

**Dartford-Thurrock River Crossing  
Charging Scheme  
Accounts 2013 - 2014**



# Dartford-Thurrock River Crossing Charging Scheme Accounts 2013-2014

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Presented to Parliament pursuant to Section 3 (1) (d) of the Trunk Road Charging Schemes  
(Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003.

November 2014



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# Foreword and Management Commentary

## Background Information

The Thames crossing between Dartford and Thurrock consists of two tunnels and the Queen Elizabeth II Bridge. The first tunnel was built in 1963, the second in 1980 and the bridge was opened in 1991.

An early Private Finance Initiative (PFI) concession, enacted by the Dartford-Thurrock River Crossing Act 1988, transferred the existing debt from the tunnels to the private sector who retained toll revenue to pay off the existing debt and the debt incurred by building the new bridge. Tolls were set by the Department for Transport (and its forerunners) in conjunction with the Concessionaire. The concession was for a period of 20 years from 31 July 1988, but could be ended as soon as the debt was repaid. The Secretary of State determined that all financial commitments had been met by 31 March 2002.

The Dartford-Thurrock Act 1988, Schedule 6, Section 16, (4) (1) contained the provision for a Toll Extension Period for the collection of tolls to provide a fund for future maintenance of the crossing. An Extension Agreement between the Concessionaire and the Secretary of State was in place from 4 March 1999 and allowed the Toll Extension Period to run from 1 April 2002 to 31 March 2003. All Toll Revenue during this period was passed over gross to the Department for Transport.

A charging scheme was introduced at the crossing from 1 April 2003. The powers to introduce a charging scheme on a trunk road bridge and tunnel of at least 600m are set out in Part III Chapter I of the Transport Act 2000 (Road User Charging). Sections 163 (Preliminary) and 167 (Trunk Road Charging Schemes) and Schedule 12 (Road User Charging and Workplace Parking Levy: Financial Provisions) apply to charging schemes introduced on trunk roads:

- Schedule 12 paragraph 13 to the Act requires that the net proceeds of such a charging scheme should be applied for the purposes of directly or indirectly facilitating the achievement of any policies or proposals relating to transport but makes no prescription for how that will be achieved.
- Schedule 12 paragraph 2(2) allows the Secretary of State to make regulations determining how the net proceeds are to be calculated.
- Schedule 12 paragraph 5 allows regulations to be made for the keeping of accounts and the preparation and publication of statements of such accounts.

The effect of the regulations made under these provisions is to require an account to be produced to demonstrate the amount of the net proceeds.

The introduction of a charging scheme at the Dartford-Thurrock River Crossing is enabled by the following secondary legislation:

- procedural regulations for the making of an order<sup>1</sup>;
- regulations covering accounting arrangements<sup>2</sup>; and
- the making of a Dartford-Thurrock charging scheme order<sup>3</sup>.

Cumulatively these enable the requirements of the Act to be translated into a charging scheme at the Dartford-Thurrock River Crossing.

### **Operation of the crossing**

Since 1 April 2003, the Highways Agency had a contract with Le Crossing Company Limited to manage the crossing and collect charges on behalf of the Secretary of State. This contract finished at midnight on the 12 September 2009.

In May 2009, the Agency signed a 30-year design, build, finance and operate (DBFO) contract with Connect Plus (M25) Limited. The contract requires Connect Plus to widen two sections of the M25 (around 40 miles), and to refurbish the Hatfield Tunnel. Connect Plus must also operate and maintain the M25, including the Dartford crossing, plus 125 miles of connecting roads at junctions.

As part of this contract, the function of managing the crossing and collecting charges transferred to Connect Plus (M25) Limited from 13 September 2009. The inclusion of the Dartford crossing as part of this DBFO contract was designed to ensure the Agency could achieve maximum value for money from the new contract. Due to the nature of the contract, the Agency pays a single fixed monthly service payment to cover all of the contract activities, including maintenance and operating costs of the crossing. There is no separation of crossing related costs in the service payments paid by the Agency. The costs to the Secretary of State, for the maintenance and operation of the crossing, have therefore been calculated based on the methodology detailed in Note 1d below.

### **Income**

All cash receipts collected by Connect Plus (M25) Limited are passed over gross to the Department for Transport. Total income collected for the year ended 31 March 2014 amounted to £92,547,735 (2012-13: £80,331,662). This increase can be attributed to the rise in the road user charge implemented in October 2012.

The utilisation of the income for transport purposes is fulfilled through the Parliamentary Supply procedures. These ensure that the whole of the income is received and appropriated in aid and set against the Department's total transport expenditure. The net proceeds from the charging scheme are used to offset the generality of transport expenditure and not hypothecated to particular programmes or projects.

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<sup>1</sup> Statutory Instrument 2001 No. 2303 The Trunk Road Charging Schemes (Bridges and Tunnels) (England) Procedure Regulations 2001

<sup>2</sup> Statutory Instrument 2003 No. 298 The Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Procedure Regulations 2003

<sup>3</sup> Statutory Instrument 2012 No. 2387 The A282 Trunk Road (Dartford-Thurrock River Crossing Charging Scheme) Order 2012.

## **Expenditure**

There is no separation of crossing related costs in the service payments paid by the Agency. The costs to the Secretary of State, for the maintenance and operation of the crossing, have therefore been estimated and included based on the most appropriate allocation method detailed in Note 1d to the accounts. A detailed analysis of the expenditure is given in Note 3.

## **Net Proceeds**

The net proceeds for the year ended 31 March 2014 is £32,148,729 compared to £37,770,495 in 2012-13. Despite the increase in Road User Charge income, net proceeds have decreased due to:

- the increased expenditure on schemes relating to the Dartford Free-Flow Charging project,
- continued expenditure on schemes to ensure compliance with the EU Tunnel Directive on Safety, and;
- significant cash payments made to reduce the Dartford Crossing Pension Scheme deficit liability.

## **Recent Announcements**

Public commitments have been made to reduce current levels of congestion and improve traffic flow at the Dartford Crossing in the short, medium and long-term whilst ensuring continued safe operation.

Following the Department for Transport consultation in 2011, the Road User Charge at the Dartford Crossing was increased in October 2012. A second Road User Charge increase is planned to coincide with the introduction of Dart Charge (free-flow charging) during November 2014.

The Department for Transport announced the following changes to the Local Residents' Discount Scheme which took effect from March 2014:

- the ability to make unlimited trips over the crossing for just £20 per year; and
- the extension of the Local Residents Discount Scheme to users who privately own a two-axle vehicle, including vans, although it will only be possible to register one vehicle, a car or van, per resident at each address.

On July 15th the Secretary of State for Transport announced the governments' response to consultation on options for a new Lower Thames Crossing. The response sets out the decisions government has reached taking into account the numerous and diverse points raised during consultation. Namely, it:

- confirms there is a need for a new crossing,
- advises that, as there is as yet no clear preference, government will develop and appraise route options for both location options A and C before choosing where to site a new crossing. (Option A is at the existing crossing and Option C is a new link connecting the A2/M2 with the A13 and M25), and;
- advises that government expects to consult on a proposed solution in late 2015 or early 2016.

The Highways Agency awarded a £367m<sup>4</sup> contract to Sanef on 26 September 2013, to set-up and operate the technology and back office services needed to support the introduction of free-flow charging (known as Dart Charge) at the Dartford Crossing. The contract covers the 'vehicle detection, charging and enforcement management services' required to detect and capture vehicles and registrations, as well as providing a variety of remote payment methods for road users to access and pay the Crossing charge. The initial contract period is for seven years and includes the opportunity to extend by up to a further three years.

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<sup>4</sup> £367 million is the full potential value of the contract for these services up to ten years



For the forthcoming introduction of Dart Charge, the Agency is currently undertaking:

- the mobilisation of the vehicle detection, charging and enforcement management services contract as outlined above, including extensive testing of the vehicle detection equipment;
- advanced work including the installation of overhead gantries, vehicle detection equipment (cameras, lasers and tag readers) and new road signs, and;
- infrastructure works to provide open traffic lanes in both directions and new traffic control measures whilst ensuring continued safety for road users including the operational safety and integrity of the northbound restricted road tunnels. All road works are due to be completed in spring 2015.

### **Accounts of the Secretary of State**

Section 3(1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 requires the production of accounts for the year to 31 March 2014.

These accounts have been prepared in accordance with a Direction given by HM Treasury in pursuance of the above regulation. The Direction is reproduced as an Appendix to the Accounts.

The accounts have been audited by the Comptroller and Auditor General (C&AG). His independent audit report is on pages 12 to 13.

### **Statement regarding Disclosure of Information to the Auditors**

So far as I am aware, there is no relevant audit information of which the auditors are unaware of and I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

### **Date of Issue**

The accounts have been authorised for issue on 12 November 2014 by the Accounting Officer.



**Graham Dalton**  
Accounting Officer

13 November 2014

## Statement of Secretary of State and Accounting Officer Responsibilities

Under Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003, the Secretary of State is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on an accruals basis and must present fairly the income and expenditure for the financial year and the assets and liabilities at year-end.

The Treasury has appointed the Chief Executive of the Highways Agency as the Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in HM Treasury's 'Managing Public Money'.

# Governance statement

## Introduction

HM Treasury's 'Managing Public Money' and 'Financial Reporting Manual' require that I, as Accounting Officer, provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year.

HM Treasury introduced a new Corporate Governance Code for central government departments in July 2011. The new code builds on the principles of the original code published in July 2005, focusing on the role of boards, since these provide leadership. I have provided details below of how the Agency's system of corporate governance has operated during 2013-14, including any areas where the system has not operated in line with the code.

## Role of Accounting Officer

The Permanent Secretary of the Department for Transport has appointed me, as Chief Executive and as Accounting Officer for the Highways Agency. As Accounting Officer, I have responsibility for maintaining a sound system of governance that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'.

## Governance

'Corporate Governance' is deemed to be the system by which an organisation is directed and controlled. I have ensured that the Agency's corporate governance arrangements are designed to comply with the Code of Good Practice on Corporate Governance in central government departments.

The key elements of the Agency's system are:

- the Agency Board, Executive Committee and Sub-Committees;
- the Agency Audit Committee and its Counter-Fraud Sub-Committee;
- a good governance culture, and;
- a sound system of internal control, including audit and assurance activity.

## Board, Executive Committee and Sub-Committees

The Agency is managed by a formal Board and an Executive Committee, supported by an Audit Committee, a Senior Appointments Committee (SAC), and two sub-groups of the Executive Committee. The Boards and Committees review their own effectiveness annually and identify and take action to improve performance where appropriate.

## Board

The Agency Board considers the plans, performance and strategic direction of the Agency, the most important risks to successful delivery of those plans and the Agency's stewardship of public assets. The objective of the Board is to advise the accounting officer and to ensure that the Agency is organised, resourced and motivated to deliver its objectives efficiently and effectively, giving collective leadership to the Agency by:

- providing strategic direction to the Agency and ensuring that the wider, cross-cutting and longer term issues are properly considered.

- ensuring that the Agency has sufficient resources and staff with the skills, knowledge, motivation and support to deliver its objectives.
- ensuring appropriate standards of corporate governance are in place and are observed.
- listening to, and tackling, the concerns of staff and promoting good management, and;
- communicating with staff and representing the Agency's collective interests to the outside world.

### **Changes to the Board in 2014/15**

From 1st April 2014, the Agency's board has changed to become smaller, comprising the Chairman, Chief Executive, the four non-executive directors, and executive directors for Finance and for Strategy and Planning. The Board's focus is on governance and on strategic oversight of the process to transition to a Government-owned company. The Executive Committee focusses on the running of the business on a day to day basis and driving the Agency's change programme.

These changes makes the best use of the directors' and executives' time, establishing a smaller and more focused board, and starting the move towards operating on more conventional corporate lines in advance of the formal change in 2015. The new structure complies with the Agency Framework, with HMT Guidance, and with the Chief Executive's obligations as Accounting Officer.

### **Audit Committee**

The Audit Committee is a sub-committee of the Board and is responsible for providing assurance, to the Accounting Officer that the Agency's system of internal control is operating effectively. It meets approximately every quarter and reviews the Board's assessment of corporate risk, considering wider Departmental risk as appropriate. The Audit Committee is chaired by David Hughes.

In addition, it considers reports from the Counter Fraud Sub-Committee and monitors progress with the internal audit programme, health and safety audits and other assurance processes operating across the Agency.

During 2013-14 the Audit Committee specifically reviewed or considered various topics including:

- the 2012-13 annual report and accounts; External audit – audit completion report and management letter;
- the 2012-13 internal audit annual report and opinion;
- year-end 2012-13 and mid-year 2013-14 Stewardship (Management Assurance) reports;
- the Agency's corporate risk register;
- the reporting of instances of identified fraud, together with assurance over the relevant central enforcement, as appropriate;
- internal audit and NAO audit strategies and progress for providing assurance to the Chief Executive as Accounting Officer;
- NAO value for money work, and;
- the Dartford River Crossing and Severn Bridge Accounts 2012-13.

### **Counter Fraud Sub-Committee**

The sub-committee meets approximately every quarter to review the results of investigations that have been identified through the fraud and whistleblowing facility to establish whether the incident was unfounded, fraudulent or can be dealt with through other management routes. The counter fraud sub-committee is chaired by the Finance and Business Services Director and attended by non-executive directors.

During 2013-14 the Counter Fraud Sub-Committee undertook a review of the current case load that has been identified through the counter fraud and whistleblowing facility, and a fraud horizon scan.

### **Senior Appointments Committee**

The purpose of the Senior Appointments Committee (SAC) is to ensure that succession planning and progression/developmental strategies are in place for senior roles across the Agency. The SAC is a sub-committee of the Board and meets on a quarterly basis or more regularly if required. The senior appointments committee is chaired by Alan Cook.

### **Executive Committee**

The Executive Committee meets monthly to consider the day-to-day administration of the Agency. The Committee is responsible for ensuring that the appropriate plans are in place to allow the Agency to meet business plan objectives and live within its budget. The Committee has three sub-committees:

- Future Investment Programme Executive Sub-Group (FIP) - responsible for monitoring the in-year and future capital investment programme and tracking the delivery of efficiencies.
- Supply Chain Executive Sub-Group (SCG) - responsible for monitoring supply chain performance, developing supply chain relationships to meet the Agency's future business and ensuring a strategic approach to supply chain and commercial activities, and;
- Network Performance Group (NPG) - responsible for driving improvements in the performance of the strategic road network. NPG is key in driving a mindset and culture that ensures that the customer experience is consistent with our aspiration to be the world's leading road operator. NPG focuses particularly on: safety, traffic performance, network availability (including winter service), customer service (information and feedback), and network development.

### **The Governance Culture**

The Agency recognises that the culture of the organisation can impact substantially on successful delivery.

Our values statement ("Delivering a professional and affordable service through innovation and partnership working") was introduced in 2011 and shows the things we value as an organisation. These are in addition to the civil service values (integrity, honesty, impartiality, objectivity) and tie into our aims and strategic objectives.

A key element of culture is the engagement of staff. In 2013, the Civil Service Staff Engagement Survey results showed that the Agency's engagement index increased by 1 per cent to 53 per cent compared with the previous year. The results against the majority of engagement questions are more positive than last year, but remain less positive than the Civil Service overall. We are focusing on several areas to ensure we deliver real improvements and make the Agency a better place to work.

The vast majority of our work is delivered through a tiered relationship with our supply chain. Our procurement strategy positions us to deliver a first class and consistent approach to procurement, based on the three key themes of value-for-money, delivery and sustainability. We are determined that the procurement function should develop beyond delivering a process, into a position where the Agency is actively encouraging and demanding best practice and innovation to fulfil these aims.

## **System of Internal Control**

There are a number of internal control processes which provide a framework for managers and staff to successfully and efficiently deliver the Agency's objectives. These processes are designed to manage risk to an optimum level rather than to eliminate all risk of failure; compliance with internal control processes can only provide reasonable and not absolute assurance of effectiveness.

All Agency processes have an assigned owner and are documented on the Agency's intranet through the 'Way we Work' (WwW) system. This is supported by a clear process management policy which requires Process Owners to regularly review their processes and seek assurance on both compliance and their suitability.

## **Audit and Assurance**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I am advised on the implications of the effectiveness of the system of internal control by the Board and the Audit Committee.

## **Internal Audit**

My Head of Audit and Assurance (A&A) provides regular reports on key risk and control issues, and expresses an annual independent opinion on the adequacy and effectiveness of the Agency's system of internal control, with recommendations for improvement. This is in line with the Public Sector Internal Audit Standards. The implementation of recommendations is included in performance reports and is monitored closely by the Board.

The Head of A&A's opinion for the year 2013-14 is that on the basis of the evidence obtained during the year a 'Reasonable' assurance rating can be provided on the adequacy and effectiveness of the Agency's arrangements for corporate governance, risk management and internal control, i.e. that they are generally established and effective, with some minor weaknesses or gaps identified. In her opinion there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement.

## **Contract Assurance**

Contract assurance over our supply chain community continues to be provided by A&A. The Contract Assurance Regime has now been established for two years and combines technical specialists with experienced auditors to assess the service provider's ability to manage core risks within the contract. Results from this year's activity has provided a reasonable assurance rating awarded, and although issues have been identified at a regional level, there are no areas of significance that should be reported within this Governance Statement.

## **Project Management Assurance**

We have maintained a close working relationship with the Major Projects Authority (MPA). Confidence in our approach to Gateway Reviews and Government Major Projects Portfolio (GMPP) scrutiny has resulted in the delegation of increased levels of responsibility to our Centre of Excellence. We have the authority to manage high risk Gateway Reviews, in addition to the medium and low risk that we were already delegated.

## Counter fraud arrangements

During the course of 2013-14 the Highways Agency recorded 102 whistleblowing allegations from both internal and external sources. The majority of these were either related to another body (such as a local authority), were mailshots or were low level issues resolved by the relevant operational area. However, 33 cases were deemed worthy of investigation by the Agency's internal audit function, 8 of which resulted in fraudulent or improper activity being identified and 3 the investigations are ongoing.

## Stewardship Reporting

Twice a year, Agency Board Directors provide Stewardship Reports that take account of management assurance from Divisional Directors and others who report on the full range of delegations, policies and procedures laid down by the Agency. Directors report on:

- compliance within their division;
- the adequacy of the arrangements within their division, and;
- the remedial action is being taken where assurance cannot be provided.

These reports are reviewed by the relevant internal process owners who then develop action plans to address deficiencies in compliance.

## Senior Information Risk Officer's (SIRO) Assessment

During this year the Agency continued to comply with the Cabinet Office guidance on information risk management. My SIRO assessment of information risk performance is that the Agency's information assets held on the Agency's business and operational IT infrastructure are being managed effectively and that appropriate and proportionate risk controls are in place.

## Dartford Crossing Governance

An audit of the collection and subsequent paying over of Crossing revenue is conducted by the Agency's Audit and Assurance (A&A) on an annual basis. This is undertaken in order to provide the Accounting Officer with independent assurance on the risk management, control and governance processes established by the DBFO company.

The most recent audit took place in February 2014 and concluded that the DBFO company were found to be carrying out their responsibilities in line with the contractual obligations by which they are bound. Whilst the review reiterated a concern regarding a long standing variance between the Dart-Tag balances on the tag administration, test computer system (TATC) report, and the balance in the Agency's general ledger this difference is not material and further progress is being made to resolve this. As part of the revenue audit planned in October 2014 A&A will assess whether management have made the appropriate treatment to remedy this balance and that the necessary adjustments are made prior to the transfer of account balances from the existing service provider on commencement of Dart Charge.



**Graham Dalton**  
Accounting Officer

13 November 2014

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

I have audited the Dartford-Thurrock River Crossing Charging Scheme Accounts for the year ended 31 March 2014 under the Transport Act 2000. These comprise the income and expenditure account and the statement of assets and liabilities and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## **Respective responsibilities of the Secretary of State, Accounting Officer and auditor**

As explained more fully in the Statement of Secretary of State and Accounting Officer's Responsibilities, the Secretary of State and Chief Executive are responsible for the preparation of the financial statements in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 and HM Treasury directions made thereunder. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

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

I am 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 expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements present fairly the assets and liabilities of the Highways Agency in relation to functions exercised under the Transport Act 2000 as at 31 March 2014, and the income and expenditure for the year then ended, in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 and HM Treasury directions made thereunder; and
- the financial statements have been properly prepared in accordance with the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 and HM Treasury directions made thereunder.



### **Opinion on other matters**

In my opinion the information given in the Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

### **Sir Amyas C E Morse**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria, London SW1W 9SP

24 November 2014

## Income and Expenditure Account for the year ended 31 March 2014

Income	Note	2013-14 £000	2012-13 £000
Road user charges (cash)		59,426	52,757
Road user charges (DART-Tags)		32,748	27,223
Local Residents annual fee	2	291	246
Rental income	2	83	106
		<b>92,548</b>	<b>80,332</b>
<b>Expenditure</b>			
Managing Agent Contractor's costs	3	24,452	23,390
Audit fee	3	14	17
Other expenditure	3	35,933	19,154
		<b>60,399</b>	<b>42,561</b>
<b>Net proceeds for the year</b>	<b>4</b>	<b>32,149</b>	<b>37,771</b>

## Statement of Capital Expenditure for the year ended 31 March 2014\*

Expenditure type	Note	2013-14 £000	2012-13 £000
Dart Charge		10,956	–
EU Directive – safety and detection equipment		8,189	8,456
Other **		347	870
		<b>19,492</b>	<b>9,326</b>

\*Amounts exclude any capital expenditure incurred under the DBFO contract.

\*\*Other expenditure mainly relates to spend for renewal of structures, renewal of roads and technology schemes.

The Notes on pages 16 to 22 form part of these accounts.

## Statement of Assets and Liabilities as at 31 March 2014

<b>Current Assets</b>	<b>Note</b>	<b>2013-14</b>	<b>2012-13</b>
		<b>£000</b>	<b>£000</b>
Bank	5	7,855	7,102
Accrued income	5	652	1,145
		<u>8,507</u>	<u>8,247</u>
<b>Current Liabilities</b>			
Trade and Other Payables:			
Amounts falling due within one year	6	(26,448)	(16,085)
		<u>(17,941)</u>	<u>(7,838)</u>
<b>Current Assets less (Liabilities)</b>		<b>(17,941)</b>	<b>(7,838)</b>
<b>Finance due from the Highways Agency</b>	7	<b>(17,941)</b>	<b>(7,838)</b>



**Graham Dalton**  
Accounting Officer

13 November 2014

The Notes on pages 16 to 22 form part of these accounts.

# Notes to the Account

## 1. Statement of Accounting Policies

### a. Accounting Convention

The Accounts are prepared under the historical cost convention on an accruals basis.

These accounts have been prepared in accordance with the 2013–14 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. There has been no significant impact to these accounts as a result of the adoption of IFRS.

An Accounts Direction has been given by HM Treasury and is reproduced in Appendix A.

### b. Contingent Liabilities

Contingent liabilities in relation to the Dartford-Thurrock River Crossing are the responsibility of the Highways Agency. In accordance with IAS 37, the Agency 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 Agency's control, unless their likelihood is considered to be remote.

### c. Capital Expenditure

Capital expenditure is expensed as it is incurred and included in the overall expenditure figures in these accounts. The assets are capitalised and depreciated in the main Highways Agency financial statements.

### d. Estimation techniques

Estimation techniques are the methods adopted to arrive at an estimated monetary amount for the expenditure incurred under the Design, Build, Finance and Operate (DBFO) contract with Connect Plus (M25) Limited during the period 1 April 2013 to 31 March 2014.

The service charge in the DBFO contract payable by the Agency encompasses the whole of the M25, including the Dartford Crossing. Therefore an estimate has been made as to the proportion of this charge that relates to the maintenance and operation of the Crossing. The estimated costs have been included based on the most appropriate allocation method determined for each expenditure type (see below) within the Financial Model of the DBFO contract.

Expenditure Type	Total costs specific to Dartford per the Financial Model	Total costs not specific to Dartford per the Financial Model	Total
	£000	£000	£000
Operational and Management	14,830	4,063	18,893
Lifecycle Schemes	4,295	151	4,446
Special Purpose Company	–	1,113	1,113
<b>Total</b>	<b>19,125</b>	<b>5,327</b>	<b>24,452</b>

## Operational and Management

The types of cost associated to this category are:

**Routine structures: Inspections and routine maintenance.** The amount allocated has been derived based on the elements specific to Dartford against the total amount.

**Routine service: Incident response.** This is based on the number of incidents as a percentage of the M25 as a whole.

**Other routine:** Such as roads, winter service and inspection survey are allocated as a percentage based on the length of the Dartford crossing as per the legislation against the total length of the M25 per the DBFO contract.

**Charge collection and crossing:** The whole amount is Dartford specific.

**Management activities staff:** Is based on the staff capacity of the Dartford depot as a percentage of the capacity of all depots.

**Management activities facilities:** Is based on the staff capacity of the Dartford depot as a percentage of the capacity of all depots.

**Lifecycle tunnels:** Is based on those specific to Dartford against the total amount.

**Vehicle recovery:** The whole amount is Dartford specific.

**Others:** Such as vehicle recovery, lifecycle ancillaries and indeterminate cost are allocated as a percentage based on the length of the Dartford Crossing as per the legislation against the total length of the M25 per the DBFO contract.

## Lifecycle Schemes

**Pavements:** Costs under this category are allocated as a percentage based on the length of the Dartford crossing as per the legislation against the total length of the M25 per the DBFO contract.

**Tunnels:** The whole amount is Dartford specific.

## Special Purpose Company

Cost under this category relate to the Head Office cost incurred by the contractor.

**Management:** Project management, advisors and board fees are based on the contractors' best estimate of the time spent by management on an annual basis.

**Energy:** Is based on the actual metered and unmetered supplies that are specific to Dartford as a percentage against the total amount.

**Insurance and risk:** The percentage as per that applied to the financial model in the contract.

Further details are provided under Note 3.

## 2. Non Road User Income

Local resident annual fee – The £291,130 relates to the annual fee payable by local residents who have a DART Tag account.

Rental income – The £82,863 relates mainly to amounts received from communication network providers.

**3. Expenditure**

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Managing Agent Contractor's costs (i)</b>		
Connect Plus (M25) Limited	24,452	23,390
<b>Other expenditure:</b>		
Safety scheme	384	880
EU tunnel directive on safety (ii)	8,189	8,456
Dartcharge (iii)	14,973	4,482
Traffic Officer Services	3,099	3,354
Technology projects safety	130	292
Routine maintenance	9	–
Charging order implementation	129	160
Professional consultancy fees (iv)	–	270
Audit fee	14	17
Bank charges	241	220
Pension costs (v)	8,779	1,040
	<b>60,399</b>	<b>42,561</b>

i. The costs relating to the Connect Plus contract is an apportionment of the total costs payable by the Agency to Connect Plus for the M25 DBFO contract. The estimated costs included are based on the most appropriate allocation method determined for the three expenditure types within the Financial Model of the DBFO contract. A total of £24,451,920 estimated cost included are as follows:

- Operational & Management £18,893,840
- Life Cycle schemes £4,445,483
- Special Purpose Company £1,112,597

ii. The Agency was successful in ensuring tunnels were EU standard compliant avoiding any penalties for lateness. The majority of these costs relate to work carried out to ensure Dartford tunnels met the standards defined by the EU Tunnel Directive on Safety. A large proportion of 13/14 costs were due to the installation of a fire protection system and removal of asbestos within the tunnels.

iii. Expenditure has increased significantly on work in respect of preparing for the introduction of Dart Charge at the Dartford Crossing. Currently the scheme is forecast to go-live November 2014.

- iv. No professional fees payable through the M25 DBFO contract were identifiable as specific to the Dartford Crossing during the 13/14 period. The majority of the DNCS Consultancy Support ended November 2012 and on-going requirements have been managed internally.
- v. The Agency made monthly contribution payments to Dartford Crossing pension schemes amounting to £0.98m over the financial year (12/13 £1m). The latest valuation of the pension scheme indicated that the funding deficit increased to £7.8m during 13/14 due to a decline in the value of the share investments held by the investment fund. The deficit was reduced by a £3.5m payment to Egis (Mar 2014), whilst the remaining deficit was recognised within the accounts as a liability at the end of the financial year. Information regarding the setup of the Dartford Crossing pension scheme is covered within Note 9.

#### 4. Net proceeds

The income collected on behalf of the Agency by the Managing Agent is payable to the Department for Transport and is Appropriated in Aid in its resource accounts. The gross expenditure of £60,399,000 (2012-13: £42,561,000) has been financed through the Parliamentary Supply to the Department for Transport.

#### 5. Current Assets

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Bank	7,855	7,102
Accrued income:		
toll income	394	773
rental income	22	133
DART-Tag income	236	239
	<b>8,507</b>	<b>8,247</b>

Bank represents amounts received by the Agency in respect of road user charges and DART-Tag prepayments not yet paid over to the Department for Transport. These are payable to the Department for Transport immediately in the case of road user charges, or as and when the DART-Tag is utilised.

Accrued road user charge income represents receipts for the period 26 to 31 March 2014 where the cash was not received by the Agency from Connect Plus by 31 March 2014.

**6. Trade and Other Payables: amounts falling due within one year**

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Trade payables	2,096	1,949
Amounts to be paid over to DfT	2,067	2,189
Accrued expenditure	11,567	6,022
DART-Tag prepayments	6,378	5,920
Advance rental income	40	5
Other payables: pension deficit	4,300	-
	<b>26,448</b>	<b>16,085</b>

The £2.038m trade payable is an estimate of the amount under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.d. The remaining £0.058m relates to employee NIC and pension contributions paid April 2014.

The amounts to be paid over to the Department for Transport are charges collected for the period 26 to 31 March 2014 and paid over to the Department for Transport once they clear the Agency's bank account, and charges already paid over to the Agency but received during the period 26 to 31 March 2014.

Accrued expenditure represents maintenance work carried out not yet invoiced of £11,553,641 (2012-13: £6,008,107) and audit charges of £14,000 (2012-13: £14,000). Of the £11,553,641, £2.038m relates to an estimate of the amount under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.d. The key reasons for the increase in the payables balance can be attributed to the £4.3m accrued against the Dartford Crossing Pension Scheme and the increased mobilisation of the Dart Charge scheme ahead of go-live in November.

DART Tag prepayments are amounts received from road users as at 31 March 2014 for future use, and will be paid over to the Department for Transport once utilised.



## 7. Financing due from the Highways Agency

	2013-14 £000	2012-13 £000
Trade payables	2,096	1,949
Accrued expenditure	15,867	6,022
Other accrued payments	–	–
Accrued income	(22)	(133)
	<b>17,941</b>	<b>7,838</b>

## 8. Capital Commitments

These relate to the Agency's commitment to make future capital payments for works at the Dartford crossing, where the main works contract has been awarded, to the extent that this commitment has not been provided for in the accounts.

	2013-14 £000	2012-13 £000
<b>Contracted capital commitments not otherwise included in these accounts:</b>		
Dart Charge	23,473	–
Dartford crossing EU Directive - tunnel commitments	104	2,317
	<b>23,577</b>	<b>2,317</b>

## 9. Contingent Liability

When the Dartford Crossing concession was enacted, employees moved across to the private sector company (Egis) from Kent County Council. As part of the transfer arrangements, the Secretary of State made an agreement to accept the liability for any future deficit associated with the Dartford Crossing pension scheme fund. The deficit as at 31 March 2014 has been included in these accounts. The value of the pension fund may increase or decrease in the future based on actuarial assumptions. To the extent that any future deficit arises, this represents a contingent liability to the Secretary of State.

## 10. Financial Instruments

IFRS 7 requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that an entity faces in undertaking its activities. For these disclosures the Dartford-Thurrock River Crossing Charging Scheme Account is an integral part of the Agency. Due to the largely non-trading nature of its activities and the way in which government agencies are financed, the Agency is not exposed to the degree of financial risk faced by many business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The Agency has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities.

### **Liquidity risk**

This is the risk that the Agency is unable to meet its obligations when they fall due and to replace funds when they are withdrawn. The Agency's net revenue resource requirements are mainly financed by resources voted annually by Parliament to the Department for Transport.

The Agency is therefore not exposed to significant liquidity risks.

### **Credit risk**

Credit risk is the risk of suffering financial loss, should any of the Agency's customers or counterparties fail to fulfil their contractual obligations to the Agency. Some of the Agency's customers and counterparties are other public sector organisations. There is no credit risk from these organisations

For those customers and counterparties that are not public sector organisations, the Agency has policies and procedures in place to ensure credit risk is kept to a minimum.

### **11. Events after the reporting period**

There have been no significant events between the Financial Reporting date and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State of the Department for Transport. International Accounting Standard (IAS) 10 requires the Agency to disclose the date on which the accounts are authorised for issue.

The authorised date for issue is **13 November 2014**.

## Appendix A

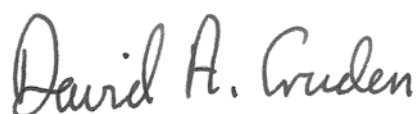
### Dartford-Thurrock River Crossing Road Charging Scheme

#### ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 3 OF THE TRUNK ROAD CHARGING SCHEMES (BRIDGES AND TUNNELS) (KEEPING OF ACCOUNTS) (ENGLAND) REGULATIONS 2003

The Treasury in pursuance of Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 hereby gives the following direction:

1. The statement of accounts which is the duty of the Secretary of State for Transport to prepare in respect of the year ended 31 of March 2004 and in any subsequent year shall comprise:
  - (a) a Foreword, which shall include:
    - (i) a statement that the accounts have been prepared in accordance with a Direction given by the Treasury in pursuance of Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003;
    - (ii) an explanatory introduction;
    - (iii) information on significant events during the period;
    - (iv) a statement providing information on how the Secretary of State has or intends to disburse the net proceeds arising from the scheme on other transport initiatives;
  - (b) a statement of the responsibilities of the person signing the accounts
  - (c) a statement of the system of internal control
  - (d) a statement of income and expenditure
  - (e) a statement of capital expenditure
  - (f) a statement of assets and liabilities
  - (g) notes to the accounts, including an explanation of the accounting policies adopted, that may be necessary to present fairly the income and expenditure for the period, transfers of funds to or from Central Government, and the assets and liabilities at the end of the period in relation to functions under the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003.
2. The statement of accounts shall disclose the net proceeds of the scheme for the year ended 31 of March 2004 and for each subsequent year.
3. The statement of accounts shall be prepared under the historical cost convention on an accruals basis and shall follow the format attached to this Direction although minor drafting changes may be made without seeking the approval of the Treasury. Except for the statement of accounts for the year ended 31 March 2004, comparative figures shall be shown.

4. The statement of account prepared under the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulations 2003 shall observe all relevant accounting and disclosure requirements as given in *Government Accounting* and other guidance as issued by the Treasury from time to time.
5. The statement of accounts shall be transmitted to the Comptroller and Auditor General no later than the 30 of November following the end of the financial year to which the statement relates, for the purpose of audit, examination and report.
6. The statement of accounts, once audited, shall be laid before each House of Parliament not later than the 31 of January in the calendar year following the end of the financial year to which the statement relates.
7. This Accounts Direction (excluding the proforma accounts) shall be reproduced as an Appendix to the accounts.



**David A. Cruden FCA**

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2 February 2005







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