

Dartford-Thurrock River Crossing Charging Scheme Accounts 2014 - 2015



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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.



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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 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 (DfT) 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 for Transport 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 DfT.

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 for Transport to make regulations determining how the net proceeds are to be calculated; and
- 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 charging scheme at the Dartford-Thurrock Crossing is enabled by the following secondary legislation:

- procedural regulations for the making of an order¹;
- regulations covering accounting arrangements²; and
- the making of a Dartford-Thurrock River Crossing charging scheme order³.

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

The following regulations allow effective enforcement of the road user charge, with the introduction of free-flow charging (known as Dart Charge) on 30 November 2014;

- the Road User Charging Enforcement Regulations⁴ provide a national legislative framework for the enforcement of road user charging through the imposition of penalty charges; and
- the Dartford-Thurrock River Crossing Charging Scheme Order⁵ sets out the level of penalty charge and enforcement measures that are being used at Dartford.

Operation of the crossing

From 1 April 2003, the Highways Agency (the Agency) had a contract with Le Crossing Company Limited to manage the crossing and collect charges on behalf of the Secretary of State for Transport. The contract ended on 12 September 2009.

In May 2009, the Agency signed a 30-year design, build, finance and operate (DBFO) contract with Connect Plus (M25) Limited. Connect Plus is responsible for operating and maintaining the M25, including the Dartford Crossing, plus 125 miles of connecting roads around the 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.

In November 2014, Highways England introduced Dart Charge at the Dartford-Thurrock Crossing and awarded a seven year contact to Sanef Operations Ltd. The contract requirements include the detection and recording of vehicles and registrations, as well as providing a variety of remote payment methods for road users to access and pay the crossing charge. The responsibility of collecting and enforcing the payment of road user charges transferred to Sanef Operations Ltd on 30 November 2014.

Income

All cash receipts collected by Connect Plus (M25) Limited and Sanef Operations Ltd are passed over gross to the Department for Transport (DfT). Total revenue recognised for the year ended 31 March 2015 amounted to £145.9m (2013-14: £92.5m). The £53.4m increase when compared to 2013-14 is due to the introduction of enforcement management measures introduced through the Dart Charge scheme (£49.1m) and an increase in crossings over the period.

The utilisation of the income for transport purposes is fulfilled through the parliamentary supply procedures. This ensures 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.

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

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

³ Statutory Instrument 2013 No. 2249 The A282 Trunk Road (Dartford-Thurrock Crossing Charging Scheme) Order 2013

⁴ Statutory Instrument 2013 No. 1783 The Road User Charging Schemes (Penalty Charges, Adjudication and Enforcement) (England) Regulations 2013

⁵ Statutory Instrument 2013 No. 2249 The A282 Trunk Road (Dartford-Thurrock Crossing Charging Scheme) Order 2013

Expenditure

There is no separation of crossing related costs in the service payments paid by the Agency to Connect Plus. The costs to the Secretary of State for Transport, for the maintenance and operation of the crossing, have therefore been estimated and included based on the most appropriate allocation method detailed within Note 1 to the accounts and a detailed analysis of the expenditure is given in Note 3. Expenditure has increased by £65.1m compared to the previous year due to:

- the completion of construction work required to implement the appropriate infrastructure for the Dart Charge scheme, and
- the impairment of road user penalty charges, reflecting a waiver of first penalty charges when payment for crossings is made within 14 days and irrecoverable penalty charges. Further information is provided within Note 3.

Net proceeds

The net proceeds for the year ended 31 March 2015 were £20.4m compared to £32.1m in 2013-14. Despite an increase in income, net proceeds have decreased following significant capital investment to ensure the appropriate infrastructure is in place for successful operation of the Dart Charge scheme.

Recent announcements and changes

The Dartford-Thurrock River Crossing (the Crossing) traditionally suffered from significant levels of congestion, with over 50 million vehicle crossings being made each year. The (then) existing barrier and road layout arrangement to collect and pay the road user charge interrupted the flow of traffic. As a result, severe congestion existed, with poor traffic flow and delays for many hours each day.

DfT made clear that providing improvements to the performance of the Crossing was a priority in view of its role in the movement of goods and people, and its contribution to the economy. In the Spending Review announcement of October 2010, the Government stated its commitment to introduce a 'free-flow' charging arrangement at the Crossing as part of a strategic objective to manage congestion in the short, medium and longer term. 'Free-flow' charging (Dart Charge) is considered to be a medium term measure enabling the Department to develop further the existing options for additional crossing capacity on the Lower Thames. This scheme formed a key objective deliverable within the Department's Business Plan 2012-15, and the (then) Highways Agency led on its delivery.

Under Dart Charge, the collection and payment of the road user charge is undertaken remotely, including the delivery of enforcement management measures to tackle road users who do not pay to use the Crossing. Road users have access to a variety of methods to pay the charge. These methods include payments online (web), via phone, retail outlets, or by registered customer accounts. Penalty and recovery processes are employed to enforce the charging scheme and collection of charges. These 'charging and enforcement management' services are delivered and administered through a contact centre and back office operation. Dart Charge removed the need for drivers to stop and pay the road user charge within a plaza environment controlled by barriers.

Dart Charge was introduced on the 30 November 2014 and benefits to the UK economy are primarily delivered through a reduction in congestion and easing traffic flow at this vital crossing link and the wider South East road network. The introduction of this scheme delivers approximately £1.6 billion of economic benefit over 25 years.

At 31 March 2015 over 600,000 people had opened Dart Charge accounts and road user compliance averaged over 90% which compares favourably to comparable schemes at the same stage. Initial data reveals the removal of barriers has led to reductions in the average journey times of over nine minutes quicker southbound and over four minutes quicker northbound. These journey time improvements were delivered despite an increase in traffic volumes of an additional 1.8%, in the first four months of the scheme or approximately 246,000 extra crossings compared to the same period in 2013-14.

In July 2014 the Secretary of State for Transport announced the Governments' response to consultation on options for a new Lower Thames Crossing, the long term solution to congestion at the Crossing. The response:

- included confirmation that there is a need for a new crossing
- advises that, as there is as yet no clear preference, the 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.

Under the Government road reform programme, Highways England Company Limited (Highways England) became the road authority from 1 April 2015, taking on the role previously performed by the Highways Agency. Highways England which is a government owned company now operates the Crossing on behalf of the Secretary of State.

Accounts of the Secretary of State for Transport

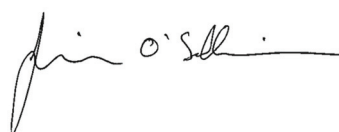
Section 3 (1) (b) of the Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts) (England) Regulation 2003 requires the production of accounts for the year to 31 March 2015.

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 15 to 16.

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.



Jim O'Sullivan
Accounting Officer
27 January 2016



Stephen Dauncey
Finance Director
27 January 2016

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 for Transport 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

HM Treasury's Managing Public Money and Financial Reporting Manual require that I, as Accounting Officer for the Agency, 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 focusing on the role of the board in providing leadership. I have provided details below of how the Agency's system of corporate governance has operated during 2014-15, including any areas where the system has not operated in line with the code.

Scope of responsibility

The permanent secretary of the Department for Transport has appointed me, as Chief Executive, as Accounting Officer for the 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 departments' assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's Managing Public Money.

Governance framework

Corporate Governance is 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 Dartford River Crossing governance framework is largely reliant on the Agency's governance arrangement. Both the Dartford River Crossing and the Agency's governance arrangements are set out below.

Dart Charge Governance

Dart Charge and the associated changes represented a significant change for drivers alongside an increase in the charge itself. As a result in order to build users' confidence and acceptance of the new arrangements as well as delivering strong levels of compliance a balanced approach to enforcement was adopted.

This balanced approach included delaying issuing of the first penalty charge notices (PCNs) to allow drivers more time to pay during the initial months of the scheme when it was still in its infancy and drivers were adapting to the new arrangements. Also the first PCN issued for any vehicle included an offer to pay any outstanding charges within 14 days and avoid a penalty.

This approach, combined with our ongoing public information campaign, proved successful in delivering good compliance levels and building broad awareness of the scheme.

In the period up to 31 March 2015 there were some teething problems that meant some customers experienced problems paying the charge or were sent PCNs in error. While these affected only a minority of customers it meant they had a negative experience of the new charging system which was not acceptable. These system issues, along with our initial approach of delaying the issue of PCNs that generated a backlog, also impacted on revenue collection during this period.

Addressing these issues was a top priority for Highways England who worked with its service provider, Sanef to deliver immediate improvements. These improvements included boosting the resilience of the call centre technology and website, system changes to address other payment issues and adjustments to the process of printing and issuing PCNs to start addressing the backlog. Sanef also began a review of local resident accounts to proactively resolve issues some customers experienced transferring accounts that had been migrated from the earlier DART-Tag scheme. Taken together, these actions started to address the teething problems we experienced.

Highways England and Sanef also developed further interventions and improvements to the system, service delivery and customer service that were rolled out from April 2015 onwards. Highways England will continue to work with Sanef to deliver further enhancements to improve the customer experience beyond the opening year.

Corporate Assurance Review

The Agency's Corporate Assurance (CA) team review the collection and subsequent paying over of Crossing revenue on an annual basis to provide the Accounting Officer with independent assurance on the adequacy of risk management, control and governance processes established by the service provider, Sanef.

An audit of Crossing revenue was conducted in October 2014 for the preceding contract with Connect Plus. Whilst a 'substantial' opinion rating was awarded, our review raised concerns relating to the resolution of the longstanding reconciliation between customer balances in Connect Plus's finance system with the Highways Agency's general ledger. An agreement to clear the final balance has been made between both parties to ensure that the new contract with Sanef could proceed with no legacy issues.

The most recent audit completed by the CA team took place in April 2015, covering the period 30 November 2014 to 31 March 2015, and concluded that, whilst the daily collection of crossing charge revenue (by Sanef) and its onward transfer to Highways England has operated effectively since the start of the contract, there are number of issues that need to be addressed. Of significance are weaknesses within the collection of enforcement revenue; the establishing of roles and responsibilities for financial oversight of the contract; and the effective operation of issuing customer refunds. The overall opinion rating was 'partial'.

As part of the revenue audit planned for the second part of 2015-16, CA will assess whether Highways England and Sanef have implemented the appropriate management actions to remedy the above issues.

The Agency's governance framework

The key elements of the Agency's governance framework are:

- the board, executive committee and sub-committees;
- the Agency audit committee and its counter-fraud sub-committee; and
- a sound system of internal control, including audit and assurance activity and formal risk management processes.

Board and executive committee

The Agency is managed by a formal Board and an Executive Committee, supported by an Audit Committee, a Senior Appointments Committee, and three 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.

The Board

From April 2014, the Agency's Board changed to become smaller and moved towards more conventional corporate lines. The new board sharpened its focus onto governance and strategic oversight of the process to transition into a Government-owned company.

The Board comprises the Chairman, Chief Executive, the four non-executive directors, and executive directors for Finance and for Strategy and Planning. 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 leadership to the Agency by:

- providing strategic direction to the Agency;
- ensuring that the Agency has sufficient resources and staff;
- ensuring appropriate standards of corporate governance;
- listening to, and tackling, the concerns of staff;
- communicating with staff; and
- representing the Agency's interests to the outside world.

Risk management

The Agency's Executive Directors and senior managers are responsible for risk management within their commands. The Agency has a published risk management policy which is available to all staff via the intranet. Senior managers have received training in risk management tailored to their responsibilities and concerns.

Risk is a standard agenda item in team meetings in many areas of the Agency. Risks are reviewed, the effectiveness of mitigating actions and their impact on residual risk is monitored, and changes identified and evaluated throughout the year, as part of routine management activity.

Internal control framework

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.

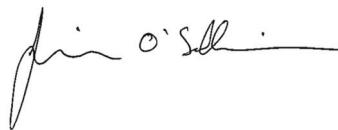
Financial management

We ensure efficiency, best value, integrity, propriety and regularity in the use and stewardship of public funds and assets and that clear accountability is in place through a variety of control systems including:

- mandatory Investment Control Framework to test whether proposed a project or expenditure offers value for money. The arrangements complement larger value approvals required from DfT or Ministers;
- financial propriety and other requirements from HM Treasury's Managing Public Money;
- an Oracle financial accounting system with embedded controls;
- asset management procedures to record and account for all assets;
- a Counter-Fraud Sub-Committee to oversee the handling of any significant issues or allegations; and
- Investors in People accreditation; a proven business improvement framework that significantly improves financial performance.

Management assurance reporting

Stewardship reporting is undertaken twice yearly in the Agency, after nine months and year-end, in line with the DfT timetable. The report covers the full range of delegations, policies and procedures laid down by the Agency. The evidence collated forms part of a management assurance process which enables the Accounting Officer to sign off the Governance Statement in the Annual Report and Accounts.



Jim O'Sullivan
Accounting Officer
27 January 2016



Stephen Dauncey
Finance Director
27 January 2016

Independent Auditor's Report to the Secretary of State for Transport

I have audited the Dartford-Thurrock River Crossing Charging Scheme Accounts for the year ended 31 March 2015 under the Transport Act 2000. These comprise the income and expenditure account, statement of capital expenditure 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, examine and report 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 report.

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 2015, 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 Governance Statement 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

28 January 2016

Statement of Income and Expenditure Account for the year ended 31 March 2015

Income	Note	2014-15 £000	2013-14 £000
Toll operation	2	64,298	92,465
Dart Charge operation	2	81,456	-
Rental income	2	157	83
		145,911	92,548
Expenditure			
Managing agent contractor's costs	3	21,757	24,452
Impairment to income	3	39,788	-
Other expenditure*	3	63,910	35,933
Audit fee	3	32	14
		125,487	60,399
Net proceeds for the year	4	20,424	32,149

Statement of Capital Expenditure for the year ended 31 March 2015**

	Note	2014-15 £000	2013-14 £000
Dart Charge		53,137	10,956
EU Directive - Tunnel Safety		420	8,189
Other ***		452	347
		54,009	19,492

* Other expenditure mainly relates to spend for the implementation of Dart Charge and renewal of road, structures, and technology schemes.

** Amounts are included in the income and expenditure statement.

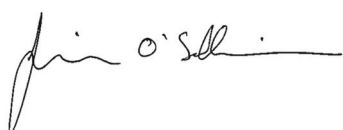
*** Amounts exclude any capital expenditure incurred under the DBFO contract.

The Notes on pages 19 to 28 form part of these accounts.

Statement of Assets and Liabilities as at 31 March 2015

Current Assets	Note	2014-15 £000	2013-14 £000
Cash	5	14,538	7,855
Trade and other receivables	5	12,694	652
		27,232	8,507
Current Liabilities			
Trade and other payables	6	(45,092)	(26,448)
Current Assets less (Liabilities)		(17,860)	(17,941)
Finance due from the Highways Agency	8	17,860	17,941

The Notes on pages 19 to 28 form part of these accounts



Jim O'Sullivan
Accounting Officer
27 January 2016



Stephen Dauncey
Finance Director
27 January 2016

Notes to the Account

1. Statement of accounting policies

1.1 Accounting Convention

The accounts have been prepared in accordance with the 2014-15 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.

An Accounts Direction has been given by HM Treasury and is reproduced in Appendix A. The Accounts are prepared under the historical cost convention on an accruals basis.

The accounts are prepared from the point of view of the charging scheme itself. The scheme, managed by the Highways Agency pays the charging receipts to the Department for Transport (DfT) on a gross basis. Its expenses are ultimately settled by the Highways Agency, itself funded by Parliament.

The scheme assets comprise cash arising from charging receipts and accruals-based balances receivables from road users (Note 5). Any prepayments from road users are reflected as a scheme liability. The net amount of these assets and liabilities relating to road user charging will be payable to the DfT and is reflected in the scheme liabilities (Note 6).

Residual equity therefore comprises balances which the scheme expect Highways Agency to settle on its behalf. Note 8 provides a breakdown of these amounts which reflect the scheme's financing from the Agency.

1.2 Capital expenditure

Capital expenditure is expensed as it is incurred and included in the overall expenditure

figures in these accounts. In addition, as the scheme itself derives no future economic benefit from the expenditure, net proceeds are payable in full to HM Government. The assets are capitalised and depreciated in the Agency's financial statements.

1.3 Revenue recognition and impairment of debt balances

The road user charge is recognised as income on the day the road user has crossed the Crossing during the charging period. This is applicable across all payment mechanisms. Prepayments made by road users are accounted for as deferred income and released once the road user has made a crossing during the charging period.

Income from penalty charge notices (PCN) is recognised on the date of contravention, which is midnight following the date of crossing.

Road user and PCN income balances have been impaired at the point the road users liability is no longer deemed valid or recoverable.

The impairment of the receivable balances has been recognised as an expense within the accounts.

Rental income received from communication network providers is recognised on a straight line basis over the term of the lease.

1.4 Managing agent expenditure

Estimation techniques are 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 2014 to 31 March 2015.

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.

- **Management activities facilities:** Is based on the staff capacity of the DRC depot as a percentage of the capacity of all depots.
- **Lifecycle tunnels:** Is based on the number of DRC tunnels compared to the total amount of tunnels across the M25.
- **Vehicle recovery:** The whole amount is DRC specific.

Expenditure type	Total costs specific to DRC per the financial model	Total costs not specific to DRC per the financial model	Total
	£000	£000	£000
Operational and management	10,637	4,177	14,814
Lifecycle schemes	611	286	897
Overhead and management	–	1,136	1,136
Total	11,248	5,599	16,847

1.4.1 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 Rover Crossing (DRC) rather than the entire M25 contract.
- **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 surveys are allocated as a percentage based on the length of the DRC as per the legislation compared to the total length of the M25 per the DBFO contract.
- **Charge collection and crossing:** The whole amount is DRC specific.
- **Management activities staff:** Is based on the staff capacity of the DRC depot as a percentage of the capacity of all depots.

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

1.4.2 Lifecycle schemes

- **Pavements:** Costs under this category are allocated as a percentage based on the length of the DRC as per the legislation against the total length of the M25 per the DBFO contract.
- **Tunnels:** the whole amount is DRC.

1.4.3 Overhead and management

Cost under this category relate to the head office costs 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 DRC as a percentage against the total energy cost incurred through the DBFO.
- **Insurance and risk:** the percentage as per that applied to the financial model in the DBFO contract.

Further information is included in Note 3.

1.5 Contingent liabilities

Contingent liabilities in relation to the DRC are the responsibility of the 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.

2. Income

	2014-15 £000	2013-14 £000
Toll Operation		
Tolls	42,221	59,717
Dart Tag	22,077	32,748
	64,298	92,465
Dart Charge Operation		
Dart Charge accounts	22,910	-
Dart Charge non accounts	9,376	-
Enforcement	49,076	-
Abnormal load	94	-
	81,456	-
Other Income		
Rental	157	83
	145,911	92,548

Total income has increased by £53.4m primarily due to the introduction of an enforcement management measures and greater traffic volume. The toll operation was active for the first 8 months of the financial year collecting income of £64.3m, whilst the Dart Charge operation recognised a further £81.5m over the remaining 4 months of the year.

From 30 November 2014 payments could no longer be made via the toll operation and Dart tag accounts were closed and migrated across as Dart Charge accounts.

The Dart Charge scheme incentivises road users to create Dart Charge accounts by offering discounted charges to use the crossing. During the financial year £23m was recognised (2013-14: nil) within these accounts.

Dart Charge non account income is received from road users who have opted not to create an account. During the financial year £7.3m was received and £2.1m has been recognised as a receivable, (i.e. the crossing has been made but the road user has not yet paid).

Dart Charge income is reported net of refunds made following an account holder request.

Enforcement income relates to road users who have used the Dartford Crossing but have failed to make a payment within the required timescale, with a resultant penalty charge notice liability materialising. Enforcement income has been valued and recognised at £49.1m.

Under the toll and tag operation £0.3m has been received through the local residents discount scheme (LRDS).

Abnormal load income has historically been included as toll revenue under the toll operation. Under the Dart Charge scheme abnormal load is considered a separate revenue type. £0.1m has been received from vehicles which require an escort to travel across the Crossing.

Rent received from communication network providers amounted to £0.2m during the financial year.

3. Expenditure

	2014-15 £000	2013-14 £000
Managing Agent Contractor's costs		
Connect Plus (M25) Limited	16,847	24,452
Sanef Operations Limited	4,910	-
	21,757	24,452
Impairment to Income		
Waived charges	27,015	-
Aged liability	12,773	-
	39,788	-
Other Expenditure		
Dart Charge	59,499	14,973
Traffic officer services	3,231	3,099
Safety scheme	443	384
EU tunnel directive on safety	420	8,189
Technology projects safety	233	130
Bank charges	192	241
Network resilience	49	-
Routine maintenance	5	9
Audit fee	32	14
Charging order implementation	1	129
Pension costs	(163)	8,779
	63,942	35,947
	125,487	60,399

DRC 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.

The expenditure of £16.8m (2013-14: £24.5m), including:

- Operational & management £14.8m (2013-14: £18.9m)
- Life cycle schemes £0.9m (2013-14: £4.5m)
- Overhead and management £1.1m (2013-14: £1.1m).

A monthly payment is made to Sanef as the service provider for the Dart Charge scheme. The service payment and maintenance charge are fixed, whilst a variable payment is made based on the activities performed by the company during the month. Service payments have been made to Sanef since the scheme went live on 30 November 2014.

The balance of road user liabilities has been impaired by £39.8m in-line with the impairment policy. Given that the Dart Charge scheme was a significant change for drivers, to build up confidence and acceptance of the new arrangements a fair and balanced approach to enforcement was adopted. Compliance was encouraged and drivers were given the opportunity to pay the charge within 14 days to avoid a first penalty charge notice (rather than payment by midnight the day after the crossing has been made). The waiver of the penalty charge assuming payment for the crossing was received within 14 days, resulted in £27.0m of penalty charges not being enforced.

In addition, £12.8m of penalty charges enforced have been assessed as irrecoverable and an impairment recognised in the income and expenditure account for this amount. This irrecoverability arises for a number of reasons including penalty charges not issued on a timely basis and drivers' vehicle keepers details not being available (including an element for overseas drivers who cannot be traced). See Note 11a for further details.

Bank charges have fallen since the commencement of the Dart Charge scheme as the service provider is contractually obliged to pay the liability.

Audit fees have increased by £18k; this is due to the additional work required due to the introduction of Dart Charge during the financial year.

The Agency made monthly contribution payments to the Dartford Crossing pension schemes amounting to £0.94m over the financial year (2013-14: £0.98m). An actuarial valuation as at 31 March resulted in the pension deficit decreasing by £1.1m to £3.2m during 2014-15. This reduction in value was as a result of an increase in the value of the financial instruments held by the investment fund. This decrease in liability has resulted in a credit to expenditure. Information regarding the setup of the Dartford Crossing pension scheme is included in Note 9.

Capital investment of £53.1m has been made to ensure the appropriate infrastructure is in place for the successful running of the Dart Charge scheme. Key construction work that took place during the year included:

- construction of new charging gantries;
- introduction of advanced directional and safety signing;
- booth demolition and carriageway re-alignment; and
- construction of the traffic management cell.

4. Net proceeds

The income collected on behalf of the Agency by the managing agent is payable to the Department for Transport (DfT) and is appropriated in aid within its resource

accounts. The gross expenditure of £125.5m (2013-14: £60.4m) has been financed through the parliamentary supply to DfT.

5. Current Assets

	2014-15 £000	2013-14 £000
Cash	14,538	7,855
Accrued Income		
Toll	-	394
Rental	-	22
DART tag	-	236
Dart Charge	609	-
Dart Charge non accounts	183	-
Enforcement	30	-
Receivables		
Road user charge	2,244	-
Enforcement	9,628	-
	12,694	652
	27,232	8,507

Cash represents amounts received by the Agency in respect of road user charges, enforcement and Dart Charge prepayments not yet paid over to DfT. These are only payable to DfT once a road user has made both a payment and completed a crossing. The cash balance has increased due to the change in nature of the operation. Dart Charge actively encourages road users to prepay the charge.

Accrued income represents crossings undertaken during 2014-15 financial year where

payments made by the road user had not been received by Highways England from Sanef Operations as at 31 March 2015.

Receivables relate to the net liability of road users who have made a crossing, but have not made a payment within the defined compliance period. This is presented net of an impairment for estimated future write-offs and credit losses of £39.8m, and represents the amount estimated as recoverable. See Note 11a for further details.

6. Trade and other payables

	2014-15 £000	2013-14 £000
Trade payables	1,338	2,096
Amounts to be paid over to DfT	14,301	2,067
Accrued expenditure	13,322	11,567
Prepaid road user charge	12,878	6,378
Advanced rental income	53	40
Other payables: pension deficit	3,200	4,300
	45,092	26,448

£1.1m of the trade payable is an estimate of the amount payable for work completed in February 2014 under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.4, the remainder of the payable (£0.2m) relates to employee NIC, pension contributions and invoices paid in April 2015.

The amounts to be paid over to DfT are:

- £2.4m relating to road user charges collected for the period 26 to 31 March 2015 and to be paid over to the DfT once they have cleared the Agency's bank account (post 31 March 2015); and
- £11.9m relating to enforcement revenue, which has not been paid over to the DfT by 31 March 2015.

Accrued expenditure represents work carried out but not invoiced at 31 March of £13.3m (2013-14: £11.6m). £8.3m of which relates to Dart Charge infrastructure work, £2.8m relates to the Dart Charge operation, and £1.1m relates to an estimate of the amount payable for work completed in March under the DBFO contract and is calculated in accordance with the methodology prescribed in Note 1.4.

Dart Charge prepayments of £12.9m are payments received from road users in advance of a crossing. The increase in liability is due to the change in nature of the operation, which now actively encourages road users to prepay in an attempt to negate non-compliance and revenue loss. Existing prepayments on Dart Tag accounts migrated across as Dart Charge accounts on the date of go-live.

The DRC pension liability decreased by £1.1m over the course of the year due to an increase in the value of the schemes financial instruments. Further information is included within Note 3.

7. Capital Commitments

These relate to the Agency's commitment to make future capital payments for works at the Crossing to the extent that this commitment

has not been provided for in the accounts. Dart Charge capital infrastructure works are forecast for completion within the 2015-16 financial year.

	2014-15 £000	2013-14 £000
Contracted capital commitments not otherwise included in these accounts:		
Dart Charge	18,974	23,473
DRC EU Directive - tunnel commitments	46	104
	19,020	23,577

8. Financing due from the Highways Agency

	2014-15 £000	2013-14 £000
Trade payables	1,338	2,096
Accrued expenditure	16,522	15,867
Rental income	-	(22)
	17,860	17,941

9. Contingent liability: unquantified

When the DRC 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 for Transport made an agreement to accept the liability for any future deficit associated with the Dartford Crossing pension scheme fund. The existing deficit known as at 31 March 2015 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 for Transport. Given the liability cannot be accurately measured the contingent liability is disclosed as unquantified.

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 DRC 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

The scheme's principal credit risk relates to the enforcement of late-paid Road User Charges and outstanding Penalty Charge Notices. Further details are included in Notes 5 and 11a. 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. Losses and special payments

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £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.

(a) Losses statement: Claims waived / abandoned

These losses relate to waived penalty charge notices and road user income balances. During 2014-15 we reported an impairment loss of £39.8m, this represents the amount by which the carrying amount of the penalty charge notices and road user income exceeds its recoverable amount. The waiver of the penalty charge assuming payment for the crossing was received within 14 days, resulted in £27.0m of penalty charges not being enforced.

In addition, £12.8m of penalty charges enforced have been assessed as irrecoverable and an impairment recognised in the income and expenditure account for this amount.

Dart Charge was a significant change for drivers and in the opening year to build

drivers' confidence and acceptance of the new arrangements a fair and balanced approach to enforcement was adopted where compliance was encouraged giving drivers additional opportunity to pay the charge and avoid a penalty. This included an offer to pay any outstanding charges within 14 days to avoid a first Penalty Charge Notice (PCN). This means not all potential income from PCNs will be recovered and this accounts for the majority of the impairment. In these cases the user paid the correct charge but outside the 24 hour prescribed payment period.

Other reasons why all income from road user charges or penalty charges will not be recovered include some initial issues with systems which have now been addressed. This meant some PCNs were not issued in a timely manner and it is unlikely that this income will now be recovered. Also, as with similar charging schemes, for some non-compliant drivers' vehicles keeper details will not always be available and therefore enforcement action cannot be undertaken.

The objective from the outset in line with agreed policy has been to encourage compliance (which averaged over 90% at year-end) and public acceptance to support a credible free-flow charging scheme.

(b) Special payments: No special payments have been made.

12. 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 for Transport. International Accounting Standard (IAS) 10 requires the Agency to disclose the date on which the accounts are authorised for issue.

Appendix A

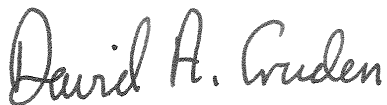
Dartford-Thurrock River Crossing Road Charging Scheme

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 Foreword, which shall include:
 - 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
 - an explanatory introduction
 - information on significant events during the period
 - 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.
 - a statement of the responsibilities of the person signing the accounts
 - a statement of the system of internal control
 - a statement of income and expenditure
 - a statement of capital expenditure
 - a statement of assets and liabilities
 - 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

Head of the Central Accountancy Team,
Her Majesty's Treasury

2 February 2005

If you have any enquiries about this publication email info@highwaysengland.co.uk or call **0300 123 5000***. Please quote the Highways England publications code **PR131/15**.

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