Department for Transport

Department for Transport Annual Report and Accounts 2013-14

(For the year ended 31 March 2014)

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Part 1: Annual Report

Foreword by the Secretary of State

Transport is an engine for economic growth, it makes our economy stronger and our lives easier. It gets people to work, goods to shops, and children to school.

Our competitors are improving their roads, rolling out high speed railways and expanding their airports. We must too. Investment in infrastructure is a part of our long-term economic plan. We plan to invest more than £70 billion in all forms of transport by 2021.

That is what I am focusing on and this report shows that we have already made good progress over the last year.

High Speed 2 (HS2) rail is part of our infrastructure investment package, making up £16 billion of investment over the next Parliament. HS2 is vital for the economic health of this country and our international competitiveness.

The Department is also investing a record amount of funding into the rail network – £38 billion pounds over the next five years for electrification, station improvements and large infrastructure programmes like the Thameslink upgrade.

The Department and the Highways Agency are leading the biggest upgrade of our road network in half a century. We are working to transform the Highways Agency into a publicly-owned company with long-term funding.

We are also trebling funding for major road schemes and planning to build 52 major road schemes by 2020–21. By the end of this Parliament, we will complete over 120 pinch point schemes that address bottlenecks on England's motorways and major A roads.

The Department for Transport is not only about infrastructure investment. This report highlights all the good work the Department and its agencies have done over the last year to promote sustainable aviation, improve road safety and grow the maritime sector. We are working hard to protect the environment, a goal which I believe is compatible with our ambitious transport goals through innovation and technology advances.

The Airports Commission is examining the scale and timing of any requirement for additional capacity to ensure that airports and airlines can continue to provide the domestic and international connections the UK needs to grow.

We actively promote lower carbon transport, support the development of the market for electric and other ultra-low emission vehicles, promote the use of sustainable biofuels and encourage sustainable local travel, like cycling.

We have just published how we intend to use the £500 million investment in ultra-low emission vehicles that was announced in September 2013, to include a large fund for research and development, and continuing our support to help drivers buy and use these vehicles.

In August 2013, the Government announced the biggest ever single injection of cash for cycling. £77 million will be divided between different cities and £17 million of funding was announced for national parks.

The winter of 2013 to 2014 was the wettest on record with over 7,800 homes and nearly 3,000 commercial properties flooded. My thoughts and sympathies extend to all those affected.

I was proud to see the Department, its agencies, Network Rail, train operating companies, and local people and businesses all working harmoniously and professionally to help the affected communities to recover. £103 million has been made available to councils across England for emergency road maintenance. Following a great effort by Network Rail and many suppliers, the storm-damaged Dawlish rail line, connecting the South West to the rest of the country, reopened on 4 April.

The Department and its agencies are saving our customers money through the Red Tape Challenge. Much needless bureaucracy has already been cut. 600,000 more people can now tax their vehicle online because of changes to insurance checks. 1.2 million customers will no longer need to renew their Statutory Off-Road Notification. Further, in the coming financial year the introduction of new measures, including removing the need to display a tax disc, will save motorists and businesses an estimated £54 million.

Over the coming year the Department will continue to build on its many successes. We will continue to promote economic growth and make Britain a better place to live.

Rt Hon Patrick McLoughlin MP

Secretary of State for Transport

Foreword by the Permanent Secretary

This year has been a very important year for the Department. We have made good progress in delivering our major projects and policies, and we have continued to focus on efficiency and on strengthening our governance structures and capability.

The Secretary of State has already highlighted some of the progress made by the Department over the last financial year on investment and transport policies. The Department has also made great strides on delivery and organisational change.

We have made great progress preparing for the construction of High Speed 2 (HS2) through the publication of the HS2 hybrid Bill that is now going through Parliament. It is crucial that the Department and High Speed 2 Ltd (HS2 Ltd) deliver the project as effectively as possible. In March 2013, Sir David Higgins, Chairman of HS2 Ltd, reported on maximising the benefits of HS2 and managing costs. Also in March 2013, the independent Growth Taskforce, chaired by Lord Deighton, published a report, *Get Ready,* that made a number of recommendations on how to get our cities, transport network and communities ready for HS2.

Crossrail, Europe's largest infrastructure project, is being delivered on time and on budget. Five years after works began, Crossrail has reached the halfway point of construction and tunnelling is 70% complete. Eight tunnelling machines have bored over 30 kilometres of tunnels under London. In March 2014, it was decided to extend Crossrail to Reading, meaning that more passengers will enjoy a direct connection to central London and beyond. It will also result in shorter journeys and increased capacity.

The Department is also working hard to improve its governance structures and capability, implementing changes to the central Department as well as our executive agencies to improve efficiency and deliver better services. This hard work is crucial for the challenging period ahead.

In January 2014, we published a response to the Transport Select Committee, setting out progress in implementing the recommendations in the Laidlaw and other reports following the cancellation of the West Coast InterCity competition in 2012. The great majority of the recommendations from these reports have now been completed and ongoing actions are being addressed through *Departmental Improvement Plan*, which was published in April 2014.[1] The Department has made good progress on rail franchising in the past year. Three invitations to tender have been issued since the launch of the revitalised programme in March 2013, including for the InterCity East Coast franchise, and on 23 May, we announced the intention to award the Thameslink, Southern and Great Northern (TSGN) franchise to Govia Thameslink Railway Limited.

Since 1 April 2014, the rail functions of the Department have been carried out by the Rail Executive, a separate group within the Department responsible for all government rail functions other than HS2. We are also creating an Office of Rail Passenger Services within the Rail Executive that will bring together franchise management and franchise award functions. This will focus on improving the passenger experience and driving down the cost of running the rail network.

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1 DfT (2014). *Improvement Plan.* London: Cabinet Office.
At www.gov.uk/government/publications [accessed 6.6.14].

The Department continues to reform its executive agencies. In 2012, the Department had seven agencies and we should reduce that number to three by 2015–16. By April 2015 it is our intention to transform the Highways Agency into a publicly owned company to secure long-term investment for the strategic road network. This reform is designed to improve accountability and transparency about the road operator's performance and give it freedom to manage its day-to-day operations at arm's length from government.

Earlier in the year, the Department published a review of the Driver and Vehicle Licensing Agency (DVLA) that was conducted by Mary Reilly, one of the Department's non-executive board members. The review concluded that while DVLA is an effective organisation that is delivering important services, there are opportunities to make efficiencies and to accelerate DVLA's digital transformation. The Government has accepted all the recommendations and the DVLA's Chief Executive is developing a strategic plan to address them.

I also want to highlight the merger of the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA) into a single entity, the Driver and Vehicle Standards Agency (DVSA), to put customers and businesses at the heart of its services. The merger is a real opportunity to keep doing what the two organisations have done best while working more closely together. The Department is also progressing proposals for a joint venture arrangement to assume some responsibilities of the Vehicle Certification Agency.

The work of the Department's three Accident Investigation Branches has also been prominent during the year, not least the pivotal role that the Air Accident Investigation Branch played in assisting the international efforts to locate MH370 after it disappeared in early March. The Maritime and Coastguard Agency also confirmed its vital role protecting and promoting safety and commerce at sea.

I would like to thank all the staff across the Department and its agencies for their tremendously hard work and contribution to the achievements of the Department in 2013–14.

Philip Rutnam

Permanent Secretary

Strategic Report

1. Our aims and objectives

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

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

1.3. Our priorities as set out in our 2013–15 Business Plan[2] are to:

- promote UK growth;
- deliver the Coalition's commitments on high speed rail;
- improve the rail network;
- support sustainable local travel;
- invest in our roads to promote growth, while reducing congestion, ensuring road safety and tackling carbon;
- promote sustainable aviation;
- reform the coastguard and search and rescue Helicopter capability; and
- implement the Department's key cross-cutting reform priorities.

1.4. The Department promotes UK growth by providing excellent transport infrastructure that enables goods and services to be transported efficiently and supports investment in UK industry.

1.5. High Speed 2 (HS2), the proposed new north-south rail line, is vital to upgrade the country's transport network. It will increase north-south rail capacity, improve connectivity between regional cities and help to grow and rebalance the economy. It will be built in two phases: the first from London to Birmingham (due for completion in 2026) and the second from Birmingham to Manchester and Leeds (due for completion in 2033). We are currently carrying out the preparation needed to start construction of the first phase of a high speed rail network for Britain early in the next Parliament.

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[2] Department for Transport (2014). *2013–15 Business Plan* [online]. This and updates on progress can be accessed from the Number 10 Transparency website: http://transparency.number10.gov.uk [accessed 6.6.14].

1.6. Improving our rail network is central to supporting economic growth. The Department is driving improvements to rail services, delivering major infrastructure projects such as Crossrail, the Intercity Express Programme, and Thameslink, progressing on electrification of the network, and putting passengers at the heart of a revitalised rail franchising system.

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

1.8. We are investing in the strategic road network to promote growth and address the congestion that affects people and businesses, and we are working hard to continue to improve road safety. We also continue to promote low emission transport, supporting the market for electric and other ultra-low emission vehicles.

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

1.10. The Department is working on reforming the coastguard to deliver a resilient and fully integrated national rescue co-ordination service for the twenty-first century. We are also working on providing highly advanced search and rescue helicopters to help save lives.

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

1.12. Taken in concert, the Department's priorities aim to provide world-class connectivity for our towns and cities, both nationally and internationally. They aim to meet the needs of people and businesses for safe, secure, reliable and accessible transport. They aim to build a competitive transport sector that is efficient and innovative, while also protecting the environment.

2. How we are organised

DfT team

2.1. The Department for Transport (DfT) comprises the central Department (DfT(c)), executive agencies and trading funds. The Department also has responsibility for a range of other entities including executive, advisory and tribunal non-departmental public bodies (NDPBs), and public corporations. For a full list of the entities related to DfT's activities, see Note 21 to the accounts.

Organisational groups

2.1. The Department for Transport (central) is organised into five director general groups, the General Counsel's Office (GCO), Group Communications Directorate and the Private Offices that report directly to the Permanent Secretary.

Rail Executive (previously Rail Group)

2.1. Following an internal review, the Rail Executive has been created within the Department from 1 April 2014. Rail Executive has taken on all the functions previously performed by Rail Group as well as some new teams. A new Office of Rail Passenger Services that will bring together franchise management and franchise award will be created within the Rail Executive in 2014–15.[3]

2.2. The Rail Executive leads on the sponsorship of major rail projects including Crossrail, Thameslink and the Intercity Express Programme, as well as all Network Rail enhancement projects. The Executive leads on policy and funding for the rail sector, and on rail franchising programme.

High Speed 2 (HS2)

2.3. HS2 Group is responsible for ensuring that the HS2 programme meets its demanding timetable and delivers long-term strategic national planning for this major addition to national infrastructure. There is close working between HS2 Group and the Rail Executive within the Department, ensuring policy, project and commercial interfaces between the HS2 programme and the wider rail network are efficiently and effectively managed.

2.4. HS2 is being developed by the Department and High Speed 2 Ltd (HS2 Ltd), an executive NDPB. HS2 Ltd performs both a delivery and advisory role in the development of the high speed rail network. Remit letters, updated periodically, outline the broad framework within which HS2 Ltd must operate and its relationship with the Department. Network Rail, as owner and operator of the existing rail network, is a key partner in moving the programme through to its construction phase.

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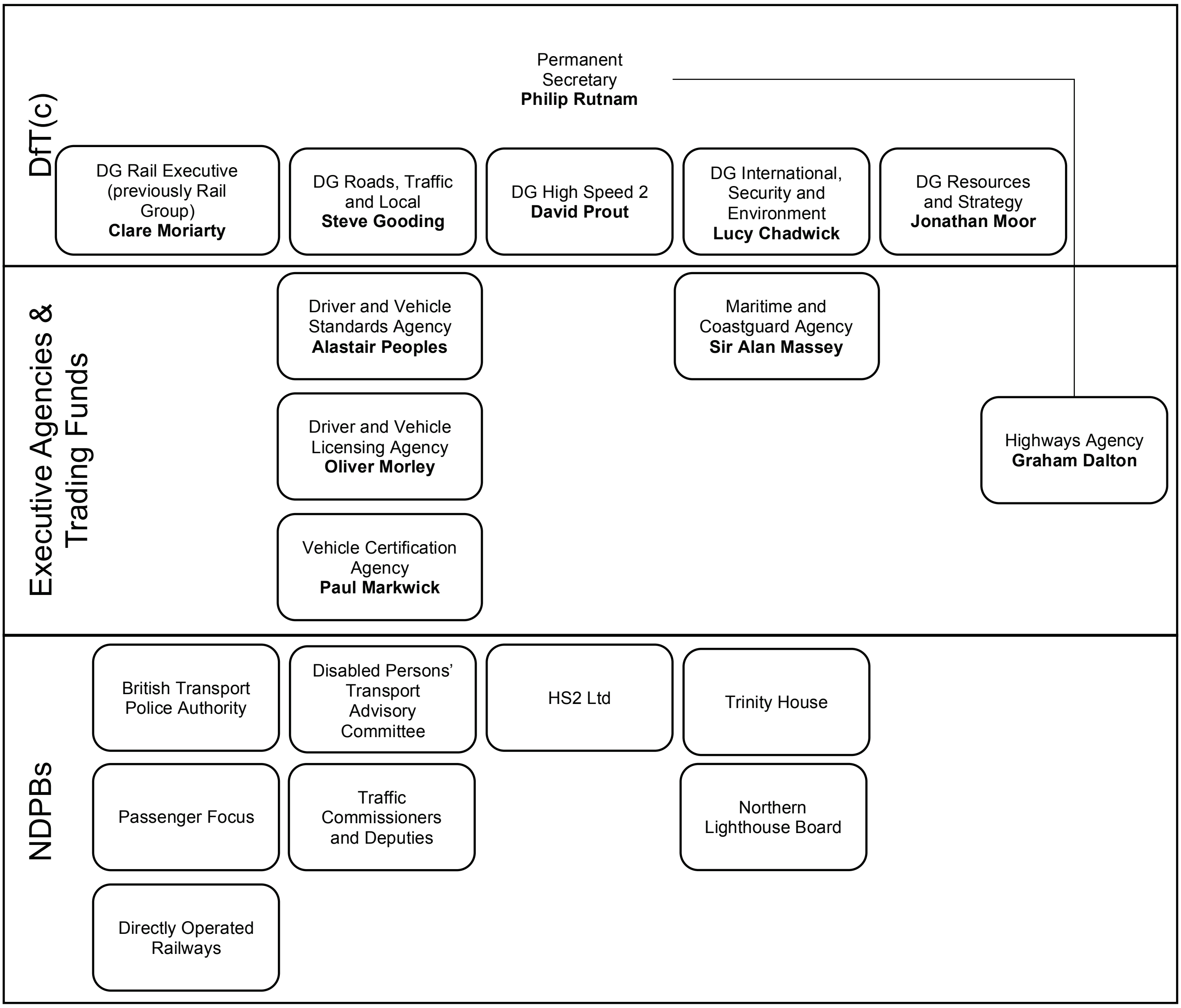
[3] More information on the creation of the Rail Executive is provided in the Directors' Report.

Figure 2.1: Central Department for Transport, its executive agencies and NDPBs (as at 31 March 2014)[4]



[4] Figure 2.1 includes the organisational groups in the central Department, its executive agencies and NDPBs. A full list of other entities related to the work of the Department (including public corporations) can be found in Note 21 to the accounts. Both the Rail Executive and the Driver and Vehicle Standards Agency (DVSA) were created as at 1 April 2014. The Rail Executive was created within the Department to replace Rail Group. DVSA was created by a merger of the Driving Standards Agency (DSA) and Vehicle and Operator Services Agency (VOSA). More detail on these reforms can be found in this section of the Strategic Report or in the Directors' Report.

Roads, Traffic and Local

2.5. This Group covers the development of policy in relation to roads, traffic, road safety, sustainable travel, bus travel and logistics. It also leads on the Department's relationship with local government, London and the devolved administrations, and the major reforms to the HA. The Group leads on the Department's digital agenda, given the significance of the motoring agencies' digital programme.

International, Security and Environment

2.6. This Group's responsibilities include aviation and maritime policy, transport security and safety, and leading the drive to decarbonise transport, manage and minimise the impact of transport on the environment and compliance with (and delivery of) the Government's Better Regulation agenda. It also leads on the international and European Union (EU) aspects of the Department's work.

2.7. The three accident investigation branches (maritime, air and rail) are operationally independent bodies within the Department. They work closely with the Department, regulators and industry to ensure the safety of the transport sector, both within the UK and internationally in partnership with international colleagues.

Resources and Strategy

2.8. This Group incorporates a range of functions including human resources, finance, governance, internal audit, and analysis and strategy. Its aim is to strengthen the Department's capability to achieve results by thinking strategically and managing resources effectively. The Group is responsible for building the capability of people in the Department, as well as protecting its reputation; for example, through its internal audit function and its responsibility for supporting the business planning process.

Non-Group

2.9. Non-Group consists of the General Counsel's Office, Group Communications Directorate and the Private Offices that report directly to the Permanent Secretary. The GCO provides assurance to the Secretary of State and the Permanent Secretary as to the legal sustainability and compliance with our information and security obligations. The Private Offices provide support and assistance to ministers and the Permanent Secretary.

Executive agencies and trading funds

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

Executive agencies

2.11. Executive agencies carry out executive and technical functions, with policy set by ministers. They are defined business units headed up by a chief executive, appointed by the Permanent Secretary, who is supported by a management board. Many of the Department's executive agencies have undergone reform in the 2013–14 financial year.[5]

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[5] A summary of these reforms is provided in this section, with more detail on the reform of the Highways Agency and Maritime and Coastguard Agency and the review of DVLA included in the Directors' Report.

Driver and Vehicle Licensing Agency

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

2.13. In February 2014, DfT published a review of DVLA and its services conducted by Mary Reilly, DfT Non-Executive Board Member. The review recommended acceleration and expansion of DVLA's digital transformation, reduction of the burden of its requirements on consumers and businesses, governance and management structures fit for the future, and optimisation of DVLA's value as a provider of government services. The Department has accepted all the recommendations which included the preparation of a strategic plan. The strategic plan has been produced and was presented to the Department's Executive Committee in March 2014.

Highways Agency

2.14. The Highways Agency (HA) is responsible for approximately 4,300 miles of motorways and all-purpose trunk roads (the strategic road network), which carry around a third of all traffic. The Agency's role is to support the sustainability of the UK's economy by operating, maintaining and improving the strategic road network in England.

2.15. The transformation of the Highways Agency into a legally separate company is under way. The reform aims to deliver funding certainty through robust, long-term plans and to build confidence for the supply chain. The transformation will also ensure the HA operates in a more transparent way with independent, expert scrutiny and challenge subject to the passage of legislation. The new company should be established by April 2015.

Maritime and Coastguard Agency

2.16. The Maritime and Coastguard Agency (MCA) facilitates international maritime trade and economic growth through the development, delivery and implementation of the Government's maritime safety strategy, as well as security and environmental standards. The Agency co-ordinates search and rescue at sea through Her Majesty's Coastguard, and checks that ships meet UK and international safety standards. It works to prevent loss of life at the coast and at sea, to support ship safety, and to prevent coastal pollution. Major current change programmes include the modernisation of the Coastguard co-ordination and coastal rescue service, and the introduction of new helicopter search and rescue arrangements.

Vehicle Certification Agency

2.17. The Vehicle Certification Agency (VCA) is the UK approval authority for new types of road vehicle, agricultural tractors and off-road vehicles. It provides internationally recognised testing and certification for vehicles, their systems and components.

2.18. Ministers have recommended that the VCA should be transformed into a joint venture with a private sector partner to support economic growth and vehicle manufacturing and to contribute further to the needs of the automotive industry. In March 2014, the Department issued a contract notice for the joint venture in the *Official Journal of the European Union* (OJEU) and additional VCA new commercial models procurement documents.

Trading funds

2.19. Trading funds display most of the same characteristics as general executive agencies but their accounts are not consolidated into the accounts of their parent department. They often charge for their goods or services through a clear customer-supplier relationship and have a reliable income stream (at least 50% from commercial activities).[6]

Driver and Vehicle Standards Agency

2.20. On 20 June 2013, Stephen Hammond, Parliamentary Under Secretary of State for Transport, announced that a new single entity would be created and bring together all the services that were previously provided by two separate trading funds: the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA). The two trading funds will be legally brought together in April 2015 as the Driver and Vehicle Standards Agency (DVSA).

2.21. The DVSA improves road safety in Britain by setting standards for driving and motorcycling, and making sure drivers, vehicle operators and MOT garages understand and follow roadworthiness standards. The Agency also provides a range of licensing, testing, education and enforcement services. The DVSA also supports the independent Traffic Commissioners and Deputies (a tribunal NDPB; see Table 2.1).

Non-departmental public bodies and other entities

Non-departmental public bodies

2.22. Non-departmental public bodies (NDPBs) do not directly form part of the Department and carry out their work at arm’s length from ministers. However, NDPBs are directly accountable to ministers who, in turn, are ultimately accountable to Parliament and the public for the performance and continued existence of the NDPBs for which they are responsible.

2.23. During 2013–14, the Department completed its Public Bodies Reform Programme, which stemmed from the Public Bodies Reform Act 2011.

- The Railway Heritage Committee (RHC) was abolished with effect from 1 April 2013 and its functions transferred to the Board of Trustees of the Science Museum.
- The abolition of BRB (Residuary) Ltd came into effect on 30 September 2013. Its functions were transferred to a number of different bodies. A full list is available on www.gov.uk.[7]
- The Disabled Persons’ Transport Advisory Committee (DPTAC) was initially considered for abolition. However, following a public consultation, it was decided on 12 June 2013 to retain DPTAC to advise the Department on accessibility issues relating to disabled people.

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[6] Cabinet Office (2012). *Categories of Public Bodies: A guide for departments*. London: Cabinet Office. www.gov.uk/government/publications/public-bodies-information-and-guidance [accessed 6.6.14].

[7] DfT (2013). BRB (Residuary) Ltd has been abolished. Announcements [online]. 30 Sep 2013. www.gov.uk/government/announcements [accessed 6.6.14].

2.24. There are three main types of NDPB: executive NDPBs, advisory NDPBs and tribunal NDPBs.

- Executive NDPBs carry out a wide range of administrative, commercial, executive and regulatory or technical functions that are considered to be better delivered at arm's length from ministers.
- Advisory NDPBs are expert bodies normally established to advise ministers and officials on specific policy areas for which expertise does not exist within the Department.
- Tribunals operate with jurisdiction in a specialised field of the law, independently of government.

Table 2.1: DfT's executive, advisory, and tribunal NDPBs

Executive NDPBs	
British Transport Police Authority	www.btpa.police.uk
Passenger Focus	www.passengerfocus.org.uk
High Speed 2 Ltd	www.hs2.org.uk
Directly Operated Railways Ltd	www.directlyoperatedrailways.co.uk
Northern Lighthouse Board	www.nlb.org.uk
Trinity House Lighthouse Service	www.trinityhouse.co.uk
Advisory NDPBs	
Disabled Persons' Transport Advisory Committee (DPTAC)	www.gov.uk/government/organisations/disabled-persons-transport-advisory-committee
Tribunal NDPBs	
Traffic Commissioners and Deputies	www.gov.uk/government/organisations/traffic-commissioners

2.25. Summary information on the Department's NDPBs is also available from the Public Bodies 2013 report published in December 2013 and available online.[8] More information on all the organisations listed below can be found on the Department's and individual NDPB's websites. This includes details about their remit, work and funding.

Other entities

2.26. There are other types of central government entities that are relevant to the work of the Department. This section briefly mentions some of these organisations. A full list of these organisations can be found in Note 21 to the Accounts (p. 206).

2.27. The Office of Rail Regulation (ORR) is a non-ministerial department. It is responsible for ensuring that railway operators comply with health and safety law. It regulates Network Rail's activities and funding requirements, regulates access to the railway network, licenses the operators of railway assets and publishes rail statistics.

[8] Cabinet Office & Efficiency and Reform Group (2014). Public Bodies 2013 [online]. At www.gov.uk/government/publications/public-bodies-2013 [accessed 6.6.14].

ORR is also the competition authority for the railways and enforces consumer protection law in relation to the railway.

2.28. The Civil Aviation Authority (CAA) is a public corporation. It is responsible for the regulation of aviation safety in the UK, determining policy for the use of airspace, the economic regulation of Heathrow, Gatwick and Stansted airports, the licensing and financial fitness of airlines and the management of the ATOL financial protection scheme for holidaymakers.

2.29. In December 2013, the Office for National Statistics (ONS) announced that, following a review, Network Rail would be classified as a central government body in the public sector from September 2014. This was an independent statistical decision taken by the ONS in the light of the European System of National Accounts 2010 (ESA10) manual from Eurostat, which comes into force across the EU from 1 September 2014.

2.30. This decision will not affect the Government's commitment to the railways or its plans for investment, including both its existing rail investment strategy for 2014–19 and HS2. More information on the reclassification of Network Rail is provided in the Directors' Report.

2.31. The Commissioners of Irish Lights is a cross-border body jointly sponsored by the UK Government and Irish Government, and is therefore not considered by the Cabinet Office to be one of the UK's arm's length bodies. It receives its funding from the General Lighthouse Fund; its commercial work, and a contribution from the Irish Government. The accounts of the Commissioners of Irish Lights are consolidated with those of Trinity House Lighthouse Service and the Northern Lighthouse Board to form part of the General Lighthouse Fund annual accounts.

3. Measurement of performance and progress

3.1. This chapter reviews the Department’s performance and progress during the period 1 April 2013 to 31 March 2014. More detailed information on the performance of the Department's agencies and NDPBs is set out in the individual annual report of each organisation.

Key achievements

HS2

3.2. Over the reporting period, great progress has been made on the preparation of the scheme. The HS2 paving Bill that authorises spending in preparation for the construction of HS2 received Royal Assent on 21 November 2013. The hybrid Bill, effectively the planning application for Phase 1 of the scheme, was published on 25 November 2013 and passed its second reading in April 2014. In January 2014, the judicial review of HS2 reached its conclusion when the Supreme Court unanimously dismissed the appeals against HS2.

3.3. Sir David Higgins, the new Chairman of HS2 Ltd, reported in March 2014 on maximising the benefits of HS2 and managing costs. Lord Deighton’s Growth Taskforce also published its report in March. This set out a number of recommendations to ensure the whole country shares in the employment, skills, regeneration and business opportunities HS2 will deliver.

Rail

3.4. The number of train journeys made by rail passengers has doubled since 1994–95, and increased by a quarter in the last five years. The Department continues to work to meet this increasing demand. On Crossrail, over 70% of tunnelling had been completed by the end of March 2014. Many significant milestones have been reached, including two successful tunnel breakthroughs at Canary Wharf Station. In January 2014, the Crossrail programme took another significant step by awarding the contract for rolling stock and associated depot facilities. Also in January 2014, the new electric Thameslink trains were unveiled. These trains will offer a much improved travel experience for passengers across one of Europe’s busiest stretches of railway. The first new train is scheduled to begin operating early in the first half of 2016. In March 2014, two significant Thameslink milestones were achieved: two new platforms opened at London Bridge (the first of 15) and the first new 12–car train arrived at the test centre.

3.5. Progress also continues on the franchising programme. In 2013 the new programme was launched. This should provide a sustainable schedule for rail franchising. When the schedule and prior information notice (PIN) were published, the Department committed to refresh them annually and did so on 8 April 2014. The Department received tenders from the short-listed bidders for the Essex Thameside (ET) and

Thameslink, Southern and Great Northern (TSGN) franchises on 24 December 2013, and announced its intention to award the TSGN franchise to Govia Thameslink Railway Limited on 23 May 2014. This franchise award is a great deal for passengers and taxpayers, delivering a large number of benefits including three new fleets of electric trains with an overall increase of 50% more capacity, and delivery of the Thameslink programme, which will allow 24 trains per hour through central London, a similar frequency to the District Line. In addition, the new franchise will see millions invested in improving stations and staffing, simplified ticketing, and new benchmarks for passenger satisfaction and station and train cleanliness. On 21 March 2014, the Department published an invitation to tender (ITT) for the East Coast Main Line. East Coast Main Line services will benefit from £240 million of investment, which will improve reliability and boost capacity for passengers and freight. It will also benefit from the £5.8 billion Intercity Express programme, which is set to deliver a new fleet of state-of-the-art trains, which will improve journey times and deliver a boost to the customer experience. The Northern and TransPennine teams have begun work on the new franchises in close collaboration with Rail North. The OJEU notices and prospectus for both franchises should be issued shortly, with a consultation for both franchises following soon after.

3.6. In October 2013, the Department published the outcome of the Government's review of fares and ticketing. The review considered a range of options to address issues about fares and ticketing raised by passengers and rail industry groups. We are trialling a number of schemes, including flexible tickets that provide a more attractive offer for commuters travelling fewer than five days a week or outside peak hours, and regulating the price of single tickets to give passengers more flexibility over return journeys. In January 2014, it was announced that the average level of regulated fares will not rise by more than the rate of inflation during that year.

Roads and driving

3.7. In July 2013, the Department published *Action for Roads: a Network for the 21st Century*. This highlights the significant challenges faced on our roads and sets out detailed plans to improve the management of the strategic road network. As part of this, the Government proposed that the Highways Agency should become a publicly owned company from 2015.

3.8. Roads are the lifeblood that keep our economy going. They mean jobs can be created and help get products to markets. In 2014, over 9,500 construction jobs will be supported by more than £1.9 billion of investment in roads.

3.9. There are over 120 Highways Agency pinch-point schemes to be completed before March 2015 on the strategic road network. The delivery of pinch-point schemes has progressed well. Twenty-eight schemes started in 2013 and 23 of these have already been completed. Ninety-three further schemes are due to start in 2014. Further, as part of the 2012 Autumn Statement, the Government announced the creation of a Local Pinch Point Fund worth £170 million to remove bottlenecks on the local highway network that are impeding growth.

3.10. We continue to take action to improve road safety. The number of road fatalities in 2012 was the lowest since records began in 1926. In May 2013, the Government introduced primary legislation to Parliament that would create a new offence of driving with a specified controlled drug in the body above the specified limit for that drug. In June 2013, the Department announced changes that will give the police powers to issue fixed penalty notices for careless driving, such as tailgating or middle-lane hogging.

International transport: aviation and maritime

3.11. The UK has direct air links to over 360 international destinations. To ensure that we can maintain our world-class connectivity and competitiveness, the Government has established an independent Airports Commission to drive consensus on how to maintain the UK as a globally competitive international aviation hub. In December 2013, the Airports Commission published its interim report, which shortlisted three options for further study before a public consultation in autumn 2014.[9] The Government's response to the interim report will be published later in 2014.

3.12. The Department continues to work towards international shipping that is efficient, safe, secure and environmentally friendly and to retain the UK's position as the world's pre-eminent maritime centre. The inaugural London International Shipping Week took place in September 2013 and underlined London's role in maritime service and its status as the world's maritime capital. It also highlighted the contribution shipping, ports and maritime business services make to the UK economy by bringing direct value of £13.8 billion and directly providing 260,000 jobs. The Department has published partnership plans for shipping and ports, setting out how it will work with other government departments, industry and the trade unions further to grow the maritime sector.

3.13. The Department also continues work to help the transport sector recover from the recent winter storms and flooding, after unprecedented weather caused widespread disruption on the transport network.

3.14. With other government departments and industry, the Department works to prepare for and respond to terrorist and other security incidents in order to ensure the safety of the travelling public.

Innovation and other transport improvements

3.15. The Department continues to fund innovative schemes that improve local economic growth and reduce CO_2 emissions, including walking and cycling, public transport infrastructure, car clubs and electric vehicle charging points.

3.16. In September 2013, the Department launched the ultra-low emission vehicle strategy that commits additional capital investment of over £500 million by 2020.[10] It outlines the UK's ambition to become one of the global leaders in the design, production and use of ultra-low emission vehicles, driving growth, delivering jobs and cutting carbon. The Department has also launched the Go Ultra-Low campaign, with the support of the top five leading manufacturers, designed to promote the use of ultra-low emission vehicles.

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[9] Airports Commission (2013). *Airports Commission: interim report.* London: Cabinet Office. www.gov.uk/government/publications [accessed 6.6.14].

[10] Office for Low Emission Vehicles (2013). *Driving the Future Today: a strategy for ultra-low emission vehicles in the UK.* London: Office for Low Emission Vehicles. www.gov.uk/government/publications [accessed 6.6.14].

3.17. The Local Sustainable Travel Fund supports projects by local authorities that are designed to promote and improve sustainable travel. The successful schemes addressed a variety of sustainable transport measures and the Department saw significant changes in the way people travelled as a result. In December 2013, the Department announced that £78.5 million of revenue funding (including Bikeability training) would be made available for the financial year 2015–16 to enable further investment in sustainable transport schemes.

3.18. In August 2013, the Prime Minister announced the biggest ever single injection of cash for cycling. A total of £77 million will be divided between different cities and £17 million of funding was announced for national parks. With local contributions, the total new funding for cycling is £148 million between 2013 and 2015.

3.19. The Department's strategy for small & medium enterprises (SMEs) is overseen by the Minister of State, supported by an official-level SME Champion. The Government's aspiration is that 25% by value of procurement spend will be with SMEs by the end of the Parliament. The Department's agreed contribution towards that target was 13.4% in 2013–14 and we have achieved 19.4%. The Department has built an ambitious Small Business Research Programme, composed of upwards of a dozen projects. Many of these are focussed on improvements to railway infrastructure and train design.

Progress against Business Plan commitments[11]

3.20. The Business Plan sets out the Department's key commitments and activities for the period 2013–15. This outlines specific actions the Department is committed to completing, including start and end dates for each of these.

3.21. A total of 80% of actions in the 2013–15 DfT Business Plan were completed on time. Many were achieved ahead of schedule, including taking the HS2 paving Bill through Parliament, commencing delivery of the pinch-point programme (addressing bottlenecks on England's motorways and major A roads), and developing the case for reform of the road network.

Table 3.1: Status of Business Plan actions, 2012–13 and 2013–14

Business Plan actions	2012 13	2013 14
Total number of actions completed during the year	26	35
Total number of actions overdue at the end of the year	4	3
Total number of actions that have started and are ongoing	27	32

[11] The DfT Business Plan was refreshed in June 2013. Therefore, data from April to May 2013 is based on the Business Plan 2012–15, while data from June 2013 to April 2014 is based on the Business Plan 2013–15

Table 3.2: Status of Business Plan actions across the Coalition priorities as at 31 March 2014

Coalition priority	Completed	Completed on time	Overdue	To be completed
Deliver the Coalition's commitments on high speed rail	7	7	-	3
Improve the Rail Network	3	2	-	7
Support sustainable local travel	5	5	-	5
Invest in our roads to promote growth, while reducing congestion, ensuring road safety and tackling carbon	10	8	2	10
Promote sustainable aviation	3	3	-	5
Reform the Coastguard and search and rescue helicopter capability	-	-	1	5
Implement the Department's key cross-cutting reform priorities	7	7	-	4
Total	**35**[12]	**32**	**3**	**39**

Table 3.3: Business Plan actions across the Coalition priorities completed April 2013–March 2014

Business Plan actions across the Coalition priorities completed April 2013 March 2014
Deliver the Coalition's commitments on high speed rail • Undertake environmental impact assessment and draft Environmental Statement. • Complete outline engineering design for the London-Birmingham route. • Consult on draft Environmental Statement. • Taking paving Bill through Parliament. • Consult on options for property consultation scheme. • Publish final Environmental Statement. • Develop and undertake informal consultation on options for route and stations for Leeds and Manchester route.
Improve the Rail Network • Publish the Government's response to the Brown Review and Transport Select Committee's Rail 2020 recommendations on rail franchising. • Complete rail fares and ticketing review. • Working with the Office of Rail Regulation, seek to ensure that its 2014–19 determination for Network Rail delivers DfT rail objectives within agreed budgets.

[12] Of the 35 actions completed, 29 relate to 2013–15 DfT Business Plan (six relate to the 2012–2015 DfT Business Plan). Twenty-six of these were completed on time and three actions were overdue at the end of the financial year. This means that, as at 31 March 2014, 80% of actions in the 2013–15 DfT Business Plan were completed on time.

Business Plan actions across the Coalition priorities completed April 2013 March 2014
Support sustainable local travel • Devolve Bus Service Operators Grant (BSOG) funding to Transport for London (TfL) and to local transport authorities for socially necessary local services outside London. • Announce those authorities designated as Better Bus Areas. • Implement the actions in the September 2011 report *Green Light for Light Rail*.[13] • Begin implementing relevant recommendations of the Competition Commission's report on local bus services. • Wholly fund the TfL project to deliver new smart readers compatible with the national Integrated Transport Smartcard Organisation (ITSO) specification.
Invest in our roads to promote growth, while reducing congestion, ensuring road safety and tackling carbon • Enhance the Highway Agency's performance as an executive agency. • Appraise options for new Lower Thames Crossing. • Commence delivery of the new pinch-point programme of smaller schemes to address bottlenecks and keep traffic moving on England's motorways and major A roads. • Develop the case for the reform of the road network. • Introducing a fixed penalty offence for careless driving. • Legislate for a new drug-driving offence. • Publish government strategy on ultra-low emission vehicles. • Complete Phase 2 of UKH2Mobility, developing a roll-out strategy for hydrogen fuel cell vehicles in the UK. • Introduce 10–year trial of 1800 longer semi-trailers, and produce first annual review of their contribution to reducing carbon emissions. • Introduce legislation in Parliament to bring heavy goods vehicle (HGV) road-user charging into effect.
Promote sustainable aviation • Reform the financial protection regime for passengers (the Air Travel Organisers' Licensing (ATOL) scheme). • Introduce a new economic regulatory regime for airports, putting promotion of better outcomes for passengers at the heart of the system. • Determine scope and content of full consultation on civil sanction powers for Civil Aviation Authority (CAA).
Implement the Department's key cross-cutting reform priorities • Publish transport strategy. • Ensure demonstrable progress on delivery of the agreed Red Tape Challenge reform packages by the end of 2013. • Remove the requirement for annual statutory off-road notifications (SORNs). • Remove the requirement for motorists taxing their car to prove they have insurance on the day their tax disc starts. • Support the Technology Strategy Board (BIS) to establish a 'catapult' technology and innovation centre for transport systems to transform the UK's capability for transport innovation and help drive future economic growth. • Divest DfT Shared Services to new provider to become the first Independent Shared Service Centre (ISSC1). • Complete the implementation of the Department's response to the report of the Laidlaw Inquiry and identify any next steps if needed.

[13] DfT (2011). *Green light for light rail.* London: Department for Transport. www.gov.uk/government/publications [accessed 6.6.14].

3.22. There were three Business Plan actions rated as overdue at the end of the financial year:

- **Decide on the location for significant new investment in additional capacity for crossing the Lower Thames**. On 12 December 2013, the Government announced the decision to rule out option B, which would connect the A2 Swanscombe Peninsula with the A1089. Ministers have decided to carry out further assessment work on the two remaining options before making a final decision.
- **Publish proposals for improving the training and testing of new drivers to help improve young driver safety**. Young driver safety is a difficult issue. The Government is considering it carefully before publishing proposals.
- **Deliver a new, fully operational, national Maritime Operations Centre at Fareham**. To enable a smooth transition and to proactively manage risk, it was announced on 26 September 2013 that the Future Coastguard Programme implementation plan would be rescheduled. This decision represents the most effective way of achieving a safe and practical transition by delaying such transition to a time when there will be an appropriate level of operational and technical resilience. The revised date for completion of this Business Plan action is September 2014.

Departmental indicators

3.23. On top of the Department's Business Plan actions, the DfT Business Plan also sets out the Department's input and impact indicators, as well as a small number of other datasets, which are reported on the Number 10 Transparency website.[14] The input indicators show the cost to government of delivering certain products and services (e.g. rail subsidy per passenger mile). The impact indicators show the performance or output of public services (e.g. proportion of trains running on time).

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

3.25. Tables 3.4–3.7 below set out the latest available data and the previous comparable figure. Some explanatory text on the context and trends in data is included below. Further information on each indicator, including a technical note, is available online.[15]

[14] http://transparency.number10.gov.uk/

[15] DfT (2012). Department for Transport input and impact indicators [online]. www.gov.uk/government/publications [accessed 6.6.14].

Table 3.4: Input indicators

Input indicators	Current[16]	Previous[17]
Rail subsidy per DfT franchised operator passenger mile (pence, current data = 2012–13, previous = 2011–12)	6.8	7.5
Bus subsidy per passenger journey (pence, current data = 2012–13, previous = 2011–12)	7.5	9.4
Cost of maintaining the Highways Agency's motorway and A road network per lane mile (£, current data = 2013–2014, previous = 2012–2013)	44,000[18]	40,000
Cost of operating the Highways Agency's motorway and A road network per vehicle mile (pence, current data = 2013–2014, previous = 2012–2013)	0.3	0.3
Cost of running the rail network[19] (£billion, current = 2012–13, previous = 2011–12)	10.1	9.6
Percentage of DfT's approved project spending that is assessed as high or very high value for money (%, current data = 2013, previous data = 2012)	94	100

Input indicators

3.26. In recent years, the balance of subsidy paid to train operators and/or premiums paid to government has switched, so that in the latest financial year, more operators have made payments to government than received them. However when the Network Grant paid indirectly via Network Rail is taken into account, the vast majority are still receiving some form of subsidy.

3.27. In 2012–13, the average level of bus subsidy (direct from central government) per bus passenger journey was 7.5 pence. This decreased (adjusted for inflation) from 10.4 pence in 2004–05. The rate at which the Bus Service Operators Grant (BSOG) is paid was cut by 20% from April 2012.

3.28. In 2013–14 the cost of maintaining the Highways Agency's motorway and A road network per lane mile increased by 8% compared with 2012–13, and reflects the increase in PFI costs relating to the M25.

3.29. The cost of running the rail network for train operators franchised by DfT increased by 5.0 per cent in 2012-13. Within the total, train operating costs increased by more than the Network Grant. The Office of Rail Regulation (ORR) study on which the numbers are based suggests that the increase is mostly due to the industry's response to increased passenger numbers over this period.

3.30. Value for money (VfM) measures the expected benefits for each pound of spending. The VfM indicator reports the VfM ratings of approved spending decisions within the Department. In particular, the indicator shows that between January and December 2013, 94% of project spend represented at least 'high value for money' for the taxpayer. Of this, 14 per cent was reported as 'very high value for money',

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[16] The year used varies between indicators. The precise year used is referred to in the indicator description.

[17] The year used varies between indicators. The precise year used is referred to in the indicator description.

[18] Expenditure on maintenance, particularly in relation to capital renewals, reflects the varying demands of maintenance activity which is not necessarily comparable year-on-year.

[19] These costs refer to DfT's franchised operators, with data based on information from the report ORR (2014). *GB rail Industry Financial Information 2012–13: Costs and Revenues of Franchised Passenger Train Operators in the UK*. London: ORR. http://orr.gov.uk/ [accessed 6.6.14]. ORR sourced its data from train operating company management accounts (assured by ORR). Using the management accounts ensures that the time period to which the data applies is consistent across operators, and allows comparisons to be made over time.

80 per cent as 'high value for money' and the remaining 6 per cent as 'medium/low value for money'.

Table 3.5: Impact indicators

Impact indicators	Current	Previous
Reliability of journeys on the Highways Agency's motorway and A road network (%, current data = 2013–14, previous = 2012–2013)[20]	78.1	77.1
Proportion of trains running on time (% current data = 2013–2014, previous = 2012–2013)[21]	89.9	90.9
Proportion of bus services running on time (%, current data = 2012–13, previous = 2011–12)	82.8	82.8
Proportion of urban trips under 5 miles taken by (i) walking or cycling (ii) public transport (%, current data = 2012, previous = 2011)	(i) 39 (ii) 8	(i) 39 (ii) 9
Total greenhouse gas emissions from transport ($MtCO_2e$, current data = 2012, previous = 2011)	158.9	161.8
Annual road fatalities (current data = 2012, previous = 2011)	1,754	1,901
Households with good transport access to key services or work (index, current data = 2011, previous = 2010)[22]	97	100
Numbers of newly registered ultra-low emission vehicles (current data = 2013–14, previous = 2012–13)	5,451	3,782

Impact indicators

3.31. The reliability of journeys on the Highways Agency's motorway and A road network increased by 1 percentage point from the year ending March 2013 to the year ending March 2014, when 78.1% of journeys were 'on time'. Annual reliability has been very stable in the last year. This is believed to relate to a combination of lower aggregate levels of rainfall compared to 2012–13 (which in itself is likely to lead to improved reliability) and increases in traffic on motorways and rural A roads (which may lead to lower levels of reliability).

3.32. In 2013–14 89.9% of passenger trains were 'on time' 2013–14, a decrease from 90.9% in 2012–13. This is the second successive year that the figure has fallen and the first time it has been below 90% since 2007–08. Prior to that, the public performance measure improved throughout most of the 2000s, after the substantial decrease observed following the Hatfield accident.

3.33. In 2012–13, an estimated 82.8% of non-frequent bus services in England ran on time (defined as between 1 minute early and 5 minutes 59 seconds late). This is an increase from 79.4% in 2007–08. However, trends over time should be interpreted with caution as they can be affected by changes in methods used or reflect random variability arising from the nature of the data collection.

[20] The indicator is measured by the percentage of 'journeys' on these roads that are 'on time'. A 'journey' represents travel between adjacent junctions on the network. An 'on time journey' is defined as one that is completed within a set reference time, based on historic data on that particular section of road.

[21] These annual figures are the official full financial year public performance measure figures (all operators). This statistic differs from that reported on the DfT website, which is the latest rail industry four-weekly (periodic) statistic for Britain. Periodic totals are also published for individual DfT franchised train operating companies.

[22] Values are indexed with a base of 100 for 2010. A number over 100 would imply an increase in access compared with 2010 and a number below 100 a decrease. This index combines information on household access to a car with information on public transport access times to seven types of key local service.

3.34. The proportion of urban trips taken by walking or cycling has remained constant between 2011 and 2012, while those by public transport decreased slightly; the long-term trend remains steady. This is a survey-based indicator: small year-to-year fluctuations are quite common and do not necessarily mean that long-term trends have altered. Figures for 2013 are due for publication in July 2014.

3.35. Total greenhouse gas emissions from transport include those from domestic transport as well as international shipping and aviation. From 2011 to 2012, transport emissions decreased by 1.8% from 161.8 million to 158.9 million tonnes of CO_2 equivalents and formed slightly more than a quarter of total UK greenhouse gas emissions. Longer term, they increased by 23% between 1990 and 2007, and then decreased by 11% to 2012. In 2012, cars and taxis contributed around two fifths of transport emissions, light vans and heavy goods vehicles around a quarter, with another fifth from international aviation.

3.36. 2012 saw a new record low in road fatalities at 1,754. This was a fall of 8% (147 fewer deaths) from 2011 and a return to the long-term downward trend in fatalities, following the increase seen between 2010 and 2011. Since 2006, the number of road deaths has fallen on average by 9% a year and in 2012 was around 40% lower than the 2005–09 average.

3.37. For the indicator 'households with good transport access to key services or work' the 2011 score is slightly down from the score of 100 in 2010, suggesting there was a decrease in accessibility to key services. A number of distinct underlying factors can bring about a decrease in this measure: decreases in the frequency of public transport services or the number of routes; closures or relocation of key service locations; or improvements to the service destinations dataset used in the calculations. All three of these factors probably played a part, although it is not possible to be precise about the exact contribution of each to the overall indicator result. As far as public transport services were concerned, local authority supported bus services in non-metropolitan areas in England decreased by around 11% between 2010–11 and 2011–12, and this may have contributed to the overall trend.[23]

3.38. The number of 'newly registered ultra-low emission vehicles' increased by 44 per cent in 2013-14 compared with the previous financial year. Most of these vehicles use electric engines, so the Plug-In Car and Plug-In Van Grants introduced by DfT in January 2011 and February 2012 respectively, and an increase in the supply of electric and plug-in hybrid cars to the UK, market will have contributed to this increase.

3.39. All impact indicators are official statistics and their release arrangements are, therefore, governed by a statutory code of practice. One of the requirements is that all producers of statistics commit to a timetable of release dates. The latest timetable for DfT can be accessed online.[24] The release dates reflect the time required to collect, validate and analyse the underlying data, which varies from indicator to indicator depending on the data source used.

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[23] Measured as vehicle kilometres; see DfT (2013). Table bus0205a, Bus statistics 2011/12 [online]. www.gov.uk/government/publications [accessed 6.6.14].

[24] DfT (2014). Statistics at DfT: forthcoming publications [online] https://www.gov.uk/government/organisations/department-for-transport/about/statistics [accessed 10.6.2014]

Table 3.6: Other datasets

Other datasets	Current	Previous
Average new car CO_2 emissions (g/km, current data = 2013-14, previous = 2012-13)	127.4	131.5
Franchised rail passenger miles (billion, current data = 2013–14, previous = 2012–2013)	37.1	36.0
Bus passenger journeys, England (billion, current data = 2012–13, previous = 2011–12)	4.6	4.7

Other data

3.40. The average CO_2 emissions of new cars have been falling steadily. In 2013-14 they were 3 per cent lower than in the previous financial year, and 26 per cent lower than in 2003-4. EU-wide targets for manufacturers are set under an EU Directive, and the overall target for all new cars sold in the EU in 2015 is 130g/km CO_2.

3.41. Apart from a slight dip in 2009–10, growth in the number of rail passenger miles travelled each year has been on an upward trend since the mid-1990s. Franchised passenger miles rose again in 2013–14 to reach a total of 37.1 billion.

3.42. There were 4.6 billion journeys by bus in England during the year to March 2013, a fall of 1.4% compared with the previous year. Around half of all bus journeys in England are made in London, where the 2012–13 total was broadly unchanged from the previous year at 2.31 billion. The number of bus journeys outside London in 2012–13 was an estimated 2.28 billion, 6% (150 million) below the 2008–09 total which was the highest in the last decade.

3.43. The Department continues to publish a wide range of official and national statistics on the transport system. It aims to make publicly available as much of the associated raw data as is reasonably possible via www.data.gov.uk and other portals.

Quarterly Data Summary

3.44. The Quarterly Data Summary (QDS) was first published in July 2011 under an initiative led by the Cabinet Office. Its primary purpose is to make available to the Whitehall community and to the public more of the management information currently held by government departments. The QDS enables comparisons of operational performance across government so that departments and individuals can be held to account. The Department must report on 75% of its total spend (including the spending of its arm’s-length bodies). As a result, the Department must report on its central spending and that of the Highways Agency (HA) and Driver and Vehicle Licensing Agency (DVLA) in its QDS data.

3.45. Under the QDS framework, departments’ spending data is published online to show the taxpayer how the Government is spending their money.

3.46. The QDS breaks down the total spend of the Department, the DVLA and the HA in three ways: by budget, by internal operation and by transaction. Departmental headline figures for these sections are offered in Table 3.7. The information given is for the full financial year 2013–14 and figures exclude depreciation.

Table 3.7: Quarterly Data Summary 2013–14 spending, full year

Quarterly Data Summary 2013 14 spending, Full Year		DfTc Actual (£m)	DVLA Actual (£m)	HA Actual (£m)
	Total spend	£9,643.1m	£91.0m	£2,957.8m
(A) Spend by budget type	(A1) Organisation's own budget (DEL), sub-total	£9,369.0m	£117.3m	£2,335.6m
	(A2) Expenditure managed by the organisation (AME), sub-total	£274.1m	-£26.3m	£622.2m
	(A3) Other expenditure outside DEL and AME	£0m	£0m	£0m
	(A1 + A2 + A3) Total spend	£9,643.1m	£91.0m	£2,957.8m
(B) Spend by type of internal operation	(B1) Cost of running the estate, sub-total	£13.2m	£31.6m	£16.3m
	(B2) Cost of running IT, sub-total	£19.1m	£65.6m	£12.8m
	(B3) Cost of corporate services, sub-total	£34.7m	£9.7m	£17.6m
	(B4) Policy and policy implementation, sub-total	£10,053.6m	£0m	£1,872.7m
	(B5) Other costs	-£477.5m	-£15.9m	£1,038.4m
	(B1 + B2 + B3 + B4 + B5) Total spend	£9, 643.1m	£91.0m	£2,957.8m
(C) Spend by type of transaction	(C1) Procurement spend, sub-total	£134.4m	£275.9m	£2,202.2m
	(C2) People costs, sub-total	£113.9m	£171.6m	£142.9m
	(C3) Grants, sub-total	£10,764.9m	£0m	£0m
	(C4) Other costs	-£1,370.1m	-£356.5m	£612.7m
	(C1 + C2 + C3 + C4) Total spend	£9,643.1m	£91.0m	£2,957.8m

4. Regulation, Parliament and the public

Better Regulation

4.1. The Department is committed to delivering the Coalition Government's commitment to produce less regulation, better regulation and regulate only as a last resort. Regulation is at times necessary to deliver and support a safe, secure and sustainable transport system. However, the Department has taken significant steps towards reducing the existing stock of transport-related regulation and stemming the flow of new regulation. This effort is well respected within the UK and by other EU Member States. Many transport regulations are a result of EU and international proposals. the Department's approach is to engage early to influence proposals to minimise the burden of regulation, and to ensure that the implementation of such regulation maintains the competitiveness of UK businesses and does not impose unnecessary burdens.

One-In, One-Out and One-In, Two-Out

4.2. The One-In, One-Out (OIOO) policy applied to domestic regulation that had an impact on business and civil society organisations. Its aim was to reduce the cost and volume of regulation in the economy by requiring that for any direct net cost imposed on business and civil society organisations ('Ins'), departments must identify and remove existing regulations with at least an equivalent value ('Outs').

4.3. During the OIOO policy, the Department introduced four Ins, three Outs and 11 measures with zero net cost to business. In the Department's 2012–13 Annual Report it was reported that the Department's balance for the OIOO operating period (January 2011 to December 2012) was an overall increase in the burden on business of £4.06 million. However, in January 2014, the Regulatory Policy Committee (RPC) re-validated the net cost to business of the reform of the Air Travel Organisers' Licensing (ATOL) scheme as £5.2 million (a reduction from the original value of £6.5m). Therefore, the Department's closing OIOO balance yielded an overall increase in burdens on business of £2.81 million.

4.4. In January 2013, the OIOO policy was replaced by the more challenging One-In, Two-Out (OITO) policy. The OITO policy applies to the same measures as the OIOO policy, but requires any direct net cost imposed on business and civil society organisations to be offset by the removal of existing regulations with at least twice the equivalent value.

4.5. Since the beginning of the OITO policy, the Department has implemented 10 Outs and seven zero net cost measures. These measures have removed annual burdens on business of £41.89 million. This included removing the unnecessary burden on businesses of drivers requiring a 'Driver Certificate of Professional Competence' when driving was an incidental part of their job, such as for MOT testers or hire vehicle valets. By clarifying the EU requirement, UK implementation was made less burdensome, providing annual savings to business of almost £24 million.

4.6. One Out has been delivered but is yet to be validated by the RPC. This is the strategic road network and the delivery of sustainable development. We expect this to be validated ahead of publication of the eighth Statement of New Regulation in July 2014. Therefore, this Out is included in the number of Outs implemented, but is not yet included in our OITO balance.

Regulatory Policy Committee

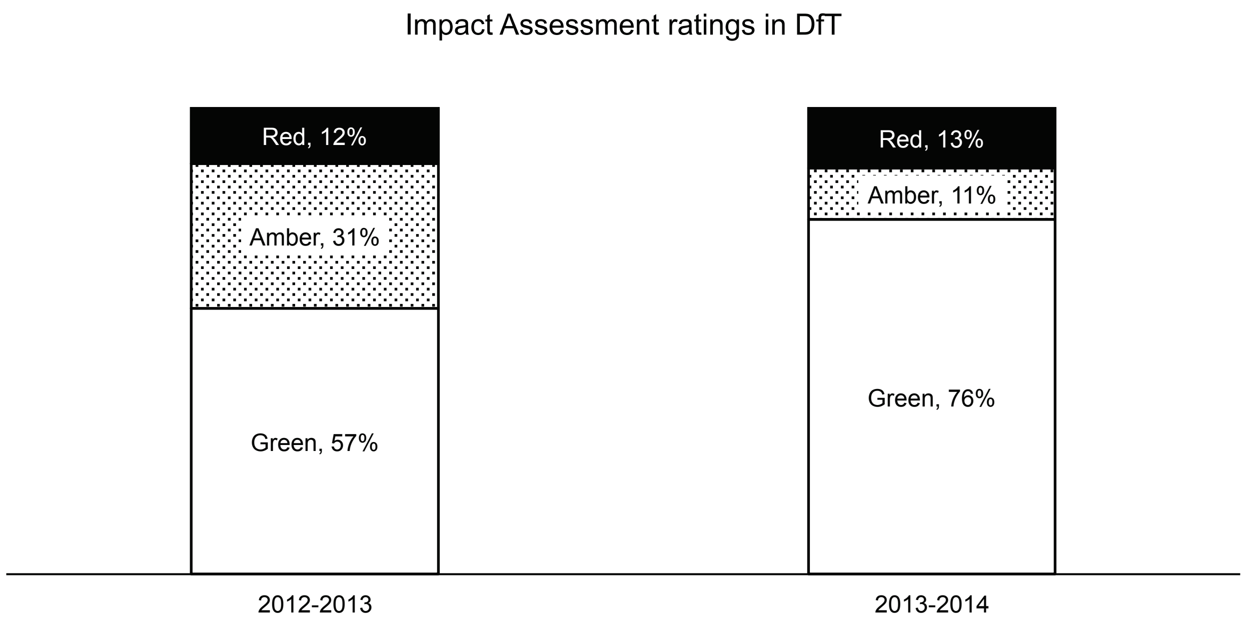
4.7. Between April 2013 and March 2014, the Department submitted 37 impact assessments (IAs) to the RPC; 29 were at final stage and eight were at consultation stage.

4.8. In this period the Department received opinions on 38 IAs, all of which were rated according to the red-amber-green (RAG) system:

- five red (13%);
- four amber (11%); and
- 29 green (76%).

4.9. Figure 4.1 below shows that although the proportion of the Department's IAs rated fit for purpose is very similar to the proportion in 2012, the proportion of the Department's IAs that received a green rating in 2013 increased by 19 percentage points from 2012.

Figure 4.1: Impact assessment ratings in DfT



4.10. The RPC's latest report shows the proportion of fit for purpose ratings by department and in total across government in 2013.[25] This shows that DfT's overall fit for purpose rate for first time submissions of IAs and fast track documents was 87%, compared to 77% in total across government.

Small business

4.11. In many instances it is appropriate for transport regulations to apply to an entire sector or industry so that the safety or security of those using the transport system is not compromised. However, the Department recognises that small and micro businesses can be disproportionately affected by regulation and endeavours where possible to reduce regulatory burdens on these businesses.

4.12. For example, in June 2013 the Maritime and Coastguard Agency introduced two new routes for seafarers to gain certification on tugs and workboats. The majority of owner/operators of these vessels are small businesses and the new certification routes were developed directly with industry involvement. The new routes provide a proportionate way for seafarers wishing only to work on tugs or workboats to gain certification outside the more onerous international route. The International Convention for the Standards of Training, Certification and Watchkeeping (STCW) applies to seafarers operating on ships trading internationally, whereas tugs and workboats operate mainly closer to shore and not in deep seas where safety risks are increased.

Red Tape Challenge

4.13. The Department has four Red Tape Challenge themes: road transport; rail; maritime and aviation. In 2013, work focused on implementation of the deregulatory packages that have been announced for each of these. There was a general announcement of the Red Tape Challenge results up to December 2013 in January 2014: more information is available on the Red Tape Challenge website.[26]

4.14. The Department, particularly on the road transport theme, was a significant contributor to the January 2014 announcement. Changes to road transport regulations are already resulting in savings of £74 million a year for businesses and £109 million a year for private motorists. Some of the most visible benefits include the following:

- Motorists now only need to tell DVLA once when they don't use their vehicle on the road, saving 1.2 million people the need to renew their SORN every year.
- 76,000 mechanics and valets are now exempt from the need to undertake additional professional driver training.
- 600,000 more motorists each year are now able to tax their car online because of changes to insurance checks.

4.15. More detail on the road transport, rail, maritime and aviation themes can be found on the Red Tape Challenge website.[27]

[25] RPC (2014). *Annual Report of the RPC*. London: RPC. www.gov.uk [accessed 6.10.14]

[26] www.redtapechallenge.cabinetoffice.gov.uk

[27] www.redtapechallenge.cabinetoffice.gov.uk

Sunsetting and review

4.16. Sunset and review clauses are key tools to remove redundant regulations and improve or amend those still required, ensuring the stock of regulations is monitored. In 2013–14, the Department introduced 32 measures with a statutory review clause. In the past year, the DVLA carried out two post-implementation reviews, fulfilling administrative commitments set out in IAs. One concerned amendments to regulations relating to the transfer, retention and assignment of registration marks; the other concerned amendments to regulations regarding the sale of registration marks. These post-implementation reviews were the first across government to go to the RPC. Both received ‘green’ fit-for-purpose opinions, and were published in March 2014.

4.17. DfT has recently published *Reviewing Regulation: Setting out DfT's commitments* setting out all its statutory review commitments along with those administrative review commitments it expects to fulfil.[28]

Alternatives to Regulation

4.18. The Department is keen to use alternatives and less burdensome approaches to regulation where possible and uses a broad range of alternatives across different areas. For example:

- **Voluntary training for fishermen**: The Maritime and Coastguard Agency provided £250,000 for fishermen to receive voluntary refresher basic safety training and training towards a voluntary Under 16.5 metre Skippers Certificate. Seafish also provided £250,000 and this is match-funded by the European Fisheries Fund to provide £1 million towards the training of fishermen.
- **Road safety**: ‘Think!’ campaigns continue to provide road safety information for road users to encourage safer behaviour and reduce the number of people killed and injured on our roads every year.

Implementation and Guidance

4.19. DfT continues to seek opportunities to implement streamlined processes and improve guidance to industry where possible, including removing obsolete requirements or guidance. One area where notable improvements have been made is in the maritime sector where guidance is a frequently used tool. For example, a novel approach was adopted in the implementation of the third revision to the Large Yacht Code. This Code of Practice was published for use as guidance before it formally came into force in September 2013. This was supported by industry as it allowed them to continue to build new large yachts in line with the new requirements.

Focus on Enforcement

4.20. Last year’s report highlighted DfT’s engagement with the *Focus on Enforcement Review of Coastal Projects and Developments*, which was published in February 2013. DfT continued to work with the regulatory bodies and the Department for Environment, Food and Rural Affairs who led on the concordat and in November 2013 the coastal concordat was announced. The concordat will see ports, marina

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[28] DfT (2014). *Reviewing Regulation: Setting out DfT’s commitments*. London: Cabinet Office. www.gov.uk/government/publications [accessed 6.6.14].

builders and other coastal developments benefit from a streamlined approvals process and is intended to support sustainable growth in the sector.

EU Regulations

4.21. A high proportion of the Department's regulatory proposals are derived from European legislation or international agreements. This presents a challenge to the Department to ensure that Better Regulation principles are considered at these levels, to ensure that unnecessary burdens are not placed on UK businesses.

4.22. Promoting the consideration of Better Regulation principles at a European and international level is an ongoing task and, to increase influence, DfT maintains and continues to grow alliances with several other EU Member States.

4.23. Collaborative working with other Member States and the Directorate-General for Mobility and Transport (DG MOVE) has led to increased discussions about the application of Better Regulation principles to European transport legislative proposals. In September 2013, DfT hosted a symposium on Smart Regulation in transport, attended by 20 Member States and DG MOVE, the largest meeting of its kind to date. At this symposium DG MOVE agreed to host annual meetings on Smart Regulation at Permanent Secretary level. This demonstrates that the need to embed Better Regulation principles across the legislative process is now widely accepted. Also as a result of the symposium, DfT is leading a working group of Member States to agree shared priorities for the European Commission's regulatory fitness and performance (REFIT) programme which seeks to evaluate the stock of European legislation and propose improvements.

4.24. For a third year we are running the internal EU Challenge process which tests the potential regulatory impacts of forthcoming EU proposals at an early stage and encourages early engagement between policy teams and DG MOVE, with a focus on minimising regulatory burdens.

4.25. DfT continues to successfully press for less burdensome EU proposals at negotiation stage. For example, a new tachograph regulation was published on 28 February 2014. During negotiations the UK successfully secured most of its objectives, including the removal of some potentially high-cost measures, such as the proposed merger of tachograph cards and driving licenses.

Complaints to the Parliamentary and Health Services Ombudsman (PHSO)

4.26. The role of the Parliamentary and Health Services Ombudsman (PHSO) is to investigate complaints that individuals have been treated unfairly or have received poor service from government departments and other public organisations and the NHS in England.

4.27. Departments are required to publish in their Annual Reports the data from the latest published PHSO Annual Report.[29] The 2012–13 Annual Report of PHSO reported the figures shown in Table 4.1.

[29] PHSO (2013). *Aiming for Impact: The Ombudsman's Annual Report and Accounts 2012–13* [online]. www.ombudsman.org.uk/reports-and-consultations [accessed 6.6.14]

Table 4.1: PHSO investigations (2012–13 PHSO Annual Report)

PHSO investigations (2012 13 PHSO Annual Report)	
The number of complaints received by the PHSO	15
Complaints accepted for investigation by the PHSO	0
The number of investigations reported on by the PHSO	0
The percentage of those reports where the complaint was:	
Upheld in full	N/A
Upheld in part	N/A
Not upheld	N/A
The number of PHSO recommendations	0
Complied with	N/A
Not complied with	N/A

4.28. The Parliamentary & Health Service Ombudsman (PHSO) announced in March 2013 that they intended to investigate more complaints and share those findings. This announcement took place following feedback from complainants and departments, both of whom seek more information from complaints to help improve the delivery of public services.

4.29. In October 2013, the Department published the Annual Report from its Independent Complaints Assessor (ICA) on its website. The Department is working with its agencies to address the report's recommendations. There was an increase in the number of cases referred to the ICA primarily as a result of changes in the referral procedure. In DVLA and Driving Standards Agency (now part of Driver and Vehicle Standards Agency, DVSA) particularly, these changes made it easier for complainants to have their complaint reviewed by the ICA. This increase caused a backlog and the Department appointed two further ICAs on 1st June 2013 to clear cases and improve the service significantly to complainants.

4.30. The Department undertook a review in 2013 of complaints across the central department and its agencies and other bodies, as recommended by the PHSO to all government departments. Following this review, the Department has taken steps to increase consistency, meet cross-government standards, and publish complaints processes clearly. In addition, the ICA now acts as an independent complaints review at the final stage across the whole Department. HS2 Ltd has now revised and updated its complaints procedure to ensure consistency with the Department's other arm's length bodies. Complaints are initially investigated internally and can then be escalated to the ICA. If a complainant remains dissatisfied they are advised to contact their MP, who can refer the case to the PHSO. The motoring agencies (DVLA, DVSA and Vehicle Certification Agency) have agreed a target to improve the number of complaints resolved at the first stage and are working collectively to reduce the incidence of complaints in the first instance.

Performance in responding to correspondence from the public

4.31. Our target is to respond to 80% of correspondence in 20 working days. In 2013–14 the Department received just under 12,000 items of correspondence from members of the public and responded to 97% within 20 working days (Table 4.2).[30]

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

- Correspondence addressed to ministers which is answered by officials.
- Mail addressed to the Department, rather than to a named official or specific unit. This correspondence is referred to officials in the relevant policy team or executive agency to reply direct to the writer.

Table 4.2: Percentage of Treat Official (TO) correspondence answered within 20 working days (target 80%)

Percentage of Treat Official (TO) correspondence answered within 20 working days (target 80%)											
Apr-13	**May-13**	**Jun-13**	**Jul-13**	**Aug-13**	**Sep-13**	**Oct-13**	**Nov-13**	**Dec-13**	**Jan-14**	**Feb-14**	**Mar-14**
97%	97%	97%	96%	96%	97%	97%	97%	97%	96%	97%	97%
Full year total: 97%											

[30] The performance of all Departments and agencies on handling correspondence from MPs and peers during the calendar year 2013 was published in a written ministerial statement on 13 May 2014. The statement can be accessed from Hansard [online]: www.parliament.uk/business/publications/hansard/.

5. Staff and communications[31]

Talent development

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

5.2. The Nomination and Governance Committee, a sub-committee of the Board, reviewed the talent and succession plans for the most senior leadership roles in the organisation in 2013–14.

5.3. The Department's Pay and Performance Committee reviewed talent and succession plans for the Senior Civil Service (SCS). We offer a range of opportunities to support longer-term career development, including job moves to broaden and deepen knowledge, skills and experience.

5.4. DfT successfully nominated three Directors to the cross-government High Potential Scheme and one Deputy Director to the Senior Leaders Scheme; and eight staff to the Major Projects Leadership Academy.

5.5. The talent and career review process has now been implemented for all grades 7 and 6. This has provided a clearer view of the talent and potential we have at this level and will support our succession planning to enable us to be more flexible and responsive to change.

5.6. DfT has initiated or participated in a number of programmes in 2013–14 that support talent development across all the grades:

- Five people at grades six and seven were successfully nominated to the cross-government Future Leaders Scheme.
- 21 Fast Streamers gained promotion to Grade 7.
- 81 apprentices were appointed in the Department and its agencies.[32]
- Crossing Thresholds is a year-long career mentoring programme for women who want to develop their career in a structured and supportive environment. The mentoring partnerships are underpinned with themed group modules, peer support groups and individual assignments. 31 participants within DfT took part in 2013–14, ranging from SCSPB1 to EO.

5.7. We have initiated a programme of secondments to and from the wider public and private sectors, to broaden the skills and experiences of staff. 47 placements were undertaken in 2013–14 into and out of the Department and its agencies.

[31] Information on Pay Multiples, as required by HMT guidance, are included in the Remuneration Report.
[32] This data is as at 28 February 2014, as data as at 31 March 2014 is not available.

5.8. In 2014–15, we will continue to embed our talent management and succession planning offering. We will place more focus on identifying talent and building capability at Grade 6 and below. This will include working with Department for Communities and Local Government, Department of Energy & Climate Change and Department for Environment, Food & Rural Affairs to design and implement an Interdepartmental Talent Offer, as well as increasing our programme of secondments and identifying more opportunities for Apprentices.

Recruitment practice

5.9. The Department has centralised control systems requiring recruitment to be approved by the Departmental Approvals Committee and controlled from a single point across DfT. In 2013–14 recruitment was undertaken only for front line, security and business critical roles.

5.10. The number of posts agreed for external recruitment this year was 671 for front line, security or business critical roles.

5.11. In 2013–14 there were five exceptions to the general recruitment principles in relation to fair and open competition. Two were for lawyers at DfTc, and three were marine surveyors at Maritime and Coastguard Agency. These were permissible under the principles of the Civil Service Commissioner, as all required highly specialised skills and experience.

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

5.12. The number of senior civil servants employed by the Department, including its executive agencies, as at 31 March 2014, is disaggregated by salary range in Table 5.1.

Table 5.1: Distribution of SCS salaries within the Department

Distribution of senior civil service salaries within the Department			
Salary range	**Staff numbers**	**Salary range**	**Staff numbers**
£60,000–£64,999	25	£120,000–£124,999	2
£65,000–£69,999	26	£125,000–£129,999	5
£70,000–£74,999	16	£130,000–£134,999	4
£75,000–£79,999	18	£135,000–£139,999	2
£80,000–£84,999	25	£140,000–£144,999	0
£85,000–£89,999	15	£145,000–£149,999	1
£90,000–£94,999	7	£150,000–£154,999	0
£95,000–£99,999	10	£155,000–£159,999	0
£100,000–£104,999	6	£160,000–£164,999	0
£105,000–£109,999	4	£165,000–£169,999	1
£110,000–£114,999	6	£170,000–£174,999	0
£115,000–£119,999	5	£175,000–£179,999	0
		Total SCS staff numbers	**178**

Distribution of senior civil service salaries within the Department
Notes: The minimum annual salary for SCS is £60,200. Staff numbers are actual, not full-time equivalents, so a part-time member of staff counts as 1. Information is for all senior civil servants in the Department and its agencies at 31 March 2014 and includes those on fixed-term contracts (but excludes outward loans and secondments). Salary is the basic annual full-time equivalent salary effective from 31 March 2014 and excludes non-consolidated performance related pay.

Diversity information

5.13. The financial reporting manual (*FReM*) guidance requires departments to disclose the number of persons of each sex who were employees of the entity (Table 5.2).

Table 5.2: Number of persons of each sex who were employees of the entity as at 31 March 2014

	Men	Women
Number of persons of each sex who were directors of the entity *Permanent Secretary and directors general*	5	2
Number of persons of each sex who were senior managers of the entity *Members of the Senior Civil Service (excluding above)*	121	50
Number of persons of each sex who were employees of the entity[33] *Employees in (i) DfT(c) and (ii) DfT including agencies*	(i) 1,222 (ii) 9,979	(i) 672 (ii) 7,224

Expenditure on consultancy, temporary and off-payroll staff

Expenditure on consultancy and temporary staff

5.14. During the year 2013–14 the Department employed a number of consultancy and temporary staff. Expenditure on consultancy and temporary staff in 2013–14 is shown in Table 5.3 for DfT, its executive agencies and NDPBs.

Table 5.3: Expenditure on consultancy and temporary staff

Organisation	Consultancy (£m)	Temporary Staff (£m)	Total (£m)
DfT(c)	8.12	12.80	20.92
Driving and Vehicle Licensing Agency	0.70	1.22	1.92
Driving Standards Agency	0.04	0.13	0.17
Highways Agency	0.27	5.83	6.10
Maritime and Coastguard Agency	0.13	0.57	0.70
Vehicle Certification Agency	0.05	0.36	0.41
Vehicle and Operator Services Agency	0.97	3.02	3.99
British Transport Police	0.04	0.48	0.53

[33] The information on employees of the entity is for 2012–13, as information for 2013–14 will not be available until December 2014.

Organisation	Consultancy (£m)	Temporary Staff (£m)	Total (£m)
Directly Operated Railways	0.60	0.20	0.80
Passenger Focus	0.02	0.11	0.13
Northern Lighthouse Board	0.01	0.06	0.07
Trinity House Lighthouse Service	0.02	0.16	0.18
HS2 Ltd	3.07	8.79	11.87
Department total	**14.04**	**33.74**	**47.78**

Off-payroll staff

5.15. As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments have been asked to report on the tax arrangements of public sector appointees. Tables 5.4–5.6 are prescribed by HM Treasury to show the nature of the Department's off-payroll engagements.

5.16. The Department confirms that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Table 5.4: Off-payroll engagements as of 31 March 2014, for more than £220 a day and that last for longer than six months

	DfTc	BTP	DSA	DVLA	HA	HS2 Ltd	MCA	VOSA	Total
Number of existing engagements as of 31 March 2014	86	11	3	3	31	46	1	30	211
of which:									
Number that have existed for less than one year at time of reporting.	50	9	3	3	14	36	0	25	140
Number that have existed for between one and two years at time of reporting.	25	2	0	0	9	9	0	5	50
Number that have existed for between two and three years at time of reporting.	7	0	0	0	1	1	0	0	9
Number that have existed for between three and four years at time of reporting.	0	0	0	0	1	0	1	0	2
Number that have existed for four or more years at time of reporting.	4	0	0	0	6	0	0	0	10

Table 5.5: New off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 a day and that last for longer than six months

	DfTc	BTP	DSA	DVLA	HA	HS2 Ltd	MCA	VCA	VOSA	Total
Number of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	73	13	4	4	35	52	2	1	26	210
Number of the above that include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	73	13	3	4	35	52	2	1	26	209
Number for whom assurance has been requested	69	13	3	4	29	52	2	1	26	199
of which:										
Number for whom assurance has been received	60	12	3	4	25	45	2	1	23	175
Number for whom assurance has not been received	13	1	1	0	10	7	0	0	3	35[34]

Table 5.6: Any off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014

	DfTc	BTP	DOR	DSA	DVLA	HA	HS2 Ltd	LCR	MCA	NLB	PF	THLS	VCA	VOSA	Total
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	1	1	2	0	0	0	1	0	0	0	0	0	2	0	7
Number of individuals that have been deemed 'Board members and/or senior officials with significant financial responsibility', during the financial year. This figure should include both off-payroll and on-payroll engagements.	33	6	7	6	15	16	14	6	13	21	17	8	19	11	192

[34] Most of these have since left the Department.

5.17. Details of the exceptional circumstances that led to the above off-payroll engagements and the length of time each of these engagements lasted:

- DfT(c): from 18 March 2013 to 22 November 2013. This individual was engaged as the interim Finance Director and remained in post longer than 6 months due to a delay with the start date for their replacement. A letter was sent to the HMT Director General for Public Spending on 13 September 2013, explaining the circumstances and why the decision to extend the contract was taken.
- BTP: from 19 February 2014 to 22 August 2014. The substantive post-holder was on long-term sick leave and the Chief Executive Officer appointed the individual on a fixed-term contract as an interim measure.
- DOR: from 28 December 2011 to 31 July 2013. From 1 November 2011 to 31 July 2013. In October 2012, when the West Coast competition was terminated, the Department's view was that it would have been inappropriate to renegotiate these contracts while the mobilisation of DOR to take on additional franchises was actively being pursued as a possibility. The two off-payroll individuals were brought onto payroll on 1 August 2013.
- HS2 Ltd: from 10 February 2014 to 10 August 2014. The individual is engaged on an interim basis to build a directorate while a permanent member of staff is recruited. It was essential to appoint someone in this post without delay to develop the HS2 programme strategy in preparation for construction. It is expected that the individual will leave HS2 Ltd before six months have elapsed.
- VCA: from 26 February 2013 to 30 July 2013: one individual was engaged because the substantive post-holder was absent due to long-term sickness and subsequently left VCA. From 2 April 2013 to 7 October 2013: a second individual was engaged to provide cover following the post-holder's resignation.

Communications

5.18. Group Communications Directorate (CD) leads the delivery of external and internal communications to support the Department's conduct of business and the delivery of its policy objectives. CD consists of a range of teams providing specialist services in press and media; campaigns; strategy; digital and print publishing; speech writing; and internal communications, as well as insight and evaluation to ensure communication activity is well targeted and provides value for money.

5.19. In 2013–14 major communications projects included:

- supporting High Speed 2 communications such as the paving Bill, the Strategic Business Case and the hybrid Bill for Phase 1;
- profiling major investments in the road network;
- announcing major investment in rolling stock and infrastructure projects including Crossrail, the Thameslink Programme and InterCity Express programme;
- progressing on the re-launched rail franchising programme;
- the conclusion of the fares and ticketing review; and
- the Prime Minister's announcement of the largest ever single investment in cycling and plans to make roads safer for cyclists.

Behavioural change campaigns

5.20. Since May 2010, behavioural change campaigns require the approval of the Cabinet Office's Efficiency and Reform Group. This year approved activity included the THINK! Road Safety campaign with focus on drink-driving, cyclist and motorcyclist safety, and child pedestrian safety. It also included the promotion of ultra-low emission vehicles.

5.21. The first THINK! cycling 'Safety Tips' campaign ran in October 2013. The aim was to remind drivers and cyclists of the actions they can take to drive and ride more safely. Working in partnership with Transport for London (TfL), THINK! extended this to target both cyclists and drivers in five regional cities where cyclist casualties are over-represented.

5.22. Partnering with TfL achieved significant savings. This was the first 'paid-for' THINK! cycling campaign and the post-campaign tracking research proved positive.

5.23. In January 2014, the Deputy Prime Minister, Nick Clegg, launched the 'Go Ultra-Low' £2.5 million joint government-industry-funded campaign to help the UK become a world leader in promoting and increasing consumer uptake of ultra-low emission vehicles and the resulting improvements to air quality. The campaign was led by the Office for Low Emission Vehicles and developed in partnership with the Society for Motor Manufacturers and Traders and five vehicle manufacturers: BMW, Nissan, Renault, Toyota and Vauxhall.

Third-party support

5.24. As in previous years, the central Department has not received any cash sponsorship but has received support from key partners who have linked with our THINK! road safety campaign. These include the following:

- The Motorcycle Industry Association (MCIA), Motorcycle Monthly magazine and Yamaha worked collaboratively with us to develop campaign messages and collateral. The materials, which included leaflets and posters were distributed to motorcyclists in shops and at events throughout the spring and summer.
- Coca-Cola re-ran its Designated Driver campaign in support of our Christmas Drink-Drive campaign. Coca-Cola ran a promotion in 8,000 pubs throughout the country offering a BOGOF ('buy one, get one free' promotion) on selected soft drinks over the Christmas period. Each pub carried posters promoting the offer and our drink-drive messages.
- RAC Breakdown partnered with THINK! and Aardman to launch a competition encouraging school children to develop a road-safety poster/animation using our child road safety resources. The competition, launched in March, has targeted every school in England and Wales to take part (approximately 21,000).

Health and safety

5.25. Improving the management of health and safety (H&S) continues to be a priority for the Department. This year we have refreshed our H&S policy statement and aim to further develop its management arrangements, to ensure a DfT Group approach is adopted where feasible.

5.26. In total, 65 RIDDOR reports[35] have been reported to the Health & Safety Executive (HSE) by the Department. This is a reduction of 12 RIDDOR reports compared with last year, when a total of 77 were reported.

5.27. The figures in both the Driving Standards Agency (DSA) and Highways Agency remain greater than average due to the nature of risks involved in these agencies.

5.28. The Highways Agency submitted 21 RIDDOR reports during the financial year. Of these, subsequent analysis showed that seven did not fit the reporting criteria. Process change has been implemented, shifting the reporting decision responsibility to the national H&S team.

5.29. The Highways Agency's Fit for the Future project is under way to ensure best health and safety practice is recognised in preparation for the impending transition to a government company in 2015.

5.30. The Road Workers' Safety Forum, chaired by the Highways Agency's Head of Health and Safety, has received a Prince Michael International Road Safety Award for its collaborative work and innovations to make roadworks safer. The judging panel said: "This highly innovative and effective forum brings together those responsible for the engineering workforce, the combined knowledge and experience of many commercial and statutory organisations, and ensures that the highest levels of duty of care are in force".

5.31. DSA RIDDOR figures remain lower than for previous years: 20 this financial year as opposed to 41 the previous financial year. This is due to alterations to the Module 1 motorcycle test.

5.32. As at the end of March 2014, the numbers of significant incidents reported by DfT, including its agencies, to the HSE under RIDDOR are set out in Table 5.7.

Table 5.7: Number of RIDDOR reportable incidents to 31 March 2014

Organisation	RIDDOR reportable incidents
DfT(c)	0
DSA	20[36]
DVLA	11
HA	21[37]
MCA	7
VCA	1
VOSA	5

[35] Reports under Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1998.

[36] The figure of 20 accounts for three staff incidents and 17 incidents where members of the public were taken from a DSA site direct to hospital. The latter mainly consisted of Module 1 motorcycle test candidates using incorrect braking or avoidance techniques, resulting in them falling off their motorcycle.

[37] This figure excludes 36 incidents relating to the Highways Agency's (HA's) supply chain (sub-contractors). HA employs a number of businesses (referred to as its supply chain) to carry out maintenance and construction work on its behalf. HA, as a major client of the construction and maintenance industry, has a duty of care to ensure this work is carried out safely and to monitor the number of RIDDOR incidents happening within its supply chain.

6. Climate change, sustainability and the environment

Mainstreaming sustainable development

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

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

6.3. A wide range of environmental factors are considered in appraising transport schemes, using a mixture of monetary, quantitative and qualitative techniques. DfT ministers take decisions on investments in support of their objectives for transport, informed by a business case. We are continuously seeking to improve the tools and techniques that inform this decision-making process.

6.4. The most recent update to the Department's transport appraisal guidance has incorporated a new abatement cost methodology for appraising air quality impacts of transport schemes in line with Supplementary Green Book Guidance. We also ensure that our carbon appraisal guidance is consistent with latest guidance from the Department for Energy and Climate Change (DECC) and incorporate consideration of electric vehicles into appraisal. We have recently updated the published emissions factors for different transport fuels to cover non-CO_2 greenhouse gases to better capture the greenhouse gas emissions impacts of changes in fuel consumption.

6.5. To ensure that our approach to decision-making is transparent, and that the views of interested parties are understood and given consideration, DfT engaged in 42 written consultations and calls for evidence in 2013.

6.6. During the past year, we have worked internally on improvements to procurement procedures. Our website sets out our small and medium-sized enterprise (SME) action plan and case studies of good practice.[38] The Department expects to achieve

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[38] DfT (2012). *Procurement at DfT* [online].
At www.gov.uk/government/organisations/department-for-transport/about/procurement

a total of 18.6% procurement spend with SMEs by March 2015 and continues to promote use of government buying standards in its procurement activity.

6.7. HS2 will be the UK's new high speed rail network and is being designed and built to resolve impending capacity issues for both passengers and freight on existing routes, particularly the West Coast Main Line. In 2013–14, HS2 teams produced and consulted on a draft Environmental Statement (ES) and also produced and consulted on a final ES, which set out in detail the impacts on the environment and measures taken to mitigate those impacts. The ES is based on almost two years of detailed design and environmental work and engagement with local authorities, communities and other stakeholders through consultations and discussion in community and planning forums. The hybrid Bill, which will give the Secretary of State the necessary legal powers required to build Phase 1 of the HS2 network, was introduced to Parliament on 25 November 2013 and passed second reading in April 2014.

6.8. To enhance staff learning and knowledge on issues such as those relating to climate change and sustainability, regular briefing and awareness sessions on topical and related issues are organised throughout the year and are open to all employees. In early March 2014, Climate Week was supported with a series of well-attended talks and exhibitions highlighting aspects of DfT's involvement with climate change and other environmental issues. Occasional events are also opened to invitees from other government departments who have a specialist interest in the seminar topic.

Climate change adaptation and mitigation

6.9. Priorities for the Department include promotion of lower-carbon transport, support for the development of the market for electric and other ultra-low emission vehicles obliging fuel suppliers to use sustainable biofuels and encouraging sustainable local travel. The Carbon Plan, published in December 2011, details our ambitious aims to deliver major reductions in carbon emissions from the transport and other sectors over the coming decades.[39] It sets out a radical vision for the almost complete decarbonisation of cars and vans by 2050. Biofuels, advanced fuels and electric vehicles will all play a major part in achieving this aim and the Department's policies are focused on developing the market, investing in low carbon infrastructure and opportunities for UK industry while ensuring renewable energy is provided sustainably.

6.10. We are committed to ensuring that the transport sector plays a full part in delivering the emissions reductions needed to meet our Climate Change Act targets. Many of our policies to deliver growth have a strong environmental and green transport focus and either complement or form key actions DfT is undertaking to implement the carbon reduction element of the Coalition priorities (actions 4.5 and 4.6 in our 2013–15 Business Plan).[40] For example, we are:

- Supporting the development of, and early market for, ultra-low emission vehicles and their accompanying infrastructure through the Office for Low Emission Vehicles (OLEV).[41] This will help create and safeguard UK jobs as

[39] DECC (2011). *The Carbon Plan: Delivering our low carbon future.* London: Department of Energy and Climate Change. www.gov.uk/government/publications [6.6.14]

[40] DfT (2014). *2013–15 Business Plan* [online]. This can be accessed from the Number 10 Transparency website: http://transparency.number10.gov.uk [accessed 6.6.14].

[41] www.gov.uk/government/organisations/office-for-low-emission-vehicles

well as being critical in delivering against our long term carbon plan and helping to improve energy security and local air quality;

- Investing in rail electrification schemes across the country, to boost capacity for passengers and freight and provide carbon savings as well as reliability and journey-time benefits;
- Supporting rail freight by investment in the strategic rail freight network and by establishing the policy on the development of strategic rail freight interchanges;
- Through four rounds of the Green Bus Fund,[42] providing more than £89 million to bus operators and local authorities to support the introduction of around 1,250 new low-carbon emission buses into public service in England;
- We are working with the Technology Strategy Board and OLEV on trialling low-emission heavy goods vehicles and their supporting infrastructure; and
- Delivering substantial greenhouse gas emission reductions through sustainable biofuels under the Renewable Transport Fuels Obligation (RTFO).[43] The post-implementation review of the first five years of RTFO reported greenhouse gas emission reductions from biofuels of up to 56% (taking into account estimated indirect land use change emissions); and increasing the proportion of biofuels derived from waste (39% in year).
- Supporting the development of a UK advanced fuels industry, including announcing in 2013 a £25 million competition to build an advanced biofuel demonstration plant.
- Continuing to enable local authorities, through additional funding under the Local Sustainable Transport Fund (LSTF),[44] up to 2015–16 to implement schemes which, amongst other objectives, have the core objective of reducing carbon emissions, e.g. by bringing about an increase in the volume and proportion of journeys made by low-carbon sustainable modes.
- Supporting improvements to local air quality, by committing £7.5 million under the Clean Bus Technology Fund[45] to help local and transport authorities outside London upgrade older buses operating in congested areas with pollution abatement technologies to achieve reductions in NOx emissions and reduce NO_2 concentrations.

6.11. The exceptional storms and floods from December 2013 to February 2014 placed the transport network under significant strain. In light of these events the Secretary of State appointed Richard Brown, Non-Executive Director of DfT and former Chairman of Eurostar, to lead a targeted review of the resilience of the transport network to extreme weather events. Reporting by the summer, the aim of the review is to identify practical measures to improve the resilience of our transport network to severe weather events in the short term, whilst also giving due consideration to the

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[42] DfT (2013). *Background to the Green Bus Fund* [online]. www.gov.uk/government/collections/background-to-the-green-bus-fund [6.6.14]

[43] DfT (2012). *Renewable Transport Fuels Obligation* [online]. www.gov.uk/renewable-transport-fuels-obligation [6.6.14]

[44] DfT (2013). Local Sustainable Transport Fund [online]. www.gov.uk/government/collections/local-sustainable-transport-fund [6.6.14].

[45] DfT (2013). Clean Bus Technology Fund [online]. www.gov.uk/government/collections/clean-bus-technology-fund [6.6.14].

longer term resilience of the nation's transport infrastructure. This will include plans looking to mitigate impacts from severe weather events, contingency planning to manage the effects, and adaptation of infrastructure to manage projected future risks. The review will build on the existing work of transport resilience practitioners and policy makers, and incorporate expert knowledge on climate modelling to recommend proportionate and value for money responses to future transport vulnerabilities.

6.12. We will be monitoring and reporting the transport adaptation actions in the National Adaptation Programme (published July 2013).[46] The actions build on the 2012 national climate change risk assessment. The main objectives are to:

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

Progress on other low-carbon and sustainable development actions included in the DfT Business Plan

6.13. In addition to the above, work on promoting UK interests on the EU new car and van CO_2 regulations and the Commission's developing strategy for reducing HGV CO_2 emissions is ongoing.

Rural proofing on DfT policies and programmes

6.14. In July 2013, Defra published new National Guidelines on Rural Proofing,[47] following on from the publication of the Rural Statement in October 2012.

6.15. The Department has been incorporating these new national guidelines into its appraisal system. There are particular requirements in different areas, such as investment decisions, policy development and regulatory proposals. The Department provides extensive guidance on the appraisal of investing in transport schemes in the form of Web-based Transport Analysis Guidance (WebTAG), which highlights in several places the need to consider rural impacts, in particular in the guidance on distributional and social impacts.

[46] HM Government (2013). *The National Adaptation Programme*. www.gov.uk [accessed 6.10.14]
[47] Defra (2013). *Guide to Rural Proofing: National guidelines*. www.gov.uk [accessed 6.10.14]

6.16. For impact assessments, rural proofing is one of a number of specific impact tests that DfT applies to proposed policies. The specific impact tests are designed to operate as a checklist to ensure key impacts are picked up for further consideration as part of the comprehensive appraisal.

- The Department continues to work closely with Defra to ensure the impacts of decisions in rural areas are addressed, including participating in the independent review by Lord Cameron that commenced in 2013, looking at the extent to which government departments have adopted and effectively implemented the principles and guidance set out in the refreshed package of rural proofing materials one year on from publication.

2013–14 Sustainability Report

6.17. The Department works with its agencies and partners to support the transport network that helps the UK's businesses and gets people and goods travelling around the country. We plan and invest in transport infrastructure to keep the UK on the move. Whilst we continue to strive to deliver a more sustainable transport system, we recognise that we need to demonstrate that our own estate and business travel are managed in an equally sustainable manner.

6.18. In support of the Department's desire to improve internal sustainability performance, there are cross-government drivers in the form of the Greening Government Commitments (GGCs), which provide structure and the standard to be achieved. It is our performance against GGC measures this year that forms the basis of this sustainability report, in line with HM Treasury's financial reporting manual (FReM).

6.19. The monitoring of our sustainability performance is an integral part of our quarterly performance management reporting regime. The DfT Executive Committee receives quarterly reports on DfT performance against the GGC measures.

6.20. This sustainability report covers the operations of the core DVLA, HA, Maritime and Coastguard Agency (MCA), Vehicle Certification Agency (VCA), British Transport Police (BTP) and HS2 Ltd. Whilst this report will highlight some of the activities undertaken by these organisations to improve sustainable performance, more detail can be found in the individual annual reports and accounts for each organisation.

Summary of performance

6.21. In 2013–14 we continued to make strong progress towards achieving all our sustainability commitments. An overview of our sustainability performance is set out in the Table 6.1. Details of our sustainability performance metrics are set out in Table 6.2 and Table 6.3.

Table 6.1: Summary of performance against sustainability commitments

Performance Summary	2013 14	2012 13	2011 12	2010 11
Energy emissions (tCO_2e[48])	125,482	131,778	134,592	154,688
Energy costs (£m)	32.93	30.40	28.33	25.11
Business travel emissions (tCO_2e)	6,602	6,970	6,530	6,100
Business travel costs (£m)	12.57	10.51	8.78	12.04
Waste generated (tonnes)	2,843	2,719	3,101	3,303
Water consumption (m^3)	128,954	121,015	121,308	123,538

Greenhouse gas emissions

6.22. Over the past year we have continued to implement greenhouse gas emissions reduction measures across our estate and business related travel.

6.23. We achieved a 4.8% reduction in greenhouse gas emissions in 2013–14, in comparison with our 2012–13 performance, and a 23.6% reduction against the GGC 2009–10 baseline. Those savings have been achieved through:

- A range of energy-saving interventions including switching off lighting on selected parts of the road network. A continued lighting and roadside equipment replacement programme which introduces more energy-efficient equipment at the end of the existing equipment's useful life.
- Rationalisation of our built estate through the closure of 39 sites. DVLA has vacated all of its local office estate, relinquishing 29,184m^2 of floor space.
- Improving the efficiency of our ICT operations. The DfT(c) has implemented a New Ways of Working programme, which has introduced new, more energy-efficient, thin-client computers, rationalised its printers to a 1:40 ratio and maximised the use of available floor space.
- The use of more efficient vehicles when undertaking business related travel and better data management:
    - Fleet purchasing programmes have introduced vehicles with lower emissions as fleet vehicles are replaced.
    - An increase in the reporting of fleet vehicles by fuel volume rather than mileage which is a more accurate measure.

6.24. We continually look to improve the data we collect, working with suppliers and sharing best practice across the Department, with the aim of identifying further opportunities to effect reductions.

6.25. Our carbon footprint has been restated for all years in order to account for material changes to the conversion factors provided by Defra for company reporting purposes.

[48] tCO_2e = tonnes of carbon dioxide equivalent emissions.

Waste

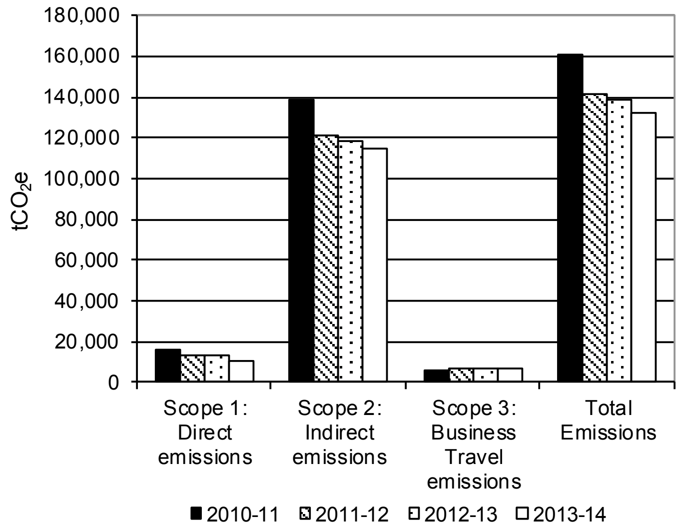
6.26. In 2013–14 the volume of waste arising from our administrative estate increased by 4.7% when compared with 2012–13. This increase is as a result of the addition of previously unreported sites. Some 72% of our office waste was sent for recycling. We continually seek to minimise the amount of office waste that goes to landfill by working with waste contractors to understand exactly which non-landfill waste streams they are utilising for disposal.

Water

6.27. Our office water consumption has reduced by 7.6% when compared with the 2009–10 GGC baseline. This has given us a consumption figure per FTE of 5.71 m^3, putting us in the 'good practice' category for water consumption and meeting the target that the Department set itself in 2009–10. We continually seek to improve our management and understanding of water use and so reduce our overall water consumption and the consumption per FTE. In 2013–14, the expenditure on water was £2,089,852.

Table 6.2: Greenhouse gas (GHG) emissions

GREENHOUSE GAS (GHG) EMISSIONS		2010-11	2011-12	2012-13	2013-14
Gross Emissions (tonnes CO_2e)	Scope 1: Direct emissions	15,712	13,547	13,057	10,371
	Scope 2: Indirect emissions	138,976	121,045	118,721	115,111
	Scope 3: Business Travel emissions	6,100	6,530	6,970	6,602
	Total Emissions	**160,788**	**141,122**	**138,748**	**132,084**
Related Consumption Data	Estates Electricity (kWh)	49,037,559	45,873,943	47,884,521	52,877,104
	kWh Per head	3,100	3,011	3,062	2,340
	Estates (HA road network) Electricity	205,000,000	193,333,676	188,496,743	186,168,000
	Private Car Usage (million road miles)	2.84	3.11	3.09	3.60
	Hire Car Usage (million road miles)	2.99	3.69	4.03	4.32
Financial Indicators	Total Energy Expenditure	£25,108,393	£28,334,928	£30,397,297	32,932,245
	CRC Related Expenditure	£ 8,960	£ 1,376,210	£ 1,265,756	554,760
	Expenditure on Business Travel	£12,043,738	£ 8,779,501	£10,509,126	12,565,380



PERFORMANCE COMMENTARY AND TARGETS

In 2013-14 DfT (as defined in this Sustainability Report) saw an overall reduction in its greenhouse gas emissions of 4.8% compared to emissions in 2012-13. Overall our emissions have reduced by 23.6% since 2009-10, the Greening Government Commitment baseline year. This saving was achieved through the reduction and removal of lighting on the strategic road network and the rationalisation of the DfT estate.

DIRECT IMPACTS

Scope 1 - this includes direct consumption of gas, LPG, Gas Oil and fuel consumption by vehicles owned by DfT and its Agencies. The gas, LPG and Gas Oil usage encompass in excess of 600 sites across the UK, ranging from large office blocks to remote coastguard stations.
Scope 2 - this covers electricity supplies to our buildings, our surplus property portfolio and the strategic road network.
Scope 3 Business Travel - Business travel undertaken by DfT and Executive Agency staff using 3rd party transport (including hire car use).

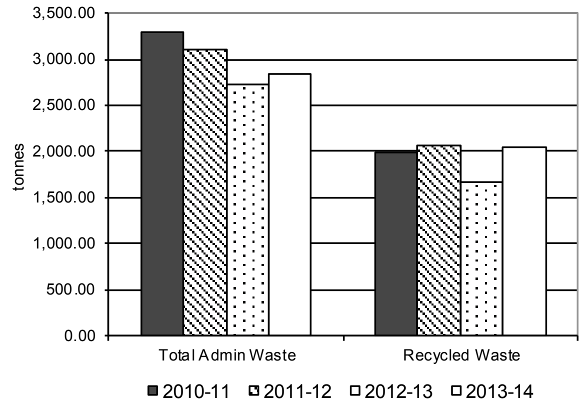
INDIRECT IMPACTS

One of the biggest contributors of Greenhouse Gas emissions for the UK is the emissions from vehicles travelling on the road network. Across the Department for Transport we are working to reduce this impact through policy change that encourages the use of lower emissions vehicles (i.e. promoting the installation of electric vehicle charging points) or alternative lower emission forms of transport, improving the information that is available to drivers to reduce fruitless journeys and the active management of the network (i.e. variable speed limits, hard shoulder running) to reduce emissions by minimising time spent in queues.

Climate change, sustainability and the environment

Table 6.3: Waste and water

WASTE		2010-11	2011-12	2012-13	2013-14
Non - Financial Indicators	Total Admin Waste	3,303.29	3,111.75	2,719.18	2,848.30
	Recycled Waste	1,992.96	2,066.45	1,675.22	2,043.97
	Kg per head	192.02	195.18	162.52	126.16
	Percentage recycled	60%	66%	62%	72%



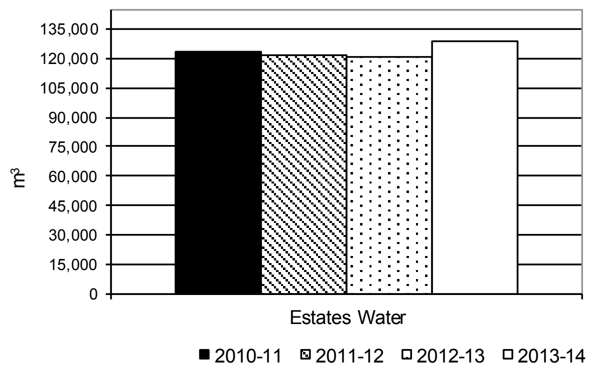
PERFORMANCE COMMENTARY AND TARGETS

In 2013-14 DfT (as defined in this Sustainability Report) saw an increase in its waste arisings of 4.7% compared to 2012-13. This small increase is as a result of the addition of HS2 Ltd this year and increased data coverage by BTP. Overall our waste arisings have reduced by 18.7% since 2009-10, the Greening Government Commitment baseline year. Paper usage continues to show a 37% reduction in comparison to the baseline. The percentage recycled this year has increased as a result of a greater understanding of waste treatment by disposal agents .

DIRECT AND INDIRECT IMPACTS

The Highways Agency's "Bag it Bin it!" campaign continues to reduce the amount of litter collected on the strategic road network, but road workers still collect more than 170,000 sacks of rubbish each year.

WATER		2010-11	2011-12	2012-13	2013-14
Non - Financial Indicators	Estates Water	123,538	121,308	121,015	128,954
	m^3 per head	8.38	7.53	7.18	5.71
	Emissions from Water Consumption (tonnes CO_2e)	37.06	41.24	41.15	44.37



PERFORMANCE COMMENTARY AND TARGETS

In 2013-14 DfT (as defined in this Sustainability Report) saw an increase in its water consumption of 6.5% compared to volumes in 2012-13. Overall our water consumption has reduced by 7.6% since 2009-10, the Greening Government Commitment baseline year. Our consumption per head has also reduced from $8.38m^3$ to $5.71m^3$ which is significant as staffing levels have also reduced over the same period.

7. Core tables

Table 1: Public spending

Total departmental spending, 2007 08 to 2016 17 (£'000)										
	2007–08	**2008–09**	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016–17**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
Resource DEL										
Section A: Tolled Crossings	-83,749	-84,225	-87,558	-85,767	-87,715	-86,163	-99,519	-102,952	-104,657	-
Section B: Local Authority Transport	41,966	54,947	50,443	335,768	250,520	234,681	409,581	303,724	261,650	-
Section C: Highways Agency	1,693,538	1,756,767	1,977,593	1,652,564	1,881,488	1,855,032	1,877,665	1,883,318	1,850,663	-
Section D: Network Rail	-189,226	-193,409	-166,475	-187,237	-199,226	-218,382	-240,898	-336,966	-359,115	-
Section E: Funding of ALBs (net)	-2,109	3,496	26,406	7,212	27,930	199,902	221,672	233,912	144,860	-
Section F: Other railways	236,237	281,001	234,081	254,638	237,213	190,359	213,728	349,037	562,527	-
Section G: Sustainable Travel	64,121	89,425	111,583	105,591	52,376	150,709	142,464	146,650	154,219	-
Section H: Bus Subsidies & Concessionary Fares	517,279	713,714	733,861	736,856	518,875	350,765	293,559	267,771	276,118	-
Section I: GLA transport grants	2,523,513	2,471,155	2,558,911	2,774,169	2,804,060	2,835,008	1,988,430	1,744,465	629,010	-
Section J: Crossrail	103,528	157	-	-	-	-	-	-	3,527	-
Support For Olympic and Paralympic Games	-	-	-	2,060	2,162	5,510	-	-	-	-
Section K: Aviation, Maritime, Security and Safety	131,189	161,964	163,569	115,157	28,386	26,118	20,468	41,441	124,194	-
Section L: Maritime and Coastguard Agency	125,173	127,959	131,976	127,025	136,838	136,849	154,904	169,324	280,618	-
Section M: Motoring Agencies	14,178	14,749	51,071	15,903	184,332	173,604	157,309	134,124	134,072	-
Renewable Fuels Agency (Net)	-	-	-	-265	-	-	-	-	-	-
Section N: Science, research and support functions	62,538	57,356	100,872	41,429	26,090	48,894	49,961	73,966	76,416	-
Section O: Central Administration	232,976	228,969	216,288	175,681	158,319	164,929	198,909	235,407	213,383	-
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-	-
Section P: Support for Passenger Rail Services	777,678	-104,692	230,998	-483,236	-475,619	-788,476	-615,929	-822,567	-970,410	-
Section Q: High Speed Two	-	-	-	13,961	31,796	3,570	7,952	15,975	11,850	-
Section R: Motoring Agencies	-	-	-	-	-	-	-	6,000	-	-

Total departmental spending, 2007 08 to 2016 17 (£'000)	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
Section S: Funding of ALBs (net)	-	-	-	-	-	-	10,613	6,417	7,918	-
Driver and Vehicle Licensing Agency trading fund (net)	242,946	250,093	196,814	171,366	-	-	-	-	-	-
Other Railways	-	3,534	18,938	22,489	-	-	-	-	-	-
Central Administration	-	-	62	32,238	-	-	-	-	-	-
Highways Agency	-	-	-1,339	-21,328	-	-	-	-	-	-
Total Resource DEL	**6,491,776**	**5,832,960**	**6,548,094**	**5,806,274**	**5,577,825**	**5,282,909**	**4,790,869**	**4,349,046**	**3,296,843**	**-**
Of which:										
Staff costs	555,612	585,352	614,779	611,552	600,941	597,036	667,854	601,880	627,597	-
Purchase of goods and services	1,631,427	1,920,647	1,910,133	1,727,207	1,822,565	1,941,873	2,045,876	2,152,678	2,080,169	-
Income from sales of goods and services	-618,857	-468,105	-574,296	-838,095	-920,874	-955,756	-960,610	-1,040,005	-1,022,254	-
Current grants to local government (net)	3,111,286	3,275,639	3,335,059	3,814,501	3,493,763	3,515,034	2,847,010	2,478,139	1,408,225	-
Current grants to persons and non-profit bodies (net)	300,024	156,044	70,998	64,584	38,715	41,437	39,992	89,434	10,589	-
Current grants abroad (net)	5,232	-1,389	421	-197	-2,087	3,268	3,590	3,930	-	-
Subsidies to private sector companies	1,133,684	-982	865,245	844,528	789,483	756,403	763,519	728,380	861,018	-
Subsidies to public corporations	34,740	19,472	80,143	58,142	6,706	18,141	11,214	29,122	21,374	-
Net public service pensions[2]	-	6,845	9,906	8,750	9,940	8,872	69,867	9,389	10,955	-
Rentals	655	16,165	-3,289	17,708	10,214	6,886	33,914	20,175	-	-
Depreciation[1]	392,368	397,176	895,875	630,760	898,470	967,720	1,006,805	936,048	952,663	-
Take up of provisions	-66,424	-	-	20,000	-100	-	-8,990	-	-	-
Release of provision	-	-	-	-	17,300	-	-	-	-	-
Change in pension scheme liabilities	12,029	-73,904	-656,880	-1,153,166	-1,187,211	-1,618,005	-1,729,172	-1,660,124	-1,653,493	-
Unwinding of the discount rate on pension scheme liabilities	-	-	-	-	-	-	-	-	-	-
Other resource	-	-	-	-	-	-	-	-	-	-
Unallocated funds – resource	-	-	-	-	-	-	-	-	-	-
Resource AME										
Tolled Crossings	-	-	-	-	150,000	-	-	-	-	-
Section T: Highways Agency	822,470	647,115	636,431	627,712	491,676	390,784	622,254	924,638	838,000	-
Section U: Network Rail	-	-	-	-	-	-	-	-	-	-
Section V: Funding of ALBs (net)	-	-	-	-	-	-3,894	-30	1	-	-
Section W: Other Railways	-16,078	12,911	596,338	-312,425	197,886	206,571	269,357	298,742	313,551	-

Total departmental spending, 2007 08 to 2016 17 (£'000)										
	2007–08	**2008–09**	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016–17**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
Section X: GLA transport grants	-124,000	-61,888	-61,960	45	-60	84	-8	-10	-10	-
Section Y: Aviation, Maritime, Security and Safety	-	-	-	-	-	-	-	220,000	-	-
Section Z: Maritime and Coastguard Agency	3,490	1,133	2,002	24	1,725	533	-2,168	2,700	2,200	-
Section AA: Motoring Agencies	637	-	-	-	47,030	3,831	-26,110	-7,900	-3,637	-
Renewable Transport Fuels Obligation	-	-	-	-	-	-	-	-	-	-
Section AB: Central Administration	-7,325	-6,753	-9,178	11,529	-10,324	-6,921	14,312	122,367	-1,530	-
Section AC: High Speed Two	-	-	-	-	-	-	-	-	-	-
Section AD: Funding of ALBs (net)	-	-	-	-	-	-	-1,140	-722	-426	-
Driver and Vehicle Licensing Agency trading fund (net)	-4,368	-4,091	775	-3,362	-789	-683	-	-	-	-
Other Railways	-	-	2,587	188,360	-	-	-	-	-	-
Central Administration	-	-	-62	-	-	-	-	-	-	-
Highways Agency	-	-	-21,745	-	-	-	-	-	-	-
Aviation, Maritime, Security and Safety	88	-1,643	-1,728	-	-	-	-	-	-	-
Support for Passenger Rail Services	-	-15,209	-39	-10,800	-1,600	-	-	-	-	-
Total Resource AME[4]	**674,914**	**571,575**	**1,143,421**	**501,083**	**875,544**	**590,305**	**876,467**	**1,559,816**	**1,148,148**	**-**
Of which:										
Purchase of goods and services	-	-	10,100	-	75	72	-7,108	-	417,186	-
Depreciation[1]	686,577	669,245	395,278	691,331	507,353	310,463	629,785	922,204	825,642	-
Take up of provisions	134,346	62,115	305,231	-340,185	56,397	6,404	92,356	455,450	326,335	-
Release of provision	-190,936	-200,868	-118,113	-87,347	-57,301	-29,340	-44,096	-41,457	-26,558	-
Other resource	44,927	41,083	550,925	237,284	369,020	302,706	205,530	223,619	-421,015	-
Unallocated funds – resource	-	-	-	-	-	-	-	-	26,558	-
Total Resource Budget	**7,166,690**	**6,404,535**	**7,691,515**	**6,307,357**	**6,453,369**	**5,873,214**	**5,667,336**	**5,908,862**	**4,444,991**	**-**
Of which:										
Depreciation[1]	1,078,945	1,066,421	1,291,153	1,322,091	1,405,823	1,278,183	1,636,590	1,858,252	1,778,305	-
Capital DEL										
Section A: Tolled Crossings	-2,195	-2,011	-	-2,652	19,961	-2,013	-4,533	-1,969	-1,799	-
Section B: Local Authority Transport	1,361,872	1,738,298	1,774,851	1,598,692	1,679,928	1,349,715	1,744,410	1,984,075	2,159,448	-
Section C: Highways Agency	1,054,456	1,130,112	1,926,999	1,601,856	1,281,519	967,882	1,342,347	1,933,205	1,782,000	-
Section D: Network Rail	3,154,462	3,899,158	3,366,096	3,395,356	3,541,928	3,696,008	3,408,514	3,737,411	3,548,000	-

Total departmental spending, 2007 08 to 2016 17 (£'000)										
	2007–08	**2008–09**	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016–17**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
Section E: Funding of ALBs (net)	8,444	11,000	13,875	8,967	11,011	18,907	13,939	44,653	843,202	-
Section F: Other railways	25,841	207,324	484,745	251,466	52,370	54,587	147,718	48,025	90,154	-
Section G: Sustainable Travel	4,877	3,394	51,091	54,346	28,714	144,776	224,919	189,800	251,181	-
Section H: Bus Subsidies & Concessionary Fares	-534	-	14,803	20,636	110,108	-1,047	15,110	2,791	25,000	-
Section I: GLA transport grants	150,000	100,000	100,000	-	439,000	352,000	301,000	15,000	925,000	-
Section J: Crossrail	-	-	-	220,000	517,000	1,205,000	1,122,776	1,082,200	800,000	-
Support For Olympic and Paralympic Games	-	75,027	202,901	233,799	-	-	-	-	-	-
Section K: Aviation, Maritime, Security and Safety	33,416	23,395	23,979	9,919	-837	4,261	11,326	24,993	-3,542	-
Section L: Maritime and Coastguard Agency	10,642	9,032	9,751	4,504	6,888	8,879	24,049	10,906	10,084	-
Section M: Motoring Agencies	47,661	29,672	23,808	-29,940	-4,809	3,927	-12,705	5,843	17,396	-
Section N: Science, research and support functions	1,561	23	1,508	1,054	1,598	332	4,318	7,783	204	-
Section O: Central Administration	4,415	2,960	7,848	6,650	1,508	1,446	3,392	1,876	-	-
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-	-
Section P: Support for Passenger Rail Services	-	-	11,000	21,000	-	-	-	-	-	-
Section Q: High Speed Two	-	-	-	1	399	22,890	106,826	150,000	-	-
Section R: Motoring Agencies	-	-	-	-	-	-	-	-	-	-
Section S: Funding of ALBs (net)	-	-	-	-	-	-	6,108	8,939	6,424	-
Supported Capital Expenditure (Revenue)	390,565	-	208,758	211,871	-	-	-	-	-	-
Driver and Vehicle Licensing Agency trading fund (net)	39,863	24,329	30,865	19,062	-	-	-	-	-	-
Other GLA Transport Grant	454,000	-	-	-	-	-	-	-	-	-
Other Railways	-	-	-	-241,000	-	-	-	-	-	-
Tolled Crossings	-	-	-	-86,877	-	-	-	-	-	-
Total Capital DEL	**6,739,346**	**7,251,713**	**8,252,878**	**7,298,710**	**7,686,286**	**7,827,550**	**8,459,514**	**9,245,531**	**10,452,752**	**-**
Of which:										
Capital support for local government (net)	1,932,805	1,870,898	2,170,124	2,114,279	2,788,737	3,043,892	3,373,210	3,217,517	4,046,701	-
Capital grants to persons & non-profit bodies (net)	5,006	-	854	8,743	19,305	818	-85	-	113,037	-
Capital grants to private sector companies (net)	3,186,825	4,042,180	3,713,938	3,624,369	3,558,921	3,759,130	3,680,295	3,899,269	3,605,475	-

Total departmental spending, 2007 08 to 2016 17 (£'000)										
	2007–08	**2008–09**	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016–17**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
Capital grants abroad (net)	-20,952	-24,603	-28,868	-6,862	-16,284	-37,590	-25,346	-70,000	-70,000	-
Capital support for public corporations	531,142	84,509	185,771	-241,536	-36,674	-28,459	-31,543	11,340	-15,811	-
Purchase of assets	1,174,049	1,202,752	2,001,905	1,653,509	1,361,405	1,083,903	1,430,830	2,098,562	2,694,346	-
Income from sales of assets	-6,957	-22,130	-8,542	-6,519	-8,624	-11,879	-13,529	-15,570	-	-
Net lending to the private sector and abroad	-62,572	-	3,600	-86,877	-	-360	-3,823	-3,267	-360	-
Other capital	-	98,107	214,096	239,604	19,500	18,095	49,505	107,680	79,364	-
Unallocated funds – capital	-	-	-	-	-	-	-	-	-	-
Capital AME										
Section T: Highways Agency	-	-	-	-	-33,464	-60,819	-45,681	1	1	-
Section U: Network Rail	-	-	-	-	-	-	-	6,500,000	-	-
Section AC: High Speed Two	-	-	-	-	-	-	58,314	10,000	-	-
Total Capital AME	**-**	**-**	**-**	**-**	**-33,464**	**-60,819**	**12,633**	**6,510,001**	**1**	**-**
Of which:										
Take up of provisions	-	-	-	-	-33,464	3,377	75,904	-	-	-
Release of provision	-	-	-	-	-	-90,295	-60,513	-102,450	-25,000	-
Purchase of assets	-	-	-	-	-	26,099	11,155	112,451	25,001	-
Net lending to the private sector and abroad	-	-	-	-	-	-	-	6,500,000	-	-
Other capital	-	-	-	-	-	-	-13,913	-	-	-
Total Capital Budget	**6,739,346**	**7,251,713**	**8,252,878**	**7,298,710**	**7,652,822**	**7,766,731**	**8,472,147**	**15,755,532**	**10,452,753**	**-**
Total departmental spending [3]	**12,827,091**	**12,589,827**	**14,653,240**	**12,283,976**	**12,700,368**	**12,361,762**	**12,502,893**	**19,806,142**	**13,119,439**	**-**
Of which:										
Total DEL	12,838,754	12,687,497	13,905,097	12,474,224	12,365,641	12,142,739	12,243,578	12,658,529	12,796,932	-
Total AME	-11,663	-97,670	748,143	-190,248	334,727	219,023	259,315	7,147,613	322,507	-

Notes:

1. Includes impairments

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

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

4. The information is provided by HM Treasury. 2016–17 is blank because the Spending Review process has not been finalised.

Table 2: Public spending control

To supplement Table 1, 2013 14 outturn figures (from Table 1) against the original and final budgetary control limits (£'000)				
	2013–14	**2013–14**	**2013–14**	**2013–14**
	Provision	**Final Provision**	**Outturn**	**Variance**
	Main Estimate	**After Supplementary**	**As per Departmental Accounts**	**Between Final Provision and Estimated outturn**
Voted Resource DEL Administration				
Section C: Highways Agency	67,154	65,454	63,243	2,211
Section E: Funding of NDPBs (net)	11,405	9,907	11,271	-1,364
Section L: Maritime and Coastguard Agency	10,062	10,062	7,937	2,125
Section O: Central Administration	155,789	163,569	151,273	12,296
Voted Resource DEL Programme				
Section A: Tolled Crossings	-99,729	-98,802	-99,519	717
Section B: Local Authority Transport	227,338	296,041	409,581	-113,540
Section C: Highways Agency	1,875,404	1,875,404	1,814,422	60,982
Section D: Network Rail	-225,606	-226,504	-240,898	14,394
Section E: Funding of NDPBs (net)	237,182	210,938	210,401	537
Section F: Other railways	272,942	237,515	213,728	23,787
Section G: Sustainable Travel	150,651	144,756	142,464	2,292
Section H: Bus subsidies and Concessionary Fares	316,155	315,918	293,559	22,359
Section I: GLA transport grants	1,988,489	1,988,488	1,988,430	58
Section J: Crossrail	-	-	-	-
Support for Olympics and Paralympic Games	-	-	-	-
Section K: Aviation, Maritime, Security and Safety	85,597	28,829	20,468	8,361
Section L: Maritime and Coastguard Agency	107,857	150,349	146,967	3,382
Section M: Motoring Agencies	203,523	179,828	157,309	22,519
Section N: Science, research and support functions	61,391	61,201	49,961	11,240
Section O: Central Administration	17,686	78,981	47,636	31,345
Section P: Departmental Unallocated Provision	975	1	-	1
Section Q: Support for Passenger Rail Services	-598,946	-573,351	-615,929	42,578
Section R: High Speed Two	13,700	11,078	7,952	3,126
Non-voted Resource DEL				
Non-voted DEL Administration				
Section S: Funding of NDPBs (net)	10,281	11,599	6,359	5,240
Non-voted DEL Programme				

To supplement Table 1, 2013 14 outturn figures (from Table 1) against the original and final budgetary control limits (£'000)				
	2013–14	**2013–14**	**2013–14**	**2013–14**
	Provision	**Final Provision**	**Outturn**	**Variance**
	Main Estimate	**After Supplementary**	**As per Departmental Accounts**	**Between Final Provision and Estimated outturn**
Section S: Funding of NDPBs (net)	82,708	5,997	4,254	1,743
Resource DEL Sub total	**4,972,008**	**4,947,258**	**4,790,869**	**156,389**
Of which:				
Voted	4,879,019	4,929,662	4,780,256	149,406
Non-voted	92,989	17,596	10,613	6,983
Depreciation[5]	985,546	1,056,846	1,006,805	50,041
Departmental Administration limit	254,691	260,591	240,083	20,508
Departmental Programme limit	4,717,317	4,686,667	4,550,786	135,881
Total Resource DEL[7]	**3,986,462**	**3,890,412**	**3,784,064**	**106,348**
Depreciation[5]	-985,546	-1,056,846	-1,006,805	-50,041
Voted Resource AME				
Section T: Highways Agency	1,006,722	971,672	622,254	349,418
Section U: Other railways	275,466	309,597	269,357	40,240
Section V: GLA transport grants	-9	-8	-8	-
[Section W: Aviation, Maritime, Security and Safety][1]	-	50	-	50
[Section X]: Maritime and Coastguard Agency[3]	2,700	4,400	-2,168	6,568
[Section Y]: Motoring Agencies[3]	-26,200	-28,500	-26,110	-2,390
Renewable Transport Fuels Obligations [2,6]	-	-	-	-
[Section Z]: Central Administration[3]	295,766	258,090	14,312	243,778
[Section AA: High Speed Two][1]	-	-	-	-
Section AC Funding of NDPBs (net)[8]	-	-	-30	30
Non-voted Resource AME				
[Section AB]: Funding of NDPBs (net)[3]	-426	1,168	-1,140	2,308
Resource AME Subtotal	**1,554,019**	**1,516,469**	**876,467**	**640,002**
Of which:				
Voted	1,554,445	1,515,301	877,607	637,694
Non-voted	-426	1,168	-1,140	2,308
Depreciation[5]	1,267,025	1,229,981	629,785	600,196
Total Resource AME[7]	**286,994**	**286,488**	**246,682**	**39,806**
Depreciation[5]	-1,267,025	-1,229,981	-629,785	-600,196

To supplement Table 1, 2013 14 outturn figures (from Table 1) against the original and final budgetary control limits (£'000)				
	2013–14	**2013–14**	**2013–14**	**2013–14**
	Provision	**Final Provision**	**Outturn**	**Variance**
	Main Estimate	**After Supplementary**	**As per Departmental Accounts**	**Between Final Provision and Estimated outturn**
Total Resource Budget[7]	**4,273,456**	**4,176,900**	**4,030,746**	**146,154**
Of which:				
Depreciation[5]	-2,252,571	-2,286,827	-1,636,590	-650,237
Voted Capital DEL				
Section A: Tolled Crossings	-1,722	-4,533	-4,533	-
Section B: Local Authority Transport	1,668,220	1,673,875	1,744,410	-70,535
Section C: Highways Agency	1,607,956	1,424,790	1,342,347	82,443
Section D: Network Rail	3,442,214	3,442,214	3,408,514	33,700
Section E: Funding of NDPBs (net)	15,200	23,365	13,939	9,426
Section F: Other railways	157,253	162,566	147,718	14,848
Section G: Sustainable Travel	210,563	236,316	224,919	11,397
Section H: Bus subsidies and Concessionary Fares	20,000	20,000	15,110	4,890
Section I: GLA transport grants	184,000	301,000	301,000	-
Section J: Crossrail	1,122,776	1,122,776	1,122,776	-
Section K: Aviation, Maritime, Security and Safety	-1,408	13,733	11,326	2,407
Section L: Maritime and Coastguard Agency	9,688	24,088	24,049	39
Section M: Motoring Agencies	21,102	-23,200	-12,705	-10,495
Section N: Science, research and support functions	5,455	5,799	4,318	1,481
Section O: Central Administration	2,719	3,106	3,392	-286
Section P: Departmental Unallocated Provision[4]	100,000	-	-	-
Section Q: Support for Passenger Rail Services	-	-	-	-
Section R: High Speed Two	100,000	110,000	106,826	3,174
Non-Voted Resource DEL				
Section S: Funding of NDPBs (net)	8984	9074	6,108	2,966
Capital DEL Subtotal	**8,673,000**	**8,544,969**	**8,459,514**	**85,455**
Of which:				
Voted	8,664,016	8,535,895	8,453,406	82,489
Non-voted	8,984	9,074	6,108	2,966
Capital AME				
Section T: Highways Agency	-	1	-45,681	45,682

To supplement Table 1, 2013 14 outturn figures (from Table 1) against the original and final budgetary control limits (£'000)				
	2013–14	2013–14	2013–14	2013–14
	Provision	Final Provision	Outturn	Variance
	Main Estimate	After Supplementary	As per Departmental Accounts	Between Final Provision and Estimated outturn
[Section AA: High Speed Two][1]	-	50,000	58,314	-8,314
Total Capital AME	**-**	**50,001**	**12,633**	**37,368**
Total Capital Budget	**8,673,000**	**8,594,970**	**8,472,147**	**122,823**
Total departmental spending[7]	**12,946,456**	**12,771,870**	**12,502,893**	**268,977**
Of which:				
Total DEL	12,659,462	12,435,381	12,243,578	191,803
Total AME	286,994	336,489	259,315	77,174

Notes:

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

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

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

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

5. Includes impairments

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

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

8. Section added post Supplementary Estimates

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

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

Table 3: Capital employed

	2009 10 outturn	2010 11 outturn	2011 12 outturn	2012 13 outturn	2013 14 outturn [draft]	2014 15 plans	2015 16 plans
Assets and Liabilities on the Statement of Financial Position at end of year:							
Assets							
Non-current assets							
Intangible	125,394	119,067	107,576	101,549	85,505	87,899	90,360
Tangible	91,600,661	103,860,369	112,147,270	113,210,570	115,532,363	118,767,269	122,092,753
of which:							
National trunk road	86,837,019	98,674,177	107,388,626	108,918,044	111,097,590	114,208,323	117,406,156
Infrastructure assets	3,515,299	3,469,247	3,422,678	3,377,143	3,331,091	3,424,362	3,520,244
Assets under construction	725,918	1,176,336	763,856	368,234	551,761	567,210	583,092
Land	157,360	150,642	168,782	163,917	175,465	180,378	185,429
Buildings	210,233	217,875	225,233	223,222	226,316	232,653	239,167
Dwellings	38,494	57,060	60,979	60,715	61,163	62,876	64,636
Plant and machinery	71,264	85,009	76,849	69,962	54,895	56,432	58,012
Furniture and fittings	21,852	19,643	17,021	14,015	10,864	11,168	11,481
Transport equipment	2,661	1,848	2,237	1,986	5,535	5,690	5,849
Information technology	20,561	8,532	21,006	13,332	17,683	18,178	18,687
Investments	752,626	639,681	733,485	719,830	733,859	754,407	775,530
Trade and other receivables	3,292,108	3,514,284	3,628,379	4,065,139	3,791,363	3,897,521	4,006,652
Inventory (non-current)	2,568	2,906	2,882	2,931	3,860	3,968	4,079
Current assets	869,904	1,007,485	936,313	850,037	908,577	934,017	960,169
Liabilities							
Payables (<1 year)	(3,025,253)	(2,236,505)	(1,744,892)	(1,535,059)	(1,569,687)	(1,613,638)	(1,658,820)
Payables (>1 year)	(7,011,147)	(7,478,704)	(7,684,637)	(7,732,822)	(7,658,805)	(7,873,252)	(8,093,703)
Provisions	(867,185)	(416,626)	(413,900)	(340,921)	(618,989)	(636,321)	(654,138)
Financial instruments	(3,055,920)	(3,220,839)	(3,310,477)	(3,730,120)	(3,662,772)	(3,765,330)	(3,870,758)
Pension liability	(1,242,927)	(1,012,542)	(1,249,242)	(1,462,801)	(1,514,426)	(1,556,830)	(1,600,422)
Capital employed within core department	81,440,829	94,778,576	103,152,755	104,148,333	106,030,847	108,999,711	112,051,703
ALB net assets	504,461	388,106	294,406	27,292	483,706	484,644	511,173
Total capital employed in departmental group	81,945,290	95,166,682	103,447,161	104,175,625	106,514,553	109,496,960	112,562,875

Table 4: Administration budgets

Administration budget, 2007 08 to 2016 17										
	2007–08	**2008–09**	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016–17**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
Resource DEL										
Section C: Highways Agency	91,678	86,122	82,202	79,261	58,594	63,643	63,243	59,684	65,113	-
Section E: Funding of ALBs (net)	4,261	5,167	6,214	9,600	8,826	11,622	11,271	10,734	10,833	-
Section L: Maritime and Coastguard Agency	13,215	13,579	13,806	14,000	9,143	8,486	7,937	7,875	9,562	-
Section M: Motoring Agencies[1]	-5	-55	1,980	4,511	6,230	1,213	-	-	-	-
Section O: Central Administration	192,896	190,578	193,472	168,886	133,951	157,967	151,273	204,031	187,331	-
Section S: Funding of ALBs (net) Non-voted[2]	-	-	-	-	-	-	6,359	5,576	10,161	-
Total administration budget[4]	**302,045**	**295,391**	**297,674**	**276,258**	**216,744**	**242,931**	**240,083**	**287,900**[6]	**283,000**	**-**
Of which:										
Staff costs	174,955	175,617	193,685	191,432	129,157	140,221	142,132	151,084	147,043	-
Purchase of goods and services	142,415	116,948	123,785	88,847	94,537	92,455	98,255	132,172	125,548	-
Income from sales of goods and services	-25,672	-26,105	-35,839	-31,634	-27,984	-17,251	-12,655	-2,321	-2,591	-
Rentals	402	17,320	13,729	15,117	10,843	9,635	7,897	-	-	-
Depreciation	9,042	9,094	9,382	8,359	6,623	8,653	5,366	12,900	13,000	-
Take up of provisions	-	-	-	-	-	-	-1,207	-	-	-
Other resource	903	2,517	-7,068	4,137	3,568	9,218	295	-5,935	-	-

Notes:

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

2. General Lighthouse Authorities consolidated into the departments accounts for 2013-14 and beyond.

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

4. Detail below control totals for 2015-16 plans is indicative and will be updated as part of the planning round during 2014-15.

5. The information is provided by HM Treasury. 2016-17 is blank because the Spending Review process has not been finalised.

6. To ensure that the Department was resourced to deliver its agenda, particularly around letting and managing rail franchise contracts following the Laidlaw and Brown reviews, HM Treasury agreed to switch £25m from DfT's Programme to Administration budgets, increasing the Department's 2014-15 Administration budget to £275m, plus £13m for depreciation.

Table 5: Staff in post

Permanent staff (payroll) and non payroll in post at 31 March				
		2011–12 Actual	**2012–13 Actual**	**2013–14 Actual**
Department for Transport (central)	Payroll	1,627.2	1,696.4	1,794.2
	Non-payroll	59.0	80.3	113.2
Driving Standards Agency	Payroll	2,407.6	2,266.4	2,112.7
	Non-payroll	0.0	0.0	7.0
Driver and Vehicle Licensing Agency	Payroll	5,520.1	5,641.0	4,979.5
	Non-payroll	4.8	3.5	5.6
Shared Service Centre	Payroll	246.1	215.5	0.0
	Non-payroll	15.0	15.0	0.0
Government Car Service	Payroll	170.5	82.0	0.0
	Non-payroll	1.0	0.0	0.0
Highways Agency	Payroll	3,385.3	3,218.9	3,346.9
	Non-payroll	11.8	28.0	27.2
Maritime and Coastguard Agency	Payroll	1,055.8	1,020.6	1,000.2
	Non-payroll	7.0	8.0	31.0
Vehicle Certification Agency	Payroll	148.1	146.4	153.2
	Non-payroll	3.0	35.7	4.0
Vehicle and Operator Services Agency	Payroll	2,128.4	2,178.7	2,180.7
	Non-payroll	64.2	43.7	75.2
Department total	Payroll	16,689.1	16,465.9	15,567.3
	Non-payroll	165.8	214.2	263.1

Notes:

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

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

The data is for the end of the financial year to which it relates, so the 2011–12 figures are for 31 March 2012. For earlier figures, please refer to previous DfT Annual Report and Accounts.

Payroll data is calculated using the ONS definition of 'headcount'. This includes all employees with an employment contract who are being paid by the organisation. It excludes self-employed, contract and agency workers. This cannot be directly compared to Note 3 of the Departmental Accounts figures for Permanently employed staff, which excludes short-term contract staff who are being paid by the organisation, which is captured under the Others heading.

Staff costs in Note 3 to the accounts have increased by £11.7m (1.6%).

Staff in the executive non departmental public bodies						
	2011–12		2012–13		2013–14	
	Payroll	Non-Pay	Payroll	Non-Pay	Payroll	Non-Pay
British Transport Police Authority	9.1	1.0	8.5	1.0	10.5	2.0
Directly Operated Railways Ltd	2.8	1.6	2.8	1.9	9.3	0.0
High Speed 2 Ltd	64.8	45.1	204.2	73.9	400.9	200.6
Northern Lighthouse Board	185.8	3.7	180.7	1.7	175.6	2.3
Passenger Focus	41.4	2.6	44.6	3.0	40.3	2.9
Railways Heritage Committee	1.0	0.0	0.0	0.0	0.0	0.0
Trinity House Lighthouse Service	306.0	1.0	298.0	5.0	291.0	0.0
NDPB Total	**610.9**	**55.0**	**738.8**	**86.5**	**927.6**	**207.8**

Notes:

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

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

The increase in HS2 staff from 2011–12 follows the Secretary of State's decision in January 2012 to proceed with the HS2 programme. The growth reflects the need for HS2 Ltd to increase resources to deliver its revised remit.

Table 6: Total spending by country and region

Total identifiable expenditure on services by country and region, 2008 09 to 2012 2013					
Department for Transport	**£ million National Statistics**				
	2008–09	**2009–10**	**2010–11**	**2011–12**	**2012–13**
North East	329	349	295	258	247
North West	1,072	1,054	827	789	769
Yorkshire and the Humber	791	907	802	826	811
East Midlands	597	681	563	496	410
West Midlands	844	816	585	570	565
East	596	903	1,097	1,012	701
London	662	1,503	1,447	1,362	1,362
South East	1,914	1,575	1,279	1,116	1,172
South West	675	627	534	506	499
Total England	7,481	8,417	7,429	6,936	6,535
Scotland	129	157	133	154	159
Wales	129	199	206	200	208
Northern Ireland	10	9	7	6	6
UK identifiable expenditure	7,749	8,782	7,776	7,296	6,908
Outside UK	65	12	15	7	-2
Total identifiable expenditure	7,814	8,794	7,791	7,303	6,905
Non-identifiable expenditure	145	154	149	184	416
Total expenditure on services	**7,959**	**8,947**	**7,941**	**7,487**	**7,321**

Table 7: Total spending per head by country and region

Total identifiable expenditure on services by country and region per head, 2008 09 to 2012 2013					
Department for Transport	**£ million National Statistics**				
	2008–09	**2009–10**	**2010–11**	**2011–12**	**2012–13**
North East	128	135	114	100	95
North West	154	151	118	112	109
Yorkshire and the Humber	152	174	153	156	152
East Midlands	134	152	125	109	90
West Midlands	154	148	105	102	100
East	104	157	189	173	119
London	85	189	180	166	164
South East	227	186	149	129	134
South West	130	120	102	95	93
Total England	144	161	141	131	122
Scotland	25	30	26	29	30
Wales	43	66	68	65	68
Northern Ireland	6	5	4	3	3
UK identifiable expenditure per head	**125**	**141**	**124**	**115**	**108**

Table 8: Spending by function or programme, by country and region

Department for Transport Expenditure on services by sub function, 2012 13

National Statistics, £ million

	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Not Identifiable	Grand Total
General public services																
General services	0	0	0	0	0	0	0	0	0	**1**	**0**	**0**	**0**	-	-	1
Total general public services	0	0	0	0	0	0	0	0	0	**1**	**0**	**0**	**0**	-	-	1
Public order and safety																
Police services	11	29	21	18	23	24	33	35	22	**215**	**21**	**12**	**-**	-	-	248
of which: immigration and citizenship	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	-	-	-
of which: other police services	11	29	21	18	23	24	33	35	22	**215**	**21**	**12**	**-**	-	-	248
Total public order and safety	11	29	21	18	23	24	33	35	22	**215**	**21**	**12**	**-**	-	-	248
Economic affairs																
Transport	235	736	785	388	538	671	1,319	1,127	473	**6,272**	**134**	**194**	**6**	-4	409	7,010
of which: local public transport	20	40	37	35	30	18	85	37	27	**330**	**-**	**-**	**-**	-	-	330
of which: local roads	-	-	-	-	-	-	-	-	0	**0**	**-**	**-**	**-**	-	-	0
of which: national roads	99	131	268	174	213	359	37	512	217	**2,009**	**12**	**8**	**4**	-	2	2,035
of which: other transport	10	33	30	17	22	26	50	49	22	**258**	**10**	**8**	**2**	0	407	685
of which: railway	106	532	450	162	272	268	1,147	530	207	**3,673**	**112**	**178**	**-**	-4	-	3,959
R&D economic affairs	2	5	4	4	4	6	9	10	4	**48**	**4**	**1**	**0**	2	6	61
Total economic affairs	237	741	789	392	542	677	1,328	1,137	477	**6,319**	**138**	**195**	**6**	-2	415	7,071
Environment protection																
Pollution abatement	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**-**	-	-	0
Total environment protection	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**-**	-	-	0
Recreation, culture and religion																
Recreational and sporting services	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	-	1	1
Total recreation, culture and religion	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	-	1	1
TOTAL DEPARTMENT FOR TRANSPORT EXPENDITURE ON SERVICES	**247**	**769**	**811**	**410**	**565**	**701**	**1,362**	**1,172**	**499**	**6,535**	**159**	**208**	**6**	**-2**	**416**	**7,321**

Notes:

Tables 6, 7 and 8 show analyses of the Department's spending by country and region, and by function. The data presented in these tables is consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2013 release.[49] The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Totals may not sum due to rounding.

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 cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2013.[50]

The data features both identifiable and non-identifiable spending:

- identifiable expenditure on services, which is capable of being analysed as being for the benefit of individual countries and regions; and
- non-identifiable expenditure, which is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region.

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. Therefore, 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 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.

Philip Rutnam 20 June 2014

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

[49] HM Treasury (2013). *Country and regional analysis* [online]. www.gov.uk/government/publications/country-and-regional-analysis-2013 [6.6.14].

[50] HM Treasury (2013). *Public Expenditure Statistical Analyses 2013* [online]. www.gov.uk/government/publications/public-expenditure-statistical-analyses-2013 [6.6.14].

Directors' Report

1. Introduction

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

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

2. Scope

2.1. Entities consolidated

The Departmental accounts present the consolidated results for the financial year ended 31 March 2014 for all the entities listed in Note 21 of the Accounts. Those entities linked to the Department but excluded from this consolidated account are also detailed within Note 21.

3. Reform of public bodies

3.1. BRBR abolition

British Railways Board Residuary Ltd (BRBR) was abolished on 29 September 2013, following successful completion of the consultation and approval by Parliament. It was also deemed to be dissolved as a company on the same date.

Prior to its abolition, BRBR was transferred into the ownership of the British Railways Board (BRB). BRB is a statutory corporation that is not included within the accounting boundary of the Department for Transport. Completion accounts were prepared for BRBR and audited accounts were prepared for BRB (and submitted to Parliament).

Commercially exploitable properties, which could be developed and sold, were transferred to London and Continental Railways Limited. The remaining assets and liabilities were transferred to the Secretary of State. These included:

- employee ill-health claims relating to employees of BRB prior to privatisation;
- strategic properties (Temple Mills, North Pole depot and Waterloo International Terminal);
- lease agreements for freight vehicles operated by Freightliner; and
- the historic estate (nil or low-value properties), transferred to the management of the Highways Agency.

3.2. Air Safety and Support International (ASSI)

ASSI was incorporated in November 2000 and was known as the Civil Aviation Authority Services Ltd until January 2003. It is the body through which the CAA ensures the UK meets its international obligations on aviation safety oversight in the UK's overseas territories, such as the Falkland Islands and the British Virgin Islands.

Prior to the Civil Aviation Act 2012, the CAA's Board was appointed by the Secretary of State for Transport. Following the introduction of the Act, the Secretary of State for Transport appoints the chair, chief executive and the non-executive directors of the board, with the chief executive then appointing the executive members of the board with the approval of the chair and at least one other non-executive member.

The majority of the body's income comes from grants from the DfT, and as such, the body is non-market. Following classification to central government, ASSI's accounts are consolidated into the Department from 2013–14.

3.3. Reclassification of Network Rail

The Office for National Statistics (ONS) has announced that Network Rail will be classified as a central government entity from 1 September 2014. The decision is retrospective, so national statistics will show Network Rail as if it had always been in the public sector. The main consequence of this reclassification will be to bring the company's debt and any future borrowings onto the public sector balance sheet. More information on this is published on the ONS website.[51] In December 2013, when the ONS announced its decision to reclassify Network Rail, a memorandum of understanding was published between Network Rail and the Department which set out the implications of this statistical reclassification for the relationship between Network Rail and Her Majesty's Government. It also explained where further work would be needed to determine the way this relationship will function in future. The conclusions of that ongoing work will be published in a framework agreement between the Department for Transport and Network Rail before 1 September 2014.

The framework agreement will aim to preserve Network Rail's ability to continue managing its business with appropriate commercial freedom within a proper regulatory and control framework to maintain effective public accountability. From 2015–16, Network Rail will be fully consolidated into the Department's Accounts.

In April 2014, the Government announced that Network Rail would borrow directly from the Government, rather than by issuing debt in its own name. The Department has been working with HM Treasury to offer Network Rail a loan facility going forward.

3.4. Highways Agency corporatisation

During the year, DfT has been developing the Roads Reform proposals announced by the Chief Secretary to HM Treasury in July 2013, to invest substantial funds in infrastructure and transform the Highways Agency into a government-owned company. The announcement was accompanied by the Department's command paper *Action for Roads*, which sets out further details of the creation of the new company with a separate legal identity and unveiled the biggest ever upgrade of our existing road network.

A dedicated programme office has been established and staff from the Highways Agency and central DfT are working together on a variety of workstreams that will enable the transition

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[51] ONS (2013). Classification of Network Rail under European System of Accounts 2010 . www.ons.gov.uk/ons.

by April 2015. As part of this work, the Highways Agency has maintained a close working relationship with the trade unions and kept staff informed through regular briefings.

In October 2013, the consultation *Transforming the Highways Agency into a government-owned company* was published. Responses have now been analysed and the Government’s response was published in April 2014. This confirms the Government’s intention to proceed with the change in the Highways Agency’s status and to provide further information on decisions that have been made on the proposed legislation (subject to Parliamentary process) and on governance and monitoring policies.

3.5. Rail Executive

The DfT brought together all of the Department’s rail functions (except HS2) into a single Rail Group in January 2013, and work began to implement Richard Brown’s review of franchising. As recommended by this review and as announced in the national infrastructure plan (June 2013), the DfT undertook a wider organisational review of its rail functions in order to identify the most effective and efficient way of organising them.

The *Rail Organisation Review*, published in February 2014, recognised that much had been achieved over 2013, with a clear, professional franchising programme and work under way on the Government’s ambitious rail investment programme. Building on this progress, the Brown Review recommended further developing the Department’s rail functions as a new Rail Executive, which would strengthen focus on passengers, build an enhanced culture of commercial expertise and innovation, and ensure greater co-ordination of improvements to tracks and trains. The review also recommended the development of new governance, development of a commercial culture and a focused recruitment of 50-plus commercial staff. These recommendations were accepted by the Secretary of State and work begun to implement them.

The Rail Executive was launched on 1 April 2014 with a reorganised management structure and new teams. Work is under way and will continue through 2014 to implement all of the Rail Organisation Review recommendations, as part of a Rail Executive change and capability programme. Immediate priorities include launching a major external recruitment campaign for additional commercial skills and setting up a new Office of Rail Passenger Services within the Rail Executive, which will bring together all functions related to passenger services (including franchise award and management), with a new externally appointed managing director.

3.6. VOSA and DSA merger

The Transport Minister announced that motoring services agencies VOSA and DSA would merge with effect from 1 July 2013. The agencies are both trading funds, acting under separate trading fund orders. Alastair Peoples was appointed CEO and Accounting Officer for DSA, in addition to his existing role for VOSA. A Transitional Board, comprising members of the previous VOSA and DSA directing boards, was appointed in September, pending recruitment of a permanent board.

In November 2013, the Transport Minister announced that the merged agency would be known as the Driver and Vehicle Standards Agency (DVSA), and it was officially launched on 1 April 2014 when necessary legislative changes were made. The agency will continue to operate two trading funds until April 2015, when a single trading fund order for the agency will be enacted.

The new agency will improve road safety in Britain by setting standards for driving and motorcycling, and making sure drivers, vehicle operators and MOT garages understand and follow roadworthiness standards. It will also provide a range of licensing, testing, education and enforcement services.

Several core projects across the two agencies have been combined to form a clear programme of activity to take the agency forward. These include ICT Modernisation; the Young Drivers project; a move to arvato shared services provision; MOT Computerisation 2 and the roll-out of Next Generation Testing (vehicles).

3.7. VCA reform: commercial joint venture

A contract notice was published in the *Official Journal of the European Union* (*OJEU*) on 7 March seeking to establish a joint venture for the VCA with a private sector partner (PSP).

The PSP will own a majority shareholding in a new company that will be incorporated at contract award, performing VCA's statutory and non-statutory functions. The new company will have a contract with the Secretary of State to support the delivery of statutory functions relating to type approval of vehicles and components, and dangerous goods packaging. Enforcement functions currently conducted by VCA on behalf of BIS and Defra will not be included in the contract and work is under way to make new arrangements for these functions.

The Secretary of State will have a minority shareholding in the new company for three to five years and will dispose of the shareholding when it is advantageous to do so.

The contract notice was issued in the *OJEU* on 7 March 2014 and the closing date for the submission of pre-qualification questionnaires was 14 April 2014. The evaluation is reaching its final stages and clearances will be sought for the selection of bidders and for the issue of the invitation to negotiate, expected towards the end of June. The contract is expected to be awarded in early 2015 to the successful bidder.

3.8. Maritime and Coastguard Agency (MCA) reform

MCA has continued to implement the Future Coastguard Programme as originally outlined by the Shipping Minister in November 2011. During the past year, there was a second ministerial announcement which set out the timetable for operational transition, having regard to the time taken in aligning future Coastguard changes with the departmental response to Civil Service reform. In addition to Forth and Clyde, the Maritime Rescue Co-ordination Centre (MRCC) at Yarmouth has now closed with its area of responsibility transferring to Humber.

Throughout the year, the MCA has maintained a close working relationship with the trade unions and a ballot of members resulted in an overwhelming acceptance of the new terms and conditions and cessation of industrial action. Recruitment is under way for the new posts and the first tranche of staff who will be based at the National Maritime Operations Centre (NMOC) commenced training in March 2014.

The core IT network server infrastructure has been installed and commissioned at the NMOC. Live operational systems have been installed at the NMOC and testing is taking place in readiness for NMOC to begin to take the weight of the national network in September 2014.

4. Factors affecting performance during 2013–14 and future financial years

4.1. Fiscal position and Spending Round

Good transport makes our economy stronger and our lives easier. The Government is taking investment in transport to record levels, and improving all forms of transport. In Spending Round 2013, the Government made a commitment to invest £9.5 billion in the UK's transport network in 2015–16. As part of the settlement, the Government set long-term capital budgets for national roads, local roads, Transport for London and High Speed 2.

While Spending Round 2013 set out the future for transport, the Department is already delivering the Government's ambitious agenda. The Chancellor of the Exchequer's 2013 Autumn Statement announced support for UK businesses by developing the UK's infrastructure, including new roads.

Several more new transport initiatives were announced in the Chancellor of the Exchequer's 2014 Budget, including a further £200m of new money in 2014–15 to be made available to local authorities to repair potholes on the local road network. The Department continues to be placed at the heart of the Government's plans for economic recovery.

4.2. Winter weather: the Department's response

The Department announced on 20 March 2014 that £183.5m has been made available from 2013–14 budgets to local authorities to help repair local roads damaged by the severe wet weather. This funding includes £10m to Somerset to help take forward recommendations from the Somerset Levels and Moors Flood Action Plan, which was published on 6 March 2014. A further £26m was provided to Network Rail for schemes to improve flood resilience on routes in south-west England.

4.3. High Speed Rail

High Speed 2, the proposed new North–South railway, is a project that will be considered by Parliament through two hybrid Bills promoted by the Department for Transport covering phase 1 (London to the West Midlands) and phase 2 (West Midlands to Leeds and Manchester).

The High Speed Rail (Preparation) Act 2013 received Royal Assent on 21 November 2013, ensuring that there is Parliamentary approval for preparatory expenditure in advance of the passing of the hybrid Bill for phase 1, which will enable the programme to be delivered effectively. The Act will allow HS2 Ltd to incur expenditure on detailed design, on land acquisition and on compensation and will allow preparatory works to progress before the hybrid Bill for phase 1 receives Royal Assent. The hybrid Bill was introduced into Parliament on 25 November 2013 and was given its second reading on 28 April 2014. It seeks the necessary legal powers to enable the construction and operation of phase 1. On becoming an Act, it would give the Government deemed planning permission to deliver the scheme, including the powers to acquire the necessary land and undertake the works required.

The Government ran its consultation on the proposed route for phase 2 between July 2013 and January 2014. Phase 2 will require a further hybrid Bill in the next Parliament.

On 29 October 2013, the Department's *Strategic Case for HS2* and the updated economic case were published. Sir David Higgins was appointed Chair of HS2 Ltd in January 2014, and on 17 March 2014 published a report, *HS2Plus*, with his proposals to build HS2 better and bring the benefits to the North sooner. Lord Deighton's Growth Taskforce also published its report in March 2014. This set out a number of recommendations to ensure the whole country shares in the employment, skills, regeneration and business opportunities HS2 will deliver.

The Government announced at the time of the Spending Round in June 2013 that it recognised a potential funding requirement for HS2 of £42.6 billion, at 2011 prices. This breaks down to £21.4 billion for phase 1 and £21.2 billion for phase 2 – figures which include a total contingency for both phases of £14.4 billion. This will ensure that the project can be delivered on budget and on time. In his report, *HS2Plus*, Sir David Higgins concluded that the phase 1 budget is sufficient to deliver that part of the project and that the contingency should not be reduced.

4.4. InterCity Express Programme

The InterCity Express Programme is worth around £5.7 billion and comprises the infrastructure, rolling stock, maintenance and franchise changes needed to replace the fleet of Intercity 125 and 225 trains that operate on the Great Western and InterCity East Coast routes. The new, faster, higher capacity and more environmentally sustainable class 800/801 trains will:

- improve reliability;
- reduce journey times by up to 20 minutes;
- in the morning peak, provide up to 28% more seats into King's Cross and 40% more into Paddington compared with the May 2011 timetable;
- support economic growth and improve connectivity;
- enter passenger service between 2017 and 2020.

The investment provides a significant boost to the UK's manufacturing capability. Hitachi has committed to locating its European rail manufacturing facility at Newton Aycliffe in County Durham. This will create 730 jobs plus 200 jobs during the construction phase of the factory and potentially thousands more in the supply chain. The first trains will leave the factory in 2016.

In July 2013, the Secretary of State exercised a pre-priced option to purchase 30 further trains to replace the InterCity 225 fleet on the East Coast route. Financial close was reached in April 2014.

4.5. Thameslink

The approximate capital value of the Thameslink Programme is £6.5 billion (2013–14 prices). This figure includes investment in trains, depots and Network Rail infrastructure. Works on the Thameslink Programme commenced in 2009. The programme includes:

- major infrastructure works such as enhancements to stations at Blackfriars and Farringdon (already delivered), rebuilding London Bridge station, and upgrading track and signalling on the route; and
- new rolling stock as a fleet of 115 new trains (1,140 new carriages) and supporting depots will provide rail passengers with fast and efficient services through London.

The combination of infrastructure enhancements and new rolling stock (built and maintained by Siemens) will deliver a 24-trains per hour service in each direction through the Blackfriars to St Pancras International 'core' at peak times.

Network Rail and Siemens between them expect to support around 8,000 UK jobs during construction and ongoing maintenance.

The programme will deliver greater capacity and better connections across London and the South East:

- reduced overcrowding on suburban rail and Underground services and better journey times through reduced interchange;
- new journey opportunities for passengers on routes from existing Great Northern, Southern and Southeastern services, who will be able to access stations far beyond their traditional terminus;
- new rail hub at Farringdon with access to Crossrail and Tube services.

Principal 2013–14 milestones:

- The Thameslink rolling stock and depot contracts were signed in June 2013. Siemens is making good progress on depot and train manufacture with the first trains already undergoing testing in Germany.
- A mock-up of the class 700 train was presented to the public and political and industry stakeholders in January.
- Main works commenced at London Bridge in May 2013 and the first new platforms were brought into service on 31 March 2014.
- The industry (DfT, train operators and Transport for London) are collaborating effectively to prepare passengers and the public for major changes to train services as a result of Thameslink works at London Bridge in August and December 2014 and between January 2015 and 2018.

4.6. Crossrail

Crossrail is creating economically vital new transport infrastructure to support growth in London and the South East. The project will deliver a new, high-frequency rail service, stretching from Reading and Heathrow in the west, across central London to Shenfield and Abbey Wood in the east. A key part of this is the construction of twin tunnels, each 13 miles long, through the heart of central London, and nine new stations in the central section.

Around 200 million passengers will travel on Crossrail each year and the route will provide a 10% increase to rail capacity in the capital. Crossrail will deliver faster journey times and bring an additional 1.5 million people within 45 minutes of London's business centres whilst also reducing crowding on London's transport network by operating main-line size trains with capacity for more than 1,500 passengers in each train during peak periods.

It is estimated that during construction, Crossrail will generate at least 75,000 business opportunities and support the equivalent of 55,000 full-time jobs right across the UK.

Crossrail services are on schedule to be operational from 2018, with full services operating from late 2019. The project is jointly sponsored by the Department for Transport and Transport for London (TfL). The project is being delivered by Crossrail Ltd, a wholly owned subsidiary of TfL, with Network Rail responsible for the delivery of a package of works on the existing rail network. When operational, train services will be provided by a train operator appointed by TfL. The project is expected to cost no more than £14.5 billion.

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

- signing a contract with Bombardier for the delivery of rolling stock and a new depot for Crossrail;
- a £70m contribution confirmed from Heathrow Airport Limited; and
- significant tunnelling progress, with 70% tunnelling completed as at 31 March 2014.

It was announced on 27 March 2014 that Crossrail would run to Reading, and the extension beyond Maidenhead will see the line serve two additional stations, Twyford and Reading. Crossrail will now serve a total of 40 stations along the entire route when the line fully opens in 2019.

Transport for London has started the process of procuring an operator for the new Crossrail service, whilst the Department is working to ensure that new or extended rail franchise contracts reflect and facilitate the planned introduction of Crossrail services.

A National Audit Office report on the Crossrail project published on 24 January 2014 found that taxpayers' interests in the Crossrail programme have so far been well protected. If progress in providing the new rail service can be maintained and risks managed, then the programme is on course to achieve good value for money.

4.7. Rail refranchising

On 26 March 2013, the Secretary of State announced the publication of a detailed timetable for all rail franchise competitions over the next eight years, providing long-term certainty to the market and supporting major investments in the network. When the schedule was published, we committed to refresh it annually and we did so on 8 April 2014.

The programme emphasises an open approach that engages meaningfully with stakeholders and industry. As part of this new programme, the Department is seeking innovative bids that provide good value for money for taxpayers and put passengers right at the heart of our railways.

The rail franchising schedule details a more sustainable approach to franchising by delivering no more than three to four competitions a year and staggering the two principal InterCity franchises. This ensures that competitions are more manageable both for the Department to run and the market to compete for.

To facilitate this staggered programme, the Department is negotiating a series of direct award contracts with individual operators. These direct awards are new franchise agreements that will allow current franchisees to continue to run services until the new competed franchise start date. This will only be done if a value-for-money and affordable agreement can be reached.

This financial year we made direct awards to c2c (Essex Thameside franchise); First Great Western; First Capital Connect (Thameslink); Northern Rail; and Abellio Greater Anglia. The TSGN franchise was awarded on 23 May 2014. We have also progressed the Essex Thameside franchises and started the InterCity East Coast franchise (due for award this autumn).

TSGN brings together the existing Thameslink Great Northern (TGN) and Southern franchises in order to facilitate the successful implementation of the Thameslink infrastructure and associated new rolling stock programmes.

4.8. Rail funding

The franchised passenger rail industry is funded partly from fare revenues and partly from government support. The support is by means of a capital grant paid to Network Rail (£3,409m in 2013–14). Network Rail pays the Department a fee equivalent to the value of the government guarantee on its debt (£240m in 2013–14). The cost to the Department is further reduced by net receipts from the passenger train operating companies (TOCs). Subsidies are paid to some TOCs but others pay premia to the Department. These figures are shown in Note 5 and Note 6 of the Accounts and the net position in a receipt of £572m. Core Table 1 in Section 7 of the Strategic Report shows equivalent figures over a 10-year time span.

The Office of Rail Regulation (ORR) completed its periodic review for the five years from April 2014 and published its final determination on 31 October 2013. The following five years are referred to as Control Period 5. The review comprehensively examined Network Rail's plans for the five years for outputs, which include operating efficiency targets and plans for punctuality performance, investment and safety. The review also sets the pricing for all of Network Rail's customers, primarily track access charges for passenger and freight operators.

The review determines their revenue requirement and the split between track access charges and the capital grant, while taking into account miscellaneous income such as property rents.

In this review, the ORR took into account the Department's funding capability and desired outputs, primarily the investment programmes. The result was an increased investment programme of £22.2 billion, while the net revenue requirement determination reduced by £1.6 billion to £24.5 billion for the five years. The amounts quoted in this paragraph are in 2012–13 prices, being the price base of the published final determination.

The classification decision made by the ONS, that Network Rail comes within the central government boundary from 1 September 2014, has many implications which the Department is in the process of evaluating.

4.9. Contingent liabilities

Government departments are required to report specifically on contingent liabilities arising from guarantees, indemnities, letters of comfort or similar legal obligations. The Department has provided these where they would benefit the taxpayer and where the benefits outweigh the risk. Further disclosures are given in Note 17 of the Accounts.

Note 17 restricts disclosures to contingent liabilities where the risk of crystallisation is greater than remote or where they have been reported to Parliament in accordance with *Managing Public Money*. Nevertheless, the Department does record all of its contingent liabilities on a database, which is updated via a bi-annual survey. Where applicable, contingent liabilities (which are sub-set of risks) are cross-referenced to the risk register and associated risk management strategies on this database.

New contingent liabilities have arisen in relation to rolling stock contracts sponsored by the Department. To support delivery of the Thameslink project and the InterCity Express Project, the Department has provided indemnities to parties carrying risks that they would be unable to bear. Most of these liabilities are unquantifiable. New contingent liabilities have also arisen in relation to High Speed 2 property acquisitions.

A new contingent liability (£1.7 billion) has been created through a commitment made by the Department to fund any shortfall of toll revenue from the Mersey Gateway Bridge to meet Halton's financial obligations under the Demand Management Participation Agreement. Halton is a small authority with limited resources. The Department's commitment to fund this Additional Availability Support Grant is in turn guaranteed by a comfort letter from Infrastructure UK (IUK)/HM Treasury under the Infrastructure (Financial Assistance) Act 2012. Although legally this guarantee has come from IUK/HM Treasury, the contingent liability in substance lies with the Department. The additional support can either be given as a grant or loan at the Department's discretion.

The amount of debt covered by the financial indemnity issued to Network Rail increased by £2.6 billion. New investment by Network Rail significantly exceeded this increase in debt. New arrangements to fund Network Rail debt requirements directly from HM Treasury from 2014–15 will mean that this liability will now gradually reduce.

4.10. Modernising the Employment Contract (MEC)

In accordance with the Government's Civil Service reform plan, the Department reviewed the employment terms and conditions offered to staff to ensure that they reflected good modern practice in the wider public and private sectors. The changes proposed were negotiated and agreed with both HM Treasury and departmental trade unions. The changes were implemented in 2013–14 and the full impact up to March 2014 is reflected in the Accounts.

The changes apply to the Department and its agencies and cover the three financial years 2012–13, 2013–14 and 2014–15.

4.11. Shared Services Futures project

The Department outsourced its Shared Services Centre to arvato on 1 June 2013 and arvato then became responsible for delivering services on the existing SAP platform to the central Department, DVLA, DSA and the Highways Agency (HA). The Independent Shared Service Centre 1 (ISSC1) framework agreement was novated to the Cabinet Office at the end of October 2013. Since then, DCLG, DCMS, HMT and the Civil Nuclear Constabulary have all signed call-off contracts under the framework agreement.

Running parallel with the transition activities, alignment and configuration work started for VOSA, MCA and DSA to migrate to a new agresso platform intended from July 2014. The final quarter of 2013–14 has seen the central Department, DVLA and HA begin respective alignment and configuration activities to prepare for their migrations in October 2014.

5. Financial performance

2013-14 Outturn versus Estimate

The Net Voted Resource Outturn reported in the Statement of Parliamentary Supply was £5,658m, which is £787m (12%) below the Estimate of £6,445m. Net outturn on the Departmental Administration Limit was £240m, which is £21m (7.9%) below the total Estimate of £261m.

The Net Voted Capital Outturn Reported in Note 2 was £8,466m, which is £120m (1.4%) below the Estimate of £8,586m.

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

Departmental Expenditure Limit (DEL)

Section B: Local Authority Transport – Voted Resource DEL overspend £114m;

Section B: Local Authority Transport – Voted Capital DEL overspend £71m

The Department made additional grant payments to a range of local authorities to assist them in dealing with flood damage (£183m paid in total – £113m RDEL and £70m CDEL). Payments were made after the Supplementary Estimate numbers were finalised as a part of the Government's response to the UK floods in winter 2013–14.

Section C: Highways Agency – Voted Resource DEL underspend £63m

Expenditure was £63 m (3%) below the total Resource DEL budget of £1.9 bn. Of this, depreciation was £46.6m (5%) below the £927m than budgeted. Although the full year charge can be forecast to some degree of accuracy using data on asset lives and the level of capital expenditure in the year there are elements of the depreciation charge that are outside of the Agency's control and are harder to predict. The net value of the strategic road network is over £110bn therefore small movements can result in relatively significant movements in the depreciation charge.

Programme resource DEL excluding depreciation was £14.8m (2%) below the £948m budget and the positive variance was as a result of several factors including lower service payments for some road PFI contracts (due to inflation being lower than forecast assumptions); and fewer technical projects progressing through approval stages.

Section C: Highways Agency – Voted Capital DEL underspend £82m

The Highways Agency capital DEL outturn of £1,342m is £82m (6%) below the £1,424m budget. The budget included a contingency of £43m which was held to cover unforseen risks to departmental outturn following the Supplementary Estimate. The remaining variance is £39m and reflects:

- the impact of adverse weather over the winter, including deferral of work in the south-west while the railway route was closed;
- the impact of late mobilisation of two Asset Support Contracts leading to a slower start of works than anticipated;
- an overestimate of some programme and project risk; and
- the delivery of additional efficiencies.

Delivery commitments were upheld and the £1,342m of investment facilitated:

- the completion of 828 capital renewal projects (against a target of 834)
- the completion of 24 pinch point schemes
- the start of 9 new major schemes on site during the year, progress on the 11 major schemes under construction and the completion of 2 major schemes.

Section D: Network Rail – Resource DEL underspend £14m

The underspend was due to a higher than budgeted final financial indemnity mechanism fee calculation by the ORR.

Section D: Network Rail – Capital DEL underspend £34m

The underspend was due to the receipt of a Network Rail grant rebate for 2012-13 of £60m which was not included in the Estimates. This was offset by an additional capital payment to Network Rail of £27m for flood resilience.

Section F: Other railways – Resource underspend £24m

The underspend was due to lower than expected spend on First Great Western converting first class carriages to standard class carriages, and on Tram Trains, Small Schemes and electrification consultancy.

Section F: Other railways – Capital DEL underspend £15m

The underspend is due to the following: budget for an IEP simulator was being required as since it was contracted as part of a direct franchise award; budget secured for Nexus was not required; work for the Sheffield Bridge project which was not undertaken; and slippage on HLOS2 Southern rolling stock infrastructure work which will now be undertaken in 2014-15.

Section G: Sustainable Travel – Capital DEL underspend £11m

There was a £2.9m underspend on cleaner vehicles. Whilst the uptake of both electric vehicles and installation of charge points has been positive in 2013-14, the outturn is driven by a number of factors such as demand, introduction of new models into the market and how quickly the infrastructure can be rolled out.

There was £6.3m underspend on smart ticketing. The variance is primarily due to lower than planned expenditure on the South East Flexible Ticketing Scheme (SEFT). Delivery of the scheme is reliant on the Train Operating Companies developing and implementing robust plans for smart ticketing solutions. This has taken longer than anticipated due to a number of factors and it is envisaged that the majority of the associated expenditure will now be committed in 2014-15.

Section H: Bus Subsidies and Concessionary Fares – Resource DEL underspend £22m

The variance is due to underspends in grants paid to bus service operators. In January 2014 a series of reforms to the existing grant regime was introduced. The main monetary impact was due to a number of services becoming ineligible for grant award. At the time it was difficult to accurately forecast the impact of the reforms (payments largely based on actual journey data) and final outturn was lower than expected.

Section M: Motoring Agencies – Resource DEL underspend £23m

The reported underspend is due to better than budgeted performance at the DVLA. There were two main factors causing the underspend:

- Income exceeded budget due mainly to higher than forecast sales of new vehicle registrations and;
- Reductions in expenditure due to the agency's ongoing efficiency programme delivering cost savings in excess of plan.

Section M: Motoring Agencies – Capital DEL overspend £10m

Income was £10m below budget because the phasing of loan repayments from VOSA, DSA & DVLA was different from that anticipated in the Supplementary Estimates.

Section N: Science, Research and Support functions – Resource DEL underspend £11m

Budget was provided for rail research but these costs did not materialise during the year.

Section O: Central Administration – Resource DEL underspend £44m

This results from a centrally managed consolidation of budget underspend during the Supplementary Estimate Process. Some HR programme costs were budgeted here but not required.

Section Q: Support for Passenger Rail Services – Resource DEL underspend £43m

Some £40m of this underspend was due to higher revenues than forecast as a direct result of the winter floods which through contracted mechanisms resulted in the Department paying lower revenue support to train operating companies. The balance of the underspend was due to various items which netted to £2m: these were higher profit share (£5m); additional costs for both fares flex and reduction in fares increases from RPI +1 to RPI +0 (£1m); and miscellaneous costs which were higher than budget (£2m).

Annually Managed Expenditure (AME)

Section T: Highways Agency – Capital AME underspend £46m

The Highways Agency had £1,000 token budget to cover non cash movements in provisions. This was prudently set as the difference between new capital provisions and utilised provisions is difficult to predict accurately. In the event provisions utilised exceeded new provisions by some £46m.

Section T: Highways Agency – Resource AME underspend £349m

The Highways Agency's outturn of £622m on Resource AME is £349m below the £972m budget. The largest component of the non-cash programme AME budget is asset write-downs/impairment. Whilst this can now be forecast with a fair amount of accuracy, this was not the case when SR10 budgets were set (because the investment programme was unknown).

A prudent budget has always been set since any overspend in this AME budget (which reflects a technical accounting adjustment) would need to be met from resource DEL (with potential delivery consequences).

Section U: Other railways – Resource AME underspend £40m

The Estimate included £100m for the costs from pension revaluations (which the Government Actuary's Department (GAD) undertakes annually). The final revaluation from GAD resulted in pension costs of £61m for 2013-14, i.e. a £39m underspend against budget. This is due to either the return on assets exceeding expectations or the interest on liabilities being below expectations.

Section Z: Central Administration – Resource AME underspend £244m

Originally the Department's overall AME budget included provision for Renewable Transport Fuel Obligation Certificates.

This was not required by the Department which consequently led to the above surplus in Resource AME.

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

Reconciliation of resource expenditure between Estimates, Accounts and Budgets		
	2013-14	**2012-13**
	£'000	**£'000**
Net Resource Outturn (Estimates)	**5,667,336**	**5,956,312**
Adjustments to remove non-budget elements:		
Prior Year Adjustment		
Total Resource Budget Outturn	**5,667,336**	**5,956,312**
Of which:		
Departmental Expenditure Limits (DEL)	4,790,869	5,350,923
Annually Managed Expenditure (AME)	876,467	605,389
Adjustments include:		
Capital grants (net of related EU contributions)	6,959,163	6,794,592
Non-supply income (CFERs)	(124,660)	(183,444)
Adjustments to remove		
Net Operating Cost (Accounts)	**12,501,839**	**12,567,460**

7. Public interest

7.1. Staff relations

During 2013–14, instances of industrial action were as follows:

- 5 April 2013: Civil Service-wide half-day of strike action; and
- 31 May 2013: Civil Service-wide PCS national day of action.

The Department continues to manage its pay remit within the bounds of the wider public sector pay policy. It has access to occupational health advisers to assist in managing sickness absence cases. Employee assistance programmes are available to all staff to help with personal and work-related issues. The Department's sickness absence policies are under regular review in order to assist managers and improve their performance in dealing with sickness absence cases in a timely, effective and positive manner, which will in turn further reduce our sickness absence levels. Currently sickness absence data is collated and analysed monthly and reported to the Cabinet Office. Average working days lost (AWDL) are reported quarterly in arrears on a 12-month rolling basis. For the 12-month period ending 31 March 2013, the Department reported AWDL as 7.5. For the 12-month period ending December 2013 it has reduced to 7.3. (Figures for the 12 months to 31 March 2014 are not yet available.) For this purpose, the Department is defined as being the core Department, the executive agencies and the trading funds. Whilst there is a specific emphasis on the 100 individuals that have the highest levels of absence, all absence is reviewed to ensure that support is offered and that occupational health reports, action plans and trigger-point interviews are progressed as appropriate.

7.2. Payment of suppliers

The Department complies with the Prompt Payment Code of paying 80% of undisputed supplier invoices within five working days of receipt, and 98% within 30 days of receipt. For the year 2013–14, the Department paid 91.9% of supplier invoices within five working days of receipt, in comparison with 94.6% in 2012–13. Performance against the 30 working days target in 2013–14 was 99.0% in comparison with 99.1% in 2012–13.

7.3. Personal data related incidents

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

Table 7.1: Summary of protected personal data related incidents formally reported to the Information Commissioner's office in 2013–14

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
November 2013	Unauthorised disclosure	Individual's mobile phone number	1	Individual notified
Further action on information risk	The Department will continue to monitor and assess its information risks, in the light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.			

Table 7.2: Summary of other protected personal data related incidents in 2013–14

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner's Office but recorded centrally within the Department are set out below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper document	0

IV	Unauthorised disclosure	3
V	Other	0

7.4. External stakeholders

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

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

Major communications projects undertaken in 2013–14 are disclosed at page 43 within the Strategic Report.

7.5. Information rights

In 2013, the Department as a whole, including the four executive agencies and the two trading funds, received 3,583 requests for information which were handled under either the Freedom of Information (FOI) Act or the Environmental Information Regulations. We met the statutory response deadlines in 96% of these cases. This was the same performance level as 2012. We were able to provide all the information requested in approximately 48% of cases.

We publish details of FOI responses to requests on our disclosure log on the website www.gov.uk under *Publications*, sub-section *FOI releases*. Our comprehensive FOI publication scheme is published on the DfT's homepage at www.gov.uk/departments under *Publications*.

7.6. Equality of opportunity

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

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

7.7. Pension schemes

Please refer to Note 25 Pension schemes in the accounts.

7.8. Conflicts of interest

The register of ministers' interests are held by Parliament. Details of how non-executive board members' conflicts of interests are handled is set out in more detail on page 106 within the Governance Statement. No executive members of the Board have flagged company directorships or other significant interests that may conflict with their management responsibilities. Relevant information is held by the Department in a central register alongside mitigation measures taken.

7.9. Disability management

DfT(c) holds the two-ticks Disability Symbol. This means that all job applicants (internal and external) are guaranteed an interview provided they meet the minimum criteria for the job to which they are applying. The Department also ensures that the environment at interviews is suitable for their needs. Currently, the Department has 76 employees who have declared their disability: 38 in pay bands 1–4, 34 in pay bands 5–7 and 4 who are senior civil servants.

The Department provides reasonable adjustments to employees with medical conditions, including for instance training in the use of systems adaptive software. The Department was twice runner-up for a diversity award for the standard of reasonable adjustments provided. No employees have had their employment terminated for reasons of disability and we have an agreed policy for redeployment and retraining where needed. Details on recorded training taken up by disabled employees during 2012–13 is shown in Table 7.3 (data for 2013–14 is not available until winter 2014).

Table 7.3: Training recorded by disabled status 2012–13

	Non disabled	Disabled	Unknown/Prefer not to say	Total
Total number of training days	338.0	29.0	107.0	474.0
Average number of training days	0.2	0.3	0.2	0.3

All employees are considered for promotion and training opportunities. The Department also supports positive action initiatives by which employees from under-represented groups, including disabled employees, are considered for positive action programmes. The Department has a very active staff network for disabled employees, Ability Net, which supports their needs and with which we regularly consult. The Department has partnered with the Business Disability Forum, which provides training for managers in disability issues.

7.10. Employee interests

The Department regularly consults with staff representative bodies on all matters that affect staff and ensures that staff are consulted and informed of any changes that are made that will affect them through line manager briefings, written communications and staff updates.

8. Auditors

The Comptroller and Auditor General carries out the audit of the consolidated accounts of the Departmental Group, as well as the audits of the following subsidiary entities:

- Highways Agency;
- Maritime and Coastguard Agency;
- Driver and Vehicle Licensing Agency; and
- Vehicle Certification Agency.

These audits are conducted under the Government Resources and Accounts Act 2000, at an annual notional cost of £846,500 (2012–13, £886,610).

The audits of the following entities are completed by the National Audit Office but incur a cash or real charge of £177,000 (2012–13, £181,000) for the completion of their audit:

- British Transport Police Authority;
- HS2 Ltd; and
- Passenger Focus.

KPMG audits the following entities, providing audit assurance to the Comptroller and Auditor General as the Group auditor. These audits incur a real cost charge of £79,330 (2012–13, £62,280):

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

PWC audits the following entities, providing audit assurance to the Comptroller and Auditor General as the Group auditor. These audits incur a real cost charge of £18,175 (2012–13, £15,875):

- Directly Operated Railways Limited; and
- Air Safety and Support International.

Deloitte audits the following entity, providing audit assurance to the Comptroller and Auditor General as the Group auditor. This audit incurs a real cost charge of £32,700 (2012–13, £34,000):

- Air Travel Trust Fund.

The three General Lighthouse Authorities are consolidated into the General Lighthouse Fund accounts, which are audited by the National Audit Office. The cost of this audit is borne by the General Lighthouse Fund.

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

9. Statement regarding the disclosure of information to the auditors

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

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

Philip Rutnam 20 June 2014

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

Departmental Remuneration Report

Remuneration policy

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

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

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

Pay system and performance management

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

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

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

- pay band 1 (Deputy Director) £60,000–£117,800;
- pay band 2 (Director) £84,000–-£162,500; and
- pay band 3 (Chief Executive) £103,000–£208,100.

SCS in DfT have objectives in the following categories:

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

- Personal development objectives are: an emphasis on the importance of continuing personal development and an individual's growth in competence.

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

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

- top – top 25% of performers;
- achieving – next 65% of performers;
- low – bottom 10% of performers.

To be allocated to the top performance group, an individual must deliver to the highest standards in all objective categories.

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

Performance group is the starting point for non-consolidated performance pay determination. For 2013–14, only the top 25% of performers, those in the top performance group, will receive an award.

In 2013–14, base pay increases were available for members of the SCS who were in the top and achieving performance groups.

Pay and Performance Committee

This Committee comprises the Department for Transport's Permanent Secretary (as Chairman), all Directors General, the Group HR Director and the General Counsel. For the year to 31 March 2014, its members were:

Philip Rutnam	Permanent Secretary, Department for Transport
Lucy Chadwick	Director General, International Security and Environment
Steve Gooding	Director General, Roads, Local & Traffic
Clare Moriarty	Director General, Rail Executive
David Prout	Director General, HS2
Jonathan Moor (from 12 August 2013)	Director General, Resources & Strategy
Graham Dalton	Chief Executive, Highways Agency
Alison Rumsey	Group HR Director
Nick Olley (from 18 November 2013)	General Counsel

The Committee makes pay decisions for directors and divisional managers. The Permanent Secretary decides on pay for Directors General.

Service contracts

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

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

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

Remuneration (including salary) and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (i.e. Board members) of the Department.

Remuneration (salary and benefits in kind)

Ministers	2013 14				2012 13			
	Salary (£)	Benefits in Kind	Pension benefits	Total benefits	Salary (£)	Benefits in Kind	Pension benefits	Total benefits
Patrick McLoughlin MP Secretary of State (from 3 September 2012)	68,169	-	20,149	88,318	37,100	-	9,157	46,257
Full-year equivalent					68,827			
Baroness Susan Kramer Minister of State (from 7 October 2013)	38,173	-	14,544	52,717	-	-	N/A	N/A
Full-year equivalent	78,891							
Robert Goodwill MP Parliamentary Under Secretary of State (from 7 October 2013)	11,086	-	3,866	14,952	-	-	N/A	N/A
Full-year equivalent	23,039							
Simon Burns MP Minister of State (to 7 October 2013)	16,781	-	6,208	22,989	16,501	-	4,549	21,050
Full-year equivalent	32,344				33,002			
Stephen Hammond Parliamentary Under Secretary of State	23,039	-	N/A	23,039	13,559	-	N/A	13,559
Full-year equivalent					23,697			
Norman Baker MP Parliamentary Under Secretary of State (to 7 October 2013)	11,954	-	5,359	17313	23,697	-	7,208	30,905
Full-year equivalent	23,039							
Justine Greening MP Secretary of State (to 3 September 2012)	-	-	-	-	34,413	-	*	34,413
Full-year equivalent					68,827			
Theresa Villiers MP Minister of State (to 3 September 2012)	-	-	-	-	16,051	-	*	16,051
Full-year equivalent					33,002			
Mike Penning MP Parliamentary Under Secretary of State (to 3 September 2012)	-	-	-	-	11,848	-	*	11,848
Full-year equivalent					23,697			

Officials	2013 14					2012 13				
	Salary (£000)	Bonus Payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[3] (£)	Total benefits (£000)	Salary (£000)	Bonus Payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[3] (£)	Total benefits (£000)
Philip Rutnam Permanent Secretary Full Year Equivalent	165-170	-	-	27,991	190-195	160-165 165-170	10-15[1]	-	32,692	205-210
Clare Moriarty Acting Permanent Secretary (to 10 April 2012) Full Year Equivalent	-	-	-	-	-	0-5 140-145	-	-	-	0-5
Jonathan Moor Director General (from 12 August 2013) Full Year Equivalent	85-90 135-140	12-15	-	1,670	95-100	-	-	-	-	N/A
Steve Gooding Director General	125-130	-	-	- 10,014	115-120	125-130	-	-	71,843	195-200
Clare Moriarty Director General (from 10 April 2012)[4],[5] Full Year Equivalent	135-140 145-150	15-20	-	31,462	185-190	125-130 125-130	10-15	-	38,514	175-180
Lucy Chadwick Director General	115-120	-	-	22,820	140-145	115-120	5-10	-	41,317	165-170
David Prout Director General Full Year Equivalent	130-135	-	-	35,778	165-170	30-35 130-135	-	-	8,352	35-40
Peter Strachan Director General (to 31 December 2012)[2] Full Year Equivalent	-	-	-	-	N/A	115-120 160-165	-	-	-	115-120
Band of Highest Paid Director's Total Remuneration (£ '000)	165 – 170					175 – 180				
Median Total Remuneration	£22,008					£21,545				
Ratio	7.61					8.24				

[1] Philip Rutnam received a bonus in 2012–13 which is related to his 2011–12 performance as Director General in his previous department, BIS. The Department agreed to pay this bonus and did not reclaim this money back from BIS.

[2] As a consequence of the Department's restructuring announced on 21 December 2012, Peter Strachan decided to move on from the Department. A payment of between £5,000 to £10,000 was made as a contribution to the costs of legal advice.

[3] Pensions data is provided by MyCSP. Pension benefits are calculated in accordance with EPN380 issued by http://www.civilservice.gov.uk/pensions. The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

[4] Claire Moriarty receives a pivotal post allowance of £20,000-£25,000. This allowance commenced on 18 September 2013 and is renewable every 6 months.

[5] The above pivotal post allowance is non pensionable.

In 2013–14 no employees (2012–13, no employees) received remuneration in excess of the highest paid director.

Pay multiples

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

A decrease in the amount the highest paid director has earned this year has led to a drop in the ratio for 2013–14. A decrease in the median salary of the workforce has meant that the ratio decrease was limited. The Department considers pay arrangements on an annual basis in accordance with the Civil Service pay guidance, which is published each year.

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

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

Non-executive Board members

Each of the seven departmental Non-executive Board (NEB) members, Sam Laidlaw, Ed Smith, Alan Cook, Sally Davis, Mary Reilly, John Kirkland and Richard Brown, have been entitled to claim annual fees and reasonable expenses (including travel and subsistence in line with the Department's policy on such expenses) that were properly and necessarily incurred in respect of their duties.

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

Alan Cook's appointment as DfT NEB member was renewed in January 2013 with a revised annual fee of £15,000. He was entitled to claim this fee on top of the fee he is paid for his role as Chairman of the Highways Agency. Ed Smith will be stepping down at the end of December 2014. The appointment of Sally Davis ceased at the end of December 2013.

Lead Non-Executive Sam Laidlaw is entitled to claim an annual fee of £20,000 per annum with an additional £5,000 in recognition of his role as Lead Non-Executive. However, Sam Laidlaw has waived his entitlement to a fee and to date has never claimed any fees or expenses.

Mary Reilly was also appointed in June 2013 as Chair of the Department's Audit Committee. She is entitled to an additional £5,000 per annum in recognition of this role.

Members of the NEB are expected to dedicate a minimum estimated total time commitment of about 15 days a year for their roles in DfT. In many instances, members of the NEB have actually exceeded this commitment.

Non-executive members of the Board received remuneration within the ranges shown for their services during the year:

Non executive Board members	2013 14 (£000)	2012 13 (£000)
Sam Laidlaw	Chose to be unpaid	Chose to be unpaid
Ed Smith	20–25	20–25
Alan Cook	15–20	20–25 (to Dec 2012)
Sally Davis (appointment ceased 31 December 2013)	20-25	20–25
Mary Reilly (appointed 10 June 2013)	15–20	n/a
John Kirkland (appointed 10 June 2013)	10–15	n/a
Richard Brown (appointed 15 July 2013)	10–15	n/a

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind reported in 2013–14 for either ministers or senior staff.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013–14 relate to performance in 2012–13, and the comparative bonuses reported for 2012–13 relate to performance in 2011–12.

Pension benefits (ministers)

Ministers	Accrued pension at age 65 as at 31/3/2104	Real increase in pension at age 65	CETV at 31/03/2013	CETV at 31/03/2014	Real increase in CETV funded by taxpayer
	£000	£000	£000	£000	£000
Patrick McLoughlin Secretary of State	15-20	0-2.5	314	353	12
Baroness Kramer Minister of State (from 7 October 2013)	0-2.5	0-2.5	0	17	12
Stephen Hammond Parliamentary Under Secretary of State	Opted Out	Opted Out	Opted Out	Opted Out	Opted Out
Robert Goodwill Parliamentary Under Secretary of State (from 7 October 2013)	0-2.5	0-2.5	28	34	3
Simon Burns Minister of State (to 7 October 2013)	2.5-5	0-2.5	74	83	5
Norman Baker Parliamentary Under Secretary of State (to 7 October 2013)	0-2.5	0-2.5	23	29	4

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 accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change), but ministers, in common with all other members of the PCPF, can opt for an accrual rate of 1/50th accompanied by a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from the age of 65. Pensions are re-valued annually in line with pensions increase legislation. From 1 April 2013, members paid contributions of between 7.9% and 16.7% depending on their level of seniority and chosen accrual rate. The contribution rates will increase from April 2014.

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

In line with reforms to other public service pension schemes, it is intended to reform the ministerial pension scheme in 2015.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits he or she has accrued in a former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his or her total ministerial service, not just the current appointment as a minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

Real increase in the value of the CETV

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

Pension benefits (officials)

Officials	Accrued pension at Pension age as at 31/3/2014 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/2014	CETV at 31/3/2013[7]	Real increase in CETV
	£000	**£000**	**£000**	**£000**	**£000**
Philip Rutnam Permanent Secretary	55-60 Plus lump sum of 135-140	0-2.5 Plus lump sum of 0-(2.5)	904	828[6]	15
Clare Moriarty Director General	55-60	0-2.5	875	794	20
Steve Gooding Director General	55-60 Plus lump sum of 95-100	0-2.5 Plus lump sum of (2.5)-(5)	1036	980	(11)
Lucy Chadwick Director General	35-40	0-2.5	524	466	9
David Prout Director General	10-15	0-2.5	162	119	25
Jonathan Moor Director General (from 12 August 2013)	50-55	0-2.5	747	725	(2)

[6] Philip Rutnam's CETV as at 31 March 2013 has changed from £218K reported in 2012-13. His MyCSP record has since been updated to reflect a preserved pension awarded for earlier service.

[7] Taking account of inflation, the CETV funded by the employer has decreased in real terms.

[8] Revision to figures reported in 2012–13 reflect "added pensions" ie additional voluntary contributions, not reported in 2012–13.

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

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In **nuvos**, a member builds up a pension based on his or her pensionable earnings during the 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 his or her pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where he or she does make contributions, the employer will match these up to a limit of 3% of pensionable salary. This is 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 retirement due to ill-health).

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

Cash equivalent transfer values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in the value of the CETV

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

Philip Rutnam 20 June 2014

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

Part 2: Departmental Accounts

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

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

Governance statement

Table of contents

Accounting Officer's introduction

1. HM Treasury's *Managing Public Money* summarises the purpose of the Governance Statement as being to record the stewardship of the organisation and to supplement the accounts.[52] The Statement should provide a sense of how successfully the organisation has coped with the challenges it faces, and how vulnerable its performance is, or might be.
2. Good governance is vital to effective financial and risk management. The principles of good corporate governance for central government departments are set out in Corporate governance in central government departments: Code of good practice 2011 which is published jointly by HM Treasury and the Cabinet Office.[53] This Governance Statement sets out the Department's compliance with the principles set out in the code, with clear reasons for any departures. The Governance Statement also draws on the technical accounting guide, the government financial reporting manual (*FReM*).
3. The DfT Governance Statement for 2013–14 explains the Department's approach to corporate governance: the way in which the organisation is directed and controlled. The Statement describes how the Board and its supporting governance structures work and how they have performed, including a report by the Lead Non-Executive Board Member, Sam Laidlaw. In addition, it provides our assessment of how the Department has been managed, including the effectiveness of the systems of internal control, risk management and accountability.
4. Aside from the central Department, the other entities in the DfT family that fall within the Department's accounting boundary are described in Note 21 of the Annual Accounts. This Statement covers the DfT group, including DfT's agencies and non-departmental public bodies. However, these organisations have published their own governance statements as part of their annual reports. This Statement does not seek to duplicate the information contained in those, but rather to explain group-wide and central Department governance arrangements, and any issues that are of significance to the group as a whole.

DfT corporate governance framework

5. In 2013, the Department reviewed its governance framework following the findings of the enquiries into the cancellation of the InterCity West Coast competition. This included reviewing the constitution of key boards, ensuring that governance structures are clear and documented, and clarifying processes for escalating decisions and managing risks.
6. The revised corporate governance arrangements are aligned with the *Corporate governance in central government departments: Code of good practice 2011*.
7. Figure 1 sets out the DfT Board and its sub-committees. This is intended to illustrate the top-level committees that control, scrutinise or oversee the work of the Department. The Boards and its sub-committees provide different layers of control and assurance and ensure that the Department has been achieving its aims and objectives in line with an appropriate level of control. A summary of each of these, and their input into and impact on the overall governance of the Department is outlined below.

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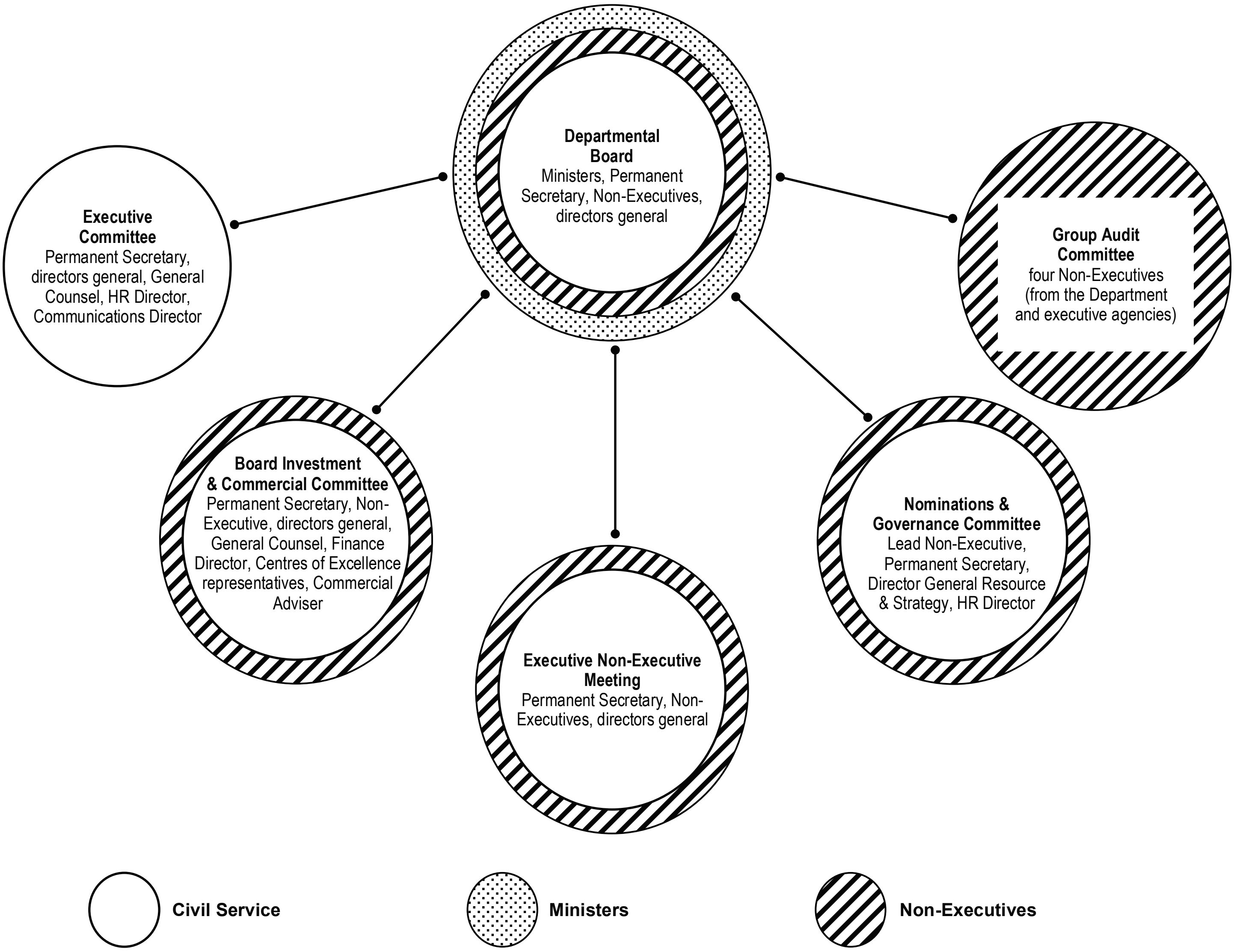
[52] HM Treasury (2013). *Managing Public Money (2013)*, London: Cabinet Office. www.hm-treasury.gov.uk/psr_mpm_index.htm under Publications [7.6.14].

[53] HM Treasury, Cabinet Office (2011). *Corporate governance in central government departments: Code of good practice 2011.* London: Cabinet Office. www.hm-treasury.gov.uk under *Publications* [7.6.14]

Figure 1: DfT Board and its sub-committees

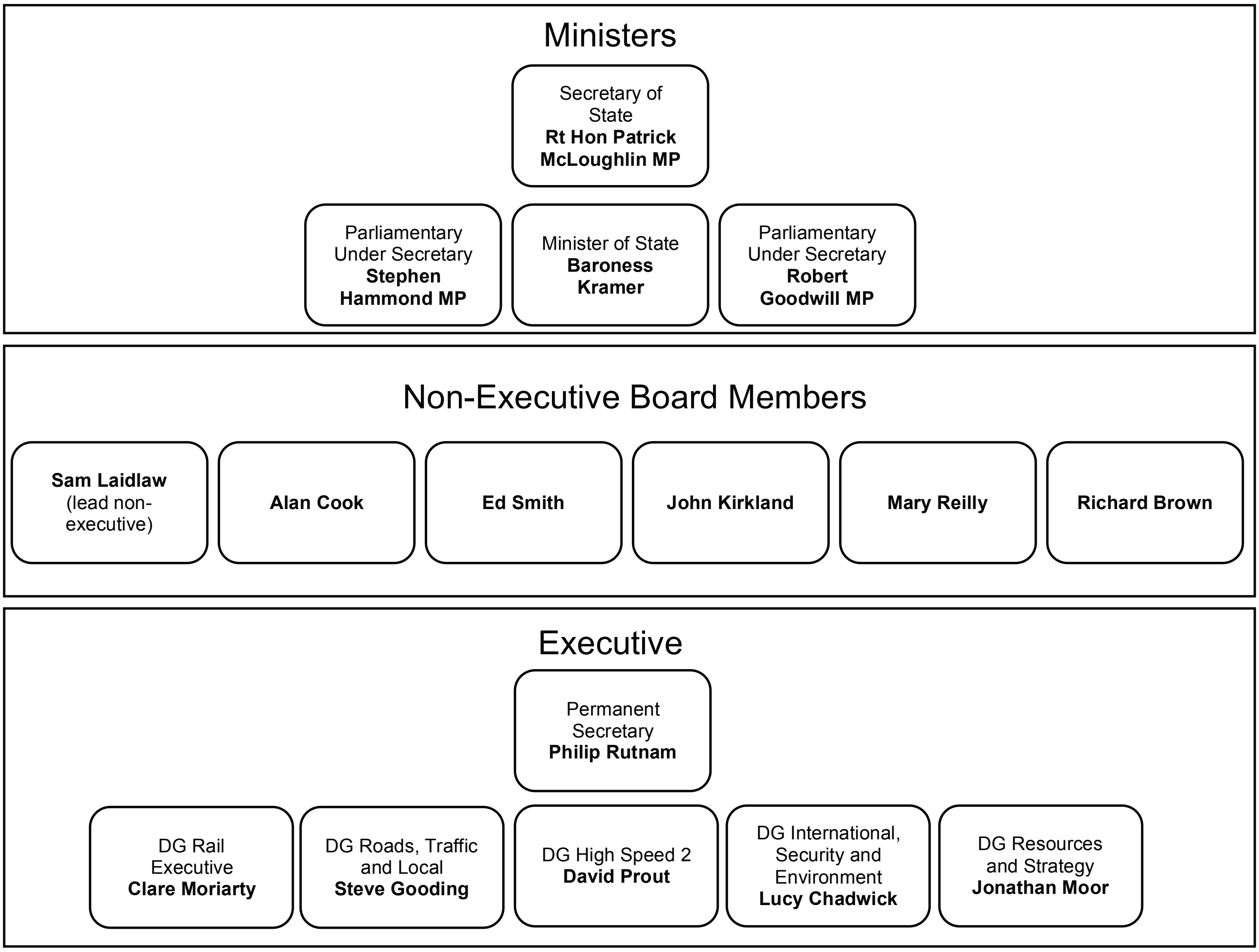


DfT Board

Membership

8. The DfT Board is chaired by the Secretary of State. Board membership, as shown in Figure 2, comprises all ministers, the Permanent Secretary, the non-executive board members and the directors general. Members are listed in Figure 2 below.

Figure 2: DfT Board membership as at 31 March 2014



Purpose

9. The DfT Board advises and challenges the Department on its strategic direction and on the operational implications and effectiveness of its portfolio. The Board achieves this by drawing on the commercial, operational and political experience and expertise of its members, a combination of ministers, Civil Service leaders and non-executives, who bring external expertise. The DfT Board's primary responsibilities during 2013–14 included the following:

Advisory:

- contributing towards the Department's strategic vision, and advising on major projects or programmes such as High Speed 2, roads and rail investment strategies and aviation policy; and
- Considering a series of policy and management themes in order to inform and develop the Secretary of State's thinking, and to obtain non-executives' input at the early stages of policy development.

Scrutiny:

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

Monitoring:

- monitoring progress against the published Business Plan actions for 2013–2015, and corporate planning objectives:
- reviewing key risks and effectiveness of risk management processes.

10. During 2013–14 the Board focused on the High Speed 2 (HS2) programme, Highways Agency reform and the Roads Investment Strategy, organisational review of rail, local transport funding, rail franchising programme and aviation capacity. It scrutinised cross-cutting issues such as capability building, the annual top-down risk review, transport security and resilience. It also reviews key performance data by discussing the Annual Report and Accounts; the Group Audit Committee Annual Report 2012–13 and regular management information reports which included details on delivery, risk, resources and financial performance.

Meetings and attendance during 2013–14

11. During 2013–14, the DfT Board met on four occasions. These meetings took place in June, September and November 2013 and March 2014 (Table 1).

Table 1: Board member meeting attendance during 2013–14[54]

Board member		In post	Board
Ministers			
Secretary of State	Rt Hon Patrick McLoughlin MP	Full financial year	3(4)
Minister of State	Rt Hon Simon Burns MP	Up until 4 Oct 2013	1(2)
	Baroness Kramer	From 7 Oct 2013	2(2)
Parliamentary Under Secretary of State	Stephen Hammond MP	Full financial year	3(4)
Parliamentary Under Secretary of State	Norman Baker MP	Up until 7 Oct 2013	1(2)
	Robert Goodwill MP	From 7 Oct 2013	2(2)
Non-Executive Board Members			
Lead Non-Executive	Sam Laidlaw	Full financial year	3(4)
Non-Executive	Alan Cook	Full financial year	3(4)
Non-Executive	Ed Smith	Full financial year	2(4)
Non-Executive	Sally Davis	Up until 31 Dec 2013	1(3)
Non-Executive	Mary Reilly	From 10 Jun 2013	4(4)
Non-Executive	John Kirkland	From 10 Jun 2013	4(4)
Non-Executive	Richard Brown	From 15 Jul 2013	3(3)
Civil Service			
Permanent Secretary	Philip Rutnam	Full financial year	3(4)
Director General	Clare Moriarty	Full financial year	4(4)
Director General	Lucy Chadwick	Full financial year	4(4)
Director General	Steve Gooding	Full financial year	4(4)
Director General	David Prout	Full financial year	3(4)
Director General	Jonathan Moor	From 12 Aug 2013	3(3)
Finance Director	Stephen Park	Attending Board until 12 Aug 2013 (see para. 12)	1(1)

Changes in year

12. The following changes to Board membership occurred during 2013–14:

- In October 2013, Baroness Kramer replaced the Rt Hon Simon Burns MP as Minister of State and Robert Goodwill MP replaced Norman Baker MP as Parliamentary Under Secretary of State.
- In June 2013, John Kirkland OBE joined as non-executive board member replacing Sally Davis who left the role in December 2013.
- In June 2013, Mary Reilly joined as non-executive board member and was also appointed Chair of the DfT Group Audit Committee, replacing Mike Brooks who stood down as interim chair of the committee.

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[54] Bold figures indicate meetings attended; figures in brackets indicate possible attendances.

- In July 2013, Richard Brown CBE joined as non-executive board member.
- Until August 2013, when Jonathan Moor was promoted to the role Director General of Resources and Strategy, the position of Director General of Resources and Strategy was vacant. Prior to Jonathan Moor's appointment, the Board meetings were attended by the interim Finance Director, Stephen Park.

Register of interests

13. The *Code of good practice on corporate governance*[55] states that the Board should publish, in its Governance Statement, how any identified or potential conflicts of interest of Board members have been managed.
14. In accordance with Cabinet Office guidance, non-executive board members are asked to declare any personal or business interests that may influence, or appear to influence, their judgement in performing their obligations to the Department. This includes personal pecuniary interests, directorships, shareholdings or public appointments, and any such interests of close family members. This information is held in a central register alongside mitigation measures taken.
15. A register of ministers' interests is maintained by the Cabinet Office.[56] Under the terms of the Ministerial Code, ministers must ensure that no conflict arises, or could reasonably be perceived to arise, between their ministerial position and their private interests, financial or otherwise.
16. All Civil Service staff, including all civil servants on the Board, are contractually obliged to adhere to the standards of behaviour set out in the Civil Service Code, which includes requirements with respect to integrity and impartiality. In line with this, guidance is issued periodically to all staff reminding them of the obligation to declare any conflicts of interests.

Board effectiveness review

17. The code of good practice on corporate governance[57] requires all government departments to undertake an annual evaluation of the effectiveness of their Board arrangements. Cabinet Office guidelines recommend a three-stage approach to this exercise:
    - an external review in year one;
    - an internal questionnaire-based exercise in year two, resulting in a short report by the Lead Non-Executive Board Member;
    - and a further external evaluation in year three.
18. Last year, in year two of the cycle, Sam Laidlaw, Lead Non-Executive Board Member, reported that, as a result of the governance review that began in late 2012, the overall results were generally positive. Board members reported greater clarity on their individual and collective responsibilities in the Board and its sub-committees.

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[55] HM Treasury, Cabinet Office (2011). *Corporate governance in central government departments: Code of good practice 2011.* London: Cabinet Office. www.hm-treasury.gov.uk under *Publications* [7.6.14].

[56] The Cabinet Office publishes the list of ministers' interests at www.gov.uk under *Publications*.

[57] HM Treasury, Cabinet Office (2011). Corporate governance in central government departments: Code of good practice 2011. London: Cabinet Office. www.hm-treasury.gov.uk under Publications [7.6.14]

19. This year, in year three, all Board members have been asked to complete a questionnaire which seeks a self-assessment on how effectively the Board operates, the culture of the Board and progress since the previous evaluation. There was also an external peer evaluation by Gerry Grimstone, Lead Non-Executive, Ministry of Defence. A summary of the results of the assessment can be found in the Lead Non-Executive report on page 127.

Board sub-committees

20. The DfT Board is supported by a number of sub-committees, which are as follows:

Executive Committee (ExCo)

21. The Permanent Secretary, directors general, General Counsel, Director of Communications and Director of HR, meet weekly to discuss and scrutinise major workstreams in relation to projects and programmes, policy, and investment and corporate decisions. ExCo focuses on risk and resource management. ExCo also regularly reviews corporate performance, risk and management information in order to maintain an overview of the operations, and delivery progress of the Department.

Executive and Non-Executive meeting (ENEM)

22. The Permanent Secretary, the Department's non-executive directors, and directors general met four times in 2013–14. ENEM provides an opportunity for more in depth support, advice and scrutiny from the non-executive directors on the most important issues facing the Department, which this year included delivery and financial performance, programme & project management (PPM) and commercial capability building, the *Departmental Improvement Plan*, an annual top-down risk deep-dive, transport resilience and cyber security, aviation capacity, the HS2 programme, wider rail policy and delivery, Highways Agency roads reform and the Roads Investment Strategy.

Board Investment and Commercial Committee (BICC)

23. BICC membership comprises the Permanent Secretary, one of the non-executive board members, the directors general, the General Counsel, the Finance Director, heads of Centres of Excellence and the Department's Commercial Adviser.

24. BICC meets once a fortnight, with additional meetings scheduled if necessary to meet the timetables for major investment and commercial decisions.

25. BICC has responsibility for reviewing, within an economic, financial and commercial context, 'Tier 1' projects and programmes as defined by the Department's Business Case Approval Framework (see Investment approval at paragraph 101 below). BICC maintains a portfolio-level oversight of the Department's Tier 1 projects and programmes. This includes obtaining updates on progress and cross-cutting risks.

Group Audit Committee (GAC)

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

27. During the year, the committee focused its attention on the annual report and accounts, shared services, the developing assurance framework, risk management, management assurance, issues in delivery partners, follow-up of internal audit actions and major programmes such as HS2. At each meeting, the committee has received contributions from the main assurance providers, including internal and external audit, as well as presentations on specific areas of interest from management and other assurance functions. To reflect the broad nature of the work of the committee, the Terms of Reference were reviewed against HM Treasury guidance, and it was agreed to rename the committee the Audit and Risk Assurance Committee, with new members being sought to bring additional experience and perspective to the work of the committee. The committee also supported a restructuring of the internal audit function, with the internal audit team joining the Cross Departmental Internal Audit Service. The benefits of this move will include access to a wider range of assurance skill sets and expertise. A report is shared with the Board following each meeting of the committee.

28. The committee has welcomed the appointment of a Director of Assurance within the Department to develop a more holistic integrated assurance framework across the programmes, projects and core activities of the organisation. The committee is also supporting the work of the contract management excellence programme, with Internal Audit taking a lead role in risk analysis and audit of contract management arrangements for a sample of contracts.

Nominations and Governance Committee

29. The Committee is chaired by Sam Laidlaw, the Lead Non-Executive Board Member. Other members are: John Kirkland (Non-Executive Director), Permanent Secretary, Director General Resources and Strategy, and the Human Resources Director.

30. The remit of the Nominations and Governance Committee covers five central elements:

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

Arm's length bodies

31. Part of the Department's business is conducted with and through arm's length bodies (ALBs). These include executive agencies, non-departmental public bodies (NDPBs) and public corporations. Executive agencies carry out an executive function, with policy set by ministers, and are an integral part of government. NDPBs have a role in the process of national government, but carry out their work at arm's length from ministers. Public corporations are public bodies receiving most of their income from selling goods and services or from charges levied for regulatory activities rather than from funds voted by Parliament. Descriptions of some of the DfT's ALBs can be found in Chapter 2 of the Strategic Report, and a full list in Note 21 of the Accounts.

32. The relationship between the Department and its ALBs is governed by the Corporate governance in central government departments: Code of good practice 2011. This section highlights some issues related to the Department's ALBs, including performance reporting, HM Treasury sanction on Directly Operated Railways, HS2 Ltd internal audit opinion, and driving theory test contract.

33. The DfT Board is updated on the performance of the key ALBs through its regular agenda item on management information. The Department's ALBs are accountable and their management assurance reviewed at the GAC. Some executive agencies also own some of the Department's Business Plan actions, and progress on these is regularly reviewed both at the ExCo and the Board (or ENEM).

34. The Department regularly reviews its NDPBs through the Cabinet Office triennial review programme. Since the beginning of the current triennial review cycle in 2011, the review on High Speed 2 Ltd (HS2 Ltd) has been published. The triennial review of the two General Lighthouse Authorities (Northern Lighthouse Board and Trinity House) was published on 9 June[58] and the triennial review of the British Transport Police Authority will be published shortly. The reviews of Traffic Commissioners and Passenger Focus were announced in March 2014 and are in progress. Executive agencies are also subject to review by the Department, as and when appropriate.[59]

35. HM Treasury imposed a sanction of £398,500 on the Department in relation to the Chief Executive and Finance Director at Directly Operated Railways Ltd who were originally engaged off-payroll and brought onto the payroll more than six months after guidance on off-payroll employees came into effect. Both were brought on payroll on 1 August 2013. More information is available in the Strategic Report (page 43).

36. In his annual opinion, the independent HS2 Ltd Head of Internal Audit observed that HS2 Ltd has continued to undergo significant growth and change during the year, and that it has been a challenge for the company to develop and enhance its governance, risk management and internal controls processes to ensure their maturity matches the underlying requirements of the organisation. Overall, the HS2 Ltd Head of Internal Audit has concluded that there is 'reasonable' assurance that the arrangements have been adequate and effective for 2013–14. This assessment rating means that 'systems of corporate governance, risk management and internal control arrangements are generally established and effective, with some minor weaknesses or gaps identified'. Where such weaknesses or gaps have been identified, these have either been addressed or are in the process of being addressed by HS2 Ltd.

37. The Driving Standards Agency (DSA)[60] and the Government Procurement Service (GPS) jointly ran a competition to appoint a supplier for a framework contract to provide computer-based testing for the government. The competition was concluded in early 2013. The decision to award the framework agreement was subject to a formal challenge which prevented award of the contract during the course of the challenge. To ensure continued supply of the driving theory test and a reduction in test fees, and in accordance with Government policy to manage disputes by the most effective and appropriate means possible, this dispute was resolved by agreement. This resolution enabled the award of a government framework agreement to a new supplier in October 2013. A call-off contract for the driving theory test was also awarded such that the new supplier will provide the

[58] DfT (2014). Triennial review of Northern Lighthouse Board and Trinity House. www.gov.uk under *Publications*

[59] More information about reform of the Department's executive agencies is provided in Chapter 2 of the Strategic Report and the Directors' Report.

[60] As at 1 April 2014, part of newly created DVSA

driving theory test from September 2016. The current provider will continue to provide the test until that date. These contract arrangements will result in savings in excess of £100 million over the next nine years with tests becoming available at more locations.

38. As a consequence of the formal challenge, the Permanent Secretary of the Department for Transport commissioned an independent review of the handling of the competition by officials in the then Driving Standards Agency (DSA) and other parts of the Department. This has now concluded. As a result of the challenge, and as a matter of good practice, the Department also conducted a lessons learned exercise with a view to sharing good practice more widely for future procurements and which was published in April 2014.[61] These lessons are being taken forward by the Agency and the Department and include the establishment of a procurement assurance function within the Agency.

Risk management

39. The Department and its executive agencies deliver services to millions of people and substantial investment to our road and rail networks and ICT infrastructure. It is therefore crucial that the Department has the right processes in place to manage risk and that these are consistently implemented across the Department and its agencies. During 2013–14 the Department continued to strengthen its risk management processes and culture across all areas. This section covers the Department's risk profile and policy, processes for managing information and information security, and civil contingencies.

DfT risk profile

40. The Department's risk profile includes a wide spectrum of risks, relating to the performance of transport networks and operational services, transport safety, delivery and implementation of UK and EU policy and significant national infrastructure projects.

41. Over the year, the Department's portfolio of red risks, i.e. those with a very high impact and likelihood, increased. This increase reflects the significant increase in scale of operations the Department is undertaking. In particular, the risk profile of the HS 2 programme has changed to reflect the transition to the delivery phase of the project, following the successful passing of the HS2 paving Bill in November 2013. As the programme progresses we will continue to maintain close oversight of risks and mitigation to ensure the programme is successfully delivered on time and within budget. A number of significant risks relating to delivery of particular projects emerged during the year, including the need to mitigate for air quality impacts on a few major road schemes. A number of high impact corporate risks also emerged. These included:

- the difficulty of attracting, recruiting and retaining the staff with the necessary skills and experience to deliver the Departments' key business objectives;
- the affordability of the Department's key business objectives within its resource budgets over the next spending review period; and
- high-impact natural hazards affecting transport.

[61] DfT and DVSA (2014). Driving test theory: lessons learned [online]. www.gov.uk under *Publications*.

DfT risk management improvements

42. In line with the continued strengthening of DfT's governance structures, in April 2013 the Executive Committee approved a refreshed risk management policy and supported a campaign of risk awareness actions. These included:

- monitoring the implementation of the re-launched risk policy across the Department and its agencies via a network of risk co-ordinators and agency risk improvement managers;
- improving risk training with the introduction of a tailored risk training session open to all staff;
- launching an internal communications campaign to further reinforce the risk policy and how it should work in practice;
- ensuring all identified risks are escalated rapidly, subject to their likelihood and impact and in line with the Department's policy, to the appropriate forum for discussion and action;
- ensuring all risks identified as 'red' or having the potential to become 'red' are reviewed by the Executive Committee and the Executive and Non-Executive Meeting or Board on a regular basis; and
- enhancing the Board Investment and Commercial Committee's insight on portfolio-level risks.

43. The Department has also been developing and rolling-out a new Risk Management Information System, which went live in March 2014. This will assist all teams to manage their risks more effectively, and provide the Department with a comprehensive data set of all its risks in a single location. This will enable improved oversight and Department-wide analysis.

DfT risk policy

44. The refreshed DfT risk policy applies to the central Department and its executive agencies. The policy, aligned to HM Treasury *Orange Book* guidance, has been embedded across all areas and provides detail on the expectations on individuals and the risk behaviours that are demanded of all staff across the Department.

45. The Department has an open appetite to risk, which means it is willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward. Therefore, risk appetite is considered on a risk-by-risk basis after consideration of costs/benefits of mitigating actions, trade-offs, cross-cutting issues and cumulative risk exposures. Some agencies, projects/programmes or business processes have considered risk appetite in relation to specific risk types and defined it further.

46. There has been a continued focus on ensuring risk management is embedded into forward planning of the Board's and the Board sub-committees' agendas. Consideration of cross-cutting risks has also been built into the emerging BICC portfolio management tools. During the year, the Board and BICC both undertook a top-down risk review, which identified the most significant concerns and risks, and cross-cutting risks that may impact on the Department's major programmes and projects.

47. The Group Audit Committee provides support to the Accounting Officer in relation to the effectiveness of risk management across the Department and its agencies. Further assurance on the correct application and implementation of the risk policy is provided in a number of ways:

- project assurance reviews;
- in January 2014, DfT's Group Internal Audit commenced an audit of risk practices in DfT, which has now been completed and recommendations will be taken forward in the new financial year; and
- heads of unit also provide assurance statements on risk policy every six months, which are then analysed by the Department's Risk Improvement Manager.

Managing information and information security

48. The handling of data and information carries significant risks to government departments and DfT is committed to ensuring its information is managed and valued.

49. DfT publishes its information asset register and champions the transparency agenda through the Transport Transparency Sector Board.

50. The DfT information governance structure complies with the information standards as set out in the security policy framework. This enables the Department to manage the risks related to both safe handling of information and making maximum use of information for wider business benefit. A network of information asset owners (IAOs) provides ongoing management of information risk and assurance to the Senior Information Risk Owner (SIRO). This structure is replicated across all DfT agencies, providing annual assurance to the Department.

51. The Department and its agencies have, over the past few years, been assessed against the information assurance maturity model (IAMM) issued by the Cabinet Office. This is designed to offer departments the means to self-assess and establish a programme of work to embed a culture of information risk management.

52. In 2012–13, we undertook a gap analysis against last year's IAMM assessment to understand how and where we have addressed areas for improvement, any new areas of concern that have arisen and priorities for the year ahead.

53. In 2013–14, we focused on implementing training for the new Government Security Classification Scheme and the adjustments this will require in policy, practice and individuals accountability for the information they work with. The IAOs have received training in how to apply this to current information assets.

54. A summary of the personal data related incidents that have occurred during 2013–14 is published in the Directors' Report in Section 7.3.

Civil contingencies

55. The Department and its agencies also contribute to government planning for, and its response to, a range of national civil emergencies, particularly those with a significant transport component or those that may cause transport disruption or threaten the security of UK citizens. The starting point for this is the annual national risk assessment (NRA) prepared by the Cabinet Office. DfT is the lead Department for a range of risks on the NRA. Of the risks owned by other government departments, almost all have some implications for transport.

56. In the event of significant civil emergencies DfT becomes engaged in the cross-Whitehall response and subsequent recovery efforts. We work closely with stakeholders to ensure they are aware of the potential threats and put in place robust business continuity and contingency plans in response to them. During 2013–14 the Cabinet Office machinery was activated formally in response to disruptions arising from the following:

- October 2013 – Grangemouth refinery industrial dispute; and severe storms; and
- December 2013 to February 2014 – prolonged episodes of severe flooding, severe storms, and tidal surges.

Financial governance, management and controls

57. It is a key responsibility of the Accounting Officer to ensure that the Department uses its resources efficiently, economically and effectively. All those concerned with the administration of the Department support the Accounting Officer in discharging those responsibilities, including appropriate governance and management processes. They are supported by specialists in corporate functions who maintain processes to ensure that suitable arrangements are in place in areas such as financial governance; financial and corporate planning; financial loss; fraud, bribery and whistleblowing; and localism and accountability.

Financial governance

58. The Department's corporate governance framework describes the responsibilities of directors general to manage annual budgets and Business Plan commitments. The DfT Board, ExCo and investment boards also review and approve financial decisions, while the GAC reviews financial management and governance processes.

59. Group Finance Directorate includes staff responsible for financial planning and for maintaining financial controls and reporting; and finance business partners who work with the business units to ensure sound financial management. These teams provide professional advice to the business, ExCo, the DfT Board and other committees and boards.

60. Finance directors of executive agencies and other arm's length bodies have an indirect reporting relationship to the Group Finance Director, and, through membership of the finance leadership team, have a shared responsibility for building up the Department's financial management capability.

61. The Department's corporate planning process allocates the budget voted by Parliament to all parts of the organisation. Group Finance Directorate monitors budget changes to ensure they have been implemented in accordance with decisions made by ministers and the Board, and reviews the actual and forecast outturns each month to check that expenditure is managed in line with approved budgets. This monitoring is designed to ensure that the Department does not breach any of the Parliamentary control totals (resource DEL, capital DEL, resource AME, capital AME, cash and administration), while also providing advice where necessary on options to avoid excessive underspends.

62. The reported underspend for 2013–14 (see Statement of Parliamentary Supply) is larger than was forecast during the year. Group Finance Directorate is analysing the business areas that contributed to this and the reasons behind it, and will consider the action needed to enhance financial management processes and ensure that more accurate budget forecasts are available earlier in the year, enabling more informed decisions to be made on in-year spending options.

Shared Services

63. The Department divested its Shared Service Centre to an external provider on 1 June 2013, and in so doing, has established the Government's first Independent Shared Service Centre 1 (ISSC1). It continues to manage the full transactional systems of SAP and Business Intelligence for the central Department, DVLA and DSA, and payroll and HR for the Highways Agency. Work has been undertaken to prepare for the migration to a new Agresso platform, and for the migration of other agencies to the Shared Services Centre, during 2014–15, including ensuring that systems continue to meet both business requirements, and the requirements for financial control.

64. The Department contracts with ISSC1 via a call-off contract under a framework agreement managed by the Cabinet Office. The Cabinet Office is the accountable contract manager for ISSC1 and has put in place a contract governance framework which enables it to manage service delivery standards on behalf of ISSC1 customers. As the framework authority, the Cabinet Office Accounting Officer is responsible for providing DfT with assurance that ISSC1 is meeting its contractual obligations; the Cabinet Office Accounting Officer is supported in this role by a dedicated Shared Service Audit Committee.

65. The Cabinet Office Shared Service Audit Committee has advised the Cabinet Office Accounting Officer that there are reasonable assurances supporting the operation of ISSC1's business controls during 2013–14. This reasonable assurance is based on legacy assurances from DfT management and Internal Audit prior to divestment, as well as new assurances from ISSC1 management and its independent auditors post divestment. I have therefore placed reliance on the assurance received from the Cabinet Office Accounting Officer, regarding the control environment in which shared services has operated and the effectiveness of those controls, which he has assessed as reasonable for the whole of the financial year 2013–2014.

Financial and corporate planning

66. The Strategic Finance and Planning Division manages spending reviews, annual financial planning processes and the Department's response to fiscal events such as Budget and Autumn Statement. These set out the Department's spending priorities and total funding envelopes, categorised into Parliamentary control totals. Within these envelopes, the Department sets indicative budgets for its programmes covering the relevant spending periods. These budgets are refreshed in line with priorities via an annual corporate planning process. Allocated budgets are then approved via the Main Estimate and processed and captured at a more detailed level on internal systems. These are then updated at Supplementary Estimate.

67. The corporate planning process for 2013–14, which confirmed budgets for years 2014–15 and 2015–16, aimed to align both people and financial resources to the Department's objectives and ministers' priorities. Information was captured against a set of workstreams, intended to be an exhaustive list of the Department's work, to enable prioritisation decisions to be taken against a backdrop of increased capital investments and reducing resource budgets.

Fraud, bribery and whistleblowing

68. The Department follows the Cabinet Office guidelines and takes a 'zero tolerance' approach in the event of any fraud or bribery. Within the Department and its agencies, any suspected cases of fraud or corruption are investigated vigorously. The Department's policy is to take disciplinary and/or legal action where appropriate against any who perpetrate, are involved in or assist with fraudulent or other improper or illegal activities.

69. For reporting purposes, fraud and corruption includes all of the offences relating to the Fraud Act 2006, Theft Act 1978 and the Bribery Act 2010. The Department also reports any ‘near misses’ in terms of financial loss, risks and reputation. The ‘financial loss’ section below summarises recent incidents.

70. The Department adopted the recommendations of the Ministerial Committee on Public Expenditure: Efficiency and Reform (PEX(ER)) to reduce internal and external fraud and official and customer error across government by appointing Jonathan Moor, Director General, Resources and Strategy as its accountable officer for fraud losses. A DfT-wide action plan, to address areas of fraud risk assessment and awareness was also devised in consultation with the Cabinet Office.

71. The central Department and its agencies have fraud, bribery and whistleblowing procedures in place to make clear how any cases will be dealt with and how staff can report suspicions and/or concerns.

72. The Department actively participates in the fraud alerts system and other fraud awareness initiatives run by the Cabinet Office, which seeks to share intelligence about specific fraud risks and raise awareness of issues encountered across government. Regular fraud awareness courses are also run for staff within the central Department its the agencies.

73. The Department holds quarterly meetings of its Fraud, Error and Debt Group, comprising fraud officers and other representatives from business units across the Department and its agencies. It considers updates from group members on counter-fraud activity across the Department, advice and initiatives from the Cabinet Office, information sharing, best practice and any areas of concern impacting on the Department’s policies and procedures.

Financial loss

74. There were no new fraud cases reported in the central Department. Where appropriate, incidents occurring within the Department’s agencies and arm’s length bodies during 2013–14 have been noted in their own governance statements.

75. Action has been taken in respect of areas of identified vulnerability to financial loss, and previous incidents, as follows:

    - The Department has previously identified the Bus Service Operators Grant (BSOG) as susceptible to the risk of financial loss. Control improvements have been introduced whereby grant claim forms place greater emphasis on the possible implications of making a fraudulent claim.
    - An investigation was undertaken into an incident where a contractor had duplicated data on a baseline survey. This was found to be an isolated incident.
    - The Department funds a programme of 44 local authority PFI projects for street lighting. The Department was made aware of a case of potentially fraudulent activity relating to a contractor and sub-contractors, involving inflated invoices and duplicate invoice payments. A review identified no losses by the authorities (or the Department) nor any evidence of wider concerns regarding the data integrity of the contractor’s self-reporting under the PFI contracts.

Localism and accountability

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

77. Accountability for this local funding is set out in the Department's accountability system statement, available in full on our website.[62] The information below provides a summary of DfT's accountability system statement.

Formula funding

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

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

80. The Department for Communities and Local Government's (DCLG's) Accounting Officer, as lead Accounting Officer across central government with respect to local government, provides the assurance that a core framework is in place that requires LAs to act with regularity, propriety and value for money in the use of all of these resources.[63]

Challenge/bid-based funding

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

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

83. The mechanisms in place to ensure the regularity, propriety and value for money for specific individual funding streams are set out in more detail in the Department's accountability system statement.

Transport for London

84. The Department is required under Section 101 of the Greater London Authority Act 1999 to provide a transport grant to the Greater London Authority, which in turn is effectively obliged to pass it to Transport for London (TfL).[64] The Department cannot direct the Mayor of London as to what purposes this funding can be used, but it remains involved to ensure that regularity, propriety and value for money in the use of these resources are achieved.

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62 DfT (2012). Accountability system statement [online]. www.gov.uk under *Publications* [7.6.14].

63 DCLG (2012). *Accounting Officer Accountability System Statement for Local Government.* London: Department for Communities and Local Government. www.gov.uk under Publications [8.6.14].

64 HM Government (1999). Greater London Authority Act. www.legislation.gov.uk [7.6.14].

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

Crossrail and funding for rail services

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

Data, transparency, failure and intervention

87. The Department recognises that a key aspect of being able to hold both the Department and local government to account is that of comparable data and the ease with which it can be accessed. The accountability system statement sets out what the Department is already doing in regard to data at the LA-level and its plans for the future.
The Department expects to make further progress once more transport-related data is available on LG Inform.[65] This will include progressing the recommendations in the Public Accounts Committee's report *Funding for local transport: an overview* by expanding the section in the accountability system statement on failure and intervention.[66]

Chartered Institute of Public Finance and Accountancy (CIPFA) review of financial management

88. In September 2013, the Department commissioned CIPFA Business Ltd to undertake a review of its financial management. The review of the central Department mainly took place during November and December 2013 and CIPFA provided the Department with a draft report in March 2014. The review found that DfT scored around average compared with other organisations. The findings are typical of other central government departments, with generally strong stewardship and governance, budget management and reporting, and internal systems and processes. Areas for development include people management, value for money challenge and culture, and transformational financial management. The Department is taking forward the draft action plan through reviews of both its finance and procurement functions. CIPFA's report on the Highways Agency has been finalised and actions to further enhance financial management have been agreed. Reports on some of the Department's other arm's length bodies are in progress.

Assurance

89. It is the responsibility of the Department to carry out project appraisal objectively and fairly, using cost-benefit analysis and generally seeking good value for the public sector as a whole. The Department uses many tools to ensure that it spends public money correctly and in a way that provides good value for money. This section includes information on management assurance; management reporting; investment appraisal; and analytical assurance.

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[65] http://lginform.local.gov.uk/

[66] PAC (2013). *Funding for local transport: an overview. Twenty-fifth Report of Session 2012–13.* London: House of Commons Public Accounts Committee. www.publications.parliament.uk under *Publications & records*. [9.6.14].

Management assurance

90. Management assurance is a key component of the internal control and compliance framework. Other components include governance and assurance provided by the heads of profession and work undertaken independently by audit and other reviews. It ensures that directors general and directors in the Department, and chief executives in the agencies and arm's length bodies, have an informed assessment of the operation of processes and controls in key business areas, which they can challenge, and from which they identify actions for improvement.

91. A new approach to management assurance was launched in January 2014. This has a clearer set of questions developed in consultation with subject matter experts and business process owners. Directors are required to review controls within their areas of responsibility, rate their effectiveness and draw up an action plan for any areas of assurance where controls are not operating effectively.

92. Returns are completed by each directorate in the central Department and are consolidated and challenged by directors general. Each of the Department's executive agencies and arm's length bodies has also been asked to complete the questionnaire, which should be discussed by their audit committees before being returned to the central Department. Some agencies have continued to use their own management assurance tools and transferred the results to the tool developed by the central Department.

93. The time frame for this year's management assurance exercise differed from previous years to allow for sufficient time to develop the revised suite of questions and build an enhanced software tool. A half-yearly exercise was not undertaken, as in previous years. Instead, one exercise was undertaken as at 31 December 2013 with a follow-up review for any significant changes to take it up to 31 March 2014. The group results were then considered by the Permanent Secretary and the Group Audit Committee.

94. The 2013–14 review has identified relatively lower ratings in the areas of records management, succession planning, fraud and bribery, business continuity, and embedding health and safety. Action plans have been developed by each director general, and will be taken forward in conjunction with subject matter experts for each of these areas.

95. Following a review of the effectiveness of the revised process for the year, the Department recognises the need to engage further with the arm's length bodies to develop the process in a way that is appropriate for their circumstances as well as the central Department.

96. The subject matter experts and Internal Audit have reviewed the outcome of the year-end management assurance exercise and provided their own assessment of the results for the central Department. In some cases their assessment of assurance is lower than that of directorates and this will be followed up in discussion. The review by subject matter experts has confirmed the areas of relatively weaker assurance.

Management reporting

97. The Department makes use of management information systems to gain assurance about value for money and the quality of delivery. Sam Laidlaw provides an assessment of the Board's management information in his lead non-executive report.

98. A Management information Pack and covering paper are issued monthly to the ExCo, and to each Board and ENEM. These summarise the Department's financial information and progress against published DfT Business Plan commitments and major projects. On a quarterly basis, the ExCo and ENEM or Board also receive a quarterly delivery report, which details the Department's performance across around 40 programmes, projects and policies. All this data is collected through the Management Information system that is widely used by all business areas. There are separate arrangements to collect management information from the agencies.

99. Departmental finance reports are produced monthly and reviewed by finance professionals. Data from the management information systems is also used by the finance business partners, who produce detailed monthly reports for their director general groups to manage budgets and performance.

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

Investment approval

101. The Strategic Finance and Planning Division reviews and provides clearance for spending decisions, including all investment decisions as set out in the three-tier governance structure defined in the Department's Business Case Approval Framework (BCAF). The criteria defining the three-tier levels are set out in the BCAF and include financial cost, degree of risk exposure, change in strategic direction and lost opportunity. The appropriate investment board for each area and the financial thresholds that apply at each level are set out below:

    - Tier 1: the Board Investment and Commercial Committee. This includes projects with an initial procurement cost or contract value of £100 million or more (or £200 million or more if it is a road capital project), contracts providing a third-party gross revenue or gross subsidy of over £200 million, projects carrying high-impact corporate risks, and those involving a major change in DfT working arrangements.
    - Tier 2: investment committees: the Rail Investment Board, HS2 Programme Investment Board, Highways Investment Board, Motoring Services Investment Board and Local Transport Investment Committee, which considers local authority major scheme investment decisions. Financial thresholds that apply at tier 2 are: Highways Major Programmes spend between £50 million and £200 million; Motoring Services projects, programmes and policy announcements between £10m and £100 million; and all other projects and programmes, announcements and policy proposals with spend between £50 million and £100 million.
    - Tier 3: individual project boards, delegated budget holders and agency directorates consider investment decisions falling below the tier 2 thresholds set out above.

Analytical assurance

102. In line with the Macpherson Review of quality assurance of government analytical models, which was commissioned by the Government and undertaken by Sir Nicholas Macpherson, the Department established its analytical assurance framework, *Strength in Numbers*, in June 2013.

103. The framework has been in place since then and specifies how analysis is used and produced in the Department. As part of the framework, DfT has a register of business critical models along with the appointment of a single specialist senior model owner for each business critical model. The Department is also planning to publish an updated list of business critical models later in the year.

104. *Strength in Numbers* helps build a culture of mutual understanding amongst policy and analyst leads around the risks and limitations of any analysis, and this is communicated to decision-makers in submissions. The identification of specific roles and responsibilities and the use of analytical strategies also play an integral role in building the foundations of this strong assurance framework. Over the last year, the Department has taken a proactive role in embedding the Framework across the Department and also evaluated how this is being implemented across different areas. Throughout 2014–15, the Department plans to continue to embed and strengthen *Strength in Numbers* within the Department and will be working with ALBs to ensure that every piece of analysis is right for the decision it supports.

Independent and external review and reporting

Internal audit

105. The Department's Group Internal Audit function operates to prescribed public sector internal audit standards. The Group Head of Internal Audit (Group HIA) provides the Department's Accounting Officer with an independent opinion on the adequacy and effectiveness of the Department's systems of internal control, and makes recommendations for improvement. The work of the division is based on its analysis of the Department's risks, and its audit programme is endorsed by the Group Audit Committee. Regular reports are provided by Internal Audit to the Department's management, to the Group Audit Committee and, as appropriate, to the Executive Committee.

106. The Group HIA has provided the Permanent Secretary with a report on internal audit activity in the Department for 2013–14, which includes his independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. The results of internal audit's work demonstrate an improvement in controls during the year, such that the Group HIA has informed the Permanent Secretary that there is 'reasonable' assurance that the arrangements for control, risk management and governance have been adequate and effective in 2013–14. A reasonable assurance means that systems of governance, risk and internal control are generally established and effective, with some minor weaknesses or gaps identified.

107. The Group HIA has recommended improvements in controls within the franchising programme; over core controls, in areas such as HR, pensions administration, IT and expenses; and, over business critical models.

108. Public sector internal standards require an external assessment of internal audit every five years, and a review of Audit and Risk Assurance (ARA) is now due. With the agreement of ARA's key stakeholders, an external assessment of ARA has been deferred until 2014–15, as ARA transitions its activities to join the Cross-Departmental Internal Audit Service (XDIAS). We will commission an external assessment of ARA later in 2014–15.

Major Projects Authority and assurance reviews

109. The Department is committed to continually building the programme and project management (PPM) capabilities of all its staff and is working closely with the Major Projects Authority (MPA) in doing so and ensuring consistent good PPM practices are being applied across all projects. From its portfolio the Department has 12 projects that form part of the Government Major Project Portfolio (GMPP) requiring quarterly reporting to the MPA.

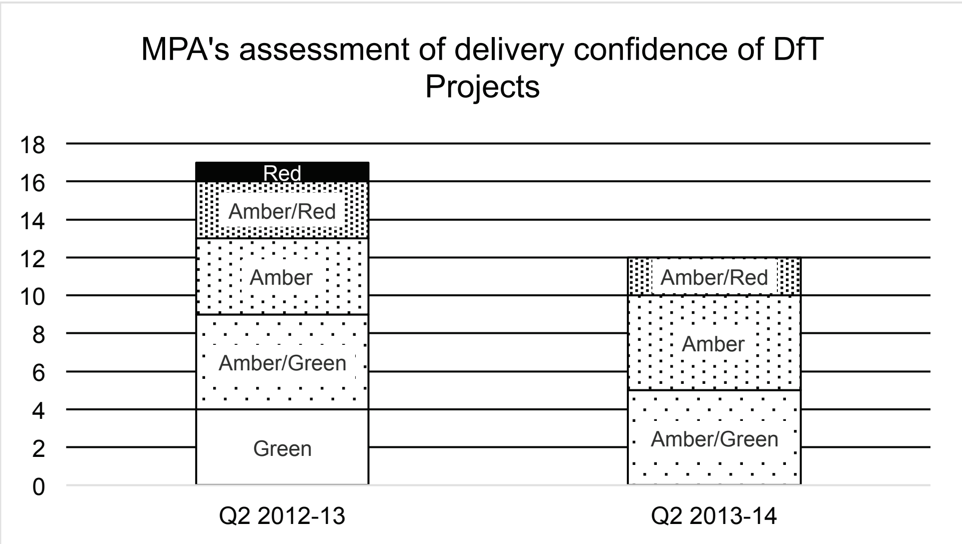
110. The Department uses integrated assurance and approvals plans, which are mandatory for GMPP projects, and have instigated an integrated assurance statement (IAS) process to ensure that projects are planning and undertaking assurance reviews at relevant points in the project lifecycle. During 2013–14, DfT undertook 12 assurance reviews for those projects reporting via the GMPP.

111. The Department has made significant steps to support its major projects by:

- enhancing its PPM maturity through centralised advice and support, the development of a PPM toolkit and the creation of PPM networks to share and build experience;
- developing a senior responsible owner (SRO) network to share lessons and advice, including the issuing of SRO appointment letters signed by the Permanent Secretary for all tier 1 projects;
- sending 16 SROs and Project Directors on the Major Projects Leadership Academy (MPLA) to date (8 during 2013–14), with more planned for subsequent cohorts;
- implementing a portfolio management function for tier 1 projects, enabling the Department to better manage its strategic priorities, drive efficiency and provide greater insight into portfolio decisions;
- improving scrutiny by revising the business case review process making the process more transparent so that projects are providing the information the Department needs to take decisions; and introducing an IAS for all Board Investment and Commercial Committee (BICC) papers;
- updating and defining the process for projects entering and exiting the GMPP;
- continued quarterly reporting of GMPP projects to the Executive Committee; and
- obtaining Association for Project Management (APM) Corporate Accreditation for our PPM professional development scheme.

112. The MPA published its second annual report on the GMPP on 23 May 2014.[67] In parallel with this, the Department published its Quarter 2 2013–14 GMPP project list which includes the MPA delivery confidence rating.[68] The MPA rating is derived from a combination of a project's size, scale, the degree of risk, complexity and timeframes involved, noting that it is not unusual for projects of a large scale and early on in their lifecycle to have a low delivery confidence assessment. In DfT 84 per cent of our projects were assessed as 'amber' or better with three reporting an increase in delivery confidence from the last period. More information on each of these projects is available on Gov.uk.[69]

Figure 3: MPA's assessment of delivery confidence of DfT projects



113. As with other departments, the DfT continues to improve project delivery confidence by strengthening PPM capabilities. We work with the MPA and other Departments drawing and sharing of good practice and experience.

External audit

114. During 2013–14, the National Audit Office (NAO) published three reports directly related to the Department and these are available on its website.[70]

- *High Speed 2: A review of early programme preparation*, published 16 May 2013;
- *The Department for Transport: Progress in delivering the Thameslink programme*, published 5 June 2013;
- *Crossrail*: published on 24 January 2014; and
- *Maintaining strategic infrastructure – roads*: published on 6 June 2014.

115. The NAO concluded that the strategic case for Crossrail has become clearer over time and that taxpayers' interests in the programme have been protected. On Thameslink, the NAO

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[67] Cabinet Office and Efficiency and Reform Group (2014). *Major Projects Authority annual report 2013–14.* London: Cabinet Office. www.gov.uk under *Publications* [9.6.14].

[68] The government's transparency policy requires departments, from May 2013, to publish information on their major projects six months in arrears and to update this annually. More information is available from Cabinet Office (2013). Major projects: transparency policy and exemptions guidance [online]. www.gov.uk under *Publications* [9.6.14].

[69] DfT (2014). *DfT Government Major Projects Portfolio data, 2014*. [online] www.gov.uk under *Publications* [18.6.14]

[70] www.nao.org.uk under *Publications*

concluded that the Department has a clear case for investment in the programme but that value for money cannot be demonstrated until the new Thameslink service is running. High Speed 2 is at a very early stage of planning and development and, as such, NAO cannot conclude on whether the programme is likely to deliver value for money.

Parliamentary scrutiny

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

Transport Select Committee

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

118. As well as ministers and members of DfT staff appearing in front of the committee to give evidence when called to do so, the committee produces reports with recommendations for the Department. The committee has produced a number of reports during the year, covering a range of issues including HS2, transport preparedness for winter weather, access to ports, local authority parking enforcement, access to transport for disabled people, flight time limitations, cost of motor insurance, the work of VOSA, and aviation strategy. The Department’s responses to these reports are published on the committee’s website.

Public Accounts Committee

119. The Public Accounts Committee is appointed by the House of Commons to examine the Department’s accounts and focuses on value-for-money criteria which are based on economy, effectiveness and efficiency.

120. Members of DfT staff appear in front of the committee to give evidence when called to do so. The committee has produced a number of reports and recommendations during the 2013–14 financial year, including on Thameslink and HS2. The Department responds to these reports in the form of Treasury Minutes (which are formally submitted by HM Treasury) and these are published on the committee’s website.

Other committees

121. A number of other select committees have an interest in the work of the Department. In the course of 2013–14, ministers and officials have given evidence to specific inquiries by the Environmental Audit Committee, Scottish Affairs Committee, Welsh Affairs Committee and International Development Committee.

Conclusion

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

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

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

125. Much work has been done on strengthening the Department's governance arrangements, and our project and programme management (PPM) capability and skills. The Department will continue to work hard to strengthen its assurance and control processes. This is appropriate not least given the scale of the task ahead of the Department in infrastructure investment and service transformation.

Philip Rutnam 20 June 2014

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

Report from the Lead Non-Executive Director

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

Strategic clarity

2. The Department's priorities are set out in the departmental Business Plan and the Board and non-executive directors help to ensure that all of the Department's activities contribute towards these priorities. The Department has also taken a more strategic approach to setting the agenda of the Board and its sub-committees, which helps the Department to focus on its top issues.
3. In August 2013, the Department published *Transport: an engine for growth* which set out the strategic context to the 2013 Spending Round and recognised the importance of infrastructure investment to economic growth in the UK. In the Spending Round 2013, the Government made a commitment to invest £9.5 billion in the UK's transport network in 2015–16. As a part of the settlement, the Government set long-term capital budgets for national roads, local roads, Transport for London and High Speed 2. This was welcomed as longer term clarity over transport spend is a prerequisite to efficient delivery of outcomes.
4. This document outlined six key principles for making progress on the investment package: delivering on time and on budget, comprehensive investment, maximising economic benefits to the UK, protecting the environment and harnessing technology, working with the private sector, and giving our partners, including local authorities and the Highways Agency, more control.
5. The DfT Business Plan, Spending Round 2013 settlement and the *Transport: an engine for growth* provide strategic clarity for the Department as well as an exciting and challenging agenda for the coming years.

Commercial acumen

6. Much of the Department's agenda is dependent on the delivery of large-scale capital projects by the private sector or commercial arrangements with the private sector (such as rail franchising). It is therefore crucial that the Department has appropriate commercial skills to successfully deliver these projects. The perspective and experiences that the non-executives bring to Board discussions, particularly in the areas of risk and commercial scrutiny, are particularly valuable.
7. My fellow Non-Executive Board Member Ed Smith has taken a leading role in the Board Investment and Commercial Committee (BICC), which reviews the Department's most significant programmes and projects. BICC itself seeks to play an active role in identifying

and promulgating best practice in commercial matters through its consideration of a broad range of major commercial issues across the Department and its agencies.

8. The Department recognises that building sufficient commercial capability is a key challenge. It is one of the primary areas of focus in the Learning and Development Plan. The creation of the Rail Executive and proposed transformation of the Highways Agency should also enable these areas to recruit appropriate commercial skills.

Talented people

9. The Board regularly reviews organisational capability, employee engagement, attrition, absence and progress towards driving a stronger performance culture. The impact of public sector pay constraints presents difficulties for attracting and retaining highly qualified personnel, particularly in the commercial arena. However, the Department has strengthened its leadership with additions from other parts of government and continues to seek to attract high-calibre commercial people from the private sector. The Department has also taken steps to reform the organisational arrangements of the rail group and the Highways Agency to help to attract individuals with the right skills.

10. The Board's Nominations and Governance Committee comprises of non-executive directors and senior civil servant. It is chaired by the lead non-executive and meets two times a year and reviews succession planning for Board positions, both senior executive positions and non-executive Board appointments. The committee, whilst advisory in nature, scrutinises the systems for identifying and developing leadership and high potential within the Department.

11. DfT has also made significant progress in building the capability it needs to achieve its very challenging agenda. The DfT skills audit has identified a number of key areas for the Department to focus on in its Learning and Development plan: i.e. programme and project delivery, commercial, communications and digital, and leadership and management. The Board has also been closely involved in the work on strengthening the Department's capability in programme and project management (PPM). Much work has been done on training and understanding the role of the senior responsible owners (SROs) across the Department.

12. The announcement of the creation of the new Rail Executive, together with the Office of Rail Passenger Services, is also an important step forward in creating a single Centre of Excellence to deliver the Rail Investment Strategy and the franchising programme.

Results focus

13. Over the last financial year, the Department made significant progress in a number of key areas of the departmental Business Plan. Progress has been made in the legislation for HS2, as the HS2 paving Bill received Royal Assent and the HS2 hybrid Bill was introduced in Parliament. The new programme of rail franchising has begun, with franchise competitions for Essex Thameside, and Thameslink, Southern and Great Northern (TSGN). Intention to award the TSGN franchise was announced on 23 May 2014.

14. The Department's Red Tape Challenge programme is also well advanced delivering true benefits to the UK. For instance, in the coming financial year, 36 million vehicles will no longer need a paper tax disc, and more than 17 million changes to address and vehicle details will be possible online.

Management information

15. The Board uses management information regularly to assess progress against milestones and budgets for the priorities set out in the departmental Business Plan, as well as performance of key sponsored bodies. The Board challenges whether the timetables and resources are sufficiently stretching and whether appropriate resources are available. Over this financial year, the Board has seen an improvement in management information, which has led to an improvement in the quality of discussions.

16. The Executive has also developed supplementary performance management information for Executive Non-Executive meetings which provide additional transparency as to financial and operational performance.

17. The Board also regularly reviews the progress of all major capital projects, as well as examining top and emerging risks for the Department. In addition, regular reviews are held as to the status of resource and capital budgets, staffing levels, headcount attrition and absence.

Board effectiveness evaluation

18. I have overseen this year's Board Effectiveness evaluation, a requirement of the Corporate Governance Code. This year's evaluation considered the maturity and effectiveness of the Board and included a peer review carried out by myself and Gerry Grimstone, the Lead Non-Executive at the Ministry of Defence.

19. The overall results are generally positive with members reporting a good understanding of the roles and responsibilities of the Board and of their individual or collective responsibilities. There has also been an increased understanding of the roles and responsibilities of sub-committees. Most members agreed that the Board is operating more effectively than 12 months ago.

20. Improvements have also been recognised in developing and maintaining a strong focus on a clear set of objectives which are linked to the business plan and strategic priorities of the Department, but this will continue to be a key area of attention into 2014–15 Members agreed that the Board receives appropriate and accurate information on delivery and financial performance and that there is an increased understanding of key risks facing the department.

21. Encouragingly, there is a strong sense amongst the Board that members are listened to and are able to contribute and challenge effectively in meetings and has enough diversity of views to encourage debate. There is a continued sense that the Board has the correct mix of skills and experience with most members agreeing Ministers, Executives and Non-Executives engagement with the Board has been strong.

22. In terms of Board dynamics continuing to strengthen the links between the Board and its sub-committees, improving feedback loops in particular and improving visibility of performance of the Arm's Lengths Bodies and their risks remains a challenge.

23. The evaluation has been a useful stock take on our progress as a Board this year and has provided useful action points to take forward in 2014–15 to enable further development.

Looking ahead

24. With strong leadership, the Department has responded with resilience and maturity to the cancellation of the InterCity West Coast competition. Significant progress has been made over this financial year in a number of areas, including in implementing recommendations from the Laidlaw and Brown reviews. The reformed franchising programme is progressing to schedule, HS2 legislative process is well underway, and the Department is overseeing record investment in the road network.

25. However, the task ahead is considerable. Over the upcoming financial year, the Department will work towards transforming the Highways Agency into a government-owned company, it will manage the franchising programme to a challenging schedule, and will need to continue to improve its capability to deliver record infrastructure investment. The momentum on HS2 needs to be maintained. My fellow non-executive Richard Brown will also be leading a Transport Resilience Review, looking at the impact severe weather has on transport and its interconnections with climate change. The recommendations of the Davies Review on aviation will have long-term implications not only for the travelling public and Britain's economic growth but also for the Department's workload.

26. It has been a privilege to be involved with the Department in my capacity as an independent Lead Non-Executive Board Member. I, along with the other non-executives, look forward to supporting the Department in facing upcoming challenges and delivering the ambitious strategic goals that are vital to the quality of life, industrial competitiveness and economic growth of the UK. With an ambitious programme of road and rail investment it is of paramount importance that the Board ensure that no momentum is lost in the transition to a new Government.

Sam Laidlaw

Lead Non-Executive
Department for Transport

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department of Transport and of its Departmental Group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure

(Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2014 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse 24 June 2014

Comptroller and Auditor General

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

Departmental Accounts

Statement of Parliamentary Supply

for the year ended 31 March 2014

Summary of Resource and Capital Outturn 2013-14

£000		2013-14							2012-13
									(restated)
		Estimate			Outturn			Voted Outturn vs. Estimate	Outturn
	Note	**Voted**	**Non-Voted**	**Total**	**Voted**	**Non-Voted**	**Total**	**Voted**	**Total**
Departmental Expenditure Limit (DEL)									
- Resource	SOPS 2.1.1	4,929,662	17,596	4,947,258	4,780,256	10,613	4,790,869	149,406	5,350,923
- Capital	SOPS 2.1.2	8,535,895	9,074	8,544,969	8,453,406	6,108	8,459,514	82,489	7,827,357
Annually Managed Expenditure (AME)									
- Resource	SOPS 2.1.1	1,515,301	1,168	1,516,469	877,607	(1,140)	876,467	637,694	605,389
- Capital	SOPS 2.1.2	50,001	-	50,001	12,633	-	12,633	37,368	(60,819)
Total Budget		15,030,859	27,838	15,058,697	14,123,902	15,581	14,139,483	906,957	13,722,850
Total Resource		6,444,963	18,764	6,463,727	5,657,863	9,473	5,667,336	787,100	5,956,312
Total Capital		8,585,896	9,074	8,594,970	8,466,039	6,108	8,472,147	119,857	7,766,538
Total		15,030,859	27,838	15,058,697	14,123,902	15,581	14,139,483	906,957	13,722,850

Net Cash Requirement 2013-14		**£000**		**2013-14**	**2012-13**
					(restated)
	Note	**Estimate**	**Outturn**	**Outturn vs. Estimate**	**Outturn**
Net Cash Requirement	SOPS 4	12,810,453	12,274,703	535,750	12,489,414

Administration Costs 2013-14 (Net)		**£000**		**2013-14**	**2012-13**
					(restated)
	Note	**Estimate**	**Outturn**	**Outturn vs. Estimate**	**Outturn**
	SOPS 3.2	260,591	240,083	20,508	242,932

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

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

The SOPS notes on pages 133 to 140 form part of these accounts.

SOPS 1. Statement of Accounting Policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Finance Reporting Manual (FReM). The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting Convention

The Statement of Parliamentary Supply (SOPS) and related notes are presented consistently with HM Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply (SOPS) and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS-based Accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

SOPS 1.2.1 PFI and other Service Concession Arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment. There are no differences for this Department in 2013-14.

SOPS 1.2.2 Capital Grants

Grant expenditures used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply (SOPS). Under IFRS, as applied by the *FReM*, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure (SOCNE).

SOPS 1.2.3 Provisions – Administration and Programme Expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply (SOPS) across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure (SOCNE). As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply (SOPS) was different from that reported in the IFRS-based accounts. A reconciliation is provided in SOPS 3.2.

SOPS 2. Net Outturn

SOPS 2.1. Net Outturn

SOPS 2.1.1 Analysis of Net Resource Outturn by Section

	£000										2013-14	2012-13 (restated)
		Outturn							Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Administration			Programme			Net Total	Net Total	Net Total	Net Total	Net Total
		Gross	Income	Net	Gross	Income	Net					
	Spending in Departmental Expenditure Limit (DEL)											
	Voted:											
A	Tolled Crossings	-	-	-	724	(100,243)	(99,519)	(99,519)	(98,802)	717	717	(86,163)
B	Local Authority Transport	-	-	-	409,581	-	409,581	409,581	296,041	(113,540)	-	234,681
C	Highways Agency	65,966	(2,723)	63,243	1,876,644	(62,222)	1,814,422	1,877,665	1,940,858	63,193	49,829	1,855,032
D	Network Rail	-	-	-	-	(240,898)	(240,898)	(240,898)	(226,504)	14,394	14,394	(218,382)
E	Funding of ALBs (net)	11,271	-	11,271	210,401	-	210,401	221,672	220,845	(827)	537	232,603
F	Other railways	-	-	-	527,400	(313,672)	213,728	213,728	237,515	23,787	11,347	236,946
G	Sustainable Travel	-	-	-	143,593	(1,129)	142,464	142,464	144,756	2,292	1,292	150,709
H	Bus Subsidies & Concessionary Fares	-	-	-	293,559	-	293,559	293,559	315,918	22,359	1,359	350,765
I	GLA transport grants	-	-	-	1,988,430	-	1,988,430	1,988,430	1,988,488	58	58	2,835,008
DA	Support for Olympic and Paralympic Games	-	-	-	-	-	-	-	-	-		5,510
K	Aviation, Maritime, Security and Safety	-	-	-	98,906	(78,438)	20,468	20,468	28,829	8,361	2,161	26,118
L	Maritime and Coastguard Agency	9,677	(1,740)	7,937	156,312	(9,345)	146,967	154,904	160,411	5,507	3,507	136,849
M	Motoring Agencies	-	-	-	565,552	(408,243)	157,309	157,309	179,828	22,519	12,619	173,604
N	Science, research and support functions	-	-	-	50,225	(264)	49,961	49,961	61,201	11,240	240	48,894
O	Central Administration	164,678	(13,405)	151,273	49,892	(2,256)	47,636	198,909	242,551	43,642	12,642	164,929
Q	Support for Passenger Rail Services	-	-	-	627,267	(1,243,196)	(615,929)	(615,929)	(573,351)	42,578	37,578	(788,476)
R	High Speed Two	-	-	-	7,952	-	7,952	7,952	11,078	3,126	1,126	3,569
DB	Aviation NDPBs (net)	-	-	-	-	-	-	-	-	-	-	(32,701)
	Total Spending in Voted Resource DEL	**251,592**	**(17,868)**	**233,724**	**7,006,438**	**(2,459,906)**	**4,546,532**	**4,780,256**	**4,929,662**	**149,406**	**149,406**	**5,329,495**
	Non-voted											
S	Funding of ALBs (Net)	6,359	-	6,359	4,254	-	4,254	10,613	17,596	6,983	6,983	21,428
	Total Spending in DEL	**257,951**	**(17,868)**	**240,083**	**7,010,692**	**(2,459,906)**	**4,550,786**	**4,790,869**	**4,947,258**	**156,389**	**156,389**	**5,350,923**

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

SOPS 2.1.1 Analysis of net Resource Outturn by Section – continued

	£000	2013-14										2012-13
		Outturn							Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Administration			Programme			Net Total	Net Total	Net Total	Net Total	Net Total
		Gross	Income	Net	Gross	Income	Net					
	Spending in Annually Managed Expenditure (AME)											
	Voted											
T	Highways Agency	-	-	-	622,254	-	622,254	622,254	971,672	349,418	347,028	390,784
U	Other Railways	-	-	-	269,366	(9)	269,357	269,357	309,597	40,240	40,240	206,572
V	GLA Transport Grants	-	-	-	(8)	-	(8)	(8)	(8)	-	-	84
W	Aviation,Maritime & Security	-	-	-	-	-	-	-	50	50	50	-
X	Maritime & Coastguard Agency	-	-	-	(2,168)	-	(2,168)	(2,168)	4,400	6,568	6,568	533
Y	Motoring Agencies	-	-	-	(26,110)	-	(26,110)	(26,110)	(28,500)	(2,390)	-	3,148
Z	Central Administration	-	-	-	14,312	-	14,312	14,312	258,090	243,778	243,778	(6,921)
AE	Aviation NDPBs (net)	-	-	-	-	-	-	-	-	-	-	(3,894)
AT	Funding of ALBs (Net)	-	-	-	(30)	-	(30)	(30)	-	30	30	-
	Total Spending in Voted Resource AME	**-**	**-**	**-**	**877,616**	**(9)**	**877,607**	**877,607**	**1,515,301**	**637,694**	**637,694**	**590,306**
	Non-Voted											
AF	Other Railways	-	-	-	-	-	-	-	-	-	-	15,083
AB	Funding of ALBs (Net)	-	-	-	(1,140)	-	(1,140)	(1,140)	1,168	2,308	2,308	-
	Total Spending in Resource AME	**-**	**-**	**-**	**876,476**	**(9)**	**876,467**	**876,467**	**1,516,469**	**640,002**	**640,002**	**605,389**
	Total spending in DEL & AME (Budget)	**257,951**	**(17,868)**	**240,083**	**7,887,168**	**(2,459,915)**	**5,427,253**	**5,667,336**	**6,463,727**	**796,391**	**796,391**	**5,956,312**
	Total Non-Budget spending	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Resource Outturn	**257,951**	**(17,868)**	**240,083**	**7,887,168**	**(2,459,915)**	**5,427,253**	**5,667,336**	**6,463,727**	**796,391**	**796,391**	**5,956,312**

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

SOPS 2.1.2 Analysis of net Capital Outturn by Section

	£000						2013-14	2012-13 *(restated)*
		Outturn			Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Gross	**Income**	**Net**	**Net**	**Net**	**Net**	**Net**
	Spending in Departmental Expenditure Limit (DEL)							
	Voted:							
A	Tolled Crossings	-	(4,533)	(4,533)	(4,533)	-	-	(2,013)
B	Local Authority Transport	1,744,410	-	1,744,410	1,673,875	(70,535)	-	1,349,715
C	Highways Agency	1,366,092	(23,745)	1,342,347	1,424,790	82,443	1,413	967,882
D	Network Rail	3,408,514	-	3,408,514	3,442,214	33,700	33,700	3,696,008
E	Funding of ALBs (net)	13,939	-	13,939	23,365	9,426	9,426	18,907
F	Other railways	147,718	-	147,718	162,566	14,848	14,848	54,587
G	Sustainable Travel	250,625	(25,706)	224,919	236,316	11,397	11,397	144,776
H	Bus Subsidies & Concessionary Fares	15,110	-	15,110	20,000	4,890	4,890	(1,047)
I	GLA transport grants	301,000	-	301,000	301,000	-	-	352,000
J	Crossrail	1,122,776	-	1,122,776	1,122,776	-	-	1,205,000
K	Aviation, Maritime, Security and Safety	11,326	-	11,326	13,733	2,407	2,407	4,261
L	Maritime and Coastguard Agency	24,050	(1)	24,049	24,088	39	39	8,879
M	Motoring Agencies	13,843	(26,548)	(12,705)	(23,200)	(10,495)	-	3,734
N	Science, research and support functions	4,318	-	4,318	5,799	1,481	1,195	332
O	Central Administration	3,392	-	3,392	3,106	(286)	-	1,446
R	High Speed Two	106,826	-	106,826	110,000	3,174	3,174	22,890
	Total spending in voted Capital DEL	**8,533,939**	**(80,533)**	**8,453,406**	**8,535,895**	**82,489**	**82,489**	**7,827,357**
	Non-voted expenditure							
S	Funding of ALBs (Net)	6,108	-	6,108	9,074	2,966	2,966	-
	Total Spending in Capital DEL	**8,540,047**	**(80,533)**	**8,459,514**	**8,544,969**	**85,455**	**85,455**	**7,827,357**

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

SOPS 2.1.2 Analysis of net Capital Outturn by Section – continued

	£000						2013-14	2012-13
		Outturn			Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Gross	Income	Net	Net	Net	Net	Net
	Spending in Annually Managed Expenditure (AME)							
	Voted expenditure:							
T	Highways Agency	(45,681)	-	(45,681)	1	45,682	37,368	(60,819)
AJ	High Speed Two	58,314	-	58,314	50,000	(8,314)	-	-
	Total Spending in Capital AME	**12,633**	**-**	**12,633**	**50,001**	**37,368**	**37,368**	**(60,819)**
	Capital Outturn	**8,552,680**	**(80,533)**	**8,472,147**	**8,594,970**	**122,823**	**122,823**	**7,766,538**

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

SOPS 3. Reconciliation of Outturn to Net Operating Cost and Against Administration Budget

SOPS 3.1 Reconciliation of Net Resource Outturn to Net Operating Cost

		£000	2013-14	2012-13
				(restated)
Total resource outturn in Statement of Parliamentary Supply		**Note**	**Outturn**	**Outturn**
	Budget	SOPS 2.1.1	5,667,336	5,956,312
Add:	Capital grants		6,969,380	6,814,119
	Capital income		(10,217)	(19,527)
Less:	Non-supply income (CFERs)	SOPS 5	(124,660)	(183,444)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**12,501,839**	**12,567,460**

SOPS 3.2 Outturn Against Final Administration Budget and Administration Net Operating Cost

£000	2013-14	2012-13
		(restated)
Estimate – Administration costs limit (Gross)	279,723	300,586
Estimate – Administration costs limit (Net)	260,591	264,208
Outturn – Gross Administration costs	257,951	260,647
Outturn – Gross Income relating to administration costs	(17,868)	(17,715)
Outturn – Net Administration costs	240,083	242,932
Reconciliation to operating costs:		
Less: provisions utilised (transfer from Programme)	(20)	(4,933)
Administration Net Operating Costs	**240,063**	**237,999**

SOPS 4. Reconciliation of Net Outturn to Net Cash Requirement for 2013-14

	£000	Estimate	Net Outturn	Net Outturn vs. Estimate
	Note			
Resource Outturn	SOPS 2.1.1	**6,463,727**	**5,667,336**	**796,391**
Capital Outturn	SOPS 2.1.2	**8,594,970**	**8,472,147**	**122,823**
Accruals to cash adjustments:		**(2,220,405)**	**(1,880,362)**	**(340,043)**
Of which:				
Adjustments to remove non-cash items:				
Depreciation		(2,261,612)	(969,880)	(1,291,732)
New provisions and adjustments to previous provisions		(323,366)	(14,840)	(308,526)
Supported capital expenditure (revenue)		-	1,033	(1,033)
Other non-cash items		49,387	(981,516)	1,030,903
Adjustments for Arms Length Bodies:				
Remove voted resource and capital		(251,260)	(251,454)	194
Add cash grant-in-aid		268,005	226,899	41,106
Adjustments to reflect movements in working balances:				
Increase/(decrease) in stock		-	(5,615)	5,615
Increase/(decrease) in debtors		-	(35,632)	35,632
(Increase)/decrease in creditors		185,485	39,387	146,098
Use of provisions		112,956	111,256	1,700
Removal of non-voted budget items:		**(27,839)**	**15,582**	**(43,421)**
Of which:				
Other adjustments		(27,839)	15,582	(43,421)
Net Cash Requirement		**12,810,453**	**12,274,703**	**535,750**

SOPS 5. Income Payable to the Consolidated Fund

SOPS 5.1 Analysis of Income Payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund

£000	Outturn 2013-14		Outturn 2012-13	
	Income	Receipts	Income	Receipts
Operating income outside the ambit of the Estimate – Resource	124,660	207,857	183,445	100,247
Operating income outside the ambit of the Estimate – Capital	-	-	-	-
	124,660	207,857	183,445	100,247
Other payable to the Consolidated Fund	-	-	66,397	66,397
	124,660	207,857	249,842	166,644
Non-budget amounts collectable on behalf of the Consolidated Fund	5	4	1,223	1,223
Total income payable to the Consolidated Fund	**124,665**	**207,861**	**251,065**	**167,867**

SOPS 5.2 Consolidated Fund Income

Consolidated Fund income shown in note SOPS 5.1 above does not include any amounts collected by the Department where it was acting as agent of the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

£000	2013-14	2012-13 *(restated)*
Licence fees, penalties and fines	74,675	47,606
Costs of collection – where deductible	(14,671)	(16,308)
Amount payable to the Consolidated Fund	60,004	31,298
Balance held at the start of the year	3,463	2,343
Payments into the Consolidated Fund	(59,940)	(30,178)
Balance held on trust at the end of the year	3,527	3,463

Vehicle Excise Duty is not collected by the Department but paid directly into the Consolidated Fund. Further details are given in the Trust statement within the DVLA Accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

£000		2013-14			2012-13 (restated)		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Administration costs							
Staff costs	3	100,608	129,706	138,888	98,611	128,708	135,110
Other costs	4	64,061	110,605	119,410	67,565	115,394	120,715
Income	6	(13,405)	(17,868)	(18,235)	(19,948)	(17,715)	(17,826)
Programme expenditure							
Staff costs	3	29,051	325,998	597,968	27,324	328,575	590,072
Other costs	5	11,686,552	14,554,847	14,695,408	12,095,498	14,640,853	14,810,022
Income	6	(1,915,691)	(2,497,300)	(2,928,953)	(2,010,154)	(2,555,363)	(2,971,894)
EU income	6	(25,346)	(26,667)	(26,739)	(13,619)	(32,960)	(33,176)
Totals		**9,925,830**	**12,579,321**	**12,577,747**	**10,245,277**	**12,607,492**	**12,633,023**
Dividends		(31,508)	(31,508)	(40,358)	(19,934)	(19,934)	(26,767)
Interest receivable		(13,367)	(34,689)	(35,550)	(17,089)	(37,690)	(38,796)
Net Operating Costs for the year		**9,880,955**	**12,513,124**	**12,501,839**	**10,208,254**	**12,549,868**	**12,567,460**
Total expenditure		11,880,272	15,121,156	15,551,674	12,288,998	15,213,530	15,655,919
Total income	6	(1,999,317)	(2,608,032)	(3,049,835)	(2,080,744)	(2,663,662)	(3,088,459)
Net Operating Costs for the year		**9,880,955**	**12,513,124**	**12,501,839**	**10,208,254**	**12,549,868**	**12,567,460**
Other Comprehensive Net Expenditure							
Items that will not be reclassified to net operating costs:							
Net (gain)/loss on:							
revaluation of property, plant & equipment	7	(2,690)	(2,605,283)	(2,612,397)	(2,060)	(2,105,215)	(2,267,428)
- revaluation of intangibles	8	-	(1,129)	(1,129)	-	(1,669)	(1,669)
- revaluation of investments	9	(34,069)	(34,069)	(246,374)	(21,168)	(21,168)	(61,266)
Non-operating loss from the transfer of BRBR functions	23	147,910	147,910	86,677	-	-	-
- pension schemes	25	(9,132)	(9,132)	(172,754)	158,900	158,900	322,191
Total comprehensive net expenditure for the year		**9,982,974**	**10,011,421**	**9,555,862**	**10,343,926**	**10,580,716**	**10,559,288**

The notes on pages 146 to 219 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2014

£000	Note	2014 Core Department	2014 Core Department & Agencies	2014 Departmental Group	2013 (restated) Core Department	2013 (restated) Core Department & Agencies	2013 (restated) Departmental Group
Non-current assets:							
Property, plant & equipment	7	3,615,662	115,532,363	115,840,046	3,472,382	113,205,341	113,511,901
Investment properties	7.7	-	-	52,045	-	-	27,420
Intangible assets	8	2,261	85,505	91,670	1,591	101,549	109,680
Financial assets	9	733,819	733,859	1,477,966	735,068	719,830	1,221,827
Trade and other receivables	12	3,434,138	3,791,363	3,799,821	3,490,654	3,858,148	3,857,841
Inventories	11	-	3,860	3,860	-	2,931	2,931
Total non-current assets		**7,785,880**	**120,146,950**	**121,265,408**	**7,699,695**	**117,887,799**	**118,731,600**
Assets classified as held for sale	7.6	-	10,258	10,284	-	12,314	12,505
Inventories	11	154,555	193,888	203,650	50,164	96,040	103,925
Trade & other receivables	12	343,942	523,770	601,621	341,706	603,018	645,305
Cash & cash equivalents	13	140,278	180,660	385,901	249,024	345,656	494,039
Total current assets		**638,775**	**908,576**	**1,201,456**	**640,894**	**1,057,028**	**1,255,774**
Total assets		**8,424,655**	**121,055,526**	**122,466,864**	**8,340,589**	**118,944,827**	**119,987,374**
Current liabilities							
Trade and other payables	14	(876,977)	(1,569,687)	(1,664,607)	(858,003)	(1,535,059)	(1,627,042)
Provisions	15	(81,089)	(150,021)	(151,141)	(10,227)	(93,867)	(95,825)
Total current liabilities		**(958,066)**	**(1,719,708)**	**(1,815,748)**	**(868,230)**	**(1,628,926)**	**(1,722,867)**
Total assets less net current liabilities		**7,466,589**	**119,335,818**	**120,651,116**	**7,472,359**	**117,315,901**	**118,264,507**
Non-current liabilities							
Provisions	15	(365,691)	(468,968)	(490,078)	(74,422)	(247,054)	(254,797)
Other payables	14	(5,633,744)	(7,658,805)	(7,697,783)	(5,644,182)	(7,732,822)	(7,761,915)
Financial liabilities	9	(3,662,772)	(3,662,772)	(3,662,772)	(3,730,120)	(3,730,120)	(3,730,120)
Total non-current liabilities		**(9,662,207)**	**(11,790,545)**	**(11,850,633)**	**(9,448,724)**	**(11,709,996)**	**(11,746,832)**
Assets less liabilities excluding pension liability		**(2,195,618)**	**107,545,273**	**108,800,483**	**(1,976,365)**	**105,605,905**	**106,517,675**
Pension liability	25	(1,514,426)	(1,514,426)	(2,285,930)	(1,462,801)	(1,462,801)	(2,347,285)
Assets less liabilities		**(3,710,044)**	**106,030,847**	**106,514,553**	**(3,439,166)**	**104,143,104**	**104,170,390**
Taxpayers' equity and other reserves:							
General fund		(4,066,425)	38,741,584	38,765,347	(3,758,788)	39,216,723	38,999,635
Revaluation reserve		12,405	66,945,287	67,112,607	9,715	64,616,474	64,780,530
Available-for-sale reserve		343,976	343,976	636,599	309,907	309,907	390,225
Total equity		**(3,710,044)**	**106,030,847**	**106,514,553**	**(3,439,166)**	**104,143,104**	**104,170,390**

The notes on pages 146 to 219 form part of these accounts.

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

20 June 2014

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

£000	Note	2013-14 Core Department & Agencies	2013-14 Departmental Group	2012-13 (restated) Core Department & Agencies	2012-13 (restated) Departmental Group
Cash flows from operating activities					
Net operating cost		(12,513,124)	(12,501,839)	(12,549,868)	(12,567,460)
Adjustments for non-cash transactions	4, 5, 6	1,575,564	1,609,993	1,229,931	1,286,916
Adjustments for non-cash transactions related to pension schemes		60,758	128,138	54,659	108,083
Release of reserves		-	(11,954)	-	(1,522)
(Increase)/decrease in inventories		(98,777)	(100,654)	(12,113)	(10,008)
less movement in inventory relating to items not passing through the Statement of Comprehensive Net Expenditure		-	1,469	-	-
(Increase)/decrease in trade and other receivables		146,027	101,705	(200,243)	(200,228)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(56,398)	(7,924)	82,154	73,687
Increase/(decrease) in trade and other payables		(39,389)	(26,568)	(216,035)	(249,776)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		354,389	308,267	158,581	167,411
Use of provisions	15	(110,615)	(116,402)	(112,671)	(115,998)
Non-cash movement in classification of provision		(640)	15,357	(6,501)	(6,354)
Adjustment for capital and interest element of PFI payments		63,847	63,847	59,965	59,965
Net cash outflow from operating activities		**(10,618,358)**	**(10,536,565)**	**(11,512,141)**	**(11,455,284)**
Cash flows from investing activities					
Purchase of property, plant and equipment - additions	7	(1,404,734)	(1,425,983)	(870,886)	(896,941)
Adjustments for movement in capital accruals relating to additions		(411)	(282)	(33)	(33)
Purchase of intangible assets - cash additions	8	(11,576)	(12,445)	(23,799)	(26,179)
Purchase of intangible assets- non-cash additions		(442)	(442)	-	-
Proceeds of disposal of property, plant and equipment		299	1,304	1,431	1,972
Proceeds of disposal of assets held for sale		13,528	14,083	11,885	11,976
Proceeds of disposal of investments		-	565	-	875
Capital element of lands provision		14,840	14,840	29,477	29,477
Loans to other bodies		-	(2,198)	(5,750)	(7,431)
Repayments from other bodies		31,273	31,266	40,389	40,389
Repayments of NLF loans *		2,504	2,504	1,898	1,898
Net cash outflow from investing activities		**(1,354,719)**	**(1,376,788)**	**(815,388)**	**(843,997)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		12,106,600	12,106,600	12,356,546	12,356,546
From the Consolidated Fund (Supply) – prior year		-	-	333,828	333,828
Excess cash paid to the Consolidated Fund		-	-	(61,797)	(61,797)
Repayments of loans from the National Loans Fund		(2,504)	(2,504)	(1,898)	(1,898)
Capital element of payments in respect of finance leases		(221)	(3,089)	(188)	(3,703)
Capital element of payments in respect of on-balance sheet PFI contracts		(63,847)	(63,847)	(59,965)	(59,965)
Net Financing		**12,040,028**	**12,037,160**	**12,566,526**	**12,563,011**
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**66,951**	**123,807**	**238,997**	**263,730**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		**5**	**5**	**1,449**	**1,449**
Payments of amounts due to the Consolidated Fund		**(231,952)**	**(231,950)**	**(96,965)**	**(96,965)**
Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(164,996)**	**(108,138)**	**143,481**	**168,214**
Cash and cash equivalents at the beginning of the period	13	**345,656**	**494,039**	**202,175**	**325,825**
Cash and cash equivalents at the end of the period	13	**180,660**	**385,901**	**345,656**	**494,039**

* NLF – National Loans Fund

The notes on pages 146 to 219 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

£000	Note	General Fund	Revaluation Reserve	Available-for-Sale Reserve	Total Reserves
Balance at 31 March 2012		**40,274,796**	**62,842,327**	**330,481**	**103,447,604**
General Lighthouse Authorities restatement *		(298,276)	-	-	**(298,276)**
Restated balance at 1 April 2012		**39,976,520**	**62,842,327**	**330,481**	**103,149,328**
Net gain on revaluation of property, plant and equipment		-	2,267,428	-	**2,267,428**
Net gain on revaluation of intangible assets		-	1,669	-	**1,669**
Net gain on revaluation of investments		-	-	61,266	**61,266**
Release of reserves to the Consolidated Statement of Comprehensive Net Expenditure		-	-	(1,522)	**(1,522)**
Non-cash charges – auditor's remuneration	4, 5	887	-	-	**887**
Transfers between reserves		129,004	(129,004)	-	**-**
Net operating cost for the year		(12,567,460)	-	-	**(12,567,460)**
Reversionary interest on M6 toll road		13,952	-	-	**13,952**
Adjustment to non-current assets		(453,280)	(201,890)	-	**(655,170)**
Actuarial loss recognised in pension scheme		(322,191)	-	-	**(322,191)**
Other movements		(17,156)	-	-	**(17,156)**
Balance as adjusted by income and expense for 2012-13		**26,760,276**	**64,780,530**	**390,225**	**91,931,031**
Net Parliamentary funding – drawn down		12,356,546	-	-	**12,356,546**
Net Parliamentary funding – deemed		448,182	-	-	**448,182**
CFERS from prior year		(61,797)	-	-	**(61,797)**
Supply (payable)/receivable adjustment		(314,899)	-	-	**(314,899)**
CFERs payable to the Consolidated Fund		(183,444)	-	-	**(183,444)**
Balance at 31 March 2013		**39,004,864**	**64,780,530**	**390,225**	**104,175,619**
Trunking/Detrunking		(5,229)	-	-	**(5,229)**
Restated balance at 1 April 2013		**38,999,635**	**64,780,530**	**390,225**	**104,170,390**
Net gain on revaluation of property, plant and equipment		-	2,612,397	-	**2,612,397**
Net gain on revaluation of intangible assets		-	1,129	-	**1,129**
Net gain on revaluation of investments		-	-	246,374	**246,374**
Non-cash charges – auditor's remuneration	4, 5	846	-	-	**846**
Transfers between reserves		144,144	(144,144)	-	**-**
Net operating cost for the year		(12,501,839)	-	-	**(12,501,839)**
Reversionary interest on M6 toll road		10,980	-	-	**10,980**
Adjustment to non-current assets		(100,162)	(137,305)	-	**(237,467)**
Actuarial gain recognised in pension scheme		172,754	-	-	**172,754**
Non-operating loss from the transfer of BRBR functions	23	(86,677)	-	-	**(86,677)**
Other movements		2,826	-	-	**2,826**
Balance as adjusted by income and expense for 2013-14		**26,642,507**	**67,112,607**	**636,599**	**94,391,713**
Net Parliamentary funding – drawn down		12,106,600	-	-	**12,106,600**
Net Parliamentary funding – deemed		314,899	-	-	**314,899**
Supply (payable)/receivable adjustment		(146,795)	-	-	**(146,795)**
CFERs payable to the Consolidated Fund		(124,660)	-	-	**(124,660)**
Payment to the Consolidated Fund		(27,204)	-	-	**(27,204)**
Balance at 31 March 2014		**38,765,347**	**67,112,607**	**636,599**	**106,514,553**

* The GLAs have been consolidated and this has resulted in a restatement of the General Fund.

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

The notes on pages 146 to 219 form part of these accounts.

Statement of Changes in Taxpayers' Equity

Core Department and Agencies

£000	Note	General Fund	Revaluation Reserve	Available-for-Sale Reserve	Total Reserves
Balance at 31 March 2012		**40,026,863**	**62,837,155**	**288,739**	**103,152,757**
Net gain on revaluation of property, plant and equipment		-	2,105,215	-	**2,105,215**
Net gain on revaluation of intangible assets		-	1,669	-	**1,669**
Net gain on revaluation of investments		-	-	21,168	**21,168**
Non-cash charges – auditor's remuneration	4, 5	887	-	-	**887**
Transfers between reserves		126,134	(126,134)	-	**-**
Net operating cost for the year		(12,549,868)	-	-	**(12,549,868)**
Reversionary interest on M6 toll road		13,952	-	-	**13,952**
Adjustment to non-current assets		(481,837)	(201,431)	-	**(683,268)**
Actuarial loss recognised in pension scheme		(158,900)	-	-	**(158,900)**
Other movements		133	-	-	**133**
Balance as adjusted by income and expense for 2012-13		**26,977,364**	**64,616,474**	**309,907**	**91,903,745**
Net Parliamentary funding – drawn down		12,356,546	-	-	**12,356,546**
Net Parliamentary funding – deemed		448,182	-	-	**448,182**
CFERS from prior year		(61,797)	-	-	**(61,797)**
Supply (payable)/receivable adjustment		(314,899)	-	-	**(314,899)**
CFERs payable to the Consolidated Fund		(183,444)	-	-	**(183,444)**
Balance at 31 March 2013		**39,221,952**	**64,616,474**	**309,907**	**104,148,333**
Trunking/Detrunking		(5,229)	-	-	**(5,229)**
Restated balance at 1 April 2013		**39,216,723**	**64,616,474**	**309,907**	**104,143,104**
Net gain on revaluation of property, plant and equipment		-	2,605,283	-	**2,605,283**
Net gain on revaluation of intangible assets		-	1,129	-	**1,129**
Net gain on revaluation of investments		-	-	34,069	**34,069**
Non-cash charges – auditor's remuneration	4, 5	846	-	-	**846**
Transfers between reserves		140,240	(140,240)	-	**-**
Net operating cost for the year		(12,513,124)	-	-	**(12,513,124)**
Reversionary interest on M6 toll road		10,980	-	-	**10,980**
Adjustment to non-current assets		(98,987)	(137,359)	-	**(236,346)**
Actuarial gain recognised in pension scheme		9,132	-	-	**9,132**
Non-operating loss from the transfer of BRBR functions	23	(147,910)	-	-	**(147,910)**
Other movements		844	-	-	**844**
Balance as adjusted by income and expense for 2013-14		**26,618,744**	**66,945,287**	**343,976**	**93,908,007**
Net Parliamentary funding – drawn down		12,106,600	-	-	**12,106,600**
Net Parliamentary funding – deemed		314,899	-	-	**314,899**
Supply (payable)/receivable adjustment		(146,795)	-	-	**(146,795)**
CFERs payable to the Consolidated Fund		(124,660)	-	-	**(124,660)**
Payments to the Consolidated Fund		(27,204)	-	-	**(27,204)**
Balance at 31 March 2014		**38,741,584**	**66,945,287**	**343,976**	**106,030,847**

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

The notes on pages 146 to 219 form part of these accounts.

Notes to the Departmental Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2013–14 Government Financial Reporting Manual (*FReM*) issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Transport for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department for Transport are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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

1.1 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2014, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may need to be adopted in subsequent periods:

- Phases 1 and 2 of IFRS 9 Financial Instruments, which will replace parts of IAS 39, deals with the classification and measurement of financial assets and financial liabilities. IFRS 9 is intended to improve and simplify the reporting of financial instruments. The completed phases require financial assets and liabilities to be measured according to their classification, and simplify the classification structure. According to the International Accounting Standards Board (IASB), application of this standard is required for reporting periods beginning on or after 1 January 2015, though earlier application is permitted. However, it is yet to receive EU endorsement so it is not possible to predict the actual application date. The impact of initial application of IFRS 9 is not expected to be significant; the classification of financial assets and liabilities will change, but it seems that existing measurement approaches will continue to be appropriate.
- An exposure draft has been issued on the impairment of financial assets held at amortised cost, adopting the expected loss approach. The Department considers that this will not have a material impact.
- IFRS 10 and 11 cover the definition of and accounting treatment required for subsidiaries and jointly controlled operations. HM Treasury have issued an exposure draft of a *FReM* interpretation of these standards, which is expected to come into effect for 2014-15. This exposure draft indicates that consolidation will continue to be determined by ONS sector classification, with central government entities only being consolidated. However, the exposure draft proposes a change in the treatment of entities that are jointly controlled with a private sector party, which will be accounted for using the equity method. This may affect the accounting treatment of entities currently treated as investments, such as the Department's indirectly held interests in LCR Ltd's property joint ventures.
- IFRS 12 covers disclosures of interests in other entities, requiring particular disclosure of arrangements where the reporting entity owns a majority of shares but does not consolidate, and arrangements where the reporting entity owns more than 20% of shares but does not equity account, and vice versa. This standard should not give rise to any accounting changes, but may result in greater disclosures relating to Trading Funds and Public Corporations, which may be wholly owned but are not consolidated under the Clear Line of Sight initiative. However, in accordance with the *FReM* and related EU Directives, the Department already includes detailed disclosures of material off-balance sheet arrangements. This standard is expected to be implemented in the 2014-15 *FReM*.
- IFRS 13 should be adopted by 1 April 2015. It provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. It defines fair value as an exit value, reflecting the assets' highest and best use rather than its actual use. This approach is problematic for many central government assets, which may be of a specialised nature (meaning that exit values are difficult to identify) and which may need to be retained for the provision of services (meaning that the assets may need to be retained in their current use).
  HM Treasury have issued an Exposure Draft proposing modifications to the FReM, to adapt IASs 16 and 38. These adaptations would require assets held for the provision of services should be valued on an

existing use basis, using methods including depreciated replacement cost. Other assets and liabilities, such as surplus properties, would be valued in accordance with IFRS 13 where applicable. The consolidated accounts include assets, such as the strategic road network, that are currently valued using depreciated replacement cost. It seems likely that the Exposure Draft would permit this approach to continue. It therefore seems likely that the implementation of IFRS 13 as adapted by the FReM will not have a material impact on the assets and liabilities recognised in these accounts.

- IAS 32 – an amendment will come into effect for periods starting on or after 1 January 2014, which provides additional guidance on the criteria for offsetting financial assets and financial liabilities. As the Department currently does not offset any financial assets and liabilities, it is considered that this will have no impact.
- The IASB has recently issued an exposure draft of a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments, with a matching liability. The pattern for recognition of the expenditure will depend on the type of leases: for most leases of property, the lessee will recognise expenditure on a straight-line basis; for most leases of other types of asset, the lessee's expenditure will reduce over the term of the lease. As the Department and its consolidated bodies currently occupy administrative properties under operating leases, this is likely to have an effect on the statement of financial position, but a more limited effect on the recognition of expenditure.
- The IASB is currently developing a replacement to the existing standards on revenue recognition and construction contracts, so that revenue can be recognised only when the associated performance obligations are met. This is not expected to have a material effect on the consolidated accounts.
- Other changes due to come into effect after 2013–14 are considered to have no impact on the Department.

1.2 Trunkings/Detrunkings

The policy to transfer non-core routes on the Strategic Road Network to local authorities, as outlined in the Government’s policy announced in the 1998 White Paper, is now complete. These transfers were treated as a transfer of function. However, from time to time, in delivering the major schemes programme, when a new section of road has been built to improve the road network the old section is detrunked to the relevant local authority. In these circumstances, merger accounting principles are applied, as described in section 1.3 below.

1.3 Basis of consolidation

1.3.1 Entities consolidated

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

- Executive Agencies of the Department for Transport i.e. the Highways Agency, the Driver and Vehicle Licensing Agency, the Maritime and Coastguard Agency, the Vehicle Certification Agency, and the Government Car and Despatch Agency (GCDA) – until 30 September 2012.
- Non-Departmental Public Bodies, such as British Transport Police Authority, Passenger Focus and High Speed Two Ltd (HS2 Ltd),These accounts also include, for the first time, Trinity House Lighthouse Service and the Northern Lighthouse Board. which were reclassified because ONS determined that their income stream (Light Dues) had the characteristics of taxation The impact of the Reclassification on prior years is analysed in Note 22.
- Entities classified as central government, but not as Executive Agencies or Non-Departmental Public Bodies: the Air Travel Trust Fund, LCR Ltd, LCR Finance plc, CTRL Section 1 Finance plc and Directly Operated Railways Ltd. These accounts also include, for the first time, the Commissioners of Irish Lights; and Air Safety Support International Ltd. The impact of the Reclassification on prior years is analysed in Note 22.

The subsidiaries of LCR Ltd and Directly Operated Railways Ltd are excluded from the consolidation boundary because they are classified to the wider public sector, and not to central government, on the grounds that their trading activities support their operational costs.

These Departmental accounts are separated into three reporting elements:

- Core Department;
- Core Department and Agencies; and
- the Departmental Group.

A list of all those entities within the Departmental boundary is given at Note 21.

1.3.2 Changes to entities consolidated

Changes to the list of entities consolidated occur for the following reasons:

- Changes in the sector classification of individual entities;
- Machinery of Government changes resulting in the transfer of entities or the functions they perform between government departments; and
- Machinery of Government changes resulting in the creation or abolition of entities or in the transfer of entities or the functions they perform within the departmental boundary.

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

1.3.3 Consolidation mechanics

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

1.3.3.1 With restatement

- Where an entity has been reclassified to the central government sector, or the entity (or function) has been transferred between departments under a Machinery of Government change, merger accounting is applied. Consolidation is dealt with as a prior period adjustment: assets and liabilities are recognised at book value from the start of the earliest prior period presented, with the contra entry being made to reserves, through Other Comprehensive Net Expenditure. De-consolidation is similarly dealt with: assets and liabilities are derecognised as a prior period adjustment. No new entities are consolidated on this basis in these accounts.

1.3.3.2 Without restatement

- Where an entity (or function) has been reclassified within the departmental boundary, absorption accounting is applied. The consolidation is made with effect from the official date of transfer. Assets and liabilities are recognised at book value as at that date, with the contra entry being made to reserves. On de-consolidation, assets and liabilities are derecognised from the date of transfer. In these accounts, assets and liabilities of the former British Railways Board (Residuary) Ltd have been included with effect from 29 September 2013 its former subsidiaries are now subsidiaries of LCR Ltd, which has also received some assets and liabilities. Further details are provided in note 23.
- For the comparatives, the GCDA has been treated as an Executive Agency and consolidated until 30 September 2012; thereafter, the functions transferred to the core Department are treated as a unit within the Department and the related assets and liabilities are recognised on the core Department's Statement of Financial Position (SOPF).
- Accounting policies are harmonised, and balances and transactions between consolidated entities are eliminated on consolidation.

1.4 Prior year adjustments

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

Where there has been a change in accounting policy, the opening balance of each affected component of equity for the earliest period presented and other comparative amounts disclosed for each prior year presented are adjusted as if the new accounting policy had always been applied. During the current financial year, the revised version of IAS 19 has been applied retrospectively, changing the amounts recognised as interest income and expenditure, and the amounts recognised through reserves. In addition, the revised version of IAS 1 has been applied retrospectively, changing the presentation of Other Comprehensive Net Expenditure to separate items that will and will not be reclassified to Operating Expenditure, and their tax effects. There is no budget impact.

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

Full details of prior year adjustments are disclosed in Note 22.

1.5 Non-current assets: Property, plant and equipment

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

The Strategic Road Network relates to the motorways and all-purpose trunk roads (APTRs) in England, which form a single integrated network. The Strategic Road Network consists of carriageways, including earthworks, tunnelling and road pavements, roadside communications, bridges and other structures, and land and buildings within the highway's perimeter.

Non-networked assets include land and buildings outside the highway's perimeter, non operational buildings, plant and equipment and information technology.

All residential properties owned by the Department and not part of an existing scheme under construction are reported as dwellings and valued at open market value.

1.5.1 Capitalisation policy

Recognition

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

The core Department's capitalisation threshold is £5,000. The thresholds in the other consolidated entities range from £1,000 to £5,000 for individual or grouped assets, except for land, road construction schemes and road and structures renewals in the Highways Agency for which there is no minimum value, and is well in excess of £5,000. Expenditure falling below these values is charged as an expense in the SOCNE.

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

Initial costs

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

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

Subsequent costs

Subsequent costs of day-to-day servicing are expensed as incurred. Costs of replacing parts of assets are capitalised and the carrying values of replaced parts are derecognised.

The road network is inspected regularly to enable maintenance to be planned on a priority basis and ensure the safety of the road user. All planned non-routine road renewals maintenance expenditure is capitalised as it is recognised if the maintenance spend enhances or replaces the service potential of the road network.

Routine maintenance expenditure, such as repairing potholes, is regarded as day to day servicing and is charged to the SOCNE.

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

Where regular major inspections of assets are required for their continuing operation, the costs of such inspections, such as dry dock and repair of ships operated by the GLAs, are capitalised and the carrying value of the previous inspection is derecognised.

Derecognition

Where a road scheme is subsequently withdrawn from the capital programme, cumulative design expenditure is written-off to the SOCNE. Any retained land and property is transferred to surplus land and buildings or dwellings, as appropriate. Surplus land, buildings or dwellings to be sold within one year are valued and reported as assets held for sale, in accordance with IFRS 5.

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

1.6 Valuation – Property, Plant & Equipment

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

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

Where assets are revalued through professional valuation, the previous gross book value and accumulated depreciation balances are released and the asset's gross book value is restated to that reported by the valuer.

A net upward movement is taken to the revaluation reserve and presented under Other Comprehensive Expenditure in the SOCNE and a downwards movement is taken initially to the revaluation reserve and presented under Other Comprehensive Expenditure in the SOCNE (insofar as there is a balance related to the specific asset) and otherwise as part of the Net Operating Cost in the SOCNE.

1.6.1 The Strategic Road Network

1.6.1.1 The Completed Strategic Road Network

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

The Strategic Road Network assets are specialised (i.e. a market value is not available) and therefore must be valued using Gross Replacement Cost (GRC) in accordance with the *FReM*, before applying depreciation.

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

The Strategic Road Network valuation is not based on the historical actual cost of construction, but on a standard cost model, using accounting estimates, to determine the valuation of the network. The gross replacement cost is calculated as if providing a replacement asset, on a 'green-field' site, constructed to modern build standards and then depreciated to take account of the condition of the network. This approach is undertaken in accordance with the general principles of the *Appraisal and Valuation Manual* (Red Book) of the Royal Institution of Chartered Surveyors (RICS).

External professional surveyors undertake a full valuation of the network at intervals not exceeding five years. The valuation is not based on the historical actual cost of construction for individual assets. Rather, the we determine standard costs for the network based on accounting estimates that use the actual cost of recent schemes together with physical assets records and the best information available to provide unit rates for all elements and components of the network.

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

Determining unit rates for valuation

Unit type / Unit cost determination
- Road: The standard costing for roads has a series of road types created to identify all roads and determine The unit costs. Each road type will have a width for the carriageway, hard-strip or hard-shoulder, central reservations etc.
- Structures: Non-Special structures – Unit rates for bridges, tunnels, and gantries and retaining walls are based on a number of standard road types and standard structure types.
- Special structures: These are structures that, due to a combination of their size, construction and character cannot be quantified and valued in the same manner as other structures, e.g. the Dartford River Crossing. The valuation for special structures is based on unit rates and actual cost data from modern equivalent structures. A full review of all special structures has been undertaken during the year and, where appropriate, costing information has been updated to ensure the most appropriate up to date valuation is made.
- Land: Land is an integral part of the road network and forms an important part of the valuation. Although some of the land occupied by the network may not actually be owned by the Department, it is considered that, as the Department had an entitlement to use the land in perpetuity, it is included within the valuation at freehold values. The unit cost rates for land are determined by a series of rates calculations based on Valuation Office indices.
- Technology: Technology equipment unit costs are developed using rates from technology frameworks currently in place between the Department and their contractors and bulk purchase prices for materials procured direct by the Department. The unit costs also include a percentage of the subcontractors' preliminaries and other on-costs where applied to construction works.

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

Indexation

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

Indexation
Roads and structures – Five year revaluation: Unit rates are calculated from projects opened to traffic over the last 5 – 10 years to value carriageways, structures and technology. Unit rates from projects with different opening dates are brought to a common baseline using Roadcon, a construction industry index. This index is calculated from tenders for highway works and reflects contractor's output costs.
Roads and structures – Year end revaluation: ROCOS (resource cost index of road construction) is the index applied to roads and structures for yearly revaluation and reflects the movement in prices in the construction industry. ROCOS is published on a quarterly basis by the Department for Business, Innovation and Skills (BIS).
Technology: ROCOS is the index applied to all technology assets.
Land: Land indexation is determined by the Agency in consultation with external consultants and independent external sources, including the Royal Institute of Chartered Surveyors (RICS) market surveys and other reputable market analysis published nationally in England.

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

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

1.6.1.2 Assets under construction

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

The difference between a project's actual cost of construction and the current replacement cost is treated as a write down which is charged to the SOCNE.

1.6.1.3 Write-downs

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

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

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

Standard write-down percentages are used for different types of projects. These percentages are based on projects constructed over the previous 5 years. The write down percentages are applied to construction projects lasting more than one year, this ensures that assets are written down on an on-going basis rather than when the project is opened for traffic. When a project is open for traffic, a formal calculation of the write-down required is completed and compared with the cumulative write-down; adjustments are made as necessary.

1.6.2 Land and buildings, including dwellings

Freehold land and buildings have been valued on the basis of open market value for existing use. Land and buildings are freehold and leasehold. Some Highways Agency Regional Control Centres are leasehold properties under 50 years and defined as short leasehold properties.

Freehold land and buildings are restated to current value using professional valuations, in accordance with IAS 16. Such valuations are generally 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 the DVS (Commercial Arm of the Valuation Office Agency) and Lambert Smith Hampton (LSH). The majority of the core Department's land and buildings consist of Temple Mills Depot, North Pole Depot, Waterloo International Station (all valued by LSH as at 31 March 2014) and the International Maritime Organization building which was last valued by DVS in December 2008.

Information on how land and buildings are valued within the individual entities consolidated in these accounts can be found within the accounts produced by these entities.

1.6.3 Plant and equipment

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

1.6.4 Information Technology

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

1.7 Depreciation

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

1.7.1 Strategic Road Network

Road surfaces

Road surface assets comprise:

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

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

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

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

Structures

Depreciation for structures is determined in two parts as follows:

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

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

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

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

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

Technology

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

Impairment

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

1.7.2 Other categories of property, plant and equipment

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

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

Test equipment – 5 to 10 years
IT equipment – 3 to 5 years
Structural steelwork – 10 years
Tenders, workboats and lightvessels – 10 to 50 years (2.5 – 7 years for dry dock and repair)
Assets in storage – no depreciation
Assets awaiting sale – no depreciation

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

1.8 Non-current assets: Assets held for sale

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

1.9 Non-current assets: Intangible assets

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

1.9.1 Intangible assets acquired separately

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

1.9.2 Internally generated intangible assets, including research and development

Internally generated intangible assets are capitalised if they meet the criteria specified in IAS 38. The criteria are that completion is technically feasible; that there is an intention to complete and then use or sell the assets; that the Department is able to use or sell the assets; that the assets will generate future probable benefits; that there are sufficient resources to complete the development and to use or sell the assets, and that it is possible reliably to measure the expenditure attributable to the assets during the development phase.

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

1.9.3 Subsequent valuation

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

1.9.4 Amortisation and depreciation

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

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

1.10 Impairment of non-current assets

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

1.11 Investment properties

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

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

1.12 Investments and financial instruments

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

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

This classification is required for financial instruments that are held for trading, for derivatives (including embedded derivatives not closely related to the host contract) and for instruments that the entity has elected to classify in this way. Such instruments are recognised at market value, with movements recognised through the SOCNE. During the comparative period covered by this account, the Air Travel Trust Fund held a swap contract, to offset movements on its floating rate financial liabilities.

1.12.2 Held-to-maturity investments

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

1.12.3 Loans and receivables

This classification is required for non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, that are not held for trading and that the entity does not plan to sell. During the period covered by this account and at the end of the period, the Department had material loans and receivables. Where these are to other public sector entities, these are recognised at historic cost, adjusted for interest and repayments, as described above. Otherwise, these are held at amortised cost, using the effective interest method to discount future cash flows. The effective interest rate is the rate that exactly discounts future cash flows back to the amount initially recognised. Impairments are recognised in accordance with the ‘incurred loss’ method, reflecting events that occurred between the initial recognition of the asset and the end of the current reporting period that have an impact on future cash flows. The existence of evidence of the occurrence of such events, as at the end of the current reporting period, is assessed individually, then collectively for other financial assets.

This includes estimates based on historic experience of the incidence of such events, adjusted for recent factors that would affect incidence.

1.12.4 Available-for-sale financial assets

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

If an investment is not traded in an active market, the fair value is calculated using a valuation technique, to establish what the transaction price for that investment would have been on the measurement date. Valuation techniques are selected based on whether the technique is commonly used by market participants and has been shown to be reliable, making maximum use of market inputs and minimum use of entity-specific inputs. Changes in fair value, other than impairments, are recognised in reserves. Where such models produce a significant range of reasonable fair value estimates and the probabilities of the various estimates cannot be reasonably assessed, IAS 39 precludes fair value measurement and the investment is recognised at cost less any impairment adjustment.

These accounts include the following non-current available-for-sale financial assets:
Directly held by the Department:

- A shareholding in National Air Traffic Services (NATS) -held initially at cost and thereafter at fair value using valuation techniques
- Held through London & Contental Railways Ltd (LCR Ltd):
- A shareholding in Eurostar International Ltd (held initially at cost and thereafter at fair value using techniques reflecting the investee's trading maturity, including a valuation based on net assets).
- Debt and equity instruments in property development joint ventures (held previously using valuation techniques and thereafter at a valuation based on the entities' net assets).
- Other subsidiaries of LCR Ltd initially held at transfer value from British Railways Board (Residuary) Ltd, and thereafter, where material, at fair value using valuation techniques.

Details of the valuation approaches are given in notes 9.3.1 and 9.3.3.

The Secretary of State's special shares are each valued at a nominal value of £1. Further information is given in note 9 to these accounts.

1.12.5 Other financial liabilities

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

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

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

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

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

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

1.13 Inventories

The entities consolidated in these accounts hold various types of inventory: police uniforms held by British Transport Police Authority (BTPA); oil dispersants held by Maritime & Coastguard Agency (MCA); highways repair and maintenance items (including electrical equipment and salt) held by Highways Agency (HA); properties on the proposed route of the high speed rail link acquired under the Exceptional Hardship Scheme held by the core

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

Properties acquired under the High Speed 2 (HS2) Exceptional Hardship Scheme are recognised from the exchange of contracts with the vendor, as this is the point when the risks and rewards of ownership are transferred.

Some properties initially acquired under the HS2 Exceptional Hardship Scheme are currently being rented, pending the commencement of construction. They are recognised as inventories rather than investment properties, as they were not acquired for the purposes of earning rental income or capital appreciation.

During the year, the Department issued a Safeguarding Order for the proposed route of HS2. This creates an obligation on the Department to purchase properties that have been blighted. The Department recognises a provision for the cost of properties that it accepts are blighted and where a reasonable estimation of the purchase price can be made. At this point, the asset is recognised as inventory. Any residual uncertainties (where payments compensation payments are indicated but not yet accepted) concerning the value of the purchase price are disclosed as contingent liabilities, except where the likelihood of the amount being paid is considered to be remote.

1.14 Operating income

Some of the entities consolidated in these accounts earn revenues from the sale of goods or services. They include:

- the British Transport Police Authority (BTPA), which charges Network Rail, freight companies, train operating companies and Transport for London for statutory policing services and recovers its income by means of a charging mechanism;
- The Air Travel Trust Fund, which receives ATOL Protection Contributions from customers booking package holidays;
- Advances from the General Lighthouse Fund (GLF) to the General Lighthouse Authorities. The GLF is administered by the Department for Transport and receives income principally from Light Dues, a levy on ships using ports in the British Isles. GLA advances are based on cash requirements for both Revenue and Capital Expenditure and are credited as Income in the Accounts of the GLAs;
- the Driver and Vehicle Licensing Agency (DVLA), which receives fees for issuing driving licences and sells registration marks; and
- London & Continental Railways Ltd (LCR Ltd), which receives revenues from various property development activities, including the sale of land rendered surplus following the construction of the high-speed rail link between the Channel Tunnel and St Pancras.

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

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

1.15 Administration and programme expenditure

The SOCNE is analysed between programme and administration income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury. The classification was reviewed and clarified as part of the Spending Review 2010 exercise, and resulted in some reclassifications to ensure consistency across the Department.

Administration costs reflect the costs of running the Department, including staff, accommodation and IT costs, and operating lease rentals.

Programme costs are the costs of delivery of services, directly or indirectly by the department, and include payments of grants and capital expenditure.

Bodies excluded from the Administration budget regime (such as DVLA and VCA) report all of their expenditure as programme expenditure.

1.16 Pensions and other employee benefits

Past and present employees of the Department and its agencies are generally covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in Note 25.

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

Past and present employees of other consolidated entities may be members of defined benefit arrangements, including sections of the Railways Pension Schemes and the General Lighthouse pension scheme. Defined benefit arrangements may be funded (meaning that the scheme is a separate entity, which receives contributions and invests them to fund pension payments) or unfunded (meaning that there is no separate scheme and the employer remains directly liable to fund pension payments). These defined benefit schemes are accounted for in accordance with IAS 19. Current service costs and a single interest cost on the schemes' net liabilities (for funded arrangements) are recognised in the SOCNE, and remeasurements are recognised in equity, as required by the *FReM*.

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

The core Department and some other consolidated entities are the deemed employer of some defined benefit arrangements. These are accounted for in accordance with IAS 19.

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

Some consolidated entities have undertaken to fund the pensions of employees of entities that are not consolidated in these accounts. As such undertakings do not arise from services provided by employees of the consolidated entities, they are accounted for in accordance with IAS 37, either as provisions or contingent liabilities, depending on the likelihood that the Department will be required to transfer economic resources in order to satisfy its obligations.

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

1.17 Leases

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

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

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

1.18 Service concessions

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

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

Where, at the end of the concession, all or part of the property constructed by the operator reverts to the Department for a specified value, the difference between the expected fair value of the residual asset on reversion at the start of the contract and any agreed payment on reversion is built up over the life of the contract to ensure proper allocation of payments between the cost of services under the contract and acquisition of the residual interest. Capitalisation of residual interest is disclosed within Non-Current Assets under Assets under Construction. However, for the High Speed 1 (HS1) rail link, the entirety of the property is recognised with effect from August 2009, being the date on which the most recent concession was granted to HS1 Ltd, and the rights to operate the infrastructure thereafter were withdrawn from the company. The residual asset has been valued using the enterprise value determined during the bidding process for the sale of HS1 Ltd, discounted to its present value.

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

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

The DVLA has a property maintenance and refurbishment contract which it considers to be within the scope of IFRIC 12. Works are recognised as property, plant and equipment, with a matching liability, if they are considered to be capital in nature (for example, construction and fit-out costs, or installation of air conditioning or lifts).

1.19 Grants payable

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

Some entities consolidated within these accounts receive grant and grant-in-aid from the core Department.

In such cases, balances and transactions between these entities are eliminated on consolidation.

1.20 Deferred tax

Most consolidated entities are not liable to corporation tax or have no taxable profits. However, Directly Operated Railways Ltd and LCR Ltd are liable to corporation tax. Deferred tax assets or liabilities arise from temporary differences between the carrying amount and the tax base of assets or liabilities. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the asset can be utilised.

1.21 Provisions

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

1.22 Contingent liabilities

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

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

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

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts and the amount reported to Parliament is noted separately.

1.23 Value Added Tax

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

1.24 Rail franchise agreements

Franchise agreements provide for each train operating company either to pay franchise premia or to receive subsidy in each franchise year. Premia received for the use of continuing rights under the franchise are recognised as revenue as the rights are used; subsidies are recognised as expenditure as they are earned.

Franchise agreements include mechanisms to adjust the level of premia/subsidy dependent on performance and agreed events. Adjusting costs or revenues are recognised as they are earned or incurred. Adjusting transactions are not considered to be separately identifiable components; consequently, all adjusting transactions in respect of premium-generating franchises are accounted for as adjustments to income and all adjusting transactions in respect of subsidy-paying franchises are accounted for as adjustments to programme costs. Franchise subsidies and premiums are outside the scope of VAT.

1.25 Foreign currencies

The consolidated financial statements are presented in sterling, which is the core Department's functional and presentation currency. Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the year end. Resulting exchange gains or losses are recognised in the statement of comprehensive net expenditure.

Upon consolidation, the assets and liabilities of the Commissioners of Irish Lights are translated at the rate of exchange ruling at the year end date. Income and expense items of foreign operations are translated at the average rate during the period. Differences on translation are recognised through the statement comprehensive net expenditure.

1.26 Significant estimation techniques

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

In valuing available-for-sale financial assets, for which there is no active market, the Department uses estimation techniques which reflect, so far as practicable, those that would be used by market participants, making maximum use of market data. Most assets of this nature have been held since the incorporation of the investee (in the case of NATS and LCR Ltd's property development ventures), meaning that the instruments may never have been actively traded.

The entities are chiefly jointly owned with other, private sector, investors, and the value of each investor's contribution would have been negotiated competitively with those investors. Therefore, the initial contribution is deemed to be the fair value as at that date. Thereafter, that valuation is benchmarked against forecast discounted cash flows, changes in the share prices of entities in comparable sectors, and changes in the values of the entity's asset base, to determine whether any changes in valuations are required. Further information can be found at Note 9.4.1.

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

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

In calculating present values, the calculation of nominal discount rates and of future repayments of index-linked obligations, requires the estimation of future changes in the Retail Prices Index or the Consumer Price Index. For this purpose, we use the forecast rate provided by HM Treasury.

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

1.27 Critical judgements and key sources of estimation uncertainty

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

The Department has determined the fair value of the financial guarantee to Network Rail (the Financial Indemnity Mechanism) shown in Note 9.4 from an estimation of the value of the guarantee to Network Rail, being the reduction in interest costs arising from the existence of a Government guarantee, obtained by comparing guaranteed and unguaranteed debt instruments. This estimation was prepared by independent experts (Cambridge Economic Policy Associates) for the ORR (Office of Rail Regulation). This reflects the ORR's expressed policy that Network Rail, as a private sector entity, should pay for the benefit they receive from the guarantee. If the ORR were to change their policy in this respect, the amount shown as receivable might not be received. The Department considers it unlikely that the ORR will change their policy in this respect.

The current agreed fee of £240 million has been used as a best estimate of future fees and inherent in this assumption is that existing debt will be replaced with new debt given the overall loan agreement which ends in 2052.

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

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

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

Where items of plant and equipment are installed within properties, their useful lives may be curtailed by the useful life of the property. In determining their useful lives, the Department reflects its intention to remain in its freehold properties for the foreseeable future and in its leasehold properties until the end of the lease. For some leasehold arrangements there may be a dilapidation clause in the contract requiring the Department to restore the property to its original condition; the Department recognises dilapidation provisions based on a professional valuation of the costs of restoration, discounted to the date when the Department intends to vacate the leased property. The valuation of the restoration costs will normally be carried out externally at least every 5 years. This will therefore reflect its intention to remain in the leased properties until the end of the lease.

1.27.4 Valuation of financial assets (investments)

In accordance with the *FReM* investments in active companies, where material, are held at fair value. These investments include shareholdings in National Air Traffic Services (NATS) and Eurostar International Limited (EIL).Full details are provided in Note 9.3.

1.27.5 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.

The Department has assumed from British Railways Board (Residuary) Limited obligations to compensate former employees of British Rail for industrial diseases contracted during that employment. The valuation of the outstanding liability is performed by independent actuaries, based on assumptions about the incidence and impact of these diseases.

1.27.6 Valuation of defined benefit pension schemes

In valuing the liabilities of defined benefit pension schemes, the Department consults actuaries who provide valuations based on estimates of demographic factors, such as life expectancy. The actuaries also provide advice on the assumptions underlying the investment assets, such as future rates of return. Note 25 contains a sensitivity analysis which indicates the approximate effects on the actuarial liability of changes to the main actuarial assumptions.

1.27.7 Valuation of long-term financial obligations

CTRL Section 1 Finance plc has obligations to its noteholders, some of which are linked to RPI. The core Department has assumed legal responsibility for financing the payments to the noteholders and it therefore has an index-linked obligation to CTRL Section 1 Finance plc.

Payments on the index-linked notes are contractually required to be calculated by multiplying the unindexed amount by the RPI as at the relevant month (eight months before the month in which the payment is made) and dividing it by the base RPI. The RPI accretion movement on the outstanding liability is calculated by multiplying the amount by the RPI as at the relevant month (eight months before the month in which the payment is made) and dividing it by the RPI as at the relevant month for the previous payment date. The accretion movement is then time-apportioned.

1.27.8 Valuation of the Strategic Road Network

The significant estimation techniques for the Department include the valuation of the Strategic Road Network where the application of indices and standard costs generate a valuation.

2. Statement of Operating Costs by Operating Segment

£000						2013-14
	Rail	**Resources & Strategy**	**International Security & Environment**	**Roads, Traffic & Local**	**High Speed 2**	**Total**
Administration expenditure	44,595	54,974	47,835	99,881	11,013	258,298
Programme expenditure	6,174,945	258,220	361,708	8,113,377	385,126	15,293,376
Gross expenditure	**6,219,540**	**313,194**	**409,543**	**8,213,258**	**396,139**	**15,551,674**
Income	(2,059,795)	(25,430)	(218,889)	(668,568)	(1,245)	(2,973,927)
Net expenditure	**4,159,745**	**287,764**	**190,654**	**7,544,690**	**394,894**	**12,577,747**
Dividend receivable						(40,358)
Interest receivable						(35,550)
Net Operating Costs per Statement of Comprehensive Net Expenditure						**12,501,839**

£000						2012-13 *(restated)*
	Rail	**Resources & Strategy**	**International Security & Environment**	**Roads, Traffic & Local**	**High Speed 2**	**Total**
Administration expenditure	32,485	56,705	49,441	109,153	8,041	255,825
Programme expenditure	6,450,122	254,776	408,835	7,956,452	151,642	15,221,827
Gross expenditure	**6,482,607**	**311,481**	**458,276**	**8,065,605**	**159,683**	**15,477,652**
Income	(2,177,053)	(16,521)	(201,403)	(449,649)	(2)	**(2,844,628)**
Net expenditure	**4,305,554**	**294,960**	**256,873**	**7,615,956**	**159,681**	**12,633,024**
Dividend receivable						(26,767)
Interest receivable						(38,797)
Net Operating Costs per Statement of Comprehensive Net Expenditure						**12,567,460**

The Department completed an organisational restructuring in January 2013. This structure operated throughout 2013-14.

3. Staff Numbers and Related Costs

Staff costs comprise:

£000	Permanently employed staff	Other Staff	Ministers	Special advisers	2013-14 Total	2012-13 Total
Wages and salaries	552,902	40,717	169	135	593,923	584,316
Social security costs	47,768	377	17	14	48,176	46,929
Other pension costs	94,937	596	-	32	95,565	94,984
Sub Total	**695,607**	**41,690**	**186**	**181**	**737,664**	**726,229**
Less recoveries in respect of outward secondments	(808)	-	-	-	(808)	(1,047)
Total net costs	**694,799**	**41,690**	**186**	**181**	**736,856**	**725,182**
Of which:						
Core Department	113,808	15,484	186	181	129,659	125,935
Core Department and Agencies	431,249	24,088	186	181	455,704	457,283
Departmental Group	694,799	41,690	186	181	736,856	725,182
Staff Costs split by Admin and Programme:						
Admin						
Core Department	86,499	13,742	186	181	100,608	98,611
Core Department and Agencies	113,866	15,473	186	181	129,706	128,708
Departmental Group	120,985	17,536	186	181	138,888	135,110
Programme						
Core Department	27,309	1,742	-	-	29,051	27,324
Core Department and Agencies	317,383	8,615	-	-	325,998	328,575
Departmental Group	573,814	24,154	-	-	597,968	590,072

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department for Transport is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2013-14, employers' contributions of £62,137,648 were payable to the PCSPS (2012-13 £63,973,352) at one of four rates in the range 16.7% to 24.3% (2012-13: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 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 £530,139 (2012-13: £452,053) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (2012-13: 3.0% to 12.5%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £35,699, 0.8% (2012-13: £27,780, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £55,467 (2012-13: £22,341). Contributions prepaid at that date were £nil (2012-13: £nil).

There were 20 reported early retirements as a result of ill-health.

The remaining balance of £32,806,047 (2012-13: £30,385,474) relates to other pension schemes operated by the Arm's Length Bodies which are consolidated into these accounts.

Average number of persons employed

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

					2013-14	2012-13
Number of staff						
Activity	**Permanently employed staff**	**Others**	**Ministers**	**Special advisers**	**Total**	**Total**
Average number of persons employed	17,591	536	4	3	18,134	17,464
Of which:						
Core Department	1,769	88	4	3	1,864	1,739
Core Department and Agencies	11,463	436	4	3	11,906	12,564
Departmental Group	17,591	536	4	3	18,134	17,464

Agencies' staff numbers have reduced as a result of DVLA office closures, and the Group staff numbers have risen mainly due to increases at HS2 Ltd. Refer to Core table 5 for further details.

3.1 Reporting of Civil Service and Other Compensation Schemes – Exit Packages

Comparative data is shown (in brackets) for previous year

Exit package cost band	Core Department			Core Department & Agencies			Departmental Group		
	Number of compulsory redundancies	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	- -	- -	- -	20 (17)	17 (12)	37 (29)	34 (26)	24 (12)	58 (38)
£10,000 - £25,000	- -	- -	- -	214 (112)	196 (39)	410 (151)	226 (118)	201 (40)	427 (158)
£25,000 - £50,000	- -	3 -	3 -	10 (2)	248 (110)	258 (112)	18 (4)	257 (111)	275 (115)
£50,000 - £100,000	- (2)	4 -	4 (2)	- (2)	28 (26)	28 (28)	1 (2)	33 (26)	34 (28)
£100,000 - £150,000	- -	2 (1)	2 (1)	- -	6 (4)	6 (4)	- -	11 (4)	11 (4)
Total number of exit packages	- (2)	9 (1)	9 (3)	244 (133)	495 (191)	739 (324)	279 (150)	526 (193)	805 (343)
2013-14 Total cost /£	-	652,576	652,576	4,020,256	14,480,731	18,500,987	4,639,787	15,879,486	20,519,273
2012-13 Total cost /£	150,892	107,878	258,770	2,102,254	6,886,823	8,989,077	2,316,936	6,943,569	9,260,505

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

During 2013-14, 9 payments were made which were not covered by the Civil Service Compensation Scheme. These totalled £189,781, being out of court settlements. HM Treasury approval was obtained where required.

4. Other Administration Costs

£000	Note	2013-14 Core Department	2013-14 Core Department & Agencies	2013-14 Departmental Group	2012-13 (restated) Core Department	2012-13 (restated) Core Department & Agencies	2012-13 (restated) Departmental Group
Cash Items							
Rentals under operating leases		9,534	15,209	15,387	9,484	16,087	16,389
Research and development expenditure		165	165	165	95	95	95
Communications & Information Technology		8,660	28,318	29,660	8,462	27,887	29,093
Consultancy		17,586	17,962	17,978	15,421	15,659	15,659
Professional services		2,813	3,347	5,173	1,483	1,874	3,484
Accommodation		7,058	13,813	14,550	9,472	17,826	18,297
Support services		5,382	5,382	5,442	6,326	5,861	5,877
Travel and subsistence		1,744	3,202	3,512	1,601	2,780	2,931
Vehicle costs and services		767	767	768	947	1,693	1,693
Auditors' remuneration and expenses		-	-	21	-	-	56
Other costs		6,582	15,445	19,485	7,317	14,895	15,810
Sub Total- Cash Items		**60,291**	**103,610**	**112,141**	**60,608**	**104,657**	**109,384**
Non-cash items							
Depreciation		3,359	4,968	5,210	6,527	8,201	8,476
Amortisation		92	92	121	102	115	125
Impairment of fixed assets and assets held for sale	10	-	32	35	-	34	87
Downward revaluation of fixed assets		-	-	-	48	48	48
Profit on disposal of fixed assets		(9)	(9)	(9)	(51)	(51)	-
Loss on disposal of fixed assets		-	-	-	-	-	205
Auditors' remuneration and expenses		328	678	678	365	715	715
Provisions provided in year		-	1,234	1,234	-	1,715	1,715
Provisions for bad/doubtful debts		-	-	-	(34)	(40)	(40)
Sub Total – Non cash Items		**3,770**	**6,995**	**7,269**	**6,957**	**10,737**	**11,331**
Statement of Comprehensive Net Expenditure		**64,061**	**110,605**	**119,410**	**67,565**	**115,394**	**120,715**

5. Programme Costs

£000		2013-14			2012-13 (restated)		
Cash Items	**Note**	**Core Department**	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Corporation Tax refund		-	-	(382)	-	-	(261)
Rentals under operating leases		2,935	4,614	14,298	1,263	2,943	13,177
Interest charges		211,930	213,562	214,866	229,799	231,524	214,366
PFI interest charges		-	156,209	156,209	-	159,189	159,189
Research and development expenditure		13,600	19,019	19,019	12,000	16,623	16,623
Capital grants		6,969,380	6,969,380	6,969,380	6,818,752	6,814,122	6,814,122
Current grants		2,715,550	2,715,550	2,715,550	3,281,589	3,281,589	3,282,131
Grant in Aid		226,899	226,899	-	178,189	178,189	-
EU capital grants		25,346	25,346	25,346	13,619	13,619	13,619
Subsidies		299,808	299,808	299,808	369,308	369,308	369,308
Support for passenger rail services		657,172	657,172	657,172	695,711	695,711	695,711
Road network current maintenance		-	380,324	380,324	-	383,577	383,577
PFI service charges		-	343,015	343,015	-	350,812	350,812
Eurocontrol payments		44,557	44,557	44,557	43,348	43,348	43,348
Search & rescue helicopters		-	48,703	48,703	-	28,517	28,517
Emergency towing vessels		-	2,238	2,238	-	2,691	2,691
Disbursements:							
Civil hydrography		-	6,773	6,773	-	5,543	5,543
Weather bulletins & navigational warnings		-	1,143	1,143	-	5,668	5,668
Information & Communications Technology		7,802	155,117	175,603	7,393	153,638	171,758
Consultancy		23,109	24,356	26,966	24,700	26,156	28,248
Professional services		1,700	6,852	167,635	1,139	2,976	150,655
Accommodation		1,396	24,548	39,878	131	25,523	40,198
Publicity & Legal		5,779	5,779	6,228	3,679	4,228	4,895
Support services		34,643	33,655	34,226	35,797	37,279	37,638
Travel and subsistence		2,438	9,453	16,420	2,240	8,910	15,626
Auditors' remuneration & expenses		-	-	287	-	-	238
Eurotunnel payments		255,537	255,537	255,537	242,681	242,681	242,681
Other costs		37,647	241,524	289,656	21,326	228,249	283,411
Sub Total – Cash		11,537,228	12,871,133	12,910,454	11,982,664	13,312,613	13,373,489
Non-cash items:							
Depreciation		49,669	935,162	958,413	49,732	894,423	914,154
Amortisation		996	29,658	32,163	2,698	32,079	34,704
Impairment of fixed assets and assets held for sale	10	-	12,997	14,058	-	17,888	18,666
Impairment of share capital		-	-	-	-	-	15
Downward revaluation of fixed assets		-	(352)	1,006	-	1,589	32,171
Write down in value of assets		-	625,584	625,584	-	309,930	309,930
Loss/(profit) on disposal of fixed assets		-	260	(176)	-	553	1,406
Loss on disposal of share capital		-	-	94	-	-	-
Pension scheme costs		60,758	60,758	127,844	54,659	54,659	108,083
Auditors' remuneration and expenses		-	168	168	-	172	172
Provisions provided in year		37,901	26,708	32,906	5,828	14,460	14,661
Unwinding of discount on provisions	15	-	(155)	(156)	-	392	392
Financial guarantee		-	-	-	(84)	(84)	-
Provision for bad/doubtful debt		-	(7,074)	(6,950)	1	2,179	2,179
Sub Total – Non-cash Items		149,324	1,683,714	1,784,954	112,834	1,328,240	1,436,533
Statement of Comprehensive Net Expenditure		**11,686,552**	**14,554,847**	**14,695,408**	**12,095,498**	**14,640,853**	**14,810,022**

6. Income

6.1 Income

£000	2013-14			2012-13 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Cash Items						
Rental income	1,690	5,417	9,567	190	4,356	5,753
Fees & charges to other government departments	12,013	14,792	13,980	22,145	20,882	20,930
Fees & charges to external customers	246,178	797,978	800,450	220,087	743,057	746,071
EU income	25,346	26,667	26,739	13,619	32,960	33,176
Dartford road crossing user charges	92,640	92,640	92,640	79,105	79,105	79,105
Claims for damages to road network	-	13,635	13,635	-	10,415	10,415
Income to Department from Train Operating Companies	1,229,195	1,229,195	1,506,949	1,349,942	1,349,942	1,615,004
Eurocontrol receipts	44,647	44,647	44,647	43,348	43,348	43,348
Eurotunnel recharge	246,308	246,308	246,308	260,499	260,499	260,499
Other income	2,038	16,169	152,671	399	7,087	154,208
Sub Total – Cash Items	1,900,055	2,487,448	2,907,586	1,989,334	2,551,651	2,968,509
Non cash items						
Release of government grant	-	-	11,954	-	-	-
Amortisation of deferred income	54,387	54,387	54,387	54,387	54,387	54,387
Sub Total – Non-cash items	54,387	54,387	66,341	54,387	54,387	54,387
Operating Income	**1,954,442**	**2,541,835**	**2,973,927**	**2,043,721**	**2,606,038**	**3,022,896**
Dividends receivable	31,508	31,508	40,358	19,934	19,934	26,767
Interest receivable	13,367	34,689	35,550	17,089	37,690	38,796
Statement of Comprehensive Net Expenditure	**1,999,317**	**2,608,032**	**3,049,835**	**2,080,744**	**2,663,662**	**3,088,459**

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

£000	2013-14			2012-13 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Operating Income by Admin and Programme						
Administration income	13,405	17,868	18,235	19,948	17,715	17,826
Programme income	1,941,037	2,523,967	2,955,692	2,023,773	2,588,323	3,005,070
Operating income	1,954,442	2,541,835	2,973,927	2,043,721	2,606,038	3,022,896
Dividends and interest receivable	44,875	66,197	75,908	37,023	57,624	65,563
Statement of Comprehensive Net Expenditure	**1,999,317**	**2,608,032**	**3,049,835**	**2,080,744**	**2,663,662**	**3,088,459**

6.3 Fees and Charges information

£000	2013-14			2012-13 (restated)		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
Highways Agency						
Road damage claims	13,635	15,063	(1,428)	10,415	11,380	(965)
Road contract income (S278 Schemes)	20,506	20,506	-	17,849	17,849	-
Rental income	3,727	5,635	(1,908)	4,166	4,194	(28)
Maritime and Coastguard Agency						
Marine surveys	5,519	4,722	797	5,046	4,722	324
Registration of ships	1,066	778	288	1,035	778	257
Seafarers' examination & certification	2,384	2,095	289	2,291	2,095	196
Wider market initiatives and EU twinning projects	874	632	242	862	632	230
Vehicle Certification Agency						
Product certification	10,602	11,037	(435)	10,328	9,931	397
Management system certification	1,917	1,892	25	1,761	1,820	(59)
Driver and Vehicle Licensing Agency						
Fees	420,758	382,723	38,035	400,623	389,689	10,934
DVLA personalised registrations	73,019	73,019	-	67,760	67,760	-
	554,007	**518,102**	**35,905**	**522,136**	**510,850**	**11,286**

The information provided above is for fees and charges purposes and is not for IFRS 8 (Operating Segment Reporting) purposes.

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

7. Property, Plant and Equipment

Consolidated | **2013-14**

£000	Strategic Road Network	High Speed 1 Asset	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
Cost or valuation											
At 1 April 2013	127,583,040	3,546,000	378,466	168,928	536,800	60,715	208,453	43,579	93,887	100,089	132,719,957
Detrunkings	(5,453)	-	-	-	-	-	-	-	-	-	(5,453)
	127,577,587	3,546,000	378,466	168,928	536,800	60,715	208,453	43,579	93,887	100,089	132,714,504
Opening balance adjustments	(652,770)	-	11,202	3,392	(6,233)	302	2,766	1	11	128	(641,201)
Additions	491,430	-	897,631	1,441	19,371	-	4,276	739	4,314	6,781	1,425,983
Write-down of capital additions	(491,430)	-	(625,584)	-	-	-	-	-	-	-	(1,117,014)
Disposals	-	-	-	(1,490)	(1,027)	(5,495)	(5,005)	(1,135)	(4,822)	(4,170)	(23,144)
Impairments	(20,629)	-	-	(836)	(1,047)	(547)	(221)	(13)	(752)	(370)	(24,415)
Opening balance adjustments – BRBR	-	-	-	71,242	60,579	-	-	-	-	-	131,821
Transfers	81,673	-	(99,496)	4,518	1,820	730	(13,931)	719	14,097	11,487	1,617
Reclassifications	-	-	(5)	2,604	(2,139)	-	(119)	-	(187)	(7)	147
Revaluations *	2,735,180	-	-	8,691	17,172	7,563	(3,606)	(1,266)	(1,013)	(5,638)	2,757,083
At 31 March 2014	**129,721,041**	**3,546,000**	**562,214**	**258,490**	**625,296**	**63,268**	**192,613**	**42,624**	**105,535**	**108,300**	**135,225,381**
Depreciation											
At 1 April 2013	18,664,996	168,857	-	-	152,704	-	102,964	28,943	10,103	74,256	19,202,823
Detrunkings	(224)	-	-	-	-	-	-	-	-	-	(224)
	18,664,772	168,857	-	-	152,704	-	102,964	28,943	10,103	74,256	19,202,599
Opening balance adjustments	(412,330)	-	-	-	(558)	-	851	1	-	(92)	(412,128)
Charged in year	861,967	46,052	-	-	17,779	-	15,110	4,103	8,924	9,689	963,624
Disposals	-	-	-	-	(145)	-	(4,701)	(1,110)	(4,394)	(4,024)	(14,374)
Impairments	(502,126)	-	-	-	(47)	-	(111)	(5)	-	(23)	(502,312)
Transfers	-	-	-	-	194	-	(11,961)	-	9,464	2,646	343
Reclassifications	-	-	-	-	(182)	2,105	(33)	-	-	(23)	1,867
Revaluations *	146,241	-	-	-	13,012	-	(3,470)	(1,199)	(4,301)	(4,567)	145,716
At 31 March 2014	**18,758,524**	**214,909**	**-**	**-**	**182,757**	**2,105**	**98,649**	**30,733**	**19,796**	**77,862**	**19,385,335**
Carrying amount at 31 March 2014	**110,962,517**	**3,331,091**	**562,214**	**258,490**	**442,539**	**61,163**	**93,964**	**11,891**	**85,739**	**30,438**	**115,840,046**
Carrying amount at 31 March 2013	**108,912,815**	**3,377,143**	**378,466**	**168,928**	**384,096**	**60,715**	**105,489**	**14,636**	**83,784**	**25,833**	**113,511,905**

* Revaluations in the above note include £1,006,000 (of which GLAs is £812,000) which has been taken to administration and programme costs. The total includes the Revalulation of assets transferred from BRBR as at 31 March 2014 (Land £3,131,458, Buildings £259,469).

£000	Strategic Road Network	High Speed 1 Asset	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
Asset financing:											
Owned	108,596,213	3,331,091	349,166	258,059	414,944	61,163	93,964	6,084	27,943	30,438	113,169,065
Finance leased	-	-	-	-	2,400	-	-	-	57,349	-	59,749
On-balance sheet PFI contracts	2,366,304	-	-	431	25,195	-	-	5,807	447	-	2,398,184
PFI residual interests	-	-	213,048	-	-	-	-	-	-	-	213,048
Carrying amount at 31 March 2014	**110,962,517**	**3,331,091**	**562,214**	**258,490**	**442,539**	**61,163**	**93,964**	**11,891**	**85,739**	**30,438**	**115,840,046**
Of the total:											
Core Department	-	3,331,091	63,592	85,634	122,651	-	6,447	262	1,208	4,777	3,615,662
Core Department and Agencies	110,962,517	3,331,091	551,761	249,838	287,018	61,163	54,895	10,864	5,535	17,681	115,532,363
Departmental Group	110,962,517	3,331,091	562,214	258,490	442,539	61,163	93,964	11,891	85,739	30,438	115,840,046

7. Property, Plant and Equipment – continued

Consolidated **2012-13**

£000	Strategic Road Network	High Speed 1 Asset	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
Cost or valuation											
At 1 April 2012	125,846,897	3,546,000	771,632	170,283	455,702	60,979	252,713	44,461	106,709	91,012	131,346,388
Prior year adjustments	(5,235)	-	-	-	-	-	-	-	-	-	(5,235)
	125,841,662	3,546,000	771,632	170,283	455,702	60,979	252,713	44,461	106,709	91,012	131,341,153
Opening balance adjustments	(1,396,935)	-	13,646	-	(303)	-	239	-	-	(29)	(1,383,382)
Additions#	393,038	-	479,872	-	3,354	-	5,946	331	4,804	9,596	896,941
Write-down of capital additions	-	-	(309,930)	-	-	-	-	-	-	-	(309,930)
Disposals	-	-	(4)	(1,821)	(3,128)	(992)	(30,621)	(2,464)	(5,661)	(3,412)	(48,103)
Impairments	(21,890)	-	-	(54)	(463)	(840)	(455)	-	-	(65)	(23,767)
Transfer	560,507	-	(576,745)	779	16,072	3,842	1,266	645	276	(7,471)	(829)
Reclassifications	-	-	(5)	(3,447)	(1,045)	(2,106)	(4,493)	-	4,420	52	(6,624)
Revaluations *	2,201,425	-	-	3,187	66,610	(168)	(16,143)	606	(16,661)	10,409	2,249,265
At 31 March 2013	**127,577,807**	**3,546,000**	**378,466**	**168,927**	**536,799**	**60,715**	**208,452**	**43,579**	**93,887**	**100,092**	**132,714,724**
Depreciation											
At 1 April 2012	18,458,271	123,322	-	-	157,776	-	148,074	26,616	49,896	62,656	19,026,611
Opening balance adjustments	(711,294)	-	-	-	104	-	-	-	-	(8)	(711,198)
Charged in year	821,692	46,052	-	-	14,481	-	18,079	4,482	6,272	11,572	922,630
Disposals	-	-	-	-	(2,162)	-	(29,957)	(2,447)	(4,859)	(3,381)	(42,806)
Impairments	(5,612)	-	-	-	(89)	-	(26)	-	-	(3)	(5,730)
Transfer	-	(517)	-	-	6,206	-	(2,096)	-	-	(3,592)	1
Reclassifications	-	-	-	-	(327)	-	(2,481)	-	2,051	24	(733)
Revaluations *	101,939	-	-	-	(23,285)	-	(28,629)	292	(43,257)	6,988	14,048
At 31 March 2013	**18,664,996**	**168,857**	**-**	**-**	**152,704**	**-**	**102,964**	**28,943**	**10,103**	**74,256**	**19,202,823**
Carrying amount at 31 March 2013	**108,912,811**	**3,377,143**	**378,466**	**168,927**	**384,095**	**60,715**	**105,488**	**14,636**	**83,784**	**25,836**	**113,511,901**
Carrying amount at 31 March 2012	**107,383,391**	**3,422,678**	**771,632**	**170,283**	**297,926**	**60,979**	**104,639**	**17,845**	**56,813**	**28,356**	**112,314,542**

* Revaluations in the above note include £32,219,000 (of which GLAs is £28,038,000) which has been taken to administration and programme costs. Most of this relates to the GLA's adoption of FReM leading to changed accounting policies a significant downwards revaluation.

£58,314,000 relates to capitalised provisions for HS2 properties under the safeguarding scheme.

£000	Strategic Road Network	High Speed 1 Asset	Assets under Construction	Land	Buildings	Dwellings	Plant & Machinery	Furniture & Fittings	Transport Equipment	Information Technology	Total
Asset financing:											
Owned	106,517,181	3,377,143	176,398	168,496	355,172	60,715	105,488	7,745	53,221	25,836	110,847,395
Finance Leased	-	-	-	-	1,493	-	-	-	30,563	-	32,056
On-balance sheet PFI contracts	2,395,630	-	-	431	27,430	-	-	6,891	-	-	2,430,382
PFI residual interests	-	-	202,068	-	-	-	-	-	-	-	202,068
Carrying amount at 31 March 2013	**108,912,811**	**3,377,143**	**378,466**	**168,927**	**384,095**	**60,715**	**105,488**	**14,636**	**83,784**	**25,836**	**113,511,901**
Of the total:											
Core Department	-	3,377,143	6,075	11,261	64,874	-	6,314	534	1,205	4,976	3,472,382
Core Department and Agencies	108,912,809	3,377,143	368,234	163,917	223,222	60,715	69,968	14,015	1,986	13,332	113,205,341
Departmental Group	108,912,811	3,377,143	378,466	168,927	384,095	60,715	105,488	14,636	83,784	25,836	113,511,901

7.1 Strategic Road Network

The valuation of the Strategic Road Network as at 1 April 2013 was restated to include the following adjustments:

- During the year the Highways Agency managed a project to check and update dimensional information for all structures across the network. This work resulted in a decrease in structures valuation by £229,362,000.
- Reference data for individual elements of the network, including roadside technology and structures was improved and this, resulted in a decrease in the valuation by £7,373,000.

Valuation Adjustments

Capital renewal – the Highways Agency has a yearly programme of renewal of the network to ensure the infrastructure continues to deliver according to the service potential. This yearly renewal expenditure is classified as Capital and the Agency spent £491,430,000 (2012-13: £393,038,000) during the year. This expenditure will provide significant benefits for the network in future years.

Write-down

The infrastructure valuation is based on standard cost and indexation, as required by Government financial reporting. Standard cost is based on a number of assumptions and is an accounting estimate of the cost of replacing the network. The write-down is calculated by comparing the actual cost of constructing a scheme with the standard cost valuation, this difference is the write-down. During the year the write-down was £625,584,000 (2012-13: £309,930,000). The level of write-down is determined by the type of schemes under construction or opened to traffic during the year.

Revaluation

Financial reporting standards require that an indexation factor must be applied to the network valuation to reflect current prices. The Highways Agency uses ROCOS on all elements of the network for this purpose and the result was an increase of £2,588,939,000 (2012-13: £2,099,486,000) in the valuation of the network.

Depreciation

The network is depreciated on a yearly basis to reflect the current condition of the network. The depreciation charge for the year was £861,967,000 (2012-13; £821,692,000). This included a credit of £14,239,000 for improvement in the road condition. Road condition is measured using rutting data collected from road surface condition surveys. Rutting is used as a good proxy for the overall condition of the road surface and is a measurement of the wearable elements of the pavement.

7.2 High Speed 1 Asset

This is the value of the service concession on the HS1 rail link from the Kent coast to St. Pancras in London. Further information is shown within the Accounting Policies note, Note 1.18.

7.3 Assets under Construction

Primarily relate to road schemes under construction on the Strategic Road Network. The 1 April 2013 opening position was adjusted to include an additional £10,980,000 of reversionary interest for the M6 toll road. The agreement for the construction of the toll road includes the provision that the asset will revert to public ownership in the future.

7.4.1 Land & buildings transferred from BRBR

Three properties (Waterloo International Terminal, North Pole Depot and Temple Mills Bus Depot) were transferred to the Department following the abolition of British Railways Board (Residuary) Ltd (BRBR) on 29 September 2013. These properties were held in BRBR as investment properties because under BRBR ownership they were primarily held for rental income and capital appreciation. However, under the Department's ownership they are classified as land and buildings within Property, Plant and Equipment, because they are held for strategic rather than investment puposes.

There are plans to develop and operate Waterloo International Terminal as an extension to the mainline station. North Pole (the former Eurostar depot at Old Oak Common) is to be retained in order to ensure rail access for several railway schemes including Inter City Express depot facilities, HS2, Crossrail and Great Western Electrification. Temple Mills Bus Depot is part of a contractual matrix in place between various railways companies for whom train depot facilities are required.

7.4.2 Analysis of land & buildings transferred from BRBR

£000	£000 Total	2013-14 Land	Buildings
Waterloo International Terminal	38,355	1,090	37,265
North Pole Depot	86,970	73,283	13,687
Temple Mills Bus Depot	9,750	-	9,750
	135,075	74,373	60,702
Opening balance from BRBR (Note 23)	131,684	71,242	60,442
Revaluation at 31 March 2014	3,391	3,131	260
	135,075	74,373	60,702

7.5 Analysis of other land and buildings, excluding dwellings is as follows:

Highways Agency only

£000	2013-14	2012-13
Freehold buildings	217,123	211,560
Short leasehold buildings (less than 50 years)	8,613	8,701
Total	225,736	220,261

7.6 Assets held for sale

Consolidated £000	**Agencies**	**Departmental Group**
Cost or valuation		
At 1 April 2013	12,314	12,505
Reclassifications	4,571	4,570
Disposals	(6,065)	(6,229)
Impairments	(562)	(562)
At 31 March 2014	**10,258**	**10,284**
Cost or valuation		
At 1 April 2012	17,619	17,621
Reclassifications	6,153	6,092
Transfers out	-	252
Disposals	(10,257)	(10,259)
Impairments	(1,201)	(1,201)
At 31 March 2013	**12,314**	**12,505**

There were no assets held for sale by the core Department.

7.7 Investment properties

	£000
Fair value	
1 April 2013	27,420
Balance from BRBR	10,875
Additions	2,170
Disposals	(374)
Revaluations	11,954
31 March 2014	**52,045**
1 April 2012	26,210
Prior Year Adjustment	152
Additions	411
Disposals	(875)
	1,522
31 March 2013	**27,420**

The fair value of the Department's investment properties as at 31 March 2014 has been arrived at on the basis of valuations carried out by a number of independent chartered surveyors working for LCR Ltd.

8. Intangible Assets

Consolidated

£000				2013-14
	Software Licences	Development Expenditure	Assets under Construction	Total
Cost or valuation				
At 1 April 2013	90,169	290,773	29,191	410,133
In-year balances adjustment	79	-	(258)	(179)
Additions	1,724	252	10,469	12,445
Transfers	1,145	29,290	(29,865)	570
Disposals	(11,780)	(110)	-	(11,890)
Impairments	-	-	-	-
Revaluations	155	1,048	24	1,227
Reclassifications	(3)	-	-	(3)
At 31 March 2014	**81,489**	**321,253**	**9,561**	**412,303**
Amortisation				
At 1 April 2013	75,268	225,185	-	300,453
In-year balances adjustment	85	-	-	85
Charged in year	5,279	27,004	-	32,283
Impairments	-	-	-	-
Transfers	(58)	(514)	-	(572)
Disposals	(11,688)	-	-	(11,688)
Revaluations	74	-	-	74
Reclassifications	(2)	-	-	(2)
At 31 March 2014	**68,958**	**251,675**	**-**	**320,633**
Carrying amount at 31 March 2014	**12,531**	**69,578**	**9,561**	**91,670**
Carrying amount at 31 March 2013	**14,901**	**65,588**	**29,191**	**109,680**
Asset financing:				
Owned	12,531	51,253	9,561	73,345
Finance leased	-	18,325	-	18,325
Contracts	-	-	-	-
Carrying amount at 31 March 2014	**12,531**	**69,578**	**9,561**	**91,670**
Of the total:				
Core Department	2,261	-	-	2,261
Core Department and Agencies	8,986	66,958	9,561	85,505
Departmental Group	12,531	69,578	9,561	91,670

Consolidated

£000				2012-13
	Software Licences	**Development Expenditure**	**Assets under Construction**	**Total**
Cost or valuation				
At 1 April 2012	82,345	285,596	13,504	381,445
In-year balances adjustment	12	(12)	309	309
Additions	2,845	636	22,698	26,179
Transfer	5,153	4,565	(8,888)	830
Disposals	(328)	-	-	(328)
Revaluations	189	1,556	-	1,745
Reclassifications	(47)	(1,568)	1,568	(47)
At 31 March 2013	**90,169**	**290,773**	**29,191**	**410,133**
Amortisation				
At 1 April 2012	65,672	200,231	-	265,903
In-year balances adjustment	2	(2)	-	-
Charged in year	9,873	24,956	-	34,829
Disposals	(325)	-	-	(325)
Revaluations	77	-	-	77
Reclassifications	(31)	-	-	(31)
At 31 March 2013	**75,268**	**225,185**	**-**	**300,453**
Carrying amount at 31 March 2013	**14,901**	**65,588**	**29,191**	**109,680**
Carrying amount at 31 March 2012	**16,673**	**85,365**	**13,504**	**115,542**
Asset financing:				
Owned	14,901	37,985	29,191	82,077
Finance Leased	-	27,603	-	27,603
Carrying amount at 31 March 2013	**14,901**	**65,588**	**29,191**	**109,680**
Of the total:				
Core Department	1,591	-	-	1,591
Core Department and Agencies	10,402	62,214	28,933	101,549
Departmental Group	14,901	65,588	29,191	109,680

9. Financial Instruments

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

The core Department for Transport is resourced almost entirely from funds voted by Parliament and so has limited dependency on revenues from customers. This substantially reduces many financial risks. These conditions apply also to the Highways Agency, the Maritime and Coastguard Agency, LCR Finance plc and CTRL Section 1 Finance plc. Other entities within the consolidation boundary, in particular the Government Car and Despatch Agency (until its abolition), the British Transport Police Authority and LCR Ltd, are at least partly reliant on trading relationships. However, these entities are relatively immaterial in the context of the consolidated Department. Further financial risk disclosures are given in the accounts of these entities.

Credit risk

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

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

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

The Department is not exposed to material Credit Risk.

Liquidity risk

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

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

The DVLA, which covers its costs through licensing income, has greater exposure to liquidity risk. It manages this risk by planning capital expenditure around available cash balances.

LCR Ltd manages its liquidity risk by holding cash reserves sufficient to cover its obligations.

Market risk

Some of the Department's liabilities are linked to movements in the Retail Prices Index (RPI). Pensions payable to former employees who have been granted early retirement are linked to RPI; the Department's exposure ceases once the employees reach the standard retirement age, or the liability is contractually transferred. Liabilities under other pension obligations are linked either to RPI or CPI; sensitivity analysis for these obligations is provided in the relevant notes.

The Department has further exposure to inflation risk through index-linked notes issued by CTRL Section 1 Finance plc. These have a book value of £698m (2013: £677m), The values of repayments of interest and capital are determined by the value of the RPI (all items) eight months before the month in which payments are made to investors.

This gives rise to a risk that cash payments can fluctuate significantly, where RPI is volatile. The Department manages this risk by preparing cash forecasts using short-term forecasts of movements in the RPI, based on market expectations, as notified by HM Treasury. For 2013-14, the rate used was 5%.

Movements in RPI also affect the value of the finance cost. This cost is classified as Annually Managed Expenditure, which is a control total. On a consolidated basis, the finance cost reflects the adjustment to the carrying amount of the principal calculated by applying the percentage change in RPI to the opening carrying amount. As the Department is not free to change its exposure regarding the index-linked notes, the finance cost was forecast assuming in-year RPI changes of 5%, so that the element of the AME budget over which the Department could exercise discretion was not over-estimated and over-committed.

Changes in RPI after the end of the financial year do not materially affect the finance cost for that year. For example, an increase of half of one percentage point would have increased the finance cost by approximately £28,000. However, the effect on forecast costs over the next four years would be between £3.5m and £4.5m per annum.

The bonds and notes issued by LCR Finance plc and CTRL Section 1 Finance plc are traded. Based on prices of observed transactions at the end of the year, the fair value of the liabilities at 31 March 2014 were: government guaranteed bonds issued by LCR Finance plc £3,266m (2013: £3,492m) and asset-backed notes issued by CTRL Section 1 plc £1,656m (2013: £1,831m). The carrying values are disclosed in Note14.

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

Financial assets and liabilities, all non-current

£000		31 March 2014	31 March 2013
Financial assets	**Note**		
Loans	9.1.1	259,915	291,132
Share capital	9.1.2	1,181,423	892,987
Public dividend capital	9.1.3	32,459	32,459
National loans fund	9.1.4	4,169	5,249
		1,477,966	1,221,827
Financial liabilities			
Financial guarantees	9.4	(3,662,772)	(3,730,120)
Of which:			
Core Department			
Financial assets		733,819	735,068
Financial liabilities		(3,662,772)	(3,730,120)
		(2,928,953)	(2,995,052)
Core Department & Agencies			
Financial assets		733,859	719,830
Financial liabilities		(3,662,772)	(3,730,120)
		(2,928,913)	(3,010,290)
Departmental Group			
Financial assets		1,477,966	1,221,827
Financial liabilities		(3,662,772)	(3,730,120)
		(2,184,806)	(2,508,293)

The Departmental Group financial assets include Eurostar International Ltd, King's Cross Central and Stratford City Business District.

The Core Department and Agencies balance excluded an intragroup loan between the Core Department and the DVLA as at 31 March 2013 of £15,238,000.

The DVLA loan was repaid during 2013-14 so there is no intergroup balance at 31 March 2014.

The Departmental Group balance excludes an intragroup loan between Directly Operated Railways and the Core Department which at 31 March 2014 was £10,000,000 (2013: £10,000,000), and another intragroup subordinated loan for £2,322,957 between the core Department and CRTL Section 1 Finance plc (both removed on consolidation).

9.1 Financial Assets

9.1.1 Loans

£000	VOSA	DSA	Mersey Tunnel	Humber Bridge	Other Loans	Total
Balance at 1 April 2013	62,173	44,417	1,059	180,243	3,240	291,132
Prior Year Adjustment	-	-	-	-	49	49
Repayment	(11,795)	(14,570)	(689)	(3,843)	(369)	(31,266)
Balance at 31 March 2014	**50,378**	**29,847**	**370**	**176,400**	**2,920**	**259,915**
Balance at 1 April 2012	76,101	53,154	1,688	181,628	13,200	325,771
Advances	-	-	-	-	5,750	5,750
Repayment	(13,928)	(8,737)	(629)	(1,385)	(15,710)	(40,389)
Balance at 31 March 2013	**62,173**	**44,417**	**1,059**	**180,243**	**3,240**	**291,132**

9.1.2 Share Capital

£000	NATS Holdings Ltd	Eurostar International Ltd	Joint Ventures	Whittles Property Companies and Other	Direct Subsidiaries (Ex BRBR)	Total
Balance at 1 April 2013	378,668	304,760	209,274	285	-	892,987
Opening balance from BRBR (Note 23)	-	-	-	30,082	12,264	42,346
Disposals	-	-	-	(285)		(285)
Revaluations	46,332	20,240	148,240	31,563	-	246,375
Balance at 31 March 2014	**425,000**	**325,000**	**357,514**	**61,645**	**12,264**	**1,181,423**
Balance at 1 April 2012	357,500	311,787	162,400	285	-	831,972
Additions	-	-	1,270	-	-	1,270
Revaluations	21,168	(7,027)	45,604	-	-	59,745
Balance at 31 March 2013	**378,668**	**304,760**	**209,274**	**285**	**-**	**892,987**

9.1.2.1 Whittles Property Companies

£000	Fair Value
Whittles Properties Trent & Derwent Ltd *	4,300
Whittles Properties Brunel Ltd *	875
Whittles Properties Croydon Ltd *	14,000
Whittles Properties Manchester Ltd *	42,470
Balance at 31 March 2014	**61,645**

* See details Note 9.3.3 (iv).

9.1.3 Public Dividend Capital

£000	VOSA	DSA	Total
Balance at 31 March 2014	**28,984**	**3,475**	**32,459**
Balance at 31 March 2013	**28,984**	**3,475**	**32,459**

9.1.4 National Loans Fund

£000	Civil Aviation Authority	King's Lynn Harbour Conservancy	Total
Balance at 1 April 2013	5,230	19	5,249
Loans Repayable within One Year Transferred to Receivables	(1,074)	(6)	(1,080)
Balance at 31 March 2014	**4,156**	**13**	**4,169**
Balance at 1 April 2012	7,728	25	7,753
Loans Repayable within One Year Transferred to Receivables	(2,498)	(6)	(2,504)
Balance at 31 March 2013	**5,230**	**19**	**5,249**

9.2 Investments in Other Public Sector Bodies

The Secretary of State holds the following shares:

9.2.1 Special share investments

- One special share of £1 in NATS Holdings Limited, which confers certain rights upon the Secretary of State, restricting the creation, issuing, purchase and redemption of shares, and any changes to the rights of the issued share capital, entitling the special shareholder to certain rights on the winding up of the company and preventing the removal of any director appointed by a Crown representative.
- One redeemable special participating share of £1 in Inter-Capital and Regional Rail Limited. 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 24).

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

9.3 Investments that have not been consolidated

In accordance with the *FReM*, the Department does not consolidate the following wholly-owned subsidiaries, associates and joint ventures that are classified as public corporations or private sector entities. Loans, public dividend, capital and other interests in public bodies outside the departmental boundary are reported at historical cost, less any impairment. Investments in private sector entities are valued at fair value. Where fair values cannot be reasonably assessed the investment is recognised at cost, less any impairment.

9.3.1 Investment in National Air Traffic Services (NATS)

Until 2011-12, the Department was unable to determine a fair value for the investment in NATS and as a result it was held at historical cost. The Department sought additional professional advice on the valuation of the shares in National Air Traffic Services Holdings Limited (NATS). This advice enabled the Department to determine an estimated market value.

In 2012-13, the Department concluded that it could update the valuation report for 2013, to reflect new data (NATS' revised business plan, revised dividend forecast etc) and to reflect any significant fluctuations e.g. to the pension. Although the shares are not actively traded, the market value has been estimated using a combination of discounted cash flow and precedent transaction techniques, based on the techniques used in the previous valuation. The actual value of the shares, if sold, may be significantly different subject to the nature of the stake sold and market conditions. In 2013-14, the Department obtained a further valuation via Moore Stephens. The Department holds 48.8% of the total ordinary share capital in NATS Holding Limited, comprising 49% of the company's £1 ordinary share capital and 47% of its £0.80 ordinary share capital.

Directly owned

NATS Holdings Limited	
Function	Providing air traffic control services.
Status	Private sector company limited by shares. Shares held by the Department (49%), the Airline Group (42%), BAA (4%) and the Employees' Share Ownership Scheme (5%).
Year end date	31 March.
2013-14 Pre-tax profit/(loss)	Not available at date of issue.
2014 Net assets	Not available at date of issue.
2012-13 Pre-tax profit/(loss)	£190,700,000
2013 Net assets	£635,900,000
2011-12 Pre-tax profit	£194,500,000
2012 Net assets	£526,000,000

9.3.2 Directly Operated Railways Limited (DOR Ltd)

Directly owned

East Coast Main Line Company Limited	
Function	East Coast Main Line Company Limited ("East Coast") is the operator of the East Coast passenger rail services operating between London and Scotland.
Status	East Coast Main Line Company Limited is a wholly owned subsidiary of Directly Operated Railways Limited (DOR) which was established by the Department for Transport in July 2009. It fulfils the Secretary of State's requirements under Section 30 of the Railways Act 1993 to secure the continued provision of passenger railway services should an existing franchisee not be able to complete its full term. East Coast was created following the termination of a franchise agreement that the Department entered into with National Express in December 2007. It is intended that DOR will retain East Coast as a subsidiary until a new franchise to operate services on the East Coast Main Line is let to the private sector.
Year end date	31 March.
2013-14 Pre-tax profit/(loss)	Not available at date of issue.
2014 Net assets	Not available at date of issue.
2012-13 Pre-tax profit	£7,012,000
2013 Net assets	£11,805,000
2010-12 Pre-tax profit	£8,187,000
2012 Net assets	£8,850,000

Private Sector Entities

- Thameslink Rail Limited (an active company);
- Hay's Rail Limited (a dormant company); and
- GW Railway Limited (a dormant company).

9.3.3 London & Continental Railways Limited (LCR Ltd)

Directly owned

The investments in King's Cross Central and Stratford City Business District are shown at a combined value of £358m, comprising £345m and £13m respectively, being LCR Ltd's share of the net assets, reported in their management accounts at 31st March 2014 – (a combined value of £970m, adjusted to fair value as appropriate). Stratford City has a 30 June year end, management accounts to 31 March have been used to provide a more up to date valuation.

LCR Ltd's investments in the property development joint ventures at King's Cross and Stratford have been valued at the investor's share of the entities' net assets. At 31 March 2012, an independent valuation report was used. However, the Department now considers that the independent valuation approach is highly sensitive to the assumptions made and capable of producing a wide range of outputs.

The valuation used in these accounts is based on:

For King's Cross Central Limited Partnership:

- Values of assets and liabilities reported in the entity's management accounts as at 31 March 2014, reconciled back to the audited accounts as at 30 June 2013.

For Stratford City Business Development Ltd:

- Values of assets and liabilities reported in the entity's management accounts as at 31 March 2014, reconciled back to the audited accounts as at 30 June 2013.

Valuation on the basis of net assets is considered appropriate due to the fair valuation of investment properties recognised, which is the most material asset class. Financial assets, liabilities and provisions are discounted when the time value of money is material and therefore the carrying value is a reasonable approximation of fair value.

The following uncertainty should be noted in respect of King's Cross Central Limited Partnership. The entity recognises, as inventory, plots or sites if it has decided to sell them and if it appears reasonably certain that the plot or site will become the subject of a binding sale contract. The entity's accounting policy is that inventories are held at the lower of cost and net realisable value and therefore the value of this asset category reflected in the valuation of the investment may be lower than the ultimate sale value and present market value. The Department and LCR Ltd do not consider the difference between the market value and the carrying value of inventories to be significant.

9.3.3(i) Stratford City Business District

Stratford City Business District is a 50/50 joint venture between London & Continental Railways Limited (LCR Ltd), (a private limited company wholly owned by the Secretary of State for Transport), and Lend Lease Corporation Ltd.

LCR Ltd's 50% shareholding is held via its wholly owned subsidiaries LCR Stratford GP Limited and LCR Stratford LP Limited.

Public Corporations

LCR Stratford GP Ltd	
Function	LCR Ltd's general partner interest in LCR Stratford Limited Partnership.
Status	Private limited company, wholly owned by London & Continental Railways Limited. Currently classified as dormant.
Investment	1 ordinary share of £1.
As a private limited company, further information in the public domain is available from Companies House.	

LCR Stratford LP Ltd	
Function	LCR Ltd's limited partner interest in LCR Stratford Limited Partnership.
Status	Private limited company, wholly owned by London & Continental Railways Limited. Currently classified as dormant.
Investment	1 ordinary share of £1.
As a private limited company, further information in the public domain is available from Companies House.	

LCR Stratford Limited Partnership	
Function	LCR Ltd's joint venture interest of 50% in Stratford City Business District Ltd.
Status	Limited partnership, held by LCR Stratford GP Ltd & LCR Stratford LP Ltd with interest of 0.1% and 99.9% respectively.
Investment	£1,000,000 Capital.
As a limited liability partnership there is no further data in the public domain.	

The subsidiaries operate as general partner (GP) and limited partner (LP) in the limited partnership. The general partner is liable for all debts and obligations of the partnership and the limited partner is liable for the debts or obligations they put in to the business.

The limited partner has some form of legal protection from incurring any additional debts and as such, they may not take out their contribution to the partnership for as long as they are involved in the business and may not have the power to make any binding decisions for the firm.

Private sector entity

The following investments form part of the venture Stratford – The International Quarter, and are shown within the above valuation:

- Stratford City Business District Ltd;

9.3.3(ii) King's Cross Central

King's Cross Central is a 36.5/50/13.5% joint venture between London & Continental Railways Limited (LCR Ltd), (a private limited company wholly owned by the Secretary of State for Transport), and Argent and EXEL respectively.

LCR's 36.5% joint venture shareholding is held via its wholly owned subsidiary KXC (LCR) LP Investment Ltd and KXC (LCR) GP Investment Ltd.

Public Corporations

KXC (LCR) GP Investment Ltd	
Function	Development, including buying and selling real estate, of the area around Kings Cross station. Additionally, it holds LCR's interest in the King's Cross Central Limited Partnership through the joint venture of King's Cross Central General Partner Limited.
Status	Private limited company, wholly owned by LCR Ltd and currently classified as dormant.
Investment	2 ordinary shares of £1 each.
As a private limited company, further information in the public domain is available from Companies House.	

KXC (LCR) LP Investment Limited	
Function	Development, including buying and selling real estate, of the area around Kings Cross station. Additionally, it holds LCR's interest in the King's Cross Central Limited Partnership through the joint venture of King's Cross Central Property Trust, a property unit trust established in Jersey.
Status	Private limited company, wholly owned by LCR Ltd.
Investment	2 ordinary shares of £1 each.
As a private limited company, further information in the public domain is available from Companies House.	

Private sector entities

The following investments form part of the King's Cross Central venture and are shown within the above valuation:

- King's Cross Central General Partner Ltd (a dormant company);
- King's Cross Central (Trustee No. One) Limited (a dormant company);
- King's Cross Central (Trustee No. Two) Limited (a dormant company);
- King's Cross Central Property Trust;
- King's Cross Business Partnership Limited; (no accounts filed);
- King's Cross Central Limited Partnership; (no accounts filed); and
- Metropolitan King's Cross Limited.

9.3.3(iii) Other Public Corporations

KXC Landowners Limited	
Function	Business activities are buying and selling real estate.
Status	Private limited company, 73% owned by LCR Ltd and 27% owned by Exel Holdings Ltd and currently classified as dormant.
Investment	100 ordinary shares of £1 each.
As a private limited company, further information in the public domain is available from Companies House.	

LCR Trust Company Ltd	
Function	Other activities auxiliary to insurance and pension funding.
Status	Private limited company, wholly owned by LCR Ltd and currently classified as dormant.
Investment	1 ordinary share of £1.
As a private limited company, further information in the public domain is available from Companies House.	

LCR St Pancras Chambers Ltd	
Function	Business activities are buying and selling real estate.
Status	Private limited company, wholly owned by LCR Ltd and currently classified as dormant.
Investment	100 ordinary shares of £1 each.
As a private limited company, further information in the public domain is available from Companies House.	

Ebbsfleet Landmark Project Limited	
Function	Landscape service activities.
Status	Private company limited by guarantee, the members of the Company are LCR Ltd, Eurostar International Limited and Land Securities REIT.
Investment	£1,366,000 funding provided by members.
As a private company limited by guarantee, further information in the public domain is available from Companies House.	

Owned via LCR

9.3.3(iv) LCR Subsidiaries

Whittles Properties Manchester Ltd	
Function	Business activities are buying and selling real estate.
Status	Private limited company, wholly owned by LCR Ltd.
Year end Date	31 March.
2013-14 Pre-tax profit/(loss)	Not available at date of issue
2014 Net assets	Not available at date of issue
2012-13 Pre-tax profit/(loss)	£161,000
2013 Net assets	£7,366,000
2011-12 Pre-tax profit/(loss)	£2,622,000
2012 Net assets	£6,438,000

Whittles Properties Croydon Ltd	
Function	Business activities are buying and selling real estate.
Status	Private limited company, wholly owned by LCR Ltd.
Year end Date	31 March.
2013-14 Pre-tax profit/(loss)	Not available at date of issue
2014 Net assets	Not available at date of issue
2012-13 Pre-tax profit/(loss)	(£4,348,000)
2013 Net assets	£334,000
2011-12 Pre-tax profit/(loss)	(£2,525,000)
2012 Net assets	£3,783,000

Whittles Properties Brunel Ltd	
Function	Business activities are buying and selling real estate.
Status	Private limited company, wholly owned by LCR Ltd.
Investment	1 ordinary shares of £1.
Year end Date	31 March.
2013-14 Pre-tax profit/(loss)	Not available at date of issue
2014 Net assets	Not available at date of issue
2012-13 Pre-tax profit/(loss)	(£639,000)
2013 Net assets	£2,364,000
2011-12 Pre-tax profit/(loss)	(£249,000)
2012 Net assets	£2,894,000

Whittles Properties Trent & Derwent Ltd	
Function	Business activities are buying and selling real estate.
Status	Private limited company, wholly owned by LCR Ltd.
Investment	1 ordinary shares of £1.
Year end Date	31 March.
2013-14 Pre-tax profit/(loss)	Not available at date of issue
2014 Net assets	Not available at date of issue
2012-13 Pre-tax profit/(loss)	(£1,936,000)
2013 Net assets	£17,498,000
2011-12 Pre-tax profit/(loss)	(£1,542,000)
2012 Net assets	£18,915,000

Indirectly owned

9.3.3(v) Eurostar International

The Department's 40% shareholding in Eurostar International Ltd (EIL) is accounted for as an available for sale investment in accordance with the *FReM* Although the shares are not actively traded, the market value has been estimated using a combination of the discounted cash flow approach and the market approach (precedent comparable transactions and listed comparable entities). The actual value of the shares, if sold, may be significantly different subject to the nature of the stake sold, investor appetite and market conditions.

Eurostar International Limited (formerly Eurostar (UK) Limited)	
Function	Eurostar International Limited (EIL) is the operator of the Eurostar service operating between London, Paris and Brussels.
Status	Prior to the creation of EIL on 1 September 2010, the UK, France and Belgium had been responsible for operating the Eurostar service within their own countries. EIL is owned as follows: LCR Ltd 40%, NMBS/SNCB 5% and SNCF 55%.
Year end date	31 December.
2013 Pre-tax profit	Not available at date of issue.
2013 Net assets	Not available at date of issue.
2013 Pre-tax profit	Not available at date of issue.
2013 Net assets	Not available at date of issue.
2012 Pre-tax profit	£59,200,000
2012 Net assets	£805,300,000
2011 Pre-tax profit	£21,400,000 (group)
2011 Net liabilities	£739,300,000 (group)

9.3.4 Other investments

Share investments transferred from BRBR

Following the abolition of British Railways Board (Residuary) Limited (BRBR) a number of companies were transferred to the Department for Transport, which now holds 100% of the issued share capital of the following companies:

- British Rail Engineering Limited (dormant);
- British Transport Hotels Limited (dormant);
- RFD (Channel Tunnel) Limited (dormant);
- The Pullman Car Company Limited (dormant);
- British Rail Limited (dormant);
- British Railways Limited (dormant); and
- British Railways Board Limited (dormant)

Share investments outside of the Departmental Consolidation boundary

These investments have been shown at historic cost less any impairment:

- 100% of the issued share capital in the following companies:
    - College Rail Limited;
    - Marsham Rail Limited;
    - Vincent Rail Limited;
    - Queensway Rail Limited;
    - Parkside Rail Limited;
    - Millbank Rail Limited;
    - Greycoat Rail Limited; and
    - Bower Rail Limited.

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

Humber Bridge

- The Secretary of State for Transport provided debt finance for the construction of the Humber Bridge which is owned and managed by the Humber Bridge Board (a joint local authority board). The bridge opened to traffic in 1981.
- The Humber Bridge (Debts) Order 2012 (No. 716) wrote down £150m from the Humber Bridge debt on 31 March 2012. The interest rate on the total outstanding debt was set at 4.25% for the remainder of the loan term.
- The Bridge Board made a capital repayment of £3,843,476 during 2013-14, and therefore the total outstanding debt on 1 April 2013 was £176,400,000.

9.4 Financial Liabilities

Financial Guarantees

	Network Rail
	£000
Balance at 1 April 2013	3,730,120
Charged in year	(40,499)
Released	(240,000)
Unwinding discount	213,151
Balance at 31 March 2014	**3,662,772**
Balance at 1 April 2012	3,310,393
Charged in year	451,176
Released	(218,000)
Unwinding discount	186,551
Balance at 31 March 2013	**3,730,120**

The Department has given an indemnity to Network Rail's debt holders, with a total outstanding debt as at 31 March 2014 of £32,987m. The indemnity expires in 2052, and is recognised as a financial guarantee contract in accordance with IAS 39. The indemnity reduces the cost of borrowing for Network Rail and the Department is paid a fee by Network Rail for the equivalent benefit of reduced interest charges on its commercial debt. The discounted value of it over the 39 year period is calculated to be as shown in the table above. Further information is in the Accounting Policies note, Note 1.12.6 and 1.22, and reference to it is also within the Contingent Liabilities note, Note 17.3.

The sum released passes through the SOCNE as income. The amount charged in year together with the unwinding of the discount are also charged through the SOCNE, but these are offset by a corresponding sum released from receivables.

10. Impairments

£000	2013-14	2012-13
Core Department & Agencies		
Impairments through the Statement of Comprehensive Net Expenditure - non-current assets and assets held for sale	13,029	17,922
	13,029	**17,922**
Departmental Group		
Impairments through the Statement of Comprehensive Net Expenditure - non-current assets and assets held for sale	14,093	18,753
	14,093	**18,753**
Of which:		
Other Administration costs	35	87
Programme costs	14,058	18,666
	14,093	**18,753**

11. Inventories

£000	March 2014			March 2013		
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Current Assets						
Stocks	154,555	193,509	203,271	50,164	95,366	103,251
Work in progress	-	379	379	-	674	674
	154,555	**193,888**	**203,650**	**50,164**	**96,040**	**103,925**
Non-current Assets						
Stocks	-	3,860	3,860	-	2,931	2,931
	-	**3,860**	**3,860**	**-**	**2,931**	**2,931**

Core Department current stocks include property purchases on behalf of HS2.

12. Trade Receivables and Other Assets

£000	March 2014			March 2013 (restated)		
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Amounts falling due within one year:						
Trade receivables	3,921	13,724	31,950	3,869	20,152	44,131
Deposits and advances	685	7,505	7,861	695	8,393	8,735
VAT receivables	783	113,311	113,769	1,771	97,859	98,477
Other receivables	903	13,555	65,925	2,406	15,172	25,982
Financial indemnity fee *	240,000	240,000	240,000	240,000	240,000	240,000
Prepayments and accrued income	90,009	128,028	134,469	90,461	135,741	142,279
Current part of finance leases	6,561	6,561	6,561	-	-	-
Current part of NLF loan	1,080	1,080	1,080	2,504	2,504	2,504
Amounts due in respect of Consolidated Fund Extra Receipts (CFERs)	-	6	6	-	83,197	83,197
Amounts due from the Consolidated Fund in respect of supply not drawn down at year end	-	-	-	-	-	-
Total current	**343,942**	**523,770**	**601,621**	**341,706**	**603,018**	**645,305**

£000	March 2014			March 2013 (restated)		
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Amounts falling due after more than one year:						
Trade receivables	-	-	-	-	-	-
Deposits and advances	-	10	10	-	8,432	8,432
Amounts due in respect of Consolidated Fund Extra Receipts	-	201,035	201,035	-	224,634	224,634
Other receivables	1,773	64,138	72,492	534	58,554	58,123
Financial indemnity fee *	3,422,772	3,422,772	3,422,772	3,490,120	3,490,120	3,490,120
Finance leases	9,593	9,593	9,593	-	-	-
Prepayments and accrued income	-	93,815	93,919	-	76,408	76,532
Total non-current	**3,434,138**	**3,791,363**	**3,799,821**	**3,490,654**	**3,858,148**	**3,857,841**
Total current and non-current	**3,778,080**	**4,315,133**	**4,401,442**	**3,832,360**	**4,461,166**	**4,503,146**

* More details of the financial guarantee (£3,662,772,000 (2014) and £3,730,120,000 (2013)) are disclosed in Note 9.4.

12.1. Intra-Government Balances

£000	Amounts falling due within one year		Amounts falling due after more than one year	
	March 2014	March 2013	March 2014	March 2013
		(restated)		*(restated)*
Balances with other central government bodies	147,876	111,742	-	100
Balances with local authorities	10,639	7,399	6,545	6,614
Balances with NHS bodies	83	58	-	-
Balances with public corporations and trading funds	3,754	2,960	-	-
Subtotal: intra-government balances	162,352	122,159	6,545	6,714
Balances with bodies external to government	439,269	523,146	3,793,276	3,851,127
Total receivables at 31 March 2014	**601,621**	**645,305**	**3,799,821**	**3,857,841**

13. Cash and Cash Equivalents

£000	March 2014			March 2013 *(restated)*		
	Core Department	**Core Department & Agencies**	**Departmental Group**	**Core Department**	**Core Department & Agencies**	**Departmental Group**
Balance at 1 April 2013	249,024	345,656	494,039	75,140	202,175	325,825
Net change in cash and cash equivalent balances	(108,746)	(164,996)	(108,138)	173,884	143,481	168,214
Balance at 31 March 2014	**140,278**	**180,660**	**385,901**	**249,024**	**345,656**	**494,039**
The following balances at 31 March were held at:						
Government Banking Service	140,202	179,636	180,008	248,899	311,023	311,952
Commercial banks and cash in hand	76	1,024	205,893	125	34,633	182,087
Balance at 31 March 2014	**140,278**	**180,660**	**385,901**	**249,024**	**345,656**	**494,039**

14. Trade Payables and Other Liabilities

£000		March 2014			March 2013 (restated)		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Amounts falling due within one year:							
VAT		-	-	968	79	85	54
Other taxation and social security		3,345	6,691	10,907	2,560	5,170	10,185
Pension		19	2,655	2,691	22	2,011	2,049
Trade payables		37,093	127,550	133,602	12,954	46,234	50,061
Other payables		31,344	37,083	39,931	41,891	50,068	56,293
Accruals and deferred income *		541,020	1,094,284	1,175,259	432,894	895,860	974,305
Current part of finance leases		7,207	7,599	11,608	-	392	2,621
Current part of imputed finance lease element of on balance sheet (SoFP) Public Finance Initiative (PFI) contracts and other service concession arrangements		-	72,733	72,733	-	65,115	65,115
Obligations in respect of Channel Tunnel Rail Link debt		53,937	53,937	49,753	53,360	53,360	49,595
Current part of National Loan Fund (NLF) loans	14.2	1,080	1,080	1,080	2,504	2,504	2,504
Amounts issued from the Consolidated Fund for supply but not spent at year end		201,932	146,794	146,794	311,739	314,899	314,899
Consolidated Fund Extra Receipts due to the Consolidated Fund:							
received		-	19,275	19,275	-	16,164	16,164
receivable		-	6	6	-	83,197	83,197
Total current		**876,977**	**1,569,687**	**1,664,607**	**858,003**	**1,535,059**	**1,627,042**
Amounts falling due after more than one year:							
Other payables		65,238	87,159	97,518	51,603	49,574	60,823
Deferred income *		1,377,831	1,377,831	1,377,836	1,432,194	1,432,194	1,432,198
Financel Leases		9,593	10,865	41,079	-	1,664	21,341
Inputed finance lease element of on-balance sheet (SoFP) PFI contracts and other service concession arrangements		-	1,800,832	1,800,832	-	1,864,371	1,864,371
Obligations in respect of Channel Tunnel Rail Link debt		4,176,913	4,176,914	4,175,314	4,155,136	4,155,136	4,153,299
NLF loans		4,169	4,169	4,169	5,249	5,249	5,249
Consolidated Fund Extra Receipts due to the Consolidated Fund		-	201,035	201,035	-	224,634	224,634
Total non-current		**5,633,744**	**7,658,805**	**7,697,783**	**5,644,182**	**7,732,822**	**7,761,915**
Total current and non-current		**6,510,721**	**9,228,492**	**9,362,390**	**6,502,185**	**9,267,881**	**9,388,957**

* Deferred income in relation to HS1 is amortised at the rate of £54,387,000 annually.

14.1 Intra-Government Balances

£000	Amounts falling due within one year		Amounts falling due after more than one year	
	March 2014	March 2013 *(restated)*	March 2014	March 2013 *(restated)*
Balances with other central government bodies	227,275	441,594	1,638,486	1,716,463
Balances with local authorities	219,428	169,765	-	-
Balances with NHS bodies	47	15	-	-
Balances with public corporations and trading funds	12,791	26,391	(1,056)	-
Subtotal: intra-government balances	459,541	637,765	1,637,430	1,716,463
Balances with bodies external to government	1,205,066	989,277	6,060,353	6,045,452
Total payables at 31 March 2014	**1,664,607**	**1,627,042**	**7,697,783**	**7,761,915**

14.2 National Loans Fund (NLF) loans

NLF loans are repayable by the following bodies:

£000	2013-14			2012-13
	Civil Aviation Authority Fixed Rates	King's Lynn Harbour Conservancy Fixed Rates	Total	Total
Within one year	1,074	6	1,080	2,504
Over one and under two years	1,108	6	1,114	1,081
Over two and under five years	2,676	7	2,684	3,441
More than five years	371	-	371	727
Total	**5,229**	**19**	**5,249**	**7,753**

The Department has lent money made available by the National Loans Fund (NLF) to the Civil Aviation Authority (CAA) and to the Kings Lynn Harbour Conservancy. The profile of repayments receivable by the Department is set out in Note 9; the profile of repayments payable by the Department to the National Loans Fund (NLF) is set out above. The loans are repayable at interest rates varying between 2.61% and 7.875%.

15. Provisions for Liabilities and Charges

£000	March 2014			March 2013 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Balance at 1 April 2013	84,649	340,921	350,622	89,849	413,901	425,325
Provided in the year * ~	102,107	171,269	164,030	15,317	97,122	103,088
Provisions not required written back	-	(66,836)	(68,218)	(9,490)	(51,472)	(55,981)
Provisions utilised in the year	(22,751)	(110,615)	(116,402)	(14,123)	(112,671)	(115,998)
Unwinding of discounts	289	(156)	(156)	-	392	392
BRBR opening balance (Note23)	282,486	282,486	295,986	-	-	-
Adjustment in respect of Government Car and Despatch Agency	-	-	-	3,096	150	150
Reclassification *	-	1920	15,357	-	(6,501)	(6,354)
Balance at 31 March 2014	**446,780**	**618,989**	**641,219**	**84,649**	**340,921**	**350,622**
Of which						
Amounts falling due within one year:	81,089	150,021	151,141	10,227	93,867	95,825
Amounts falling due after more than one year:	365,691	468,968	490,078	74,422	247,054	254,797
Total Current and Non-current	**446,780**	**618,989**	**641,219**	**84,649**	**340,921**	**350,622**

* Includes land provision adjustments of £14.8m (2012-13 £29.5m), HS2 capital provisions of £58.3m (2012-13 £0m) and reclassifications of provisions of £12.8m (2012-13: £6.5m) which are not recognised via the Statement of Comprehensive Net Expenditure.

~ In accordance with s.10 ATT regulations, £2.308m (2012-13: £1.254m) provided for in year has been recognised as a rebate of income, and not a provision expense, in the Statement of Comprehensive Net Expenditure.

Analysis of expected timing of discounted flows

£000	March 2014			March 2013 (restated)		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	81,089	150,021	151,141	10,227	93,867	95,825
Later than one year and not later than five years	113,882	205,167	226,276	42,824	187,929	193,973
Later than five years	251,809	263,801	263,802	31,598	59,125	60,824
Balance at 31 March 2014	**446,780**	**618,989**	**641,219**	**84,649**	**340,921**	**350,622**

15.1.1 Departmental Group

£000	Employee ill Health Claims	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
Balance at 1 April 2013	-	10,708	62,500	188,700	88,714	350,622
Provided in the year	26,898	461	9,608	70,372	56,691	164,030
Provisions not required written back	-	(51)	-	(64,516)	(3,651)	(68,218)
Provisions utilised in the year	(7,181)	(2,944)	(7,208)	(62,647)	(36,422)	(116,402)
Unwinding of discounts	289	106	-	-	(551)	(156)
BRBR opening balance (Note 23)	247,494	-	-	-	48,492	295,986
Reclassification	-	(23)	-	2,560	12,820	15,357
Balance at 31 March 2014	**267,500**	**8,257**	**64,900**	**134,469**	**166,093**	**641,219**

15.1.2 Core Department and Agencies

£000	Employee ill Health Claims	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
Balance at 1 April 2013	-	10,692	62,500	188,700	79,030	340,922
Provided in the year	26,898	466	9,608	70,372	63,924	171,268
Provisions not required written back	-	(51)	-	(64,516)	(2,269)	(66,836)
Provisions utilised in the year	(7,181)	(2,933)	(7,208)	(62,647)	(30,646)	(110,615)
Unwinding of discounts	289	106	-	-	(551)	(156)
BRBR opening balance (Note 23)	247,494	-	-	-	34,992	282,486
Reclassification	-	(23)	-	2,560	(617)	1,920
Balance at 31 March 2014	**267,500**	**8,257**	**64,900**	**134,469**	**143,863**	**618,989**

15.1.3 Core Department

£000	Employee ill Health Claims	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
Balance at 1 April 2013	-	629	62,500	-	21,520	84,649
Provided in the year	26,898	-	9,608	-	65,601	102,107
Provisions not required written back	-	-	-	-	-	-
Provisions utilised in the year	(7,181)	-	(7,208)	-	(8,362)	(22,751)
Unwinding of discounts	289	-	-	-	-	289
BRBR opening balance (Note 23)	247,494	-	-	-	34,992	282,486
Balance at 31 March 2014	**267,500**	**629**	**64,900**	**-**	**113,751**	**446,780**

Analysis of expected timing of discounted flows

£000	Employee ill Health Claims	Early departure costs	National Freight Company Pension	Highways Scheme costs	Others	Total
Not later than one year	15,000	4,463	7,386	57,153	71,788	155,790
Later than one year and not later than five years	60,000	3,701	29,544	77,316	51,066	221,627
Later than five years	192,500	93	27,970	-	43,239	263,802
Balance at 31 March 2014	**267,500**	**8,257**	**64,900**	**134,469**	**166,093**	**641,219**

15.2 Provisions for Liabilities and Charges

15.2.1 Employee ill health claims

The British Railways Board was a major employer for some 50 years (with up to three-quarters of a million employees at one time) and as an operator of trains, ships and hotels for most of that time, the British Railways Board (BRB) on privatisation, retained responsibility in the great majority of cases for industrial injuries and employment and environment-related claims resulting from its activities during that period. In some instances claims do not arise until many years after the relevant employment ceases (e.g. medical conditions may not develop until much later). On the abolition of BRBR liability for these claims passed over to the Department for Transport.

As at 31 March 2014, 1560 (British Railways Residuary Board Ltd (BRBR Ltd) 2013: 887) disease and injury claims were still outstanding against the Company, including 195 (BRBR Ltd 2013: 95) mesothelioma claims, 219 (BRBR Ltd 2013: 66) asbestosis claims, 48 (BRBR Ltd 2013: 32) pleural plaque claims, 80 (BRBR Ltd 2013: 27) vibration white finger claims, nil (BRBR Ltd 2013: 1) radiation claims and 1,014 (BRBR Ltd 2013: 666) industrial deafness claims. During the year some £15.5 million (BRBR Ltd 2013: £16.9m) was paid out in settlement of such claims. The value of the provision for employee related claims as at 31 March 2014 was £267.5 million (BRBR Ltd 2013: £255.0m). As a result of an increase in the number of open claims and changes in assumptions of the future employee claims model, it has been necessary to increase the size of the provision at the year end. This has resulted in a £26.9m (BRBR Ltd 2013: £36.5m) charge to the Income Statement.

15.2.2 Early departure costs

The Department and its Agencies meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retired early under the pre-2010 Civil Service Compensation Scheme by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department and its Agencies provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 1.80% in real terms. From the introduction of the 2010 Civil Service Compensation Scheme staff who leave early under a Voluntary Exit or Redundancy arrangement and who are over their scheme minimum retirement age may, if the Department agrees, have their pension reduction made up by the Department. This allows them to receive their pension from the date of leaving. The Department pays the additional sum as part of the compensation payment or on receipt of an invoice from Capita.

15.2.3 National Freight Company Pension

National Freight Company plc (NFC) pension trustee (31 March 2013: £48.4m; 31 March 2014: £51.3m) – 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 (31 March 2013: £14.1m; 31 March 2014: £13.6m) – 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).

15.2.4 Highways Schemes

Land and Property acquisition

Land and property acquisition provisions relate principally to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of a road scheme. It may take several years from the announcement of a scheme to completion of the road and final settlement of all liabilities.

Engineering and construction services

The provision for engineering and construction services was previously required to meet the estimated cost of work to meet generally accepted highways standards, after a road has been opened for traffic, and disputed contractual claims. However, the changing nature of scheme delivery is aimed at reducing the time taken to complete; including condensing the time between opening for traffic and scheme completion. This means that engineering and construction provisions no longer remain appropriate.

Bridge strengthening

The provision is required to strengthen bridges and other structures to comply with minimum legal requirements, as established by European Union legislation and authoritative statements by Ministers in Parliament.

Tunnels

The Secretary of State is required to bring long tunnels on the Trans-European Roads Network up to new safety standards. The tunnel related works are scheduled to be completed before the 2014 deadline set in the Directive.

Migration, pensions and other liabilities

Other liabilities include those to third parties who have suffered damage or injury as a result of the road network being damaged and are entitled to submit a claim to the Agency for compensation. A provision of £2.7m (2012-13: £2.9m) has been made which estimates the value of the claims received as at 31 March 2014 that will require settlement by the Agency.

The pension liability relates to former staff who left the Agency's employment before the formal retirement age of 60. The Agency is responsible for making payments to the pension plan until their retirement age.

15.2.5 Other

This heading covers a range of smaller provisions, including:

Provision for the onerous lease on the arches beneath Waterloo domestic station. The lease expires in July 2052. The provision was transferred from BRBR on 29 September 2013 at a value of £33.8m. The 31 March 2014 provision was externally valued at £35.6m.

BRB's ex-employees' pensions (31 March 2013: £14.1m; 31 March 2014: £12.8m) - reimbursement to trustees of the British Transport Police Force Superannuation Fund in respect of unfunded proportions of pensions deriving from service with the BRB before 1 January 1975 (Part III, Transport Act 1980).

Dilapidations of Core Department buildings 31 March 2014: £5.1m (31 March 2013: £5.2m) - the Department recognises as a provision its best estimate as at the end of the current reporting period of the costs of reversing the accumulated wear and tear on the properties it occupies as a tenant, where this is a requirement under the relevant tenancy agreements.

16. Capital and Other Commitments

16.1 Capital commitments

£000	2014			2013		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Contracted capital commitments at 31 March not otherwise included in these financial statements						
Property, plant and equipment	-	555,243	556,657	-	460,001	460,831
Intangible assets	-	886	886	-	878	897
	-	**556,129**	**557,543**	**-**	**460,879**	**461,728**

16.2 Commitments under leases

16.2.1 Operating leases

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

£000	March 2014			March 2013		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Obligations under operating leases for the following periods comprise:						
Land						
Not later than one year	-	310	318	-	624	637
Later than one year and not later than five years	-	876	908	-	2,070	2,101
Later than five years	-	1,390	1,529	-	1,660	1,692
	-	**2,576**	**2,755**	**-**	**4,354**	**4,430**
Buildings						
Not later than one year	8,965	10,543	20,006	8,123	23,609	24,147
Later than one year and not later than five years	38,682	43,745	69,938	31,982	71,244	78,228
Later than five years	11,990	21,442	58,606	5,984	56,937	118,180
	59,637	**75,730**	**148,550**	**46,089**	**151,790**	**220,555**
Other:						
Not later than one year	-	13,719	14,856	-	236	1,161
Later than one year and not later than five years	-	132,917	134,209	-	556	2,098
Later than five years	-	318,968	318,968	-	-	-
	-	**465,604**	**468,033**	**-**	**792**	**3,259**

16.2.2 Finance leases

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

£000	March 2014			March 2013		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Obligations under finance leases for the following periods comprise:						
Buildings						
Not later than one year	-	182	182	-	182	182
Later than one year and not later than five years	-	729	729	-	729	729
Later than five years	-	228	228	-	410	410
	-	1,139	1,139	-	1,321	1,321
Less interest element	-	(175)	(175)	-	(225)	(225)
Present value of obligations	**-**	**964**	**964**	**-**	**1,096**	**1,096**
Other						
Not later than one year	7,207	7,417	11,426	-	210	2,439
Later than one year and not later than five years	9,593	9,908	25,943	-	525	9,443
Later than five years	-	-	14,179	-	-	10,759
	16,800	17,325	51,548	-	735	22,641
Less interest element	(646)	(663)	(5,887)	-	(34)	(4,539)
Present value of obligations	**16,154**	**16,662**	**45,661**	**-**	**701**	**18,102**

16.3 Commitments under PFI and other service concession arrangements

16.3.1 On-balance sheet (Statement of Financial Position)

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

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

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

On 4 April 2005, DVLA entered into a 20-year service concession agreement with Telereal Trillium (formerly Land Securities Trillium). This agreement falls within the scope of IFRIC 12 Service Concession Arrangements and has been set up to provide the following property outsourcing solutions:

- Building Maintenance
- Office Moves
- Cleaning
- Catering and Vending
- Furniture Repair
- Furniture Replacement
- Grounds Maintenance
- Waste Management and Pest Control

DVLA are invoiced on a monthly basis and this revenue expenditure is recorded as a service charge in the Statement of Comprehensive Net Expenditure. As part of the contract, Telereal Trillium have undertaken a refurbishment of the Swansea HQ site. Where the work is capital in nature (air conditioning, double-glazing, lifts and specialist cabling), the costs have been capitalised on Independent Assessors sign off for each floor as complete and ready for use. The air conditioning, double-glazing and lifts are depreciated over the length of the PFI contract. The cabling is depreciated over its expected useful life of five years.

A PFI liability has been created to reflect the work capitalised.This liability is reduced over the life of the contract as payments are made. In accordance with *FReM* requirements, the interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method.

16.3.2 Departmental Group

Imputed finance lease obligations under on balance sheet PFI contracts comprise:

£000	2013-14	2012-13
Rentals due:		
Not later than one year	204,518	204,494
Later than one year and not later than five years	798,266	808,073
Later than five years	2,843,119	3,037,567
	3,845,903	4,050,134
Less: Interest element	(1,972,338)	(2,120,648)
	1,873,565	**1,929,486**

Capital element under on balance sheet PFI contracts comprises:

£000	2013-14	2012-13
Not later than one year	72,733	65,115
Later than one year and not later than five years	315,041	303,356
Later than five years	1,485,791	1,561,015
	1,873,565	**1,929,486**

Interest element under on balance sheet PFI contracts comprises:

£000	2013-14	2012-13
Not later than one year	131,785	139,379
Later than one year and not later than five years	483,225	504,717
Later than five years	1,357,328	1,476,552
	1,972,338	**2,120,648**

All finance lease obligations under on balance sheet PFI contracts are held by the Agencies.

16.3.3 Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on balance sheet PFI transactions was £273,772,000.

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

£000		2013-14			2012-13	
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	-	543,692	543,692	-	558,143	558,143
Later than one year and not later than five years	-	2,175,017	2,175,017	-	2,166,236	2,166,236
Later than five years	-	11,995,241	11,995,241	-	12,606,725	12,606,725
	-	**14,713,950**	**14,713,950**	**-**	**15,331,104**	**15,331,104**

16.4 Other financial commitments

In accordance with a Deed of Grant entered into in December 2013, the Department is committed to making direct payments of £17,661m to Network Rail spread over the financial years 2014-15 to 2018-19. This sum is expressed in 2012-13 prices. Actual sums payable under the Deed of Grant are subject to indexation with reference to the Retail Price Index. Any direct payments to Network Rail beyond this period will be contracted following a review of Network Rail's income requirement which will be conducted by the Office of Rail Regulation in due course. The numbers shown below under Network Rail are in nominal and show the commitments for the financial years 2014-15 to 2018-19. In comparison the prior year the value later than 1 year is higher as there are now four years of outstanding commitments in this category. In 2012-13 only expenditure in Control Period 4 (ending March 2014) was committed, whereas in the current year Control Period 5 expenditure (ending March 2019) was committed.

In addition, as at 31 March 2014, the Department had 16 contracts with train operating companies (TOCs) for the provision of rail services. One contract is with the East Coast Main Line Company Ltd which is owned by Directly Operated Railways Ltd (DOR Ltd) which is in turn a wholly owned subsidiary company of the Department for Transport.

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

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

The amounts in the table below do not attempt to forecast any commitments by the Department for the provision of rail services beyond the expiry of the current suite of contracts with the rail industry. They do not include amounts payable by train operating companies to the Department which are expected to be per the base contracts £1,517,410,000 next year and £2,279,906,000 per year thereafter. Additionally they do not include the financing requirements of Network Rail which the Department expects to fund (£6,500,000,000 in 2014-15).

The group total includes £28m of additional financial commitments relating to purchase orders at year end net of accruals and VAT.

£000			2013-14			2012-13 *(restated)*
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Not later than one year	4,192,672	4,192,672	4,220,772	4,016,773	4,159,405	4,159,405
Later than one year and not later than five years	16,312,496	16,312,496	16,312,496	210,011	538,642	538,642
Later than five years	-	-	-	6,031	29,542	29,542
	20,505,168	**20,505,168**	**20,533,268**	**4,232,815**	**4,727,589**	**4,727,589**

17. Contingent Liabilities

As a government department, the Department for Transport discloses contingent liabilities under requirements that are broader than those applicable to commercial entities. In accordance with IAS 37, it discloses contingent liabilities for which the risk of crystallisation is greater than remote but not probable (17.1 below). However, it also discloses contingent liabilities for which the risk of crystallisation is remote, where such contingent liabilities have been reported to Parliament in accordance with the guidance provided in *Managing Public Money* (17.3 below), because as guarantees, indemnities and letters of comfort, they expose the taxpayer to financial risk. These disclosure requirements are presented under separate headings, so that readers of the accounts can assess the level of risk that they represent.

17.1 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 2014 £m	31 March 2013 £m
Indemnities in respect of Crossrail funding and delivery		
To support delivery of the Crossrail project, the Department has provided indemnities and assurances to parties carrying risks that they would be unable to bear.	3,468	3,428
Guarantees to promote investment in railway assets		
Under the Railways Act 1993, the Transport Act 2000 and the Channel Tunnel Rail Link Act 1996, the Secretary of State has provided guarantees to promote investment in the rail sector.	24	160
The Secretary of State has provided non-statutory guarantees to promote investment in the rail sector.	10	27
Legal claims		
From time to time, the Department experiences legal claims and challenges which it defends vigorously.	24	20
Highways Agency		
The process of constructing and maintaining the strategic network may bring the Highways Agency into disagreement with parties affected by this work. This can result in counter-claims, which are aggregated under the following sub-headings:		
Possible obligations in relation to land and property acquisition	129	168
Possible obligations in relation to engineering and construction services	6	7
Deficit liability for employees transferred from Kent County Council	5	-
Third-party claims	12	10
Indemnities in respect of Thameslink funding and delivery		
To support delivery of the Thameslink project, the Department has provided indemnities to parties carrying risks that they would be unable to bear.	5	-
HS2		
The Department issued a safeguarding order, in July 2013, for the proposed route of HS2. This creates an obligation on the Department to purchase properties that have been blighted. A provision has been recognised for the cost of properties the Department has accepted as blighted, and where the purchase price has been substantially agreed. Any remaining liability is classed as a contingent liability.	4	-

17.1 Contingent liabilities disclosed under IAS 37 – continued

	31 March 2014 £m	31 March 2013 £m
HS1		
Under the HS1 concession agreement, the Secretary of State may be liable for payments, including capital expenditure, increase in operating costs and loss of revenue. This would be in the event of legal changes, either in the UK or Europe ('Change in Circumstances') or a change directed by another part of the Government ('Government Change').	20	-
Mersey Gateway		
Commitment by the Department to fund any shortfall of toll revenue from the Mersey Gateway Bridge to meet Halton Council's financial obligations under the Demand Management Participation Agreement.	1,663	-

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 25) and thus they are recognised on the Department’s balance sheet.

17.2 Unquantifiable contingent liabilities

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

- Under the Railways Act 1993, the Transport Act 2000 and the Channel Tunnel Rail Link Act 1996, the Secretary of State has provided guarantees to promote investment in the rail sector, through passenger rail franchising agreements and agreements for individual station enhancement projects. These are now considered to be part of the Department’s normal course of business.
- The Department has historic obligations under agreements entered into by the Director of Passenger Rail Franchising (novated to the Strategic Rail Authority and then to the Department), prior to the privatisation of each of the three rolling-stock companies.
- Letters of comfort have been issued, providing an indemnity in relation to legal action taken against the judge, counsel, solicitors and secretariat to the Thames Safety Inquiry and the Victim Identification Inquiry, which reported in 2000 and 2001 respectively, following major transport disasters.
- The Department is liable for potential claims by ex-seafarers or ship repairers employed on, or engaged in work on ships owned by nationalised shipping companies between 1939 and 1971 where they were exposed to hazardous materials.
- The Department is party to a NATO agreement relating to indemnification of civil aircraft in respect of their use on NATO tasks in times of crises and war.
- The Department has a statutory liability under the Channel Tunnel Act 1987 that if, after termination of the Channel Tunnel concession, it appears to the Secretary of State that the operation of the tunnel will not be resumed in the near future, he shall take the necessary steps to ensure that the land is left in a suitable condition in accordance with the scheme.
- The Department has given indemnities to Network Rail should it exercise powers under the Crossrail Act 2008 which would, in the longer term, adversely affect the ability of Heathrow Airports Holdings Ltd (formerly BAA) to operate the Heathrow Express rail service on Network Rail’s infrastructure in a similar manner as today.
- Some EU legislation needs to be transposed into Member States’ domestic law in order to have effect. The Department for Transport has responsibility for transposing EU legislation that relates to transport issues. The EU sets deadlines for transposition and has the power to impose financial penalties on Member States that do not meet those deadlines or that incorrectly implement obligations.
- In 2013 the Secretary of State agreed to quantifiable (disclosed in Note 17.1) and unquantifiable assurances, warranties, indemnities and potential losses under the Thameslink Rolling Stock contracts with Siemens, Network Rail and Cross London Trains.
- In 2012 the Secretary of State agreed to quantifiable (disclosed in Note 17.1) and unquantifiable assurances, warranties, indemnities and potential losses under the InterCity Express Rolling Stock contracts with Agility Consortium and Network Rail.

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

The Department has entered into the following quantifiable guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of them being called is considered to be remote.

	31 March 2014	31 March 2013	Reported to Parliament by departmental minute
	£m	£m	£m
Indemnity and letter of comfort re Network Rail			
Indemnity			
A financial indemnity over the life of the Network Rail Debt Issuance Programme. This is also recognised as a Financial Guarantee Contract in accordance with IAS39 in note 9.4 - Financial Liabilities. This note shows that the contract has a current market value of £3.6bn, and in recognition of the value of this indemnity, Network Rail is obliged to pay an annual fee to the Department, the net present value of which, also £3.6bn, is included in Other Receivables (Note 12 - Trade receivables and other assets), with further reference within the Accounting Policies note, Note 1.27.1. This indemnity will not expire before the final maturity of debt issued under the Programme.	32,987	30,358	31,500
Letter of comfort			
A standby credit facility, with a term of 50 years, to act as a long-term contingency buffer. This has not been used to date.	4,000	4,000	4,000
Guarantees			
In view of the fact that government departments generally self insure, a guarantee has been given to the International Maritime Organization that should the building be partially or completely destroyed, the Department would be obliged to reconstruct the building, or suspend or reduce the rent for a period of three years and fund alternative accommodation.	69	69	Unquantified

Managing Public Money requires that the full potential liabilities from such guarantees, indemnities and letters of comfort be reported to Parliament. These costs, with their movements during the year, are summarised in the table below.

£m	1 April 2013	Increase in year	Liabilities crystallised in year	Obligations expired in year	31 March 2014	Reported to Parliament by departmental minute
Guarantees	69	-	-	-	69	Unquantified
Letter of Comfort	4,000	-	-	-	4,000	4,000
Indemnity	30,358	2,629	-	-	32,987	31,500

18. Losses and special payments

18.1 Losses Statement

	2013-14			2012-13		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total number of cases	14	2,865	2,867	60	3,183	3,184
Total amount (£000)	833	10,901	10,916	2,907	15,172	15,205

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £300,000 in total and those that, individually, exceed £300,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation.

The losses disclosed above include 1,695 cases valued at £5,693,000 (2012-13: 1,978 cases valued at £5,725,000) for damage to the road network where the culprit could not be identified or otherwise pursued for costs.

In addition, the 2013-14 losses include several instances of theft of metal (mainly cable) and associated equipment from the Strategic Road Network totalling £905,465 (2012-13 £5,845,000).

The following losses require separate disclosure:

- A loss of £313,319 was recorded by the core department during 2013-14 in relation to the operation of the Bus Service Operators' Grant. The scheme allows payments to be made in advance to bus operators and on this occasion the company which received payments in advance went into liquidation before satisfying the terms of their funding. Attempts were made to recover funds but these concluded that there was no prospect of recovery.
- A loss of £636,000 was recorded by Highways Agency during 2013-14 in relation to an abandoned claim for diesel spillage on the A1 Nottingham Tuxford lay-by. The culprit responsible for the spillage is unknown and there is no insurance policy against which the Agency could claim.
- A loss of £334,000 was recorded by Highways Agency in relation to a theft of cable and other equipment from the strategic road network.
- A loss of £2,223,000 was recorded by Highways Agency in relation to compensation for the early termination of an IT contract (refer to Highways Agency published accounts for details).

18.2 Special Payments

	2013-14			2012-13		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total number of cases	39	1,366	1,368	35	1,363	1,363
Total amount (£000)	25,852	33,117	33,117	40,539	40,807	40,807

The following payments require separate disclosure:

The Department made payments in respect of the cancellation of the InterCity West Coast franchise competition totalling £15,913,915 (2012-13: £39,685,000) in respect of reasonable direct costs incurred by bidders.

DVLA made a special payment to IBM of £7m in December 2013. As a result of this payment some significant improvements were made to the contract that DVLA holds with IBM which provide an overall financial benefit to DVLA and therefore to Government over the remaining contract term.

19. Related-party transactions

The Department for Transport is a parent of the executive agencies listed at Note 21, and a sponsor of the non departmental public bodies and other central government organisations listed there.

These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department for Transport has had various material transactions with other government departments and other central government bodies. Most transactions have been with the Greater London Authority, Transport for London and Her Majesty's Treasury.

During the year, no minister, board member, key manager or other related party has undertaken any material transactions with the Department for Transport during the year other than those reported.

20. Third-party assets

The only entity within the Departmental group which holds third-party assets is the Highways Agency, which under Section 278 of the Highways Act 1980, receives payment in advance of works. These are paid into interest bearing Escrow Accounts at Lloyds Bank. Monies are drawn down from the Escrow accounts by the Agency as work progresses.

The Highways Agency was appointed as the co-ordinator for a Co-ordination Action under the EU Sixth Framework Programme. It holds a Lloyds Euro bank account where funding from the EU is deposited and subsequently distributed to the eleven partners across Europe. The final action of this project is to reimburse partners, including the Highways Agency, for the remaining costs incurred in this collaboration action.

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

£000	31 March 2013	Gross Inflows	Gross Outflows	31 March 2014
Lloyds Escrow bank account	3,675	100	696	3,079
Lloyds Euro bank account	133	25	-	158
Total	3,808	125	696	3,237

In 2010 the Department sold HS1 Ltd, and with it, the right to operate the Channel Tunnel high speed rail link for the next thirty years.

In accordance with Schedule 10 Appendix 1 Clause 1.2 of the HS1 Concession Agreement, and Schedule 10 Annex 2 Clause 1.2 of the HS1 Lease, the Secretary of State and HS1 Ltd were required to establish in their joint names an interest bearing deposit account for each of the four International Stations listed below, and one for track infrastructure.

Station Access Conditions require passenger service operators to pay charges for access and use of HS1 stations that include an element attributable to the renewal and/or replacement of the station buildings known as the Long Term Charge. The Long Term Charge will be paid by passenger service operators into the applicable interest-bearing escrow account at HSBC. The renewal and replacement elements of track access charges, payable by operators, shall be paid into the interest bearing track infrastructure escrow account at HSBC.

Following the Department's and the HS1 concession agreement governance process, monies are drawn down from the escrow accounts by HS1 Ltd when works (previously agreed) need to be undertaken (to the stations or track).

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

£000	31 March 2013	Gross Inflows	Gross Outflows	31 March 2014
HSBC Escrow bank account – Ashford	2,160	711	939	1,932
HSBC Escrow bank account – Ebbsfleet	2,069	872	2,306	635
HSBC Escrow bank account – Stratford	1,746	732	2,006	472
HSBC Escrow bank account – St. Pancras	5,794	10,359	12,606	3,547
HSBC Escrow bank account – Track Infrastructure	19,701	4,621	24,306	16
Total	31,470	17,295	42,163	6,602

21. Entities within and outside the departmental boundary

21.1 Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2013-14 and are reported as part of the Department's accounts:

21.1.1 Reported within the core Department's own accounts

Advisory Non Departmental Public Bodies

Disabled Persons' Transport Advisory Committee

Executive Non Departmental Public Bodies

Railway Heritage Committee

21.1.2 Consolidated within the accounts of the Department

Executive Agencies (Supply financed agencies)

Highways Agency *

Maritime and Coastguard Agency *

Driver and Vehicle Licensing Agency *

Vehicle Certification Agency *

Arm's Length Bodies (Executive Non Departmental Public Bodies)

British Transport Police Authority *

Directly Operated Railways Limited *

High Speed 2 Ltd *

The Commissioners of Northern Lighthouses *

Trinity House Lighthouse Service *

Passenger Focus *

Arm's Length Bodies (Other than Non Departmental Public Bodies)

London & Continental Railways Limited *

CTRL Section 1 Finance plc *

LCR Finance plc *

The Commissioners of Irish Lights *

Air Safety Support International Limited *

Air Travel Trust Fund *

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

21.2 Not reported within the Departmental Accounting boundary

The following entities are not reported as part of the Department's 2013-14 departmental accounts:

Tribunal Non Departmental Public Body

Traffic Commissioners and Licensing Authorities (Traffic Areas).

This entity is reported within the accounts of the Vehicle and Operator Services Agency. This is because the VOSA Trading Fund Order 2003/942 extended the Vehicle Inspectorate Trading Fund to become the trading fund of the Vehicle and Operator Services Agency, which took over the operations, assets and liabilities of the Vehicle Inspectorate Agency and the Traffic Area Network (i.e. the Traffic Commissioners) on 1 April 2003. It is therefore necessary to include the Traffic Commissioners within the accounts of the VOSA Trading Fund and not within the Departmental Accounts. Nevertheless, as a tribunal non-departmental public body, the Traffic Commissioners and Licensing Authorities should be disclosed within the Departmental Accounts in accordance with Clear Line of Sight guidance.

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

Public Corporations

Aberdeen Harbour Board

British Railways Board (Residuary) Limited (Abolished 29 September 2013)

Civil Aviation Authority

Dover Harbour Board

East Coast Mainline Limited

Eurostar International Limited (formerly Eurostar (UK) Ltd)

ITSO Ltd

ITSO Services Ltd

Milford Haven Port Authority

Poole Harbour Commissioners

Port of London Authority

Port of Tyne Authority

Shoreham Port Authority

Trading Funds

Driving Standards Agency

Vehicle and Operator Services Agency

Other Entities

Crossrail Complaints Commissioner

Marine and Aviation Insurance (War Risks) Fund

General Lighthouse Fund

NATS Holdings Limited

Network Rail Limited

22. Restatement of prior year balances

Restatement of prior year balances

These are material adjustments applicable to prior years arising from either changes in accounting policy or correction of material errors. Opening balances are adjusted for the cumulative effect of the prior year adjustments and comparative figures for the preceding period are restated.

In 2013-14 an amendment was made to IAS 19 Pensions. This policy change has increased the pension costs by £46,390,000 for the year 2012-13, and reduced other comprehensive net expenditure by £46,390,000. This has no impact on the General Fund balance as at that date.

A further adjustment made in 2012-13 arose from the incorporation of Air Safety Support International Ltd (ASSI), The Commissioners of Northern Lighthouses (NLB), The Commissioners of Irish Lights (CIL) and Trinity House Lighthouse Services (TH). This has reduced the General Fund balance as at that date by £298,276,000. ASSI had no net impact on the General Fund balance.

£000	Note	2012-13
Change in net assets		
As previously stated as at 31 March 2013		104,374,899
NLB restatement:		
Change in General Fund		(49,744)
Adjustment to 2012-13 operating costs		(11,479)
Adjustment to 2012-13 PPE revaluation reserve		48,398
Adjustment to 2012-13 other non-SOCNE cost		(6,028)
CIL restatement:		
Change in General Fund		(128,549)
Adjustment to 2012-13 operating costs		(15,085)
Adjustment to 2012-13 PPE revaluation reserve		14,052
Adjustment to 2012-13 other non-SOCNE cost		(3,664)
TH restatement:		
Change in General Fund		(119,983)
Adjustment to 2012-13 operating costs		(9,949)
Adjustment to 2012-13 PPE revaluation reserve		95,738
Adjustment to 2012-13 other non-SOCNE cost		(12,987)
As restated at 31 March 2013		**104,175,619**
General Fund		
As previously stated as at 31 March 2012		40,274,796
NLB restatement		(49,744)
CIL restatement		(128,549)
TH restatement		(119,983)
As restated 1 April 2012		**39,976,520**

23. Abolition of British Railways Board Residuary Ltd (BRBR Ltd)

Transfer by absorption

On 29 September 2013 BRBR Ltd was abolished. At that date its assets and liabilities were transferred to successor organisations including the core Department, LCR Ltd and Network Rail.

The financial impact of the change has been accounted as a transfer by absorption, and is recorded in these statements as a non-operating loss from the transfer of function *(FReM* 4.2.23). The impact on assets and liabilities of this transfer is detailed below.

The material assets and liabilities transferred include properties, employee claims provisions and freight rolling stock. The bulk of the valuable properties have been transferred to LCR Ltd, although some strategic properties have been retained in the core Department.

Additionally 3,417 redundant structures were transferred to the core Department and these are being managed by the Highways Agency These structures are reported to at nil value and hence are not reflected in the financial statements. The Department is obligated to maintain them to minimum standards. However, this obligation is not considered sufficiently onerous to require a provision to be created. Any legal claims arising in relation to the structures have been included within contingent liabilities.

Balances transferred into the Department on abolition of BRBR

£000		**29-Sep-13**
	Core Department	**Departmental Group**
Non-Current Assets		
Property, plant & equipment	131,684	131,821
Investment properties	-	10,875
Financial assets	12,264	42,346
Trade & other receivables	19,407	61,783
	163,355	**246,825**
Current Assets		
Assets classified as held for sale	-	1,400
Trade & other receivables	7,434	13,302
Cash & cash equivalents	5,161	5,161
	12,595	**19,863**
Current Liabilities		
Trade & other payables	(21,967)	(24,904)
Provisions	(30,000)	(30,000)
	(51,967)	**(54,904)**
Non current liabilities		
Provisions	(252,486)	(265,986)
Other payables	-	(13,068)
Financial liabilities	(19,407)	(19,407)
	(271,893)	**(298,461)**
Total Net Liability	**(147,910)**	**(86,677)**
General Fund	**(147,910)**	**(86,677)**

24. Network Rail

24.1 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 17 'Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability'.

The support facilities for Network Rail's borrowings consist of a financial indemnity mechanism (FIM) in respect of net borrowings of Network Rail Infrastructure Finance PLC, (NRIF), under which £33bn had been borrowed as at 31 March 2014. The FIM is available until 2052, and the indemnity will be for any amount issued under the Debt Issuance Programme. The indemnity also covers guarantees provided by NRIF in respect of certain financial obligations of Network Rail Infrastructure Limited.

Network Rail is outside the DfT's Departmental accounting boundary and is not consolidated in these accounts. In order to maintain openness and transparency regarding the relationship between the Department and Network Rail, the summary results and other details concerning Network Rail are shown below. For further details, of Network Rail, copies of the financial statements of Network Rail Limited can be obtained from the Company Secretary, Kings Place, 90 York Way, London, N1 9AG. In addition, Network Rail's annual report and financial statements are available by visiting www.networkrail.co.uk.

Network Rail reports to its members in the manner of a listed PLC and therefore follows European Union regulations requiring companies listed in any member state to adopt 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.

In December 2013 ONS published the outcome of its review of the classification of Network Rail. The classification was reviewed following new guidance in the 2010 European System of Accounts (ESA10). ONS concluded that because of the government's risk exposure through guaranteeing its debt, Network Rail is a government controlled body and, therefore is within public sector. Following an ESA 10 market test, ONS concluded that Network Rail is a non-market body. The ONS classification is retrospective from April 2004 and was to be implemented from 1 September 2014. However HMT have agreed with the Department that the implementation should be deferred until 1 April 2015.

As a consequence of the reclassification, with effect from 1 April 2014, all of Network Rail's additional financing requirements will be provided by the Department. The estimated financing requirement in 2014-15 is £6.5 billion. The impact of this change will be the gradual reduction in external debt, as existing loans expire and an associated reduction in the FIM fee payable to the Department in future years.

24.2 Key Financial Figures

Income Statement for year ended 31 March 2014

£m	2013-14	2012-13	2011-12
Revenue	6,333	6,197	6,004
Operating costs	(4,332)	(3,980)	(3,657)
Operating profit	2,001	2,217	2,347
Revaluation gains/(losses) on disposals of properties	96	(3)	19
Net investment and finance costs	(1,062)	(1,457)	(1,891)
Profit before tax	1,035	757	475
Taxation	221	(70)	286
Profit for the year	**1,256**	**687**	**761**

Statement of Financial Position as at 31 March 2014

£m	2013-14	2012-13	2011-12
Intangible assets	68	69	70
Property, plant and equipment – the railway network	49,833	46,411	43,112
Investment property	856	751	878
Financial assets	800	712	683
Non-current assets	51,557	47,943	44,743
Current assets	2,358	4,706	2,693
Current liabilities	(7,013)	(7,545)	(4,285)
Non-current liabilities	(38,720)	(37,091)	(35,234)
Net assets	**8,182**	**8,013**	**7,917**

25. Pension Schemes

Core Department

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

The 1994 Pensioners' Section of the Railways Pension Scheme (RPS);

The BR Section of the RPS (which includes some DfT staff members);

The British Railways Superannuation Fund (BRSF); and

The British Rail (1974) Pension Fund.

Core Department and Agencies

There are no pension schemes reported in the Agencies.

Departmental Group

Non-Departmental Public Bodies and other entities classified as Central Government are included in the Departmental Accounts and details of their pension schemes are given below. A list of all those entities within the Departmental boundary is given at Note 21 and further information is available from their websites.

British Transport Police Force Superannuation Fund (BTPFSF) for police officers

British Transport Police Section of the Railways Pension Scheme (RPS) for other staff

General Lighthouse Authorities Pension Schemes

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 2014 by the Government Actuary's Department (GAD), for the purpose of providing these disclosures.

Since 1 April 2011, the Government has used the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of public service pensions through the statutory link to the indexation of the Second State Pension.

Analysis of pension liability recognised in the Statement of Financial Position

	Core Department		Departmental Group	
£000	**2013-14**	**2012-13**	**2013-14**	**2012-13**
Deficit at beginning of period	**(1,462,800)**	**(1,249,242)**	**(2,347,285)**	**(1,933,436)**
Contributions paid by the Department	2,389	2,900	49,903	50,132
Current service cost	(1,733)	(1,604)	(63,512)	(52,998)
Other finance charges	(61,414)	(55,955)	(97,790)	(88,792)
Actuarial gain / (loss)	9,132	(158,900)	172,754	(322,191)
Deficit at end of period	**(1,514,426)**	**(1,462,801)**	**(2,285,930)**	**(2,347,285)**

The deficit comprises the following balances:

£000	Note	Core Department 2013-14	Core Department 2012-13	Departmental Group 2013-14	Departmental Group 2012-13
Scheme:					
1994 Section	25.1	**(1,424,208)**	**(1,376,650)**	**(1,424,208)**	**(1,376,900)**
BR Shared Cost Section	25.2	(38,741)	(33,043)	(38,741)	(33,043)
British Railways Superannuation Fund (BRSF)	25.3	(42,179)	(42,816)	(42,179)	(42,816)
BR (1974) Pension Fund	25.4	(9,298)	(10,292)	(9,298)	(10,292)
BTP Force Superannuation Fund (BTPFSF)	25.5	-	-	(321,210)	(424,720)
BTP Section of the Railways Pension Scheme (RPS)	25.6	-	-	(35,260)	(49,210)
GLA Pension schemes		-	-	(415,034)	(410,304)
Total deficit at the end of the period		**(1,514,426)**	**(1,462,801)**	**(2,285,930)**	**(2,347,285)**

25.1 1994 Pensioners Section of the RPS

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

The last actuarial review for funding purposes was carried out as at 31 December 2011 by the RPS Joint Scheme Actuaries, Towers Watson and Government Actuary's Department (GAD). Assets and accrued liabilities were valued using the market-related method.

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

£000	31 March 2014	31 March 2013
Present value of funded obligations	(4,364,718)	(4,492,900)
Fair value of plan assets	2,940,510	3,116,000
Net liability	(1,424,208)	(1,376,900)
Amounts in the statement of financial position		
Liabilities	1,424,208	1,376,900
Assets	-	-
Net liability	1,424,208	1,376,900

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

£000	31 March 2014	31 March 2013
Interest on obligation	181,025	188,000
Expected return on plan assets	(123,198)	(136,000)
Total	57,827	52,000

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

£000	31 March 2014	31 March 2013
Gain/(loss) on assets	67,068	149,000
Experience gain/(loss) on liabilities	(22,035)	(134,000)
Gain/(loss) on change of assumptions	(34,591)	(170,000)
Total gain/(loss)	**10,442**	**(155,000)**

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

£000	31 March 2014	31 March 2013
Opening defined benefit obligation	4,492,900	4,378,000
Interest cost	181,025	188,000
Experience (gain)/loss on liabilities	22,035	134,000
Actuarial (gain)/loss	(331,242)	(207,100)
Closing defined benefit obligation	**4,364,718**	**4,492,900**

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

£000	31 March 2014	31 March 2013
Opening fair value of plan assets	3,116,000	3,208,000
Expected return	123,198	136,000
Gain/(loss) on assets	67,068	149,000
Actuarial gain/(loss)	(365,756)	(377,000)
Closing fair value of plan assets	**2,940,510**	**3,116,000**

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

	31 March 2014	31 March 2013
Discount rate at 31 March	4.2%	4.2%
Expected return on plan assets at 31 March	4.2%	*
Future pension increases	2.2%	2.1%
Consumer Price Index	2.2%	2.1%
Rate of increase for deferred pensions	2.2%	2.1%

*In the opinion of the actuaries, the volatility of market conditions as at 31 March 2013 precluded the calculation of a meaningful Expected Rate of Return. On this basis, no figure has been included in the above table. The Expected return for 31 March 2013 is calculated on the basis of the Expected return on plan assets at 31 March 2012, as the 2013 rate is not available. Note that following amendments to IAS 19, the return on plan assets as at 31 March 2014 is based on the AA Corporate bond rate used to value the liabilities i.e 4.2% per year.

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

£000	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Defined benefit obligation	(4,364,718)	(4,492,900)	(4,378,000)	(4,525,000)
Plan assets	2,940,510	3,116,000	3,208,000	3,546,000
Surplus/(deficit)	(1,424,208)	(1,376,900)	(1,170,000)	(979,000)
Experience adjustment on plan liabilities	(22,035)	(134,000)	128,000	(11,000)
Experience adjustment on plan assets	67,068	149,000	(175,000)	(51,000)

Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The approximate effects on the actuarial liability as at 31 March 2014 of changes to the main actuarial assumptions are shown below.

The principal financial assumptions are the real rates of return in excess of pensions increases and earnings growth. (The assumed nominal rate of return is less important although it does affect the past service liability in respect of Guaranteed Minimum Pensions (GMPs).) A key demographic assumption is pensioner mortality.

Table 3 shows the indicative effects on the total liability as at 31 March 2014 of changes to these assumptions.

Table 3 Sensitivity to main assumptions

Change in assumption *1		Approximate effect on total liability	
Rate of return			
(i) in excess of earnings:	-½% a year	+ 0% ²	(+) £0 million
(ii) in excess of pensions:	-½% a year	+ 4%	(+) £200 million
Pensioner mortality			
(iii) pensioners experience the mortality of a member one year younger:		+ 3%	(+) £150 million

*1. Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

*2. Effect is zero as there are very few active members in the Schemes to have an impact on the total liability.

In variant (i) of Table 3, the assumed rate of return in excess of pensions increases remains unchanged, and in variant (ii), the assumed rate of return in excess of earnings remains unchanged.

Variant (i) shows little change from the central assumptions because the majority of the benefits are not linked to earnings (the sections being largely deferred and pensioner members).

Variant (i) shows little change from the central assumptions because the majority of the benefits are not linked to earnings (the sections being largely deferred and pensioner members).

Variant (ii) shows a substantial effect because the real rate of return in excess of pensions increases differs from the central assumptions (by ½% a year). The total actuarial liability would change by about 5%.

Variant (iii) shows the significance of pensioner mortality: if pensioners actually experience the mortality of a member one year younger, then this would increase the total actuarial liability by about 3%.

Other schemes

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

25.2 Railways Pension Scheme: BR Shared Cost Section

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

The last actuarial review for funding purposes was performed at 31 December 2010 by the RPS Joint Scheme Actuaries, Towers Watson and the Government Actuary's Department, using the projected unit method. Assets and accrued liabilities were valued using the market-related method.

The market value of assets, net of additional voluntary contribution (AVC) amounts, of the BR Section was £111.5m at 31 March 2014 (31 March 2013: £110.7m). This is approximately 74% (2013: 77%) of the corresponding value of the projected accrued liabilities.

The deficit on the section as at 31 March 2014 was £38.7m (2012-13: £33.0m).

25.3 British Railways Superannuation Fund

The Department is also responsible for funding the British Railways Superannuation Fund. This is a defined benefit scheme which the Department has inherited from the BRB. The Department has no employees participating in it. The latest actuarial valuation of this fund was carried out on 31 December 2010 by the Joint Scheme Actuaries, Towers Watson and the Government Actuary's Department.

The deficit on the scheme as at 31March 2014 was £42.2m (31 March 2013: £42.6m).

25.4 BR (1974) Pension Fund

The BR (1974) Pension Fund is a supplementary fund established in 1974. It covers the BTC (Male Wages Grades) Pension Scheme, various ex-gratia benefits (customary practices) and the historic Schemes of Supplementation increases made when other schemes could not meet their full cost of living increases. It currently has around 4,500 members, with 31 active members remaining in the BTC, and is operated largely on an unfunded pay-as-you-go basis: a small amount of contributions are paid in by members, with costs of the balance of the emerging benefits met by the Secretary of State.

The deficit on the scheme as at 31March 2014 was £9.3m (31 March 2013: £10.3m).

25.5 British Transport Police Force Superannuation Fund (BTPFSF)

The British Transport Police Force Superannuation Fund (BTPFSF) was established by a Trust Deed made on 30 December 1974 which amalgamated the British Transport Police Force Superannuation and Retirement Benefit Funds, which itself was established by a Trust Deed made on 1 September 1968 (the 1968 Section), and the BTPFSF 1970 Section, established by a Trust Deed on 5 April 1972 (the 1970 Section).

From 1 April 2007 the BTPFSF established a new category where all new joiners will be enrolled – hereafter known as BTPFSF (new). The existing category was closed to all new members at this time. The new category is a defined benefit scheme.

The BTPFSF provides benefits on a “final salary” basis at a pension age of 55. Pension benefits accrue at the rate of one-seventieth of final average salary for each year of beneficial membership of the fund (subject to a maximum of thirty-five years). In addition, a tax-free lump sum equivalent to four-seventieths of final average salary for every year of beneficial membership in the fund is payable on retirement.

The deficit on the scheme at the end of the year was £321.2m (31 March 2013 £425.0m).

For further details please refer to the British Transport Police accounts for the year to 31 March 2014.

25.6 British Transport Police Section of the Railways Pension Scheme (RPS)

The Railways Pension Scheme (RPS) was established by the Railways Pension Scheme Order 1994 (SI No 1433). The British Transport Police Shared Cost Section of the Scheme was established on 1 July 2004 by a Deed of Establishment and Participation between the BTPA (the 'Participating Employer') and Railways Pension Trustee Company Limited as Trustee of the Scheme (the Trustee).

The RPS provides benefits on a defined benefit "final salary" basis at a pension age of 60. Pension benefits accrue at the rate of one-sixtieth of final average pay less one-fortieth of the final average basic State pension for each year of pensionable service. In addition, a lump sum equivalent to one fortieth of final average pay for every year of pensionable service is payable on retirement.

The fair value of the plan assets at the end of the year was £85.1m (31 March 2013: £76.3m), and the deficit on the scheme was £35.3m (31 March 2013 £49.2m).

For further details please refer to the British Transport Police accounts for the year to 31 March 2014.

25.7 GLAs' Pension Schemes

These are internally financed defined benefit schemes operated by each of the Authorities. The pension benefits are determined by the Secretary of State under section 214 of the Merchant Shipping Act 1995. The Secretary of State has determined that the rules of the Principal Civil Service Pension Scheme shall apply.

The schemes fall within the definitions of a "Public Service Pension Scheme" in section 1 of the Pension Schemes Act 1993 and are not required to be separately funded. 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). Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Under Section 214 of the Merchant Shipping Act 1995 the Secretary of State has approved the closure of the GLAs pension schemes and the transfer of the membership and the accrued superannuation liability to the PCSPS. Pension accruals in the GLA schemes ceased on 31 March 2014 and accrual to the PCSPS started on 1 April 2014. As there is no change in pension benefit, member transfer is made without members’ consent, although the Boards of the respective GLAs had a responsibility to clearly explain to members what changes are being made. From 1 April 2014 the GLAs will become liable for paying an employer’s contribution in respect of staff who are members of PCSPS.

As at 31 March 2014 the pension schemes remained within the General Lighthouse Fund (GLF) and have been accounted for in accordance with IAS 19 (revised) in the financial statements and notes below. However, the transfer value applicable on 1 April 2014 is subject to bulk valuation by the Government Actuary's Department (GAD). GAD determined an estimated transfer value of £360m which was approved by HMT and Cabinet Office.

An advance amount was paid in April 2014 using GLF cash reserves of £150m and a loan of £200m from the DfT. Further details are available in the published accounts.

The GLAs obtain professional actuarial valuations annually for IAS 19 purposes. The valuation assumed the following return / investment rates:

	NLB	**TH**	**CIL**
Real discount rate	2.35%	1.80%	1.80%
Inflation rate	1.70%	2.50%	1.70%
Discount rate	4.10%	4.35%	4.35%
Salary growth rate	1.70%	4.50%	4.50%
Rate of increase to pensions in payment & deferment	2.50%	2.50%	2.50%

The actuary's updated estimate of the liability of annual compensation payments at 31 March 2014 is £1,971,000 (31 March 2013: £2,426,000).

The following has been provided in accordance with the International Accounting Standard IAS 19 Employee Benefits.

	31 March 2014	**31 March 2013**
	£000	**£000**
Active members	103,434	104,520
Deferred pensioners	58,244	57,319
Pensioners	253,356	248,465
Total liability at projected unit method	**415,034**	**410,304**

	31 March 2014	**31 March 2013**
	£000	**£000**
Scheme Liability opening balance	410,304	377,966
Current service cost	5,748	5,145
Past service cost	921	223
Interest cost	16,475	18,162
Cash flows:		
Plan participant contributions	1,548	1,197
Employer contributions		
Transfers in	225	130
Transfers out	(95)	(73)
Club transfers in	105	35
Club transfers out	(3)	-
Unfunded benefits paid	(18,363)	(18,081)
Remeasurements:		
Change in financial assumptions	6,514	18,856
Other experience	(8,345)	6,744
Scheme Liability closing balance	415,034	410,304

	£000	£000
Operating costs charged to the Statement of Comprehensive Net Expenditure	6,669	5,368
Financing costs charged to the Statement of Comprehensive Net Expenditure	16,475	18,162
Net Benefit Outgoing (cash flow)	(16,583)	(16,792)
Actuarial Gains/(Losses) charged to the Statement of Changes in Equity	(1,831)	25,600
Movement in scheme liability closing balance	**4,730**	**32,338**

The principal revenues of the Fund are light dues, which are fixed by the Secretary of State by orders under Section 205(5) of the Merchant Shipping Act 1995 (which are subject to negative resolution by Parliament). Subject to Parliament's approval of such orders, the Secretary of State will seek to ensure that annual revenues are maintained at a sufficient level to meet the pension liabilities.

Merchant Navy Officers' Pension Fund

The GLAs are Participating Employers of the Merchant Navy Officers Pension Fund (MNOPF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOPF is a funded multi-employer scheme but the GLA boards are unable to identify their share of the underlying assets and liabilities. Formerly officers who started employment with the GLAs and were members of the MNOPF were given the option of continuing MNOPF membership or joining the GLA Pension Scheme. This option is no longer given to new entrants. The assets of the scheme are held separately from the General Lighthouse Fund, being held in separate funds managed by trustees of the scheme. Contributions to the scheme (20.0% of pensionable salaries) are charged to the Statement of Comprehensive Net Expenditure when they are paid.

The MNOPF has a deficit of £120,000,000 identified in an actuarial valuation as at 31 March 2012. The rules of the MNOPF state that Participating Employers may be called to make lump sum payments to make up deficits. With effect from 8 June 2000 the rules were amended to state that an employer will not be regarded as ceasing to be a Participating Employer as a result of ceasing to employ Active Members or other eligible employees. The MNOPF has made an application to the Court to obtain confirmation that the position that applies from 8 June 2000 also applied before. As Participating Employers, the GLAs can be required to contribute to the deficit.

In general terms the judgement stated that the Trustees of the MNOPF are entitled to demand a contribution to meet the deficit in the Post 1978 section from all employers who ever participated in the Fund. This means that the burden will be spread over a large number of companies. It also means that the Trustees have the option of demanding contributions from employers who have only ever participated in the Pre 1978 Section to meet the deficit in the Post 1978 Section. Although the Trustees have yet to make a decision, our legal advice is that the Trustees are unlikely to demand a contribution from this group of employers. The Trustees have also not decided whether these additional contributions will be payable as a single payment or spread over several years.

Contributions to the MNOPF of £22,000 (£24,000 2012-13) were made during 2013-14 relating to 1 member of MNOPF.

Lump sum payments of £95,000 (Nil 2012-13) were made during the year.

Requests for additional contributions would normally only arise after the triennial valuation of the scheme and then only if the scheme was in a deficit considered significant enough to require additional contributions as part of a recovery plan. The next valuation will be completed as at 31 March 2015.

Partnership Pension Accounts

Employees joining after 1 October 2002 can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer contributions of £21,000 (2012-13 £20,000) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

There were no contributions due to the partnership pension providers at 31 March 2014. There were no contributions that had been prepaid at that date.

26. Events after the reporting period

26.1 Non-adjusting Post-Balance Sheet Events

On 1 April 2014 the GLAs bought into the Principal Civil Service Pension Scheme. The estimated cost of buying all of the GLA's staff and pensioners into the scheme is £360m. A payment of £350m was made to the Cabinet Office on this date. This was funded by the General Lighthouse Fund (£150m) and the Department (£200m). A final valuation of the fund and associated buy-in cost is scheduled for the summer of 2014 and any residual payment will be made at this date. As a result of this change the GLA pension liability (value £415m as at 31st March 2014) will be eliminated from 2014–15.

26.2 Non-adjusting Post-Balance Sheet Events

On 18 June 2014 the Department's shareholding in Eurostar International Limited, which was held indirectly via LCR Ltd, was transferred to the Department in specie and then to HM Treasury as a grant in kind. The Department does not consider that this transfer provides any additional evidence of the shareholding's fair value as at 31 March 2014, which would lead it to reconsider the valuation reflected in these accounts.

26.3 Authorised for issue

These Financial Statements are laid before the House of Parliament by HM Treasury. International Accounting Standard (IAS) 10 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the audit certificate.

Annex A: List of abbreviations

A	
ALB	Arm's length body
AME	annually managed expenditure
ARA	Audit and Risk Assurance
ASSI	Air Safety Support International
ATOL	Air Travel Organisers' Licensing
ATTF	Air Travel Trust Fund
AUC	assets under construction
AVC	additional voluntary contribution
AWDL	average working days lost
B	
BCAF	Business Case Approval Framework
BEAMA	British Electrotechnical and Allied Manufacturers Association
BICC	Board Investment and Commercial Committee
BIS	Department for Business, Innovation and Skills
BRBR	British Railways Board (Residuary)
BRSF	British Railways Superannuation Fund
BSOG	Bus Service Operators Grant
BTP	British Transport Police
BTPA	British Transport Police Authority
C	
CAA	Civil Aviation Authority
CD	Communications Directorate
CETV	cash equivalent transfer value
CFERs	consolidated fund extra receipts
CIL	Commissioners of Irish Lights
CIPFA	Chartered Institute of Public Finance and Accountancy
COFOG	Classification of the Functions of Government
CRA	country and regional analyses
D	
DCLG	Department for Communities and Local Government
DECC	Department for Energy and Climate Change
Defra	Department for Environment, Food and Rural Affairs
DEL	departmental expenditure limit
DfT	Department for Transport
DfT (c)	Department for Transport (central)
DG	Director General
DG MOVE	Directorate-General for Mobility and Transport
DOR	Directly Operated Railways Limited
DPTAC	Disabled Persons' Transport Advisory Committee
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency

E

ECML	East Coast Main Line
ENEM	executive and non-executive meeting
ERG	Efficiency and Reform Group
ES	environmental statement
ET	Essex Thameside
EU	European Union
ExCo	executive committee

F

FCG	Finance Control and Governance (division)
FIM	financial indemnity mechanism
FoI	freedom of information
FReM	financial reporting manual
FSP	financial strategy and planning
FTE	full-time equivalent

G

GAC	Group Audit Committee
GAD	Government Actuary’s Department
GCDA	Government Car and Despatch Agency
GCO	General Counsel's Office
GCS	Government Car Service
GGC	greening government commitments
GHIA	Group Head of Internal Audit
GLA	Greater London Authority
GLF	General Lighthouse Fund
GMPP	government major project portfolio
GRC	gross replacement cost

H

H&S	health & safety
HA	Highways Agency
HIA	Head of Internal Audit
HR	Human Resources
HS2	High Speed 2
HS2 Ltd	High Speed 2 Limited
HSE	Health and Safety Executive

I

IA	impact assessment
IaaS	infrastructure as a service
IAMM	information assurance maturity model
IAO	information asset owners
IAS	integrated assurance statement
IAS	International Auditing Standard(s)
ICA	Independent Complaints Assessor
ICT	information and communications technology
IEP	Intercity Express Programme
IFRS	International Financial Reporting Standard(s)
IPSAS(B)	International Public Sector Accounting Standards (Board)
ISSC1	Independent Shared Service Centre 1
ITT	invitation to tender

J

JESP	job evaluation for senior posts

L

LA	local authority
LCR	London & Continental Railways Ltd
LSTF	Local Sustainable Transport Fund
LUL	London Underground Limited

M

MCA	Maritime and Coastguard Agency
MCIA	Motorcycle Industry Association
MNOPF	Merchant Navy Officers Pension Fund
MoD	Ministry of Defence
MP	Member of Parliament
MPA	Major Projects Authority
MPLA	Major Projects Leadership Academy

N

NAO	National Audit Office
NRA	national risk assessment
NATS	National Air Traffic Services
NBV	net book value
NDPB	non-departmental public body
NFC	National Freight Company
NLB	Northern Lighthouse Board (Commissioners of Northern Lighthouses)
NN	National Networks (LLC)

O

OIOO	one-in, one-out
OITO	one-in, two-out
OJEU	Official Journal of the European Union
OLEV	Office for Low Emission Vehicles
ONS	Office for National Statistics
ORR	Office of Rail Regulation
OSCAR	Online System for Central Accounting and Reporting

P

PAC	Public Accounts Committee
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PESA	Public Expenditure Statistical Analyses
PEX(ER)	Public Expenditure Committee (Efficiency and Reform)
PFI	Private Finance Initiative
PHSO	Parliamentary and Health Services Ombudsman
PPA	prior period adjustment
PPM	project and programme management
PPP	public–private partnership

Q

QDS	quarterly data summary

R

REFIT	regulatory fitness and performance
RFA	Renewable Fuels Authority
RHC	Railway Heritage Committee
RICS	Royal Institution of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
ROCOS	Resource Cost Index of Road Construction
RoSCo	rolling stock company
RPC	Regulatory Policy Committee
RPI	Retail Prices Index
RPS	Railways Pension Scheme
RTFO	Renewable Transport Fuel Obligation

S

SCS	Senior Civil Service
SET	Southeastern Railway
SI	statutory instrument
SIRO	Senior Information Risk Owner
SME	small or medium enterprise
SoCNE	statement of comprehensive net expenditure
SORN	statutory off road notification
SRO	senior responsible owner
SRP	structural reform plan
STCW	International Convention on Standards of Training, Certification and Watchkeeping for Seafarers

T

tCO_2	tonnes of carbon dioxide
TES	Total Expenditure on Services
TfL	Transport for London
THLS	Trinity House Lighthouse Service
TO	treat (as) official
TOC	train operating company
TSGN	Thameslink, Southern and Great Northern

V

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

W

WGA	Whole of Government Accounts