an explicit strategy to promote its road safety priorities more effectively among those who can influence the success of road safety measures.	The Department recognises the need to work with a wide range of organisations.

Highways Agency: Contracting for highways maintenance	NAO Report: 16 October 2009 (HC 959 2008-2009) PAC hearing: 2 November 2009 PAC 4th Report: 7 January 2010 (HC 188) Treasury Minute: 11 March 2010 (Cm 7818)
Recommendations	**Progress to date**
The Agency needs to benchmark unit costs or routine and planned maintenance between contractors and areas.	By June 2010 HA will have a database of unit costs for key planned maintenance items and will use this to monitor the robustness of target costs and relative performance to drive efficiency. The agency will review the MAC model contract which will help deliver the recommendation by March 2011.
The Agency should establish the reasons for the variations in unit costs and challenge prices.	HA is working with the MAC contractor's forum to investigate cost and quality performance variances for selected routine activities; this analysis will identify best practice and identify changes to procedures to make savings in the existing MAC contracts.
The Agency should monitor more closely expenditure on fixed cost and actual cost reclaiming during the lifetime of the MAC contracts.	In May 2009 the Agency's quantity surveyors commenced a programme of financial audits of MAC contractor's costs covering fixed cost activities and reimbursable costs. From April 2010 the Agency's quantity surveyors will use available information on costs reclaimed by contractors and produce quarterly reports showing design costs as a percentage of construction costs. These initiatives will ensure that annual expenditure is monitored closely, costs are properly charged and cost increases are challenged and managed effectively.
The Agency must proactively manage contractors, challenge their costings and establish benchmarks during the term of each contract.	The Agency is now delivering commercial training to area teams responsible for managing the MACs and framework contracts to ensure staff managing contracts have the right skills for commercial management and continuous efficiency improvement. The Agency is involved in a study of benchmark and expenditure of best practice with other European road operators. From summer 2010, 11 of the Agency's 12 MAC areas will be incentivised to achieve continuous improvement through the contract where any savings identified and agreed are split equally between the contractor and the client.
The Agency should use its access to cost information to understand the drivers so it can identify trends.	The Agency will develop and maintain a formal database of unit costs of key activities and use the database to carry out trend analysis by the end of June 2010. The database of costs of key activities will enable the Agency to improve its understanding of costs and cost variances between contractors.
The Agency should make a clear assessment of the skills level it needs and put in place a strategy to maintain this.	HA has deployed a quantity surveyor in each of its seven regions supplemented by a central team for dealing with specialist and commercial development work. Seven graduate engineers joined HA in early 2010 with a further intake planned for September 2010. Improved training and more effective succession planning will improve retention and skill levels.

The Agency should refine and extend its use of whole-life costings in assessing proposals for planned maintenance and should use them to determine the content of the programme.	The Agency already has a well established whole-life cost tool for assessing individual road pavement planned maintenance schemes. The use of whole-life costings will be extended through improving the process for assessing, prioritising and allocating funds from April 2010, implementing a whole-life cost analysis tool for structures and drainage maintenance from early 2011; and delivering tools to identify future national level spending needs based on existing and projected asset conditions.
The Agency should demonstrate that it is taking the issue of road worker safety seriously.	HA published its *Road Worker Safety Action Plan 2009-2011* in November 2009. It is taking a lead in delivering the vision of Aiming for Zero and will achieve this through reducing the need for road workers to be on foot on a live carriageway where they are most at risk.

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Annex E: Complaints to the Parliamentary Ombudsman

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

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

Complaints to Parliamentary Ombudsman for financial year 2008-2009 (most recent figures available)		
Number of complaints accepted for investigation by Parliamentary Ombudsman this year		3
Number of complaints reported on by Parliamentary Ombudsman this year		3
Percentage upheld in full		0%
Percentage upheld in part		33%
Percentage not upheld		67%
Number of Ombudsman's recommendations	Complied with	3
	Not complied with	0

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