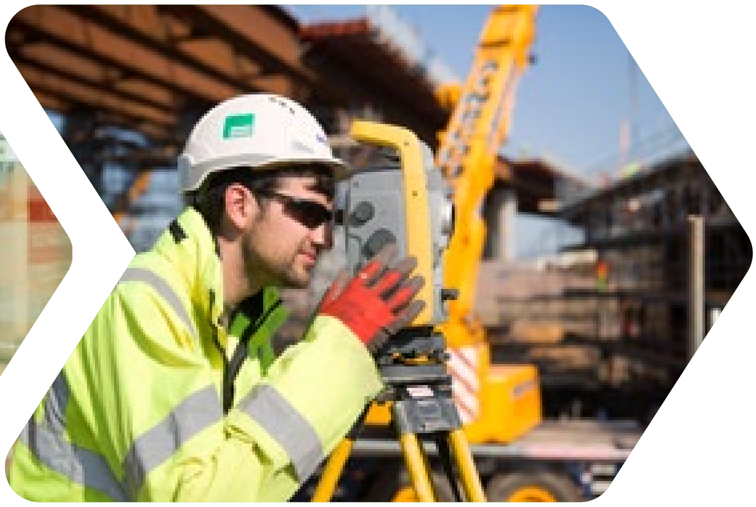
Department
for Transport

Annual Report and Accounts

2015-16



HC330

Department
for Transport

Department for Transport

Annual Report and Accounts

2015-16

(For the year ended 31 March 2016)

Accounts presented to the House of Commons pursuant to
Section 6(4) of the Government Resources and Accounts Act 2000

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by Command of Her Majesty

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HC330

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Contents

Foreword by the Secretary of State

Investing in transport is vital to ensuring the whole of Britain benefits from long term economic security.

Travelling plays a big part in our daily lives, whether to and from work, to school, for holidays or for pastimes and shopping and the movement of goods and services. It is vital that the Government's programme continues to deliver.

We will be investing £61 billion in our transport infrastructure during the life of this Parliament. This will mean the way people travel will be faster, more comfortable and safer than ever before, in all parts of the country.

The legislation to build the London to Birmingham high speed railway should be in place by the end of the year, allowing construction to commence and creating thousands of new jobs and opportunities. The Crossrail and Thameslink programmes are also advancing well.

Businesses both big and small need efficient and effective transport systems. Improving the running of our strategic roads will support the economic growth of the UK.

I am determined that in transport we play our part in building a balanced economy across the whole of Britain. The Northern Powerhouse will play a significant part in that but we are also giving greater control locally across the country.

Our walking and cycling strategy is just the start of a healthier choice transport revolution.

New technologies are also going to transform the user experience and the Department will champion innovation in driverless cars. Safety and security will continue to play a big part in our work.

We have an ambitious programme to deliver over the next four years as we build a transport network for the future.

Rt Hon Chris Grayling MP
Secretary of State for Transport

Foreword by the Permanent Secretary

This year we have continued to support the transport network and plan for the future. The outcome of the spending review and Budget shows the importance that the Government places on our transport system in supporting a strong economy.

The Department and its delivery bodies together employ some 48,000 people, from ship surveyors to traffic officers to security experts, all working to deliver and support safe, sustainable and modern transport networks.

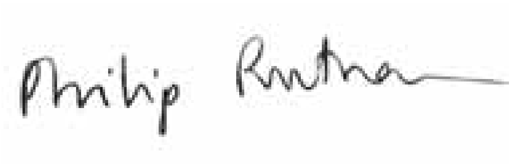
Highways England is now one year old, with the organisation growing into a strong and focused business, a public service company operating a public network. I pay tribute to the staff and leadership for the smooth transition.

Network Rail has been responding to the challenges of maintaining, renewing and enhancing its massive portfolio of infrastructure. It has supported the Hendy, Bowe, and Shaw reviews which will lead to more devolution, a better planning process and a clearer relationship between Network Rail and the Department. Network Rail's accounts have been consolidated within the DfT group accounts in this document for the first time.

We have made significant progress on our large portfolio of major projects. The work of HS2 Ltd means that we remain on track to start building the first phase next year. The Crossrail and Thameslink programmes are advancing well. The Department is also supporting local areas to deliver infrastructure schemes across England.

Our executive agencies, the Driver and Vehicle Licensing Agency, the Vehicle Certification Agency, the Driver and Vehicle Standards Agency and the Maritime and Coastguard Agency continue to offer excellent services to the public and transport industries, operating across the country. Digitisation of services continues to be a focus, changing and adapting to the expectations of today's customers.

I would like to thank our people across all parts of the Departmental group for their hard work last year. As a result, we are well placed to deliver the Government's programme over the next four years.



Philip Rutnam
Permanent Secretary

Performance Report

1. How we have performed

Our purpose

1.1 The Department for Transport plays a pivotal role in promoting the growth of the UK economy by planning and delivering excellent transport infrastructure; enabling people, goods and services to be transported efficiently; and supporting investment and employment. The Government is investing to make journeys better, simpler, faster and more reliable. Our plan will support jobs, enable business growth, and bring our country closer together.

What we do

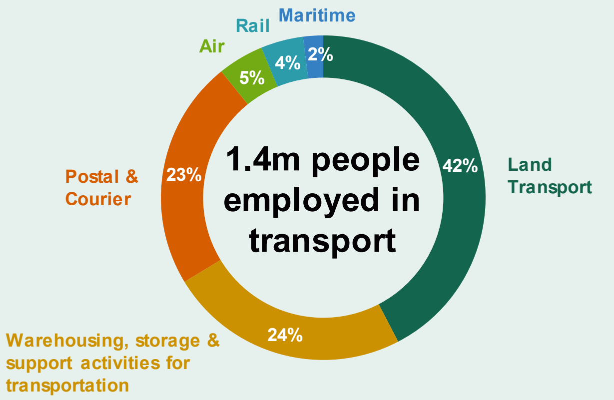
1.2 The Department works with its agencies and partners to support the transport network and invest in transport infrastructure, including:

- providing policy, guidance, and funding to English local authorities to help them run and maintain their road networks, improve passenger and freight travel, and develop new major transport schemes;
- investing in, maintaining and operating around 4,300 miles of the motorway and trunk road network in England through Highways England;
- setting the strategic direction for the rail industry in England and Wales – funding investment in infrastructure through Network Rail, awarding and managing rail franchises, and regulating rail fares;
- improving English bus services through funding and regulation;
- working to make our roads less congested and polluted by promoting lower carbon transport, including cycling and walking;
- encouraging the use of new technology such as smart ticketing and low carbon vehicles;
- maintaining high standards of safety and security in transport;
- supporting the maritime sector by producing the overall strategy and planning policy for ports in England and Wales; and
- setting national aviation policy, working with airlines, airports, the Civil Aviation Authority and NATS (the UK's air traffic service).

Overview

Transport in numbers

Transport, and the transport sector, remain an essential part of Britain's economy.



95%

of goods the UK imports and exports, in terms of tonnage, are by sea.

6,500 miles

people in England travel, on average, per year.

Transport usage has been growing...

1.7 billion

rail passenger journeys; numbers have doubled since privatisation in 1994-95.

251 million

passengers at UK airports in 2015, the fifth successive year of growth, taking numbers to record levels.

317 billion

vehicle miles travelled on Great Britain's roads in 2015, a record high.

...and we are delivering improvements, including:

Up to £4,500

available as a grant for people buying a new electric car. Up to £8,000 is also available for an electric van.

3,700

new rail carriages, across the network, which are planned to be in service by the end of 2019.

286

additional lane miles in capacity, from Smart Motorway schemes, planned for delivery by 2020.

How we have performed

1.3 The Department has published a Single Department Plan (SDP), which details what we will deliver over this Parliament. The SDP sets out four strategic objectives (set out in Figure 1), and contains a range of indicators that will allow the Department's progress against the objectives to be monitored. The following sections set out how the Department is performing, and reports progress for each indicator as at the end of March 2016. Further information and updates on the SDP and indicators is published at:
www.gov.uk/government/publications/dft-single-departmental-plan-2015-to-2020

Figure 1: DfT's strategic objectives

Our Purpose
Supporting the transport network and investing in transport infrastructure

Strategic Objective 1
Boosting economic growth and opportunity

Investing in infrastructure	Supporting the UK Transport Sector	Getting the regulatory framework right

Strategic Objective 2
Building a One Nation Britain

Rebalancing the economy	Devolving powers	Keeping transport affordable and accessible to all

Strategic Objective 3
Improving Journeys

Enhancing and maintaining	Technology and innovation

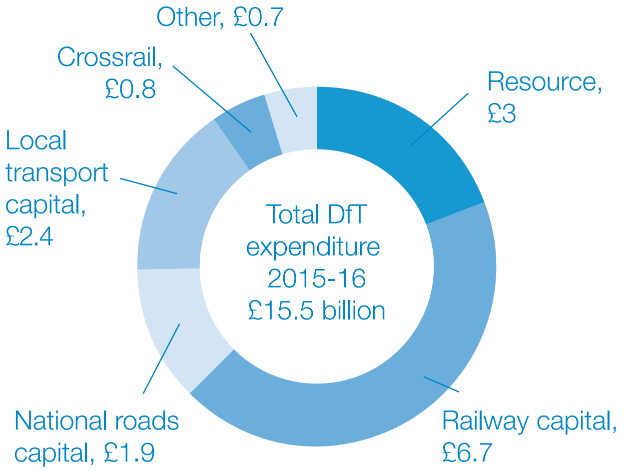
Strategic Objective 4
Safe, secure and sustainable transport

Ensuring safety	Maintaining and improving security	Protecting the environment and public health

Boosting economic growth and opportunity

1.4 Investing in transport infrastructure to support a strong economy is at the heart of what the Department does. We continue to invest in the rail network, major road network and local transport. The Spending Review provided for an investment of £61 billion of capital in this Parliament, an increase of £20 billion, or 50%, compared to the previous parliament. This will fund in full the remainder of the first Road Investment Strategy – 112 major roads schemes worth over £15 billion to 2020-21 – upgrade our railway network and improve local transport networks. Figure 2 shows the Department's spend over the year 2015-16.

Figure 2: Total Departmental spend 2015-16 (£, billions)



1.5 We are forging ahead with High Speed 2 (HS2), which will increase rail capacity between London and Birmingham and boost connectivity in the North. Construction of HS2 will start on schedule next year and will create new jobs and skills in the supply chain across the whole of the UK. The £14.8 billion Crossrail scheme (to be called the Elizabeth Line on opening) is on schedule with full services running in 2019.

1.6 Network Rail has faced significant challenges in delivering the Control Period 5 (CP5) enhancements plan including the electrification of core routes to the West and across the Pennines. This plan has been reset and we are learning from the CP5 process to ensure that we are in a better place to plan for Control Period 6 going forward.

1.7 We have acted to support economic growth by:

- ensuring that we will have the skilled workforce necessary to deliver the transport projects that we are planning. We have developed a Transport Infrastructure Skills Strategy detailing how we will strengthen the skills base required for our infrastructure projects along with delivering the transport target of 30,000 new apprentices by 2020;
- securing the sale of the Government's stake in the 67 acre development site around King's Cross to help build a strong economy. The sale was finalised in January 2016 and raised £371 million;
- establishing the Regional Air Connectivity Fund for new domestic and international routes from regional airports across the UK;
- publishing the Maritime Growth Study, identifying the steps that we will need to take to maintain the UK's pre-eminent position in the maritime sector;
- delivering a better deal for rail passengers as regulated fares are set at no increase above inflation (RPI) for the rest of the Parliament; and
- working with Transport for London to develop the business case for Crossrail 2.

1.8 A key focus for the Department has been responding to the Airport Commission's final report and recommendations for expanding aviation capacity in the UK. The Government has agreed the need for new airport capacity in the South East and has specified the further work that is needed before final decisions can be made on the location.

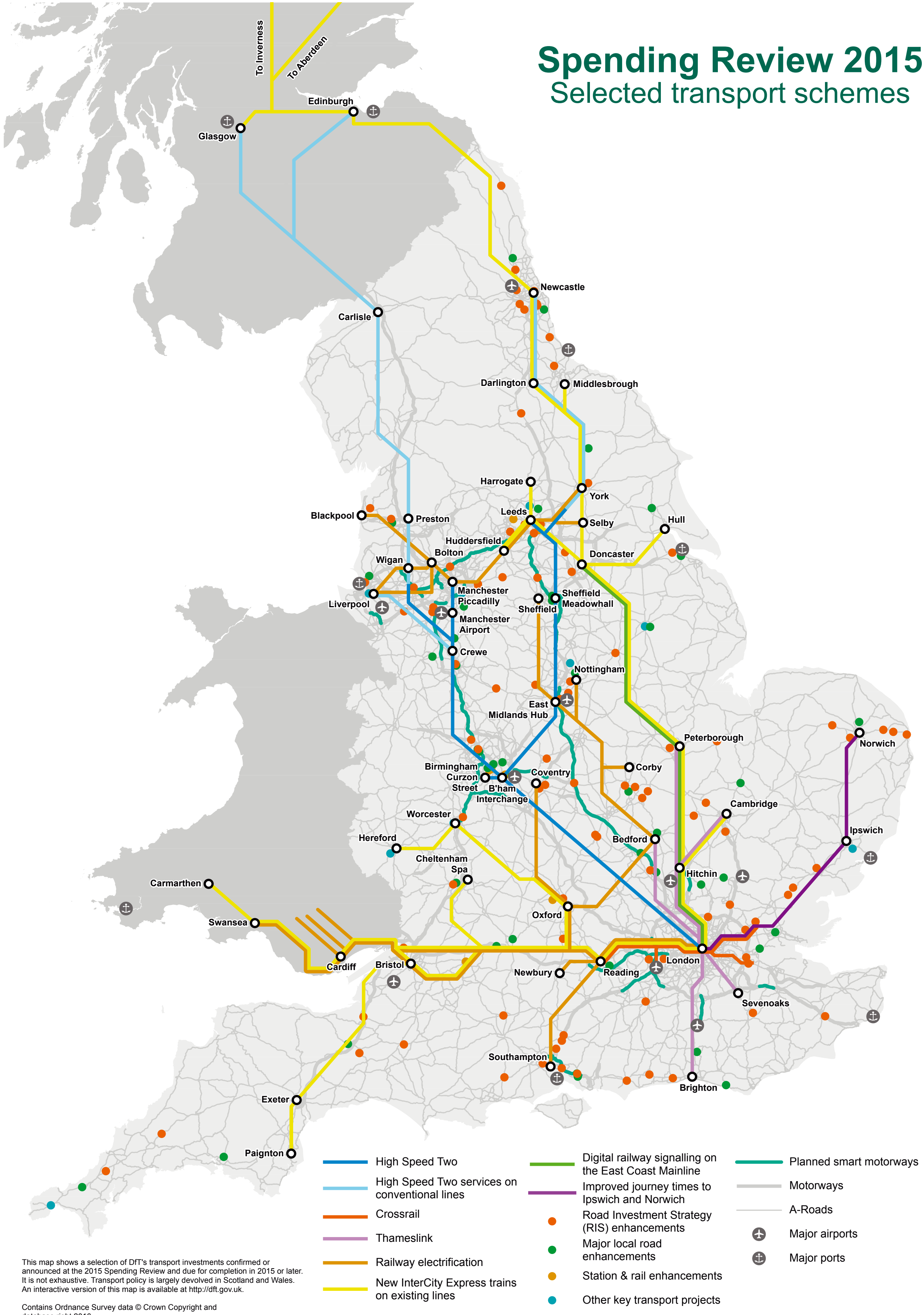
Building a One Nation Britain

1.9 Good transport across the whole of Britain is required to support a balanced economy that delivers opportunity for all. A key part of our strategy is to strengthen transport outside London and the South East. The Northern Powerhouse, in which we are investing a record £13 billion, will provide focus for investment in strategic roads and rail infrastructure in the North and help close the gap between North and South.

1.10 We are delivering across the country:

- publishing jointly with Transport for the North the first annual update report on the development of the Northern transport strategy, setting out the progress across a full range of the strategy, covering roads, rail, smart and integrated travel, freight, international and strategic local connectivity;
- Highways England setting out how it will deliver the £1.8 billion of investment to improve the capacity and condition of roads in the Midlands, including upgrading key roads like the M1 and the M6 and fixing key road junctions in Derby and Nottingham;

Spending Review 2015
Selected transport schemes



This map shows a selection of DfT's transport investments confirmed or announced at the 2015 Spending Review and due for completion in 2015 or later. It is not exhaustive. Transport policy is largely devolved in Scotland and Wales. An interactive version of this map is available at http://dft.gov.uk.

» opening significant upgrades to Manchester Victoria, Birmingham New Street and Wakefield Kirkgate stations following major investment by Network Rail to improve passenger capacity and experience dramatically;

» award of the new Northern and TransPennine Express franchises in December 2015 delivering 500 brand-new carriages, room for 40,000 more passengers, 2,000 extra services a week and a host of other improvements;

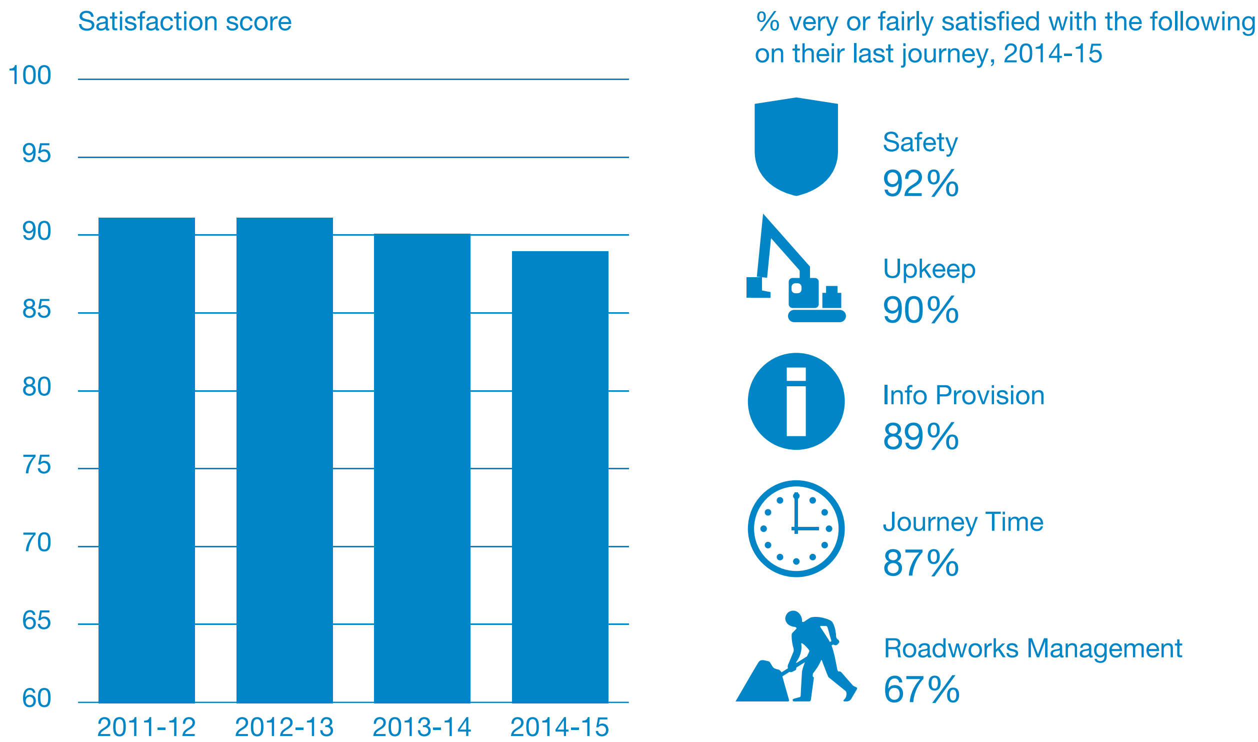
» opening a new station entrance in Leeds that provides a direct link to the city's growing South Bank area; and

» taking forward arrangements, with the Welsh Government, for devolving the Wales and Borders rail franchise so that it can better reflect the needs of the people of Wales.

Improving journeys

1.11 A transport system not only supports economic growth but is essential for work, school, and leisure time. The Department continues to deliver a successful programme of rail franchise competitions. A new franchise for East Midlands Trains will see £13 million of investment in journey improvements. We also completed the competition for the East Anglia rail franchise which will deliver £1.4 billion investment with more than 1,040 new carriages and 90-minute services running between Norwich and London each weekday with journey times cut by 10% on average across the region.

Figure 3: National Road User Satisfaction Survey – journey satisfaction score* England



*Satisfaction score is a composite measure of satisfaction with journey time, roadworks management, upkeep, information provision and safety on motorways and trunk roads.

1.12 We are improving journeys by:

- meeting the challenges of disruption to cross-Channel travel and the impact on the M20 into Dover (Operation Stack);
- awarding £1.5 billion worth of contracts to build ten 'smart motorways' announced by Highways England;
- opening a remodelled Junction 10A of the M1 near Luton in July;
- Highways England setting out how it will deliver the £2.2 billion of investment to improve the capacity and condition of roads in the South East. This includes work starting on 24 new major projects by 2020 as well as upgrades already underway on the M3, A21 and M25 at junction 30, cutting congestion and improving journey times for drivers;
- continuing the programme of rail upgrades including Thameslink and the Intercity Express Programme;
- the Office for Low Emission Vehicles providing grants up to a maximum of £5,000 to support orders for over 39,000 ultra low emission cars, and grants of up to £8,000 to support orders for over 800 ultra low emission vans. Figure 4 shows the increase in the number of ultra low emission registrations since 2011-12;
- leading the development of autonomous vehicles with a £20 million fund, which will be matched by industry, to enable research and development into technology of the future. Developing a code of practice for driverless cars to help make the UK the best place for testing;

- publishing a blueprint to encourage more walking and cycling with a clear ambition that by 2040 getting around by bike or foot will be the natural choice for shorter journeys, or as part of a longer journey;
- planning better winter resilience;
- opening the enlarged Kingston roundabout and dualling of two sections of the A421 between Milton Keynes and the M1;
- developing plans for reforms to the bus market, including the option of franchising in some areas;
- extending the coverage of Oyster card to Gatwick and season ticket smartcards for South East rail passengers; and
- setting up a new taskforce and consultation to remove unnecessary road signs.

Safe, secure and sustainable transport

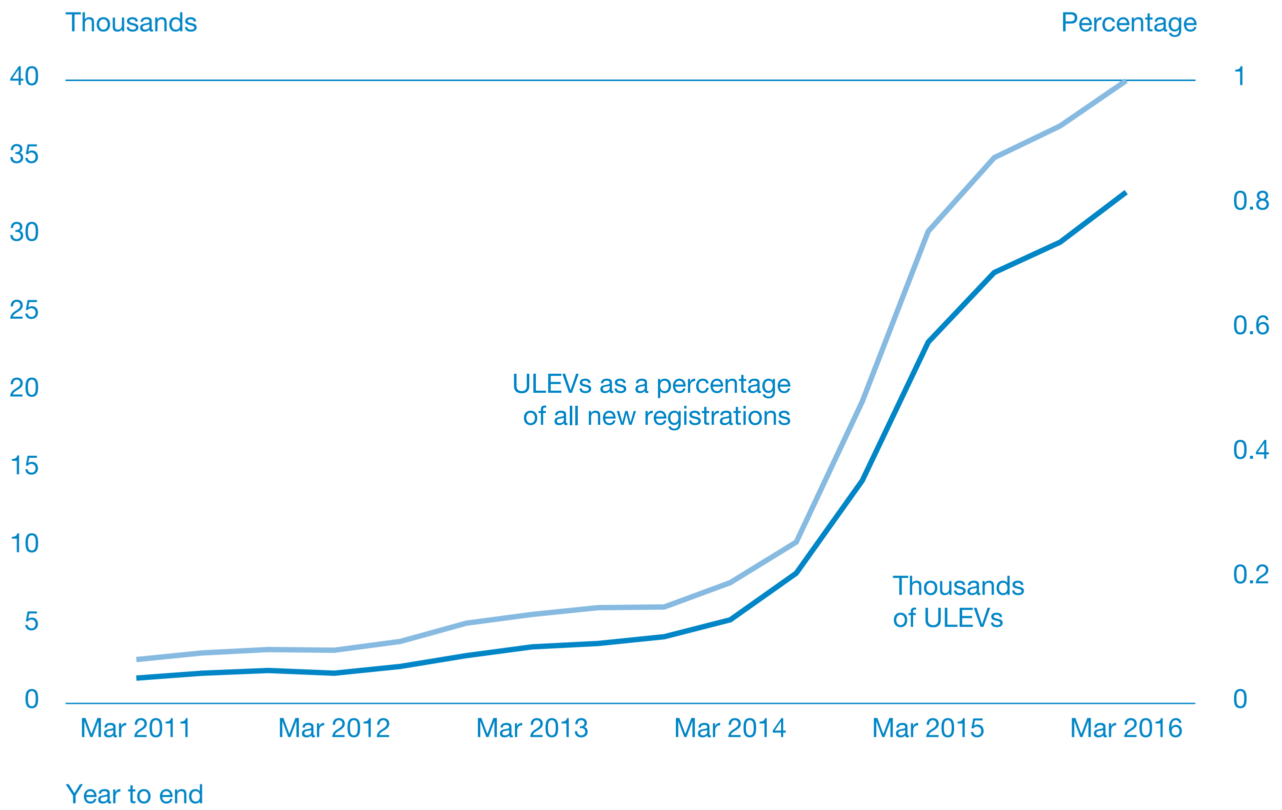
1.13 Maintaining the highest standards of safety and reliability on our transport networks is essential and the Department continues to invest in a significant programme of work to do this. We are investing in new technologies, supporting innovation and embracing the digital age to make journeys more reliable, improve information and widen travel options.

1.14 We have acted over the past year by:

- London International Shipping week, which showcased our world-leading ports, maritime business services and skilled workforce;
- the Maritime and Coastguard Agency continuing its programme to modernise coastguard operations;
- playing a key role in the cross-government, multi-agency counter-terrorism exercise to test major incident contingency plans and the response of the emergency services to an incident in London;

- following a review of cameras to ensure they are visible and motorists are not unfairly penalised, working speed cameras on the strategic road network will be painted yellow by October 2016;
- launching a new £5 million school cycle training programme to create safe and confident young riders;
- providing an opportunity for local authorities across England to bid for a share of a £5 million fund to fit buses with green technology and offer better journeys;
- establishing a £700,000 electrically assisted pedal cycle competition which supports hire schemes across the country with hundreds of new electric bicycles to get more people cycling;
- the Air Accidents Investigation Branch leading the investigation of the Shoreham Air Show tragedy;
- providing eight cities with part of a £20 million fund to increase the number of plug-in taxis. The shortlist of eight potential winning schemes will each receive a Government-backed study into providing more environmentally-friendly travel opportunities in their area; and
- acting to improve air quality, working closely with Defra to implement the national air quality plan. We launched a consultation on the Clean Air Zone Framework and supporting legislation.

Figure 4: New registrations of ultra low emission vehicles (ULEV), UK, 2011-12 to 2015-16



Single Departmental Plan indicators

1.15 Tables 1 to 4 set out, under the four SDP objectives, the latest year-end position for each of our new SDP indicators.[1]

Table 1: Boosting economic growth and opportunity

SDP indicator	Current[2]	Previous
Value for money DfT's appraised project spend assessed to be high or very high value for money (%, current data = 2014, previous = N/A[3])	89.6	N/A
Boosting Infrastructure: number of transport infrastructure projects and programmes in construction and completed		
(i) Number of transport schemes from the National Infrastructure Pipeline (NIP) that are currently in construction in England (current data = April 2016, previous = N/A[4])	(i) 51	(i) N/A
(ii) Number of Highways England and local major transport schemes from the NIP that have been completed in England in this Parliament (current data = December 2015, previous = N/A[5])	(ii) 8	(ii) N/A
Boosting skills We have set an ambition to deliver 30,000 apprenticeships in road and rail this Parliament. The 'Transport Infrastructure Skills Strategy', published on 28 January 2016, sets out how we will monitor and report on progress. Data will be included here in due course.		
Savings to business as a result of deregulation Annual saving since the beginning of this Parliament[6] (£, current data = 31 March 2016, previous = 18 November 2015)	5m	5m

1 As some indicators are being measured for the first time historical data is not always available.
2 The years (current & previous) used vary between indicators. The precise year used is referred to in the indicator description, for all indicator sections.
3 This is a new VfM indicator which encompasses both capital and operational expenditure over the life of a scheme. Data prior to 2014 is not available on the same basis.
4 Previous data is not currently available on the same basis due to differences over time in the way the data has been captured and recorded.
5 This indicator is based on administrative data. TfL and rail schemes are expected to be included in the 2016 data.
6 The annual saving of £5m to business has come from the abolition of vehicle identity checks.

Table 2: Building a one nation Britain

SDP indicator	Current	Previous
Boosting infrastructure outside of London and the South East: number of transport infrastructure projects and programmes in construction and completed		
(i) Number of transport schemes from the National Infrastructure Pipeline (NIP) that are currently in construction in England outside London and the South East (current data = April 2016, previous = N/A[7])	(i) 37	(i) N/A
(ii) Number of Highways England and local major transport schemes from the NIP that have been completed in England in this Parliament outside London and the South East (current data = December 2015, previous = N/A[8])	(ii) 7	(ii) N/A
Average minimum travel times to key services in England[9]		
(i) Public transport/walking	(i) 17	(i) N/A
(ii) Pedal cycle	(ii) 14	(ii) N/A
(iii) Car	(iii) 10	(iii) N/A
(minutes, current data = 2014, previous = N/A[10])		

7 Previous data is not currently available on the same basis due to differences over time in the way the data has been captured and recorded.
8 This indicator is based on administrative data. Rail schemes are expected to be included in the 2016 data.
9 The key services included in this measure are: centres of employment, primary and secondary schools and further education colleges, GPs, hospitals, food stores and town centres.
10 This is a new indicator therefore data prior to 2014 is unavailable.

Table 3: Improving journeys

SDP indicator	Current	Previous
National Rail Passenger Survey, Great Britain Passengers satisfied with their journey (%, current data = Spring 2016, previous = Spring 2015)	80	80
National Road User Satisfaction Survey, England		
(i) Satisfaction score for most recent journey taken on the strategic road network (out of 100, current data = 2014-15, previous = 2013-14)	(i) 89	(i) 90
(ii) Users very or fairly satisfied with elements of their most recent journey	(ii)	(ii)
(a) Safety	(a) 92	(a) 93
(b) Upkeep	(b) 90	(b) 90
(c) Information provision	(c) 89	(c) 91
(d) Journey time	(d) 87	(d) 89
(e) Roadworks management	(e) 67	(e) 72
(%, current data = 2014-15, previous = 2013-14)		
Proportion of trains running on time, Great Britain[11] (%, current data = 2015-16, previous = 2014-15)	89.1	89.7
Proportion of non-frequent bus services running on time, England[12] (%, current data = 2014-15, previous = 2013-14)	82.9	83.1
Average excess waiting time for frequent bus services, England Data is available at local authority level (see source)	See footnote[13]	
Average delay on strategic roads and average delay on local 'A' roads, England		
(i) Strategic road network[14]	(i) 8.9	(i) N/A
(ii) Local 'A' roads	(ii) 44.7	(ii) 42.9
(seconds per vehicle per mile, current data = 2015-16, previous = 2014-15)		
Proportion of flights on time (within 15 minutes), UK (%, current data = 2015, previous = N/A[15])	77	N/A

11 A train is defined as on time if it arrives at its destination within five minutes of the scheduled arrival time for London and South East and regional operators, or within ten minutes for long-distance operators.
12 Defined as five or fewer bus services per hour.
13 For available local authority data see: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/463885/bus0903.xls. National figures are not available.
14 The 2015-16 figure was the first annual figure published in this series.
15 The number of airports monitored increased from 10 in 2014 to 23 in 2015. Therefore data prior to 2015 is not available on the same basis.

Table 4: Safe, secure and sustainable transport

SDP indicator	Current	Previous
Number of fatalities and serious injuries in reported road traffic accidents, by road user, Great Britain		
Fatalities and serious injuries in reported road traffic accidents		
(i) Car occupants	(i) 8,643	(i) 8,832
(ii) Motorcyclists	(ii) 5,402	(ii) 5,628
(iii) Pedestrians	(iii) 5,349	(iii) 5,509
(iv) Pedal cyclists	(iv) 3,337	(iv) 3,514
(v) Other	(v) 1,138	(v) 1,099
(current data = 2015, previous = 2014)		
Total domestic greenhouse gas emissions from transport, UK (tonnes, current data = 2014, previous = 2013)	116m	117m
New registrations of ultra low emission vehicles, total number and proportion of all new registrations, UK[16]		
(i) New registrations of ultra low emission vehicles (current data = 2015-16, previous = 2014-15)	(i) 32,713	(i) 22,903
(ii) As a proportion of all new vehicle registrations (%, current data = 2015-16, previous = 2014-15)	(ii) 1.00	(ii) 0.75
Annual number of trip stages per person made by bicycle, England (current data = 2014, previous = 2013)	19	15

16 For this indicator 'ultra low emission vehicle' includes any vehicle which is fully electrically powered and any car or van with a carbon emission rating of less than 75 grams per kilometre.

Other corporate reporting

Better regulation

1.16 Regulation is sometimes necessary to deliver and support a safe, secure and sustainable transport system. However, the Department has taken significant steps towards reducing and tidying the existing stock of transport-related regulation, stemming the flow of new regulation and facilitating economic growth. It also makes use of alternatives to regulation where possible, for example through awareness campaigns about drink and drug driving, and vulnerable road users.

Business Impact Target

1.17 In March 2016 the Government set out a target of saving businesses £10 billion from regulatory provisions introduced during this Parliament ('the Business Impact Target (BIT)'). DfT is committed to contributing towards this target and will continue to undertake work to identify new reforms.

1.18 For the first time, in response to strong feedback from business, independent regulators will be under a legal obligation to assess and report on the impacts of their actions on business. For transport, this will bring the Civil Aviation Authority, the Office of Road and Rail and the General Lighthouse Authorities within scope of the Better Regulation Framework.

Small and micro business

1.19 In many instances it is appropriate for transport regulations to apply to an entire sector or industry so that the safety or security of those using the transport system is not compromised. However, the Department recognises that small and micro[17] businesses can be disproportionately affected by regulation and endeavours where possible to reduce regulatory burdens on these businesses. A small and micro business assessment is carried out for all proposals with gross costs to business of over £1m in any one year.

Reviewing regulations

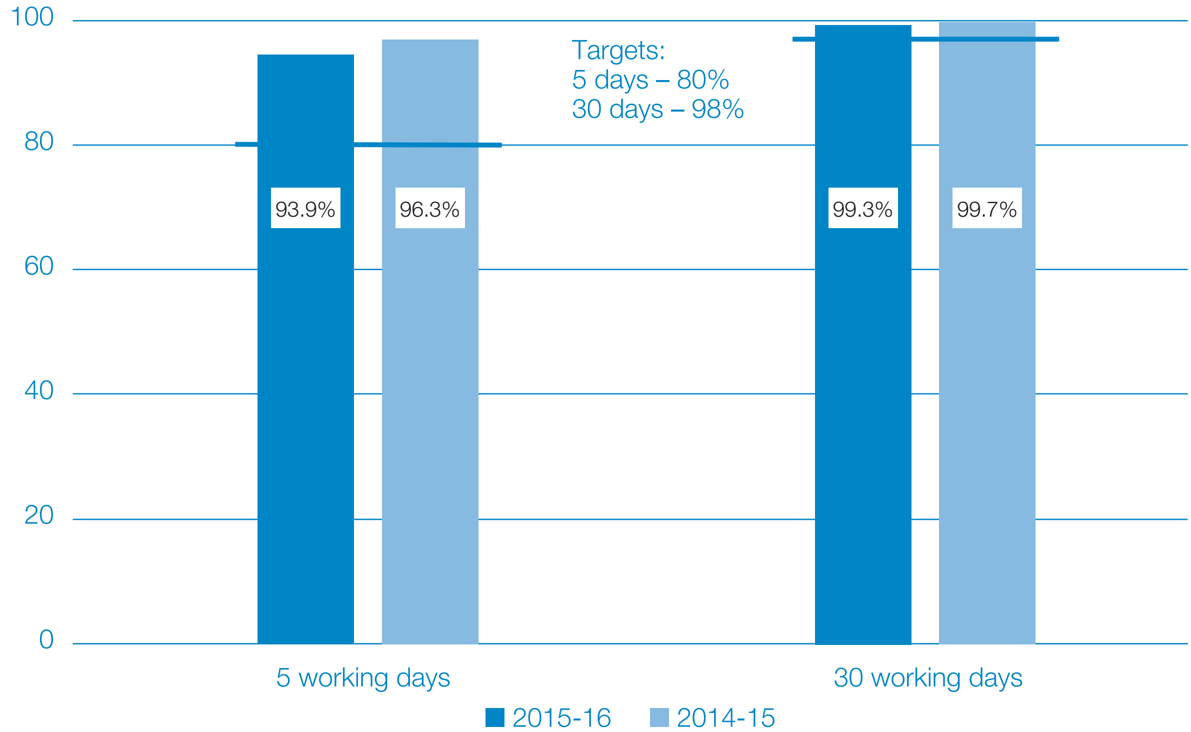
1.20 DfT published *Reviewing Regulation: Setting out DfT's commitments*, a document setting out all its statutory review commitments along with those administrative review commitments it expects to fulfil.[18]

17 A business which has fewer than ten employees.
18 www.gov.uk/government/publications/reviewing-regulation-setting-out-dfts-commitments

Payment of suppliers

1.21 The Department complies with the Prompt Payment Code of paying 80% of undisputed supplier invoices within five working days of receipt, and 98% within 30 days of receipt. Figure 5 shows performance during 2015-16 and 2014-15.

Figure 5: Compliance with the Prompt Payment Code



Climate change, sustainability and the environment

1.22 Transport has a big role to play in meeting the Government's objectives on the environment and public health. It is also vital in underpinning wider sustainable development in the UK and a key enabler of sustainable economic growth. The issues of climate change, air quality and obesity interlock with shared solutions of removing the barriers to cycling and walking and developing new green technologies such as ultra low emission vehicles. Together these will cut the carbon emissions that cause climate change, reduce the localised pollution that causes air quality problems, and make it easier for people to lead active and healthy lives.

1.23 UK transport networks must be resilient to both transport incidents and extreme weather, to minimise disruption. Transport policies have to be robust in the face of changing weather patterns, greater incidence of extreme events and sea-level rise caused by climate change. This will be ever more important in future, as travel and freight demands on our transport systems continue to grow. We are implementing the recommendations of the 'Transport Resilience Review 2014[19]' by embedding physical resilience into our investments, improving recovery, and developing better communications with the public during times of disruption.

1.24 DfT is also coordinating transport's contribution to the 'National Flood Resilience Review[20]', commissioned following the winter 2015-16 floods to identify infrastructure vulnerable to future floods. DfT engages with other government departments including Defra to ensure the sector makes a sustainable contribution as part of the National Adaptation Programme. This will report before winter 2016-17.

1.25 HS2 and the recent work by the Airport Commission provide examples of how DfT transport policy development and the impacts of the necessity of adaptation to climate change has been informed through consultation and stakeholder engagement.

1.26 The HS2 Ltd Sustainability Policy sets out the aim to "build a network which is resilient for the long term and seek to minimise the combined effect of the project and climate change on the environment". HS2 Ltd has considered how climate change, in combination with the impacts of the proposed scheme, may affect communities, business and the natural, historic and built environment.

1.27 The Airports Commission undertook extensive work on greenhouse gas emissions, in preparation for their final report to DfT[21]. Their work included engagement with the Committee on Climate Change and they have published a large amount of very detailed analysis. The Government agrees with their assessment that expansion can be delivered within the UK's carbon obligations and is further considering the environmental impacts, including carbon emissions. Any decision regarding future airport capacity will take into account the Government's obligations under the Climate Change Act 2008.

19 https://www.gov.uk/government/groups/review-of-the-resilience-of-the-transport-network-to-extreme-weather-events-expert-panel
20 https://www.gov.uk/government/news/national-flood-resilience-review-government-action-to-tackle-floods
21 https://www.gov.uk/government/collections/airports-commission-final-report-and-supporting-documents#technical-reports

Rural proofing of DfT policies and programmes

1.28 The Department incorporates Defra's National Rural Proofing Guidelines into its appraisal system. Policy makers address particular questions and actions at each stage of the policy cycle, including the design, development and the implementation. Rural proofing is one of a number of specific impact tests that DfT applies to proposed policies. The tests are designed to ensure key impacts are picked up for further consideration as projects are developed.

1.29 The Department also provides extensive appraisal guidance for investments in transport schemes in the form of the Web-based Transport Analysis Guidance (WebTAG), which highlights in several places the need to consider rural impacts.

Sustainability

1.30 The Department for Transport continues to strive to deliver a more sustainable transport system and to complement that effort we recognise the need to demonstrate that our own estate and business travel is managed in an equally sustainable manner.

1.31 Supporting the Departmental desire to improve internal sustainability performance there are cross Government drivers in the form of the Greening Government Commitments (GGC) which provide structure and the standard to be achieved. It is our performance this year, against those GGC measures, which forms the basis of this sustainability report, in line with HM Treasury's Government Financial Reporting Manual.

1.32 The DfT Executive Committee receives six-monthly reports on DfT performance against the GGC measures.

1.33 This Sustainability Report covers the operations of the central Department, DVLA, Highways England (HE), MCA, VCA, British Transport Police (BTP) and HS2 Ltd. Whilst this report will highlight some of the activities undertaken by these organisations to improve sustainable performance, more detail can be found in the individual Annual Reports and Accounts for each organisation.

Summary of performance

1.34 In 2015-16 we continued to make good progress in reducing our energy and natural resource consumption and minimising our waste generation. An overview of our sustainability performance is set out in Table 5. Details of our sustainability performance metrics are set out in the tables on the following pages.

Table 5: Sustainability performance

Performance Summary	Measure	2015-16	2014-15	2013-14	2012-13
Energy emissions	tCO_2e[22]	112,844	130,221	123,692	126,674
Energy costs	£m	29.29	35.12	32.93	30.40
Business travel emissions	tCO_2e	7,477	6,851	6,508	6, 700
Business travel costs	£m	11.81	10.36	12.57	10.51
Waste generated	tonnes	2,535	2,579	2,848	2,719
Water consumption	cubic metres (m^3)	134,891	127,475	128,954	121,015

Greenhouse gas (GHG) emissions

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

- In 2015-16 our GHG emissions have reduced by 12.2 per cent, in comparison to our 2014-15 performance. Our performance against the GGC 2009-10 baseline is a 27 per cent reduction. The reduction in GHG emissions is down to a number of factors including introduction of more energy efficient light fittings on the motorway network and a favourable change in the generated electricity conversion factor. We have seen reductions in energy use of 4.3 per cent and business travel mileage has increased by 14 per cent. Those changes are a result of:
  - increase in the use of LED lighting in our buildings, reducing emissions and lowering costs;
  - reintroduction of the combined heat and power plant at the DVLA Morriston site, reducing the draw of grid electricity;
  - fleet renewals with lower emissions vehicles; and
  - continued rationalisation of our built estate and maximising the use of the remaining sites.

1.36 We have introduced a web-based data collection system to speed up the data collection process, reducing the person hours required to analyse the data, freeing up resources to undertake other tasks. We continue to share best practice across the Department, with the aim of identifying further opportunities to effect improvements.

22 tCO_2e = tonnes of carbon dioxide equivalent emissions

Waste

1.37 In 2015-16 we have reduced the volume of waste generated from our administrative estate by 1.7 per cent when compared to 2014-15. This decrease is as a result of:

- the continued rationalisation of the estate; and
- further digitisation of processes reducing paper usage and waste generation.

1.38 Some 83.9 per cent of our office waste was sent for recycling. We continually seek to minimise the amount of office waste that goes to landfill by segregating waste at our sites and working with waste contractors to understand exactly which non-landfill waste streams they are utilising for disposal.

Water

1.39 Our office water consumption has increased by 1.9 per cent when compared to 2014-15 as a result of the growth of HS2 Ltd and an increase in staffing levels. This has given us an office water consumption figure per FTE of 5.6 m^3, putting us in the good practice category for water consumption and meeting the target that the Department set itself in 2009-10. We continually seek to improve our management and understanding of water use with the aim of reducing our overall water consumption and the consumption per FTE.

Figure 6: Greenhouse gas emissions

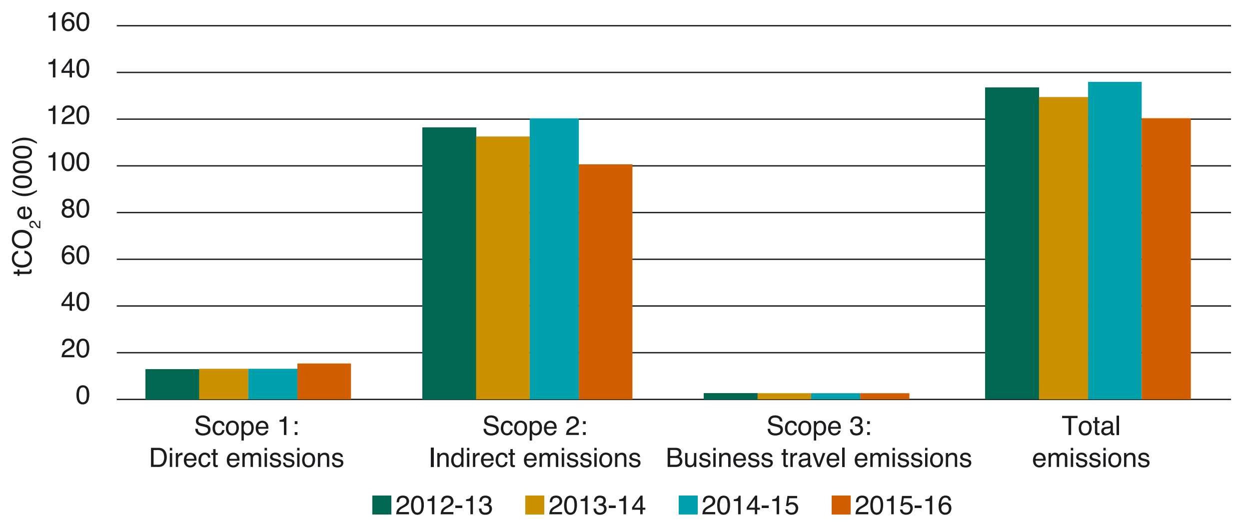


Table 6: Greenhouse gas emissions

Greenhouse Gas (GHG) Emissions		2012-13	2013-14	2014-15	2015-16
Gross Emissions (tonnes CO_2e)	Scope 1: Direct emissions	13,057	13,606	13,416	15,860
	Scope 2: Indirect emissions	117,017	113,402	120,650	100,894
	Scope 3: Business Travel emissions	3,300	3,192	3,007	3,567
	Total Emissions	**133,374**	**130,200**	**137,072**	**120,321**
Related Consumption Data	Estates electricity (kWh)	47,884,521	50,920,097	54,850,674	52,837,662
	kWh per head	3,062	2,340	2,068	2,668
	Estates (HE road network) electricity (kWh)	188,496,743	186,168,000	172,988,659	165,494,778
	Private car usage (million road miles)	3.09	3.60	2.86	3.88
	Hire car usage (million road miles)	4.03	4.32	4.44	5.83
Financial Indicators	Total energy expenditure	£30,397,297	£32,932,245	£35,119,593	£29,287,925
	CRC related expenditure	£1,265,756	£554,760	£2,330,046	£2,391,340
	Expenditure on business travel	£10,509,126	£12,565,380	£10,363,072	£11,813,208

Direct Impacts
Scope 1 – this includes direct consumption of gas, LPG and Gas Oil to our built estate and fuel consumption by vehicles owned by DfT and its Agencies. **Scope 2** – this covers electricity supplies to our buildings, our surplus property portfolio and the strategic road network. **Scope 3** – Business travel undertaken by staff using 3rd party transport (including hire car use).
Indirect Impacts
One of the biggest contributors of Greenhouse Gas emissions for the UK is the emissions from vehicles travelling on the road network. Across the Department for Transport we are working to reduce this impact through policy change that encourages the use of lower emissions vehicles (i.e. promoting the installation of electric vehicle charging points) or alternative lower emission forms of transport, improving the information that is available to drivers to reduce fruitless journeys and the active management of the network (i.e. smart motorways, variable speed limits, hard shoulder running) to reduce emissions by minimising time spent in queues.

Figure 7: Waste sustainability

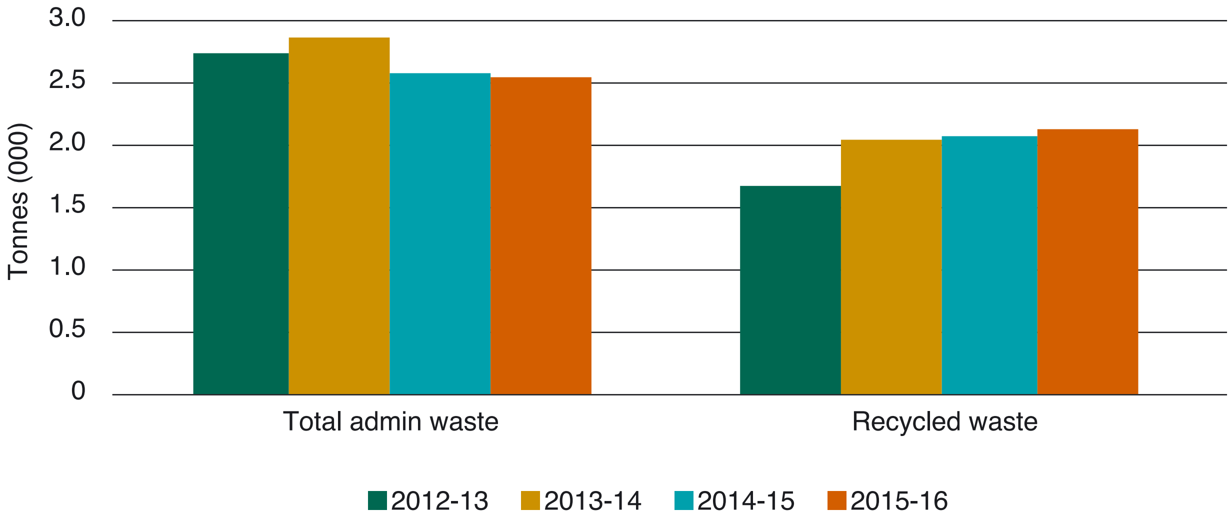


Table 7: Waste sustainability

2014-15 Department for Transport Sustainability Report					
Waste		**2012-13**	**2013-14**	**2014-15**	**2015-16**
Non – Financial Indicators	Total admin waste	2,719.18	2,848.30	2,579.29	2,535.40
	Recycled waste	1,675.22	2,043.97	2,073.06	2,127.33
	Kg per head	162.52	126.16	137.96	128.00
	Percentage recycled	62%	72%	80%	84%

Direct and Indirect Impacts

Highways England continues to collect more than 150,000 sacks of rubbish each year on the strategic road network.

Figure 8: Water sustainability

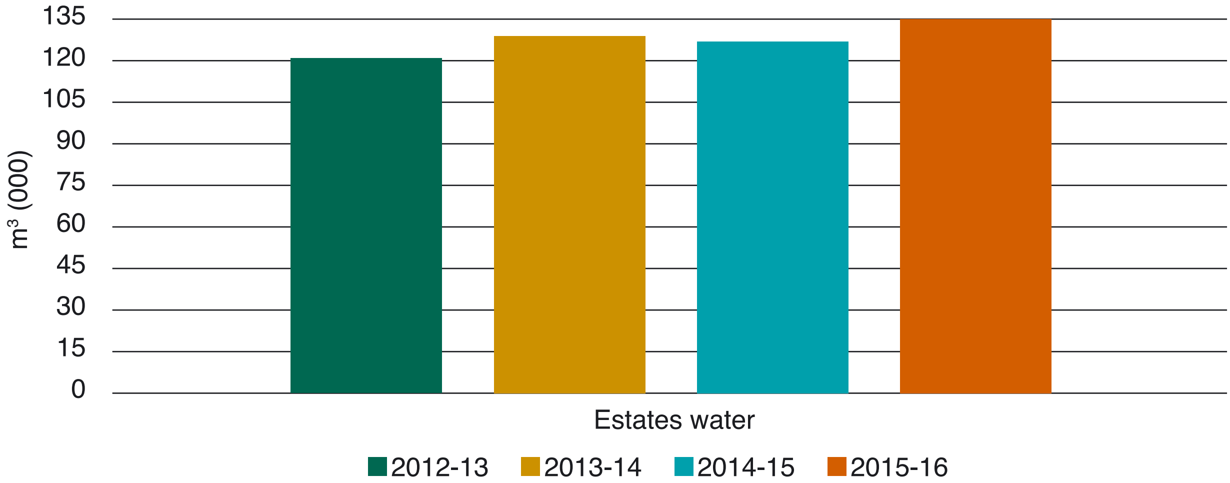


Table 8: Water sustainability

Water		2012-13	2013-14	2014-15	2015-16
Non – Financial Indicators	Estates water	121,015	128,954	127,475	134,891
	m^3 per head	7.18	5.71	6.82	6.81
	Emissions from water consumption (tonnes CO_2e)	41.15	44.37	43.86	46.42

Correspondence

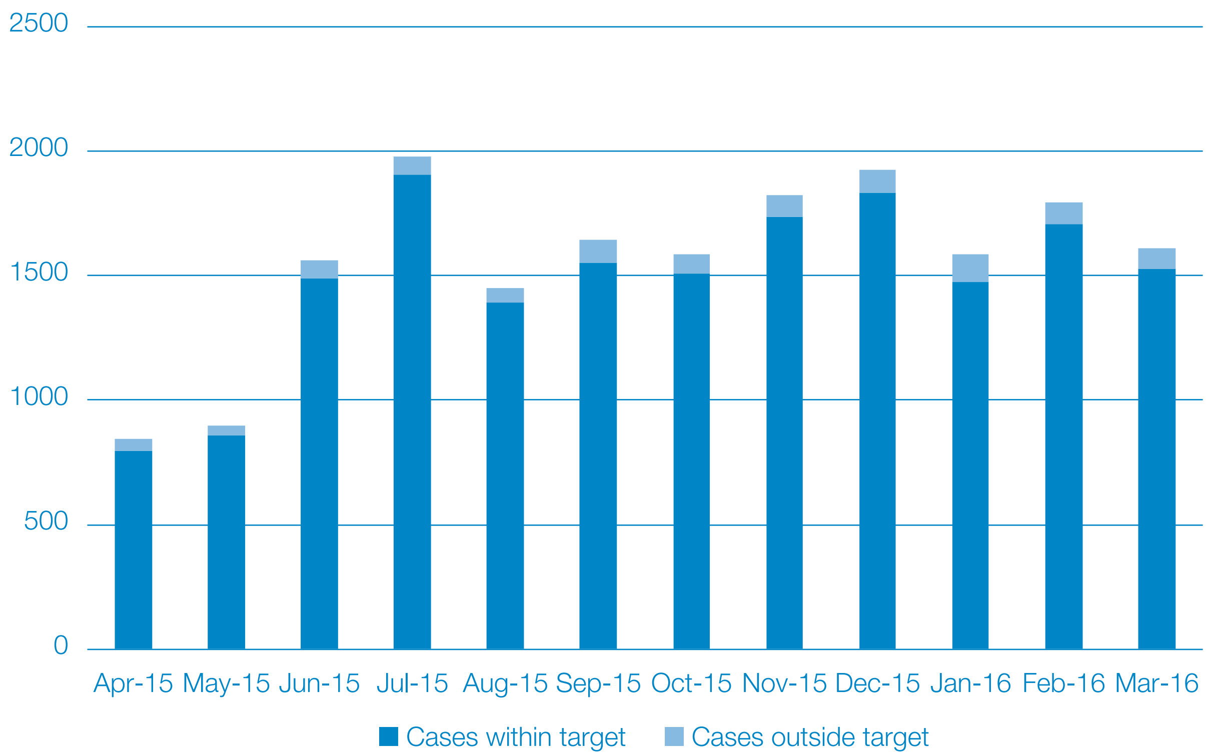
1.40 The Department aims to respond to correspondence within 20 working days. In 2015-16 we responded to just over 18,500 correspondence cases from MPs, Peers, key stakeholders and members of the public with 95 per cent replied to within our target timescales. This includes correspondence responded to by Ministers and officials.

Information rights

1.41 In 2015-16 the central Department including executive agencies received 2,427 requests for information which were handled under either the Freedom of Information (FOI) Act or the Environmental Information Regulations. We met the statutory response deadlines in 97% of these cases. This is an improvement upon 2014-15 (96%).

1.42 The central Department publishes a list of its responses to FOI requests where some or all of the requested information was disclosed. This can be viewed on our disclosure log on the website www.gov.uk under Publications, sub-section FOI releases.

Figure 9: Performance in responding to correspondence



Complaints handling including to the Parliamentary Ombudsman

1.43 Complainants to the Department or any of its delivery bodies who do not feel that their complaint has been satisfactorily resolved can ask to have it reviewed. The Department provides the services of independent complaints assessors (ICAs), who are part-time and are not civil servants. The ICAs review complaints made against the Department, its agencies, and delivery bodies if a complainant feels they have;

- been treated unfairly by the Department or one of its agencies or delivery bodies; or
- received poor service from the Department or one of its agencies or delivery bodies;

The ICAs produce an annual report to the Department detailing their work which is published online at: https://www.gov.uk/government/collections/independent-complaints-assessors-for-the-department-for-transport#annual-reports.

1.44 The ICAs look at unresolved complaints, to review the issues, provide conclusions, and recommend solutions to remedy a complaint satisfactorily as a final stage in the Department's complaint handling process. The Parliamentary Ombudsman will expect this review to have taken place before they investigate a complaint further. The Parliamentary and Health Services Ombudsman (PHSO) investigates complaints that individuals have been treated unfairly or have received poor service from government departments and other public organisations. In the year 2015-16 the PHSO accepted 25 complaints for investigation (down from 29 in 2014-15).

1.45 The annual data for 2015-16 and the previous two years is shown in Table 9.

Table 9: Investigations by the PHSO

PHSO investigations	2015-16	2014-15	2013-14
The number of complaints assessed for investigation by the PHSO	61	57	60
Complaints accepted for investigation by the PHSO	25	29	37
The number of investigations reported on by the PHSO	33	32	22
Upheld in full or in part	20	12	9
Not upheld	13	20	13
The number of PHSO recommendations	20	12	9
Complied with	20	12	9
Not complied with	0	0	0

Health and safety

1.46 Improving the management of health and safety is a priority for the Department and its agencies. In August 2015 the Department produced its Annual Occupational Health and Safety report. This gives a Departmental-wide overview of significant corporate management activities over a twelve month period. It sets out achievements, Department-wide statistics and plans for the year ahead.

1.47 Table 10 sets out numbers of RIDDOR reports (reports under Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1998) to the Health and Safety Executive for the year 2015-16 and previous two years. The figures in DVSA remain greater than the rest of the DfT group due to the nature of the risks involved in carrying out their operational duties.

Table 10: Number of RIDDOR reportable incidents for the central Department and its agencies

Organisation	RIDDOR reportable incidents		
	2013-14	2014-15	2015-16
DfT(c)	0	2	3
DVLA	11	12	8
DVSA	25	30	21[23]
MCA	7	6	5
VCA	1	1	0
HA[24]	21	12	-
Total	65	63	37

Publicity and advertising

1.48 Since May 2010, behavioural change campaigns require the approval of the Cabinet Office's Efficiency and Reform Group. This year approved activity included the THINK! road safety campaign with a focus on drink driving, drug driving and reducing drivers speed on country roads.

1.49 In December 2015, THINK! launched a new Christmas drink drive campaign. This campaign targeted young men aged 17-34 who are disproportionately represented in drink drive-related killed and seriously injured casualties. The aim was to change the behaviour of our target audience who drink 'a couple' of drinks before driving. Our key message was 'a second drink could double your chance of being in a fatal collision, THINK!'

1.50 We created a range of new content including radio adverts, posters, social media assets and two new TV adverts.

23 Figures for DVSA include both incidents involving staff and members of the public where they are taken from a DVSA site direct to hospital. For 2013-14 this was 8 staff and 17 members of the public, 2014-15 12 staff and 18 members of the public, and 2015-16 6 staff and 15 members of the public.

24 Incidents from 2013-15 relating to the Highways Agency's sub-contractors are excluded though these were monitored by the Agency. From 2015-16 onwards the Highways Agency transformed to Highways England.

1.51 We evaluated the campaign by using pre and post tracking surveys, conducted through a research agency. We also monitored the proportion of positive breath tests from data obtained from the police. Our results showed:

- 55% of young men recognised the campaign;
- perceived safety of driving after one and two drinks declined by 6% and 7% respectively (both exceeded targets by 3%);
- social unacceptability of driving after two drinks increased by 7% (exceeding targets by 4%); and
- the proportion of positive breath tests fell for under 25s and fell 2% following collisions.

Sponsorship agreements

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

1.53 For the eighth consecutive year, THINK! partnered with Coca-Cola to deliver the annual 'Designated Driver' campaign. This campaign provided drivers with a buy-one-get-one-free offer on Coca-Cola drinks in 8,200 venues nationwide and provided a positive, in-context solution to help drivers to make the right decision to not drink and drive.

1.54 THINK! partnered with Diageo in 2015 for a second year, to extend their global Johnnie Walker branded '#JoinThePact' campaign, led by Formula One stars Jenson Button and Mika Hakkinen. The campaign encourages people to take a pledge to not drink and drive and in return provides discounted taxi rides. Our activity with Johnnie Walker included:

- In July 2015, the THINK! logo and #JoinThePact hashtag appeared on the McLaren F1 car at the British Grand Prix – viewed by approximately five million British viewers; and
- In December 2015 Johnnie Walker organised a co-branded 'Driving Spectacular' event at Wembley Stadium to encourage further pledges.

1.55 THINK!'s partnership activity with Johnnie Walker achieved over 50,000 pledges to never drink and drive and gave away over 450,000 kilometres of free taxi rides to get people home safely after drinking.

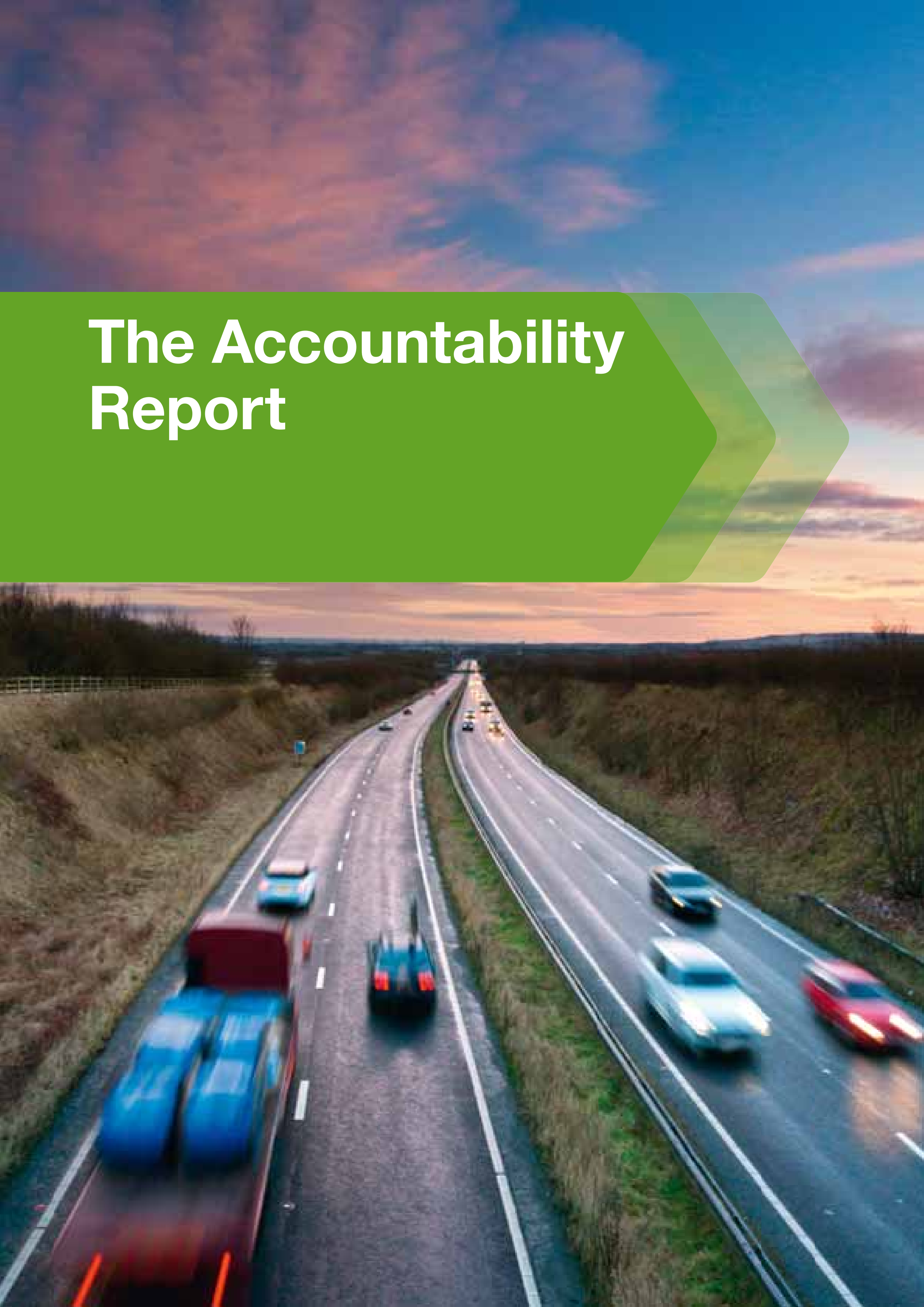
1.56 THINK! secured a new partnership with the company AB InBev and their Budweiser brand. This activity targeted 18-24 year olds and encouraged them not to drink and drive by handing out 33,000 co-branded 'get home safe' taxi cards and water bottles at the end of gig and club nights. This activity took place in autumn and Christmas 2015.

1.57 The above activities have been delivered at no cost to the Department with partners funding all campaign development and promotion. We continue to work with these partners to further develop road safety campaigns.

Philip Rutnam 7 September 2016

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

The Accountability Report



Report from the Lead Non-Executive Board Member

During 2015-16, the Department continued to focus on the delivery of large scale projects and ensure our transport systems are running effectively and safely for businesses and the public.

The Department has given particular attention to planning the skills and expertise needed to design, plan, build and maintain the new roads, rail lines and other transport infrastructure that is necessary to boost economic growth and opportunity. In January, the Department published its *Transport Infrastructure Skills Strategy* that was developed with the then Department of Business, Innovation and Skills and other bodies including Network Rail, Highways England, HS2 Ltd, Transport for London, and Crossrail.

This year the Non-Executive Board Members have supported various areas of work across the Department, by acting as a sounding board outside meetings, and acting as the independent member on interview panels for senior appointments. Colette Bowe carried out a review of the planning of Network Rail's Enhancements Programme.

The information provided to the Board, which enables it to advise and challenge the Department on its strategic direction and on the operational implications and effectiveness of its portfolio, continues to develop. The Department has further strengthened its portfolio management function for its major investment projects. The work of the Board Investment and Commercial Committee provides scrutiny and useful strategic insights into the management and progress of the significant capital projects. The Committee also examines key themes across the portfolio on capability, benefits, risks and key learning. The Department has also further improved the assurance provided to the Board about the Department's delivery bodies and the risks they manage.

The senior management team has continued to provide effective leadership, achieving significant delivery goals with increased rigour and accountability. I continue to be impressed with the commitment and expertise within the Department as it works through a very significant and demanding portfolio.

During 2015-16 the Board welcomed Lord Ahmad and Andrew Jones as new ministers to the Department. We said goodbye in 2015 to Steve Gooding who become the new director of the RAC Foundation after a distinguished career in the Department. The Board was delighted to see Clare Moriarty promoted to Permanent Secretary at Defra.

The development of a single departmental plan (SDP), setting out how the Department will contribute to the delivery of the Government's programme, will give focus to the Department and its Board. There will be significant challenges ahead but the Department is in a good position to deal with them effectively.

On behalf of my non-executive colleagues, I thank all of the staff across the DfT family for their work and collegiality.

Ed Smith CBE, FCA
Lead Non-Executive Board Member

Corporate Governance Report
2. The Directors' Report

How we were structured in 2015-16

Ministers and the Departmental Board as at 31 March 2016[25]

Ministers


The Rt Hon Patrick McLoughlin MP
Secretary of State for Transport


Robert Goodwill MP
Minister of State for Transport


Claire Perry MP
Parliamentary Under Secretary of State for Transport


Andrew Jones MP
Parliamentary Under Secretary of State for Transport


Lord Ahmad
Parliamentary Under Secretary of State for Transport

Non-Executive Board Members


Ed Smith CBE, FCA
Lead non-executive board member


Mary Reilly FCA
Non-executive board member


Richard Brown CBE
Non-executive board member


Dame Colette Bowe PhD
Non-executive board member


John Kirkland OBE
Non-executive board member

Executive Board Members


Philip Rutnam
Permanent Secretary


David Prout
Director General, High Speed Rail Group


Lucy Chadwick
Director General, International, Security and Environment Group


Jonathan Moor CBE, FCA
Director General, Resources and Strategy Group


Bernadette Kelly CB
Director General, Rail Group


John Dowie
Acting Director General, Roads, Traffic and Local Group

25 Other board members who served during 2015-16 are shown in Table 14.

DfT family

2.1 The Department for Transport (DfT) family comprises the central (core) Department (DfT(c)) executive agencies and a range of other delivery bodies including Government owned companies and executive, advisory and tribunal non-departmental public bodies (NDPBs), and public corporations. For a full list of the entities related to DfT's activities, see Note 19 to the accounts.

2.2 Figure 10 illustrates the relationship between the central department and its delivery bodies.

The central Department (DfT(c))

2.3 DfT(c) is organised into five Director General-led groups plus some additional 'non-group' activities. The main responsibilities for each group are shown in Figure 11.

Figure 10: DfT and its delivery bodies

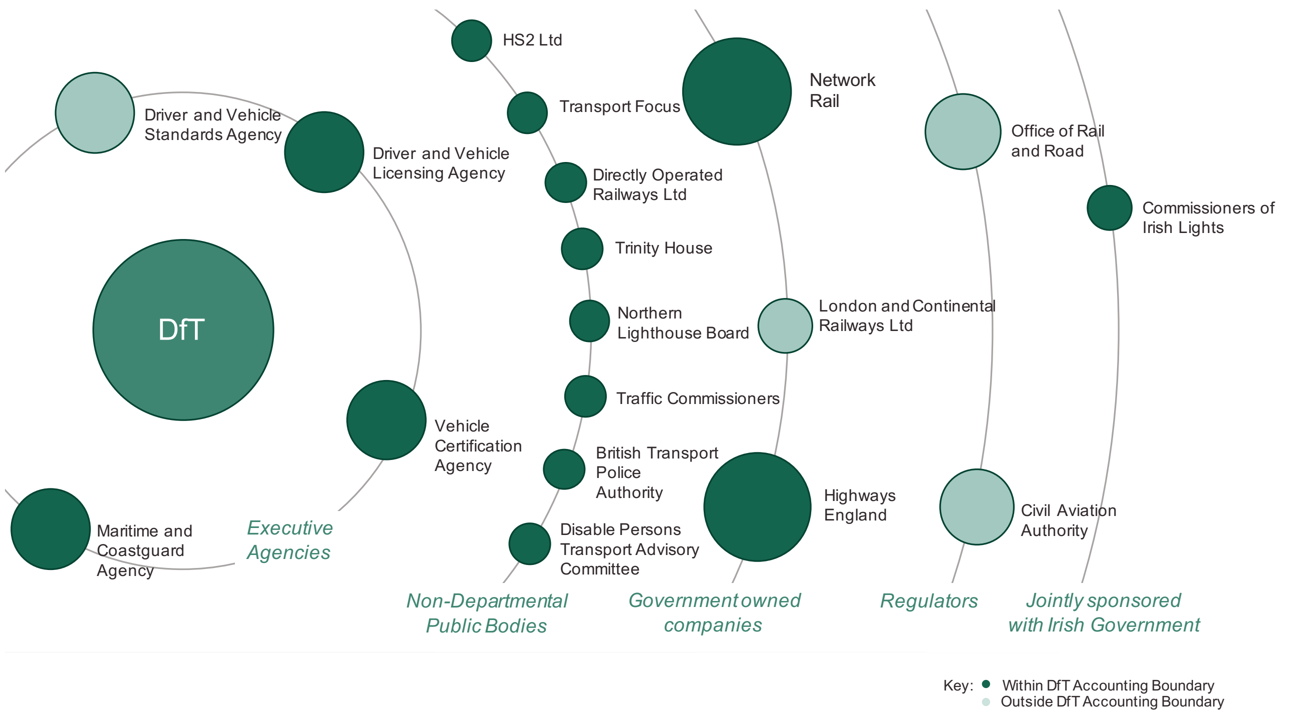


Figure 11: DfT(c) organisational groups

Rail Group Leads on major rail projects and our franchising programme as well as DfT's interest in Network Rail	**International, Security and Environment** Leads on aviation, maritime, environment and technology policy, safety and security, and our three accident investigation branches
High Speed Rail Responsibility for HS2 programme working closely with High Speed 2 Ltd	**Resources and Strategy** Leads on financial, human resources, governance, procurement, property and analytical matters
Roads, Devolution and Motoring[26] Leads on devolution, roads, motoring and local transport, and our relationship with local government	**Non-Group** Legal Advisers, Group Communications Directorate and our Private Offices

DfT's delivery bodies

Driver and Vehicle Licensing Agency

2.4 The Driver and Vehicle Licensing Agency's (DVLA) key purpose is to keep complete and accurate registers of drivers and vehicles and make them as accessible and as flexible as possible to those who have the right to use them.

2.5 The Agency is responsible for the collection of vehicle excise duty (VED), helping to ensure that the public is protected from untaxed, uninsured and unsafe vehicles and driving, and supports the police and intelligence authorities in dealing with vehicle-related crime.

Driver and Vehicle Standards Agency

2.6 The DVSA[27] improves road safety in Great Britain by setting standards for driving and motorcycling, and making sure drivers, vehicle operators and MOT garages understand and follow roadworthiness standards. The Agency provides a range of licensing, testing, education and enforcement services and also supports the independent Traffic Commissioners and Deputies.

Vehicle Certification Agency

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

Maritime and Coastguard Agency

2.8 The Maritime and Coastguard Agency (MCA) facilitates international maritime trade and economic growth through the development, delivery and implementation of the Government's maritime safety strategy, as well as security and environmental standards. The Agency co-ordinates search and rescue at sea through Her Majesty's Coastguard, and ensures ships meet UK and international safety standards. It works to prevent loss of life at the coast and at sea, to support ship safety, and to prevent coastal pollution.

26 Roads Devolution and Motoring was formerly known as Roads Traffic and Local Group.

27 The DVSA sits outside of the Department's accounts as it is classified as a Trading Fund.

Highways England

2.9 Highways England is a new company established as the highway authority for the strategic road network in April 2015. It is responsible for approximately 4,300 miles of motorways and all-purpose trunk roads (the strategic road network), which carry around a third of all traffic. Its role is to support the growth of the UK's economy by operating, maintaining and improving the strategic road network in England.

Network Rail

2.10 Network Rail runs, maintains and develops Britain's rail tracks, signalling, bridges, tunnels, level crossings, viaducts and 19 key stations. Network Rail is one of the largest land and property owners in the UK.

Office of Rail and Road

2.11 The Office of Rail and Road (ORR) a statutory body that acts as an independent regulator. In status it is a non-ministerial department. It is responsible for ensuring that railway operators comply with health and safety law. It regulates Network Rail's activities and funding requirements, regulates access to the railway network, licenses the operators of railway assets and publishes rail statistics.

2.12 Since April 2015 ORR has been monitoring Highways England to hold the company to account on its commitments to improve performance and efficiency of England's strategic road network.

Civil Aviation Authority

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

Table 11: DfT's delivery bodies

Executive Agencies	
Driver and Vehicle Licensing Agency	www.gov.uk/government/organisations/driver-and-vehicle-licensing-agency
Driver and Vehicle Standards Agency	www.gov.uk/government/organisations/driver-and-vehicle-standards-agency
Vehicle Certification Agency	www.dft.gov.uk/vca/
Maritime and Coastguard Agency	www.gov.uk/government/organisations/maritime-and-coastguard-agency
Government owned companies	
Highways England	www.gov.uk/government/organisations/highways-england
Network Rail	www.networkrail.co.uk
Regulators	
Office of Rail and Road	www.orr.gov.uk
Civil Aviation Authority	www.caa.co.uk

Non-departmental public bodies

2.14 A number of other public bodies deliver services to the public at arm's length from ministers and are known as non-departmental public bodies (NDPBs). The NDPBs are listed in the following table with links to each organisation's own website for further information.

Table 12: Non-departmental public bodies

Executive NDPBs	
British Transport Police Authority (BTPA)	www.btpa.police.uk
Transport Focus (TF)	www.transportfocus.org.uk
High Speed 2 Ltd (HS2 Ltd)	www.hs2.org.uk
Directly Operated Railways Ltd (DOR)	www.directlyoperatedrailways.co.uk
Northern Lighthouse Board (NLB)	www.nlb.org.uk
Trinity House Lighthouse Service	www.trinityhouse.co.uk
Advisory NDPBs	
Disabled Persons' Transport Advisory Committee (DPTAC)	www.gov.uk/government/organisations/disabled-persons-transport-advisory-committee
Tribunal NDPBs	
Traffic Commissioners and Deputies (TCs)	www.gov.uk/government/organisations/traffic-commissioners

2.15 The Commissioners of Irish Lights is jointly sponsored by the UK Government and the Irish Government. It receives its funding from the General Lighthouse Fund, its commercial work, and a contribution from the Irish Government. The accounts of the Commissioners of Irish Lights are consolidated with those of Trinity House Lighthouse Service and the Northern Lighthouse Board to form part of the DfT accounts.

Register of Interests

2.16 The register of Ministers' interests is maintained by the Cabinet Office. Non-executive board members are asked to declare any personal or business interests that may influence, or appear to influence, their judgment in performing their obligations to the Department. No executive members of the Board have flagged company directorships or other significant interests that may conflict with their management responsibilities. Relevant information is held by the Department in a central register alongside mitigation measures taken.

Personal data related incidents

2.17 Two data related incidents were reported to the Information Commissioner's office in 2015-16, details of which can be found in Table 13.

Table 13: Summary of protected personal data related incidents formally reported to the Information Commissioner's office in 2015–16

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
July 2015	Category IV Unauthorised disclosure (to trade union)	Excessive sensitive personal data on staff trade union members	1088	ICO and all affected staff notified
January 2016	Category II Loss by third party	Vehicle licensing enforcement files	125	ICO notified
Further action on information risk	The Department fully investigated the causes of the above and in each case took appropriate remedial action. We will continue to actively manage the risks to all of our information so that weaknesses are identified and improvements made.			

Auditors

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

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

2.19 These audits are conducted under the Government Resources and Accounts Act 2000, at an annual notional cost of £648,000 (2014-15, £519,000).

2.20 The audits of the following entities are completed by the Comptroller and Auditor General, but incur a cash or real charge of £902,000 (2014-15, £187,000):

- Network Rail Limited (from 2015-16);
- Highways England Company Ltd (from 2015-16);
- British Transport Police Authority;
- HS2 Ltd; and
- Transport Focus.

PWC audit assurance to the Comptroller and Auditor General for Network Rail incurred a real cost audit charge of £0.2 million.

2.21 KPMG audits the following entities, providing audit assurance to the Comptroller and Auditor General as the Group auditor. These audits incur a real cost charge of £17,520 (2014-15, £15,120):

» CTRL Section 1 Finance PLC; and

» LCR Finance PLC.

2.22 PWC audits the following entities, providing audit assurance to the Comptroller and Auditor General as the Group auditor. These audits incur a real cost charge of £17,000 (2014-15, £16,500):

» Directly Operated Railways Limited; and

» Air Safety and Support International.

2.23 Deloitte audits the following entity, providing audit assurance to the Comptroller and Auditor General as the Group auditor. This audit incurs a real cost charge of £43,800 (2014-15, £43,000):

» Air Travel Trust Fund.

2.24 The three General Lighthouse Authorities are consolidated into the General Lighthouse Fund accounts, which are audited by the Comptroller and Auditor General. The cost of this audit is borne by the General Lighthouse Fund.

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

Statement regarding the disclosure of information to the auditors

2.26 As Accounting Officer, I have taken all of the necessary steps to make myself aware of any relevant audit information and to establish that the National Audit Office has been made aware of that information in connection with its audit. I confirm that the Accounts have been prepared on a going concern basis, the Annual Report and Accounts as a whole is fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

Statement of Accounting Officer's Responsibilities

2.28 Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Transport to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its Executive Agencies) and its sponsored Non-Departmental and other Arm's Length Bodies (ALBs) designated by order made under the GRAA by Statutory Instrument 2015 No.632 amended by GRAA Amendment Order 2062 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at Note 19 to the Accounts).

2.29 The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental Group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

2.30 In preparing the Accounts, the Accounting Officer of the Department is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

» observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

» ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;

» make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by Non-Departmental and other ALBs;

» state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Accounts; and

» prepare the Accounts on a going concern basis.

2.31 HM Treasury has appointed the Permanent Secretary of the Department as its Accounting Officer. The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored Non-Departmental and other ALBs as Accounting Officers of those bodies.

2.32 The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource Accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

2.33 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or Non-Departmental and other ALBs for which the Accounting Officer is responsible, are set out in 'Managing Public Money' published by HM Treasury.

3. The Governance Statement

Introduction

3.1 The Governance Statement describes how the Board and its supporting governance structures work and how they have performed. It provides an assessment of how the Department has been managed, including the effectiveness of the systems of internal control, risk management and accountability.

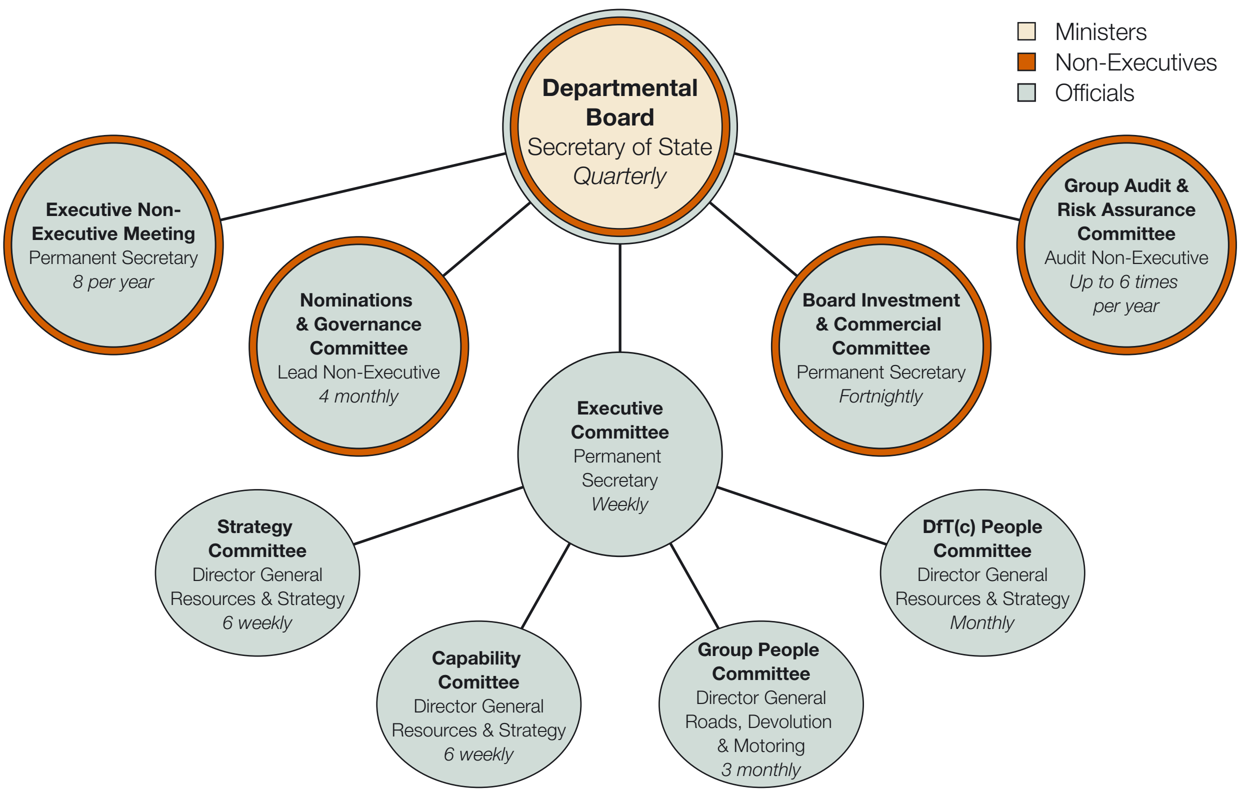
Corporate governance, management and controls

Governance

3.2 The Departmental Board and its sub-committees oversee the work of the Department and provide layers of control, scrutiny and assurance to ensure that the Department has been achieving its aims and objectives in line with an appropriate level of control. Figure 12 provides an illustration of the top-level committees that operate in the Department.

Figure 12: Board Committee Structure

(with Chairs and frequency of meeting)



Departmental Board

3.3 The Departmental Board is chaired by the Secretary of State. It advises and challenges the Department on its strategic direction, and on the operational implications and effectiveness of its portfolio. The Board achieves this by drawing on the commercial, operational and political expertise of its members, which comprises a combination of Ministers, civil service leaders and non-executive board members.

3.4 During 2015-16 the DfT Board met on 3 occasions, in June, October and April 2016[28] and provided:

- advice on the Department's strategic vision, helping to inform major projects such as High Speed 2, and road and rail investments;
- scrutiny and oversight on the overall performance and financial position of the central Department and its agencies, to ensure that the design, capacity and capability of the organisation matched current and future commitments and plans; and
- monitoring and reviewing of key risks and the effectiveness of risk management processes within the Department.

The Board Effectiveness Review

3.5 This year's Board Effectiveness Review has been overseen by Ed Smith, Lead Non-Executive Board Member. The review looked at five performance indicators, which included 'governance', and 'progress and impact' and sought views on:

- the ways in which the Board worked well,
- areas for improvement, and
- good practices which could further strengthen the Board's effectiveness.

3.6 The results reflected the changing membership of the Board, and drew out that recent initiatives such as themed meetings and increased informal discussions were the right interventions. The review was also positive about the quality of Board papers, and the provision of appropriate and accurate information, including key performance indicators. Over the course of the next 12 months work will continue to further improve the quality of general papers, to strengthen the Board's impact, and to increase its engagement with key stakeholders.

Sub-committees to the Board

3.7 Supporting the Departmental Board are a number of sub-committees which have contributed to the work of the Department over the past year:

- *Executive Committee (ExCo)* – meets weekly to discuss and scrutinise major work streams in relation to projects and programmes, policy, and investment and corporate decisions;
- *Executive and Non-Executive Meeting (ENEM)* – provides an opportunity for more in-depth support, advice and scrutiny from the non-executive directors;
- *Board Investment and Commercial Committee (BICC)* – reviews 'Tier 1'[29] projects and programmes to provide challenge and guidance to project and programme leads and to inform advice to Ministers;

28 The Board meeting of March 2016 was postponed and re-arranged for April 2016.

29 Tier 1 programmes and projects generally have a minimum whole-life cost of £100 million or are novel, contentious, or repercussive.

- *Nominations and Governance Committee* – is concerned with developing leadership and potential of staff; succession planning and appointments of senior posts and implementation of corporate governance policy; and
- *Group Audit and Risk Assurance Committee (GARAC)* – chaired by non-executive board member Mary Reilly, supports the Permanent Secretary in his roles as head of the Department and Principal Accounting Officer. There are three other non-executive members of GARAC, one from the DfT Board (Richard Brown), and the audit committee chairs from Highways England (David Hughes) and Network Rail (Bridget Rosewell).

Group Audit and Risk Assurance Committee

3.8 Over the course of the year GARAC has:

- reviewed the Department's approach to risk management. In particular, it has started a programme of risk deep-dives and has covered HS2 risk management processes, supply chain capacity, Highways England delivery and resources, capacity, capability and affordability;
- held deep dive discussions on business continuity, succession planning and talent management;
- supported the development of an integrated assurance framework for the Department;
- received regular updates on Group finances and the Shared Services programme;
- received regular reports from internal audit and the National Audit Office on the results of their completed work and their plans for future work;
- discussed the results of the DfT Group management assurance process; and
- reviewed the annual reports and accounts.

3.9 In September 2015 and March 2016 the GARAC Chair brought together the Non-Executive Chairs of the DfT ALB Audit Committees to exchange views on governance, risk and control within the DfT family and to discuss common areas of interest.

3.10 David Hughes was re-appointed to the GARAC for a third term having been appointed the Chair of Highways England's Audit Committee, having previously been the Chair of the Highways Agency's Audit Committee.

Compliance with the Corporate Governance Code

3.11 We carried out an assessment of the Department's compliance with the *Corporate Governance Code for Central Government Departments*. The assessment found that the Department is compliant with the spirit and principles of the Code across the majority of its aspects. A gap was identified in the supporting provisions of arm's length body oversight where a number of Framework Agreements were outside of their review periods. Plans are now in place for reviews of these Framework Agreements to be completed by the end of 2016.

3.12 Table 14 provides an overview of attendance for the DfT Board and its sub-committees during 2015-16.

Table 14: Overview of Board and sub-committee attendance for 2015-16

Name of Board Member[30]	Departmental Board	ENEM	Executive Committee	Group Audit and Risk Assurance Committee	Board Investment Commercial Committee	Nominations and Governance Committee
Rt Hon Patrick McLoughlin MP	3/3					
Robert Goodwill MP	3/3					
Claire Perry MP	3/3					
Andrew Jones MP	2/3					
Lord Ahmad of Wimbledon	3/3					
Ed Smith	3/3	7/7			18[31]	3/3
Richard Brown	2/3	7/7		4/5	4[31]	
Mary Reilly	3/3	6/7		5/5	4[31]	
John Kirkland	1/3	4/7			0[31]	
Colette Bowe	3/3	5/7			8[31]	1/3
Philip Rutnam	3/3	6/7	42/44	2/5[32]	21/30	3/3
Clare Moriarty	1/1	3/3	10/15		6/8	
David Prout	3/3	7/7	37/44		21/30	
Jonathan Moor	3/3	5/7	40/44	4/5[32]	24/30	2/3
Lucy Chadwick	3/3	7/7	39/44		20/30	
Brian Etheridge[33]	0/0	1/1	7/8		7/7	
Bernadette Kelly	2/2	3/3	21/22		12/14	
Steve Gooding	0/0	1/1	3/4		2/2	
John Dowie[33]	2/2[34]	4/6	39/44		25/27	
Patricia Hayes	1/1[34]					

30 In the above table only the attendance of Board level members is included.
31 During 2015-16 Non-Executive Board Members attended BICC on a rota so that at least one was present for each meeting. As Lead Non-Executive Board Member, Ed Smith attended more meetings.
32 Philip Rutnam, as Permanent Secretary, and Jonathan Moor, as Director General for Resources and Strategy, are not members of Group Audit and Risk Assurance Committee. However, they may attend the meetings.
33 Covered Director General posts on an interim basis.
34 The March Board meeting was postponed to April 2016 and coincided with Patricia Hayes's appointment and John Dowie's stepping down as Directors General.

DfT's delivery bodies

3.13 DfT operates in a large and complex landscape and much of its business is conducted with and through other organisations from smaller non-departmental public bodies (NDPBs) to executive agencies such as DVLA and DVSA, and government owned companies such as Network Rail and Highways England. These organisations deliver essential work to keep the country moving and support economic growth. DVLA is our biggest agency with 5,000 staff, followed by DVSA who employ 4,000 staff. Highways England invested £663 million on renewing infrastructure and £1.1 billion on improvements and employed over 3,800 staff in 2015-16 and Network Rail invested some £6.7 billion in infrastructure, employing over 34,000 staff.

3.14 Within the Department, client teams manage the relationship with delivery bodies at a working level, by following the principles set out in a Framework Agreement. Each Framework Agreement is drawn up with each organisation, setting out the accountabilities and key relationships between the delivery body and the Department and describing the governance arrangements that support it.

3.15 The DfT Board is updated on the performance of executive agencies and other key delivery bodies through a regular agenda item on management information. Each delivery body follows the Department's management assurance process, the results of which are reviewed at GARAC.

3.16 During the last Parliament the Department regularly reviewed its NDPBs through the Cabinet Office triennial review programme. During this Parliament a similar review programme will take place with the addition of Executive Agencies and Non-Ministerial Departments.

Network Rail

3.17 2015-16 was the first full year in which Network Rail was formally an arm's length body of the Department, following its reclassification by the Office for National Statistics in September 2014. Network Rail has conducted a management assurance exercise – the Group Assurance Process – and concluded that, overall, it can give assurance over its processes of internal control. Network Rail has been fully consolidated within the Department's Group Accounts for the financial year 2015-16.

3.18 The Secretary of State also initiated three complementary reviews focusing on different aspects of Network Rail and the policy and planning framework: the '*Hendy Review: Replanning Network Rail's investment programme*' of the Control Period 5 (2014-19) Enhancements Programme was published on 25 November 2015; the '*Bowe Review into the planning process of Network Rail's Enhancements Programme 2014-2019*' was published on 25 November 2015, and in response the Government and Network Rail signed a Memorandum of Understanding on 17 March 2016; and the '*Shaw Report: the future shape and financing of Network Rail*' on how Government should approach the future shape and financing of Network Rail in the longer term was published on 16 March 2016.

British Transport Police Authority (BPTA)

3.19 During the accounting period, serious financial control weaknesses were identified, as well as concerns about governance of and organisational culture within the BTP Force. Whilst clear actions have since been taken to address those concerns, the level of assurance over the whole report period is consequently reduced. The Authority and the Force will continue to focus effort to ensure that all of the control weaknesses identified are fully addressed, and that effective operation of controls and monitoring is in place to prevent any re-occurrence.

Our approach to risk

3.20 Risk management is integral to everything we do from how we manage our programmes and our money, to how we develop our policy and work with our delivery bodies.

3.21 The DfT Board has signed up to the following principles:

» DfT promotes a transparent 'no surprises', 'no blame' culture where well-managed risk taking is encouraged;

» Managers lead by example to encourage the right behaviours; and

» Risk management behaviours should be embedded into all Departmental activities.

3.22 The Department is committed to strengthening our risk management process and the following are examples of some of the improvements we have recently made, are still engaged in or are committed to doing in this coming year:

» In February 2016 we completed a risk management maturity exercise across DfT(c) to assess our capability in relation to risk management;

» In March 2016, using the results of the risk management maturity exercise, we undertook a fundamental review of how we manage risk in the Department. Improvement work is now ongoing, following Executive Committee approval;

» In November 2015, the DfT Group Audit and Risk Assurance Committee embarked on a series of 'Deep Dive' risk reviews of our most critical risk areas;

» The DfT Corporate Governance Division has trained over one hundred departmental risk coordinators and key risk leads over the past financial year; and

» All Director General-led Groups have continued to maintain and improve their own risk management processes – an example of this is the recent risk management audit carried out in Rail Group, which supports wider DfT risk improvement work.

Our approach can be summarised in Figure 13:

Figure 13: Overview of DfT's risk processes

Who does what?			How do we check and oversee what's done?
Assuring that the strategic risks identified are the right ones and are being managed appropriately.	**Role of the Board**		The Board and ExCo are advised monthly on performance and risk to enable the Department to better deliver its objectives, as well as sponsoring process improvements. Risk 'Deep Dive' reviews are carried out by the Group Audit and Risk Assurance Committee to further assure the Board and ExCo.
ExCo set the tone and act as exemplars of risk management. DGs and Directors sponsor individual, complex risks and issues cutting across DfT and within business areas. They provide oversight to the portfolio of risks and issues.	**Role of Directors**		Monthly review of Departmental risks at command/ programme level to ensure the risks to achieving strategic outcomes can bemonitored from both a consolidated and individual perspective. This includes escalation de-escalation and challenging the effectiveness of mitigating actions
An 'open' risk appetite, signed up to by ExCo, has been set for the Department.	**Risk appetite**		Monthly reviews provide an opportunity to challenge any gap between risk exposure and tolerance, as well as the level of tolerance set.
Effective risk management is delivered through an active approach to managing risks, clear roles and responsibilities and committee structures. Supporting a cohesive approach to department wide behaviour and decision-making	**Risk and governance process, including how we run our programmes and steward our delivery bodies**		Risk management is embedded into our corporate/business processes as well as our programme management. DfT Governance Division act as a centre of excellence and challenge.
Support delivery of the Department's Risk Management Policy and Strategy by working with Directors General and their teams to enable improvements in effective application of risk management.	**Mandate of Corporate Risk Management**	**Assurance and three lines of defence**	The Group Audit & Risk Assurance Committee tests the risk management framework (E.g. with Deep Dives) with GIAA providing an independent annual opinion.
Frameworks exist to identify, access and control current and emerging risks across the department.	**Risk process – management and control**	**Risk maturity**	Risk maturity assessed with Directors General/Directors in March 2016 – improvements identified and underway.
Risk management is. built into the way we work to enable appropriate behaviours.	**Culture**	**Resources and capability**	A comprehensive Performance and Risk Management information system with trained risk coordinators
Challenge and risk reporting in DfT.	**Information and Communication – Feedback loop**		Risk Co-ordinator network.

Significant risks in 2015-16 and key mitigating factors

3.23 The nature of the Department's business means that it has to manage a range of significant risks across its programme, policy and enabling functions, including having oversight of delivery bodies. The main strategic risks to the Department are reported on a monthly basis according to the criteria set out in our risk management policy.

3.24 It should be noted that our delivery bodies also have their own risk management systems and compile their own 'top level' registers.

3.25 Table 15 sets out the key top-level risks that affected the Department in 2015-16. As these are top-rated risks they have not been listed in any specific order.

Table 15: DfT's top-level risks 2015-16

Main top-level risks	What we are doing about them
1. A terrorist attack on transport	» We have significantly expanded our international aviation security team in higher risk locations overseas and are working with partner governments to adapt security regimes to address current threats. We have put in place measures at UK airports to strengthen their capability to detect different types of threat. » We are reviewing security regulations for the national rail network in partnership with industry, British Transport Police and other Government partners, to ensure they address current and emerging threats. Enhanced x-ray equipment has been installed at St Pancras International and new train search procedures provided for the new Eurostar fleet. » We have established an international maritime engagement programme to assess security at ports in higher risk locations overseas and share best practice to help improve the security of UK flagged ships and UK nationals using those ports. » We have an expanded cyber security programme to ensure the transport sector remains resilient to cyber-attacks.

Table 15: DfT's top-level risks 2015-16

Main top-level risks	What we are doing about them
2. Insufficient capability and capacity in specialist areas to deliver our priorities	» We have created a new 'Capability Committee', a sub-group of our Executive Committee, to drive further improvements in our capability, including development of the professions, with a particular focus on commercial, project delivery and digital skills. » We have established a Senior Civil Service development programme to improve the leadership capability of our senior leaders. » We have developed a refreshed approach to how we recruit and develop people focusing on departmental need, including increased use of apprenticeships.
3. Rail affordability and the failure to deliver the Network Rail enhancement programme	» In March 2016, we published a new 'Memorandum of Understanding' with Network Rail. This forms part of our response to the recent 'Bowe' and 'Hendy' reviews which recommend improvements to new joint working practices and improved governance. This will ensure we better deliver improvements for all rail users. » The Memorandum includes new arrangements for the control of costs and the management of change; a revised governance structure and improved management information; arrangements for the early identification of problems and their resolution; strengthened assurance; and a joint responsibility for continuous improvement.
4. High impact natural hazard affecting transport	High impact, low likelihood natural hazards come in a number of forms – these are examples of the approach we take with two different natural hazards: With volcanic eruptions: » We undertake research, in conjunction with industry and academia, to better understand the risk posed by volcanic eruptions; we also work closely with the Met Office and other specialists to help inform crisis decision making; and we regularly engage with aviation authorities to help inform future research. With flooding » The Department is working with both specialists and local authorities to identify local road networks in England that are at risk of flooding; assess the potential impacts and put in place emergency plans. This includes looking at isolated communities, critical or vulnerable local highway routes. This work is part of the wider Government review on flood preparedness put in place following the 2015-16 winter floods.
5. Failure to manage our relationships with our delivery bodies could result in failure to deliver Departmental priorities.	» We are reviewing framework agreements to make sure they are up-to-date, consistent with good practice, and effectively implemented. » We engage with our delivery bodies to monitor major investment projects. » We are reviewing our sponsorship and monitoring requirements to identify opportunities for improving efficiency. » We are improving how we make appointments to boards.

Table 15: DfT's top-level risks 2015-16

Main top-level risks	What we are doing about them
6. Poor air quality has serious public health impacts and may lead to delays in the delivery of key major infrastructure projects.	Legislation sets legally binding limit values for concentrations of certain pollutants including nitrogen dioxide that must not be exceeded. The UK is compliant with legal limits for nearly all air pollutants but faces significant challenges with nitrogen dioxide. Actions being taken include: » National Air Quality Plan for nitrogen dioxide published December 2015, setting out a comprehensive approach to improving air quality and public health. » New joint team set up with the Department for Environment, Food and Rural Affairs to implement the UK National Air Quality Plan for nitrogen dioxide. The team is working with colleagues across Government as well as with local authorities on implementation. In 2016 Government will consult on national Clean Air Zone Framework and supporting legislation. » We continue to monitor closely, and where necessary put in place mitigating actions for, air quality risks to transport infrastructure.
7. Failure to deliver the rail franchising programme.	This is a challenging programme to deliver to its timetable, which includes delivering a quality service for passengers and value for money for the taxpayer, within a mature market. A robust competition process is in place which consists of: » 'Buying the Right Thing' – deciding what to buy and on what commercial terms to give the best outcome, and demonstrating that the Proposition for the procurement is fully sound. » 'Buying in the Right Way' – running a procurement process that provides confidence to all parties. Such a process complies with applicable procurement law, is transparent and predictable to the market and the public and is operated with full integrity. It introduces the commercial tension required to obtain best price and quality responses from the market. » To complement this, the Department is engaging closely with the existing market, encouraging new entrants and exploring best practice across other markets. » When specifying a franchise, the Department's aim is to maximise the benefits achieved for passengers, stakeholders and government from the investments we are making.
8. New airport capacity in the South East not delivered by 2030.	The Airports Commission Final Report stated that the UK required new runway capacity in the South East by 2030. In December 2015 Government accepted the Commission's findings and its short list of three options, set out a programme of further work and stated that the 2030 timescale would be met. The actions we are taking include: » An Airports National Policy Statement (ANPS) is being drafted ready for consultation. » Preparations for public consultation on the ANPS are underway. » Cross Departmental governance arrangements are in place to monitor interdependencies with other policy areas.

Table 15: DfT's top-level risks 2015-16

Main top-level risks	What we are doing about them
9. Major Project schemes fall behind schedule.	We have addressed this risk in a number of ways: » The governance, day-to-day management and assurance of work streams have been strengthened, including as part of our responses to the 'Bowe' and 'Hendy' reviews. » Increasing the capability of the DfT as a client which includes (i) for roads projects, regular senior-level dialogue between the DfT client team and Highways England on delivery expectations and deliverability issues and risks; and (ii) for rail projects, the Department has agreed a Memorandum of Understanding with Network Rail which clarifies roles and responsibilities and new arrangements for the control of costs and management of change. » We receive regular reports, such as from Crossrail Ltd and, in this case, reports are scrutinised by the Crossrail Joint Sponsors Board.
10. Failure to deliver HS2 as efficiently as possible.	We are working with HS2 Ltd to develop and incorporate measures that will lead to efficient delivery of the scheme and provide value for money to the UK taxpayer. These measures include: » Incentivising the supply chain to drive efficiency through the contracts for design and construction. » Benchmarking costs against other major infrastructure projects. » Designing the HS2 route to be as cost efficient as possible, whilst still meeting the requirements of the business case and seeking to minimise environmental and community impacts.

Managing information and information security

3.26 The Department is committed to looking after and making the best use of its information. All information assets are protected in line with HMG's Security Policy Framework, with more sensitive assets being managed by a network of trained information asset owners (IAOs).

3.27 A health check is carried out annually to provide assurance on DfT's compliance with the Security Policy Framework, with the outcome reported to Cabinet Office. Whilst the check for 2015-16 has yet to be concluded, the one for 2014-15 was subject to peer review by another government department who found our approach to be both "systematic and thorough".

3.28 DfT is constantly reviewing its cyber security resilience. In the final quarter of 2015-16 we carried out a review across the DfT family. An internal audit into the central Department's cyber security governance arrangements was carried out in the same period, the recommendations from which will be implemented during 2016-17.

3.29 In 2015-16 the Department engaged with Sir Alex Allan's Government Digital Records and Archives Review and has taken steps to modernise our approach to record-keeping.

3.30 DfT, including its agencies, has also made further progress during 2015-16 in maintaining compliance with the Public Records Act. This year we have reviewed more than five thousand paper files in line with the '20 year rule', and have transferred those of historical significance to The National Archives for public inspection.

3.31 A summary of the personal data related incidents that have occurred during 2015-16 is published in paragraph 2.17 of the Directors' Report.

Financial governance, management and controls

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

Financial governance

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

Financial and corporate planning

3.34 This year's Business Planning process confirmed budgets for 2016-17, aimed at aligning both people and financial resources to the Department's objectives and Ministers' priorities. Forecasts were made for each workstream to enable prioritisation decisions to be taken against a backdrop of increased capital investment and reduced resource budgets. The budget allocation for 2016-17 was then recommended for approval by Ministers at the Department's Executive Committee in early March 2016.

Fraud, bribery and whistleblowing

3.35 The Department follows the Cabinet Office guidelines and takes a 'zero tolerance' approach in the event of any fraud or bribery. Within the Department and its agencies, any suspected cases of fraud or corruption are investigated fully and disciplinary and/or legal action is taken where appropriate.

3.36 The Department holds quarterly meetings of its Fraud, Error and Debt Group, comprising fraud officers and other representatives from business units across the Department and its agencies. It considers updates from group members on counter-fraud activity across the Department, advice and initiatives from the Cabinet Office and other agencies, information sharing, best practice and any areas of concern impacting on the Department's policies and procedures. Staff in the central Department are required to undertake on-line fraud awareness training.

3.37 The Department is committed to continuous improvement of its whistleblowing arrangements to ensure that its policies remain fit for purpose, and that people raising concerns feel supported and protected as intended. Our 2015 Staff Survey results told us that 72% of our people in the central Department were confident that if they raised a concern it would be investigated properly. This figure is slightly above the Civil Service average; however, across all of the Department's agencies the overall score was 58% therefore, there is more work to be done. New Whistleblowing and Raising a Concern policies were launched a year ago. We will now conduct a review to consider what we have achieved over the last year, and more importantly what we can learn from people's experience of the arrangements. We will invite feedback from key stakeholders, in particular, Nominated Officers and from people who have 'blown the whistle'.

3.38 We have appointed the Director General of Resources and Strategy as our Civil Service Code Champion. Responsibilities will include promoting the Code and providing guidance on hospitality, conduct and whistleblowing.

3.39 In the financial year 2015-16, there were two confirmed fraud cases reported in DfT(c). One case involved an unsolicited request for payment of £3,252 which was prevented, while the other case involving internal staff was detected with a value of £3,000. Where appropriate, incidents occurring within the Department's agencies and arm's length bodies during 2015-16 have been noted in their own governance statements.

Shared Services

3.40 The Department divested its Shared Service Centre (which provides back office services including HR, Payroll and Finance) to arvato on 1 June 2013, and in so doing, established the Government's first Independent Shared Service Centre 1 (ISSC1). The Department contracts with arvato via a call-off contract under a framework agreement managed by the Cabinet Office.

3.41 Since divestment, arvato has provided SAP services to the central Department, DVLA, the former DSA part of DVSA, payroll and HR for Highways England and payroll only for VCA. MCA migrated on to the Agresso platform provided by arvato in December 2014. This was later than originally anticipated and the Department has supported MCA and arvato to resolve issues which remained outstanding from the MCA migration. Work continued to migrate the rest of the DfT family on to the new platform during 2015-16.

3.42 On 5 April 2016, the Department concluded that the risks and costs associated with the migration to Agresso exceeded the potential savings. It was therefore decided that the Department should negotiate an orderly termination of the migration process and pursue the continued provision of SAP service for those organisations within the DfT Group who had yet to migrate onto Agresso.

3.43 In early 2016, the Comptroller & Auditor General approved plans for a National Audit Office report into the government's Next Generation Shared Services programme, focusing primarily on progress on its two Independent Shared Service Centres. The NAO report[35] was published on 20 May 2016 and was the subject of a hearing of the Committee of Public Accounts on 27 June 2016.

3.44 The Department has received an ISAE 3402 report, produced by Ernst and Young, on arvato's operation of the control environment at ISSC1. Separately, the Department has also received a number of internal audit reports from Cabinet Office on ISSC1 risk controls. The Department has placed reliance on these reports for assurance over ISSC1's control environment during the 2015-16 financial year.

Local funding

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

3.46 Accountability for this local funding is set out in the Department's accountability system statement, which was updated in September 2015.[36]

3.47 The Department is in the process of establishing Sub-national Transport Bodies (STBs) in England (except London) that could, over time, devolve transport decision making to sub-national groupings of local authorities. The first of these, Transport for the North (TfN),[37] is currently operating in shadow mode. Accountability for its funding is maintained through a document setting out principles for joint working between the Department and TfN, and a Dual Key agreement that ensures DfT retains control over spending. Similar arrangements are being considered for Midlands Connect and the Department has signed a Memorandum of Understanding with the organisation. Once secondary legislation is passed establishing TfN as an STB it will become an independent local authority body. Other sub-national regions of England are also in the process of being established as STBs.

Assurance

3.48 The Department relies on assurance from multiple sources, consistent with good practice:

» **Front-line and business operational areas**: The Department has established assurance arrangements over how well objectives are being met and risks managed. These include monthly management reporting, risk registers, reports on the routine system controls, the directors' annual Management Assurance statements and other management information;

» **Management oversight and expert review**: separate from the work of those responsible for delivery, this includes investment approval work undertaken by the Department's investment boards, the central centres of excellence, analytical assurance, as well as work undertaken by other corporate functions (e.g. Human Resources) and the departmental security teams;

35 www.nao.org.uk/report/shared-service-centres/
36 www.gov.uk/government/publications/accountability-system-statement
37 www.transportforthenorth.com/

- **Independent and objective assurance**: This includes the work of internal audit and independent specialists; and
- **External reviews**: This covers external and independent assurance commissioned by bodies outside the organisation. These include reviews by the National Audit Office and parliamentary select committees. These reviews are usually conducted after a project or event and are a particularly valuable source of learning for the organisation.

3.49 During 2015-16, the Department has developed a draft Assurance Framework which clarifies and structures the Department's approach to assurance. It covers the Department's main areas of activity and risk: (i) projects and programmes; (ii) delivery bodies (Arm's Length Bodies); (iii) corporate functions; and (iv) policy and regulation. The Assurance Framework sets out the common principles and standard assurance activities that the Department expects to be in place, and how these should be assessed and reported. It aims to embed good assurance practice and to facilitate organisational learning. Consultation on the draft Assurance Framework is ongoing with key stakeholders across the Department, with the aim of finalising it in summer 2016.

Management Assurance

3.50 The Department assesses its compliance with its internal controls annually. Each Directorate of the DfT(c) and all of the Department's delivery bodies completed a return that sets out how each performs against 33 key internal management controls. Responses from each DfT(c) Directorate were moderated at Directors General chaired challenge sessions held with Directors. Responses from delivery bodies were reviewed by each body's Audit and Risk Committee. The Department's overall results were reviewed by the Group Audit and Risk Assurance Committee.

3.51 The 2015-16 review identified that for 27 of the 33 areas of internal control the Department overall was fully compliant. For the six areas of internal control where there was evidence of a lack of full compliance the Department appointed senior responsible owners to identify the actions required to deliver the necessary improvements.

3.52 An internal audit of the 2014-15 Management Assurance process which focused on three of the 33 control categories found some scope to improve its effectiveness. These included an increased focus on the evidence base used to support the responses given by teams and changes to the questions used to ensure responses align better with behaviours. The department will therefore be reviewing the structure and content of the returns template that will be used in the 2016-17 Management Assurance cycle.

Analytical assurance

3.53 The analytical assurance framework *Strength in Numbers*,[38] which specifies how analysis is used and produced in the Department, has been in place since June 2013, and is in line with the recommendations of the Macpherson Review of quality assurance of government analytical models.[39] As part of the framework, DfT has a register of Business Critical models

38 www.gov.uk/government/publications/dft-analytical-assurance-framework-strength-in-numbers
39 www.gov.uk/government/publications/review-of-quality-assurance-of-government-models

along with the appointment of a single specialist Senior Model Owner for each Business Critical model. Analytical Assurance statements are also produced for analytical work, which are independently reviewed and cleared for Tier 1 and 2 Investment Board[40] and decisions by Ministers or senior officials.

3.54 During 2015-16 internal audit reviewed Group Modelling in NR and HS2 Ltd. The most notable finding was need to continue to support and monitor Analytical Assurance capability in delivery bodies and we are engaging further with these key bodies to begin this work.

Project assurance

3.55 The Department is committed to building the Project Delivery (PD) capabilities of all its staff and is working closely with the Infrastructure Projects Authority (IPA) to ensure coherency with activities across government. Within its portfolio the Department has 11 projects that form part of the Government Major Projects Portfolio (GMPP) requiring quarterly reporting to the IPA.

3.56 Good assurance remains a priority for the Department and it has formalised the requirement for all top tier projects to have an up to date Integrated Assurance and Approvals Plan (IAAP) signed off by the SRO, promoting this as good practice for all tiers of projects. The Project Delivery Team conduct deep dives each quarter into two IAAPs to assess their robustness and progress against them. The Department will, as part of its portfolio reporting, monitor assurance and approvals to ensure that projects are planning and undertaking appropriate assurance and approvals at relevant points in the project lifecycle.

3.57 The Department continues to make significant steps to grow and maintain good practice application of PD via a dedicated Centre of Excellence which provides centralised advice, guidance and support, builds the PD community through a number of networks and events and provides a PPM toolkit & delivery framework. Getting the right people on the right projects at the right time is also a key focus for the Department and enhancing capability is overseen by a dedicated Capability Board that supports individuals with the provision of professional development activities, succession planning and help with PD recruitment.

3.58 The IPA published its annual report on the GMPP in June 2016. In parallel with this, the Department published its 2015-16 Quarter 2 GMPP project list which includes the IPA delivery confidence rating, derived from a combination of project size, scale, the degree of risk, complexity and timeframes involved, noting that it is not unusual for projects of a large scale and early on in their lifecycle to have a low delivery confidence assessment.

Independent assurance

3.59 On 1 April 2015 the Department's Group Internal Audit function transferred to the newly created Government Internal Audit Agency (GIAA), an Executive Agency of HM Treasury. GIAA operates to prescribed public sector internal audit standards, confirmed through its first External Quality Assessment undertaken by the Institute of Internal Auditors in January 2016. The Group Head of Internal Audit (Group HIA) provides

40 The Tier 2 programmes and projects are reviewed by Director General-led investment boards and have delegation limits of £50-500m for Roads and NR; £10-100m for Motoring Services; £30-100m for High Speed Rail; and £50-100m for all other programmes.

the Department's Accounting Officer with an independent opinion on the adequacy and effectiveness of the Department's systems of internal control, and makes recommendations for improvement. The work of GIAA is based on its analysis of the Department's risks, and its audit programme is endorsed by the Group Audit & Risk Assurance Committee. Regular reports are provided by GIAA to the Department's management, to the Group Audit & Risk Assurance Committee and, as appropriate, to the Executive Committee.

3.60 The Group HIA has provided the Permanent Secretary with a report on internal audit activity in the Department for 2015-16, which includes his independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. Whilst the report shows that there are many areas of strength in relation to the Department's controls, with 67% of the audit opinions being 'moderate' or 'substantial', there were some key areas of weakness identified. The Group HIA has informed the Permanent Secretary that overall there is 'limited' assurance that the arrangements for control, risk management and governance have been adequate and effective in 2015-16.

3.61 Over the course of the year, the Group HIA has recommended improvements in governance, risk and control within the Department's management of its ALBs, the assurance its receives from its 1st line of defence, its risk management processes, rail enhancement programmes and projects, and finance and HR processes. These areas have been discussed at the Group Audit & Risk Assurance Committee and the Executive Committee and actions have been put in place to address issues raised by internal audit.

Conclusion

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

3.63 I have been advised by the Chair of the Group Audit and Risk Assurance Committee of reviews and recommendations carried out during the year on governance, risk and assurance, and a plan to address weaknesses and ensure continuous improvement is in place.

3.64 I have noted the opinion of the Head of Internal Audit who has found weaknesses in controls in a number of areas within the central department and in some of our delivery bodies. Whilst I do not consider that these weaknesses are systemic across the Department I am committed to strengthening our systems of internal control and we will take action to achieve this.

4. Remuneration and Staff Report

Remuneration policy – Senior Civil Service

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

4.2 Recommendations on SCS remuneration are provided by the Review Body on Senior Salaries (SSRB) in an annual report to the Prime Minister. Further information about its work and copies of the annual reports can be found on SSRB's website.[41]

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

Performance management

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

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

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

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

4.7 Performance group is the starting point for non-consolidated performance pay determination. For 2015-16, only the top 25% of performers, those in the top performance group, received an award.

4.8 In 2015-16, base pay increases were available for members of the SCS who were in the 'top' and 'achieving' performance groups.

41 www.gov.uk/government/organisations/review-body-on-senior-salaries

Number of senior civil service staff by band

4.9 The number of senior civil servants employed by the Department, including its executive agencies, as at 31 March 2016, is disaggregated in Table 16.

Table 16: Number of Senior Civil Service (SCS) staff by salary range

Distribution of senior civil service salaries within the Department			
Salary Range	**Staff numbers**	**Salary Range**	**Staff numbers**
£65,000-£69,999	36	£115,000-£119,999	4
£70,000-£74,999	20	£120,000-£124,999	3
£75,000-£79,999	23	£125,000-£129,999	2
£80,000-£84,999	12	£130,000-£134,999	6
£85,000-£89,999	15	£135,000-£139,999	2
£90,000-£94,999	7	£145,000-£149,999	1
£95,000-£99,999	4	£170,000-£174,999	1
£100,000-£104,999	7	£260,000-£264,999	1
£105,000-£109,999	6	**Total SCS Staff Numbers**	157
£110,000-£114,999	7		

Notes:

The minimum annual salary for SCS is £63,000 national and £66,500 in London.

Staff numbers are actual, not full-time equivalents, so a part-time member of staff counts as 1.

Information is for all senior civil servants in the Department and its Agencies at 31 March 2016 and includes those on fixed-term contracts (but excludes outward loans and secondments and those on maternity leave). Salary is the basic annual full-time equivalent salary effective from 31 March 2016 and excludes non-consolidated performance related pay.

Pay and Performance Committee

4.10 This Committee comprises the Department for Transport's Permanent Secretary (as Chairman), all Directors General and the Group HR Director.

4.11 For the year to 31 March 2016, its members were:

Philip Rutnam	Permanent Secretary, Department for Transport
Lucy Chadwick	Director General, International Security and Environment
David Prout	Director General, HS2 Group
Jonathan Moor	Director General, Resources & Strategy
Clare Moriarty (up to 3 August 2015)	Director General, Rail Group
Brian Etheridge (from 4 August 2015 to 13 September 2015)	Interim Director General, Rail Group
Bernadette Kelly (from 14 September 2015)	Director General, Rail Group
Steve Gooding (up to 27 May 2015)	Director General, Roads, Devolution & Motoring
John Dowie (from 28 May 2015 to 20 March 2016)	Interim Director General, Roads, Devolution & Motoring
Patricia Hayes (from 21 March 2016)	Director General, Roads, Devolution & Motoring
Jenny Richardson (up to 17 May 2015)	Interim Group HR Director
Rachael Etebar (from 18 May 2015)	Group HR Director

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

Service contracts

4.13 The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

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

Remuneration (including salary) and pension entitlements (audited)

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

Table 17: Ministers' remuneration

Ministers	2015-16				2014-15			
	Salary (£)	Benefits in Kind (to nearest £100)	Pension benefits (to nearest £1000)	Total benefits (to nearest £1000)	Salary (£)	Benefits in Kind (to nearest £100)	Pension benefits[42] (to nearest £1000)	Total benefits (to nearest £1000)
Patrick McLoughlin MP Secretary of State	67,505	-	62,000	130,000	67,505	-	17,000	85,000
Baroness Susan Kramer Minister of State (to 8 May 2015)	8,271	-	3,000	11,000	78,891	-	27,000	106,000
Full-year equivalent	78,891							
Robert Goodwill MP Minister of State[43]	25,277	-	11,000	36,000	22,375	-	8,000	31,000
Full-year equivalent	31,680							
Rt Hon John Hayes MP Minister of State (from 15 July 2014 to 11 May 2015)	3,577	-	1,000	5,000	22,483	-	7,000	30,000
Full-year equivalent	31,680				31,680			
Claire Perry MP Parliamentary Under Secretary of State (from 15 July 2014)	22,375	-	8,000	30,000	15,879	-	6,000	22,000
Full-year equivalent					22,375			
Stephen Hammond MP Parliamentary Under Secretary of State (to 31 August 2014)	-	-	-	-	9,323	-	-	9,000
Full-year equivalent					22,375			
Lord Ahmad of Wimbledon Parliamentary Under Secretary of State (from 12 May 2015)	64,288	-	21,000	85,000	-	-	-	-
Full-year equivalent	72,470							
Andrew Jones MP Parliamentary Under Secretary of State (from 12 May 2015)	19,849	-	5,000	25,000	-	-	-	-
Full-year equivalent	22,375							

42 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

43 Robert Goodwill was promoted to Minister of State in year. As a result there is a difference between the salary received and full-year equivalent based on salary received in his new role.

Table 18: Officials' remuneration

Officials	2015-16					2014-15				
	Salary (£000)	Bonus Payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total benefits (£000)	Salary (£000)	Bonus Payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total benefits (£000)
Philip Rutnam Permanent Secretary	170-175	-	-	71	240-245	165-170	-	-	54	220-225
Jonathan Moor Director General	135-140	-	-	58	195-200	135-140	-	-	59	195-200
Lucy Chadwick Director General	130-135	-	-	113	240-245	120-125	-	-	49	165-170
David Prout Director General	130-135	15-20	-	40	190-195	130-135	15-20	-	29	175-180
Steve Gooding Director General (to 27 May 2015)	20-25	15-20	-	22	60-65	125-130	-	-	46	170-175
Full Year Equivalent	125-130									
Bernadette Kelly Director General (from 14 September 2015)	75-80	-	-	70	145-150	-	-	-	-	-
Full Year Equivalent	135-140									
Tricia Hayes Director General (from 21 March 2016)	0-5	-	-	9	10-15	-	-	-	-	-
Full Year Equivalent	125-130									
John Dowie Acting Director General (from 1 May 2015 to 2 March 16)	85-90	-	-	114	200-205	-	-	-	-	-
Full Year Equivalent	105-110									

Table 18: Officials' remuneration *continued*

Officials	2015-16					2014-15				
	Salary (£000)	Bonus Payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total benefits (£000)	Salary (£000)	Bonus Payments (£000)	Benefits in kind (to nearest £100)	Pension benefits[1] (£000)	Total benefits (£000)
Brian Etheridge Acting Director General (from 20 July 2015 to 19 October 2015)	25-30	-	-	35	60-65	-	-	-	-	-
Full Year Equivalent	105-110									
Clare Moriarty Director General (to 2 August 2015)	50-55	-	-	28	75-80	150-155	15-20	-	36	200-205
Full Year Equivalent	150-155									

Notes:

1. Pension data is provided by MYCSP. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Philip Rutnam has a preserved pension relating to prior employment. A proportion of his pension benefit refers to changes in this preserved element.

Jonathan Moor's pension benefits are shown gross, before the application of a pension sharing order.

Salary

4.17 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£67,060 from 1 April 2014, £74,000 from 8 May 2015) and various allowances to which they are entitled are borne centrally. For Ministers in the House of Lords, they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total, remuneration and allowances, is paid by the Department and shown in the figures above.

Benefits in kind

4.18 The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind reported in 2015-16 for either Ministers or senior staff.

Bonuses

4.19 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses are paid in arrears and relate to the performance in the prior year in which they become payable to the individual. The bonuses reported in 2015-16 relate to performance in 2014-15 and the comparative bonuses reported for 2014-15 relate to the performance in 2013-14.

Pensions benefits

4.20 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015.[44]

4.21 Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1st April 2013 have transitional protection to remain in the previous final salary pension scheme.

4.22 Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

4.23 The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

44 Available at http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

Table 19: Pension benefits (Ministers)

Ministers	Accrued pension at age 65 as at 31/3/2016 £000	Real increase in pension at age 65 £000	CETV at 31/03/2016 £000	CETV at 31/03/2015 £000	Real increase in CETV funded by taxpayer £000
Rt Hon Patrick McLoughlin MP Secretary of State	20-25	2.5-5	480	406	55
Robert Goodwill MP Minister of State	2.5-5	0-2.5	60	46	9
Andrew Jones MP Parliamentary Under Secretary of State (from 12 May 2015)	0-2.5	0-2.5	4	0	2
Claire Perry MP Parliamentary Under Secretary of State	0-2.5	0-2.5	21	14	4
Lord Ahmad of Wimbledon Parliamentary Under Secretary of State (from 12 May 2015)	2.5-5	0-2.5	52	37	9
Baroness Kramer Minister of State (to 9 May 2015)	2.5-5	0-2.5	60	56	3
Rt Hon John Hayes MP Minister of State (to 9 May 2015)	2.5-5	0-2.5	76	75	1

Cash equivalent transfer values

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

Real increase in the value of the CETV

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

Table 20: Pension benefits (officials)

Officials	Accrued pension at Pension age as at 31/3/2016 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/2016 £000	CETV at 31/3/2015 £000	Real increase in CETV £000
Philip Rutnam Permanent Secretary	65-70 Plus lump sum of 140-145	2.5-5 Plus lump sum of 0-2.5	1,133	990	43
Bernadette Kelly Director General	45-50 Plus lump sum of 140-145	2.5-5 Plus lump sum of 7.5-10	898	791	57
Patricia Hayes Director General	30-35 Plus lump sum of 85-90	0-2.5 Plus lump sum of 0-2.5	538	509	29
Lucy Chadwick Director General	45-50	5-7.5	740	594	65
David Prout Director General	15-20	2.5-5	259	200	32
Jonathan Moor Director General	55-60	2.5-5	956	860	45
Stephen Gooding Director General	60-65 Plus lump sum of 100-105	0-2.5 Plus lump sum of 0-2.5	1164	1126	18
Clare Moriarty Director General	60-65	0-2.5	1025	952	20
John Dowie Acting Director General	40-45 Plus lump sum of 65-70	5-7.5 Plus lump sum of 5-7.5	747	636	87
Brian Etheridge Acting Director General	45-50 Plus lump sum of 140-145	0-2.5 Plus lump sum of 2.5-5	996	962	32

4.26 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

4.27 These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

4.28 Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

4.29 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

4.30 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

4.31 Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer values

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

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

Real increase in the value of the CETV

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

Pay multiples

The following section is subject to audit.

4.35 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director in the Department in the financial year 2015-16 was £170,000 -175,000 (2014-15: £165,000-170,000). This was 7.1 times (2014-15, 7.4) the median remuneration of the workforce, which was £24,299 (2014-15, £22,682).

4.36 The ratio is calculated by taking the mid-point of the banded remuneration of the highest paid director, and calculating the ratio between this and the median remuneration of the Department's staff. This ratio is based on the full-time equivalent staff of the Department at the end of March on an annualised basis. This calculation excludes arm's length bodies within the consolidation boundary. On this basis the calculation for 2014-15 includes Highways Agency. In April 2015 the functions of the executive agency transferred to a new body (Highways England) which is not included in the 2015-16 calculation. This change is the primary cause of the increase in the median salary. DVSA is also not included as it it is outside the consolidation boundary.

4.37 In 2015-16 one employee (2014-15, one employee) received remuneration in excess of the highest paid director. Remuneration for employees other than the highest paid director ranged from £16,866 to £260,000 (2013-14, £16,256 to £260,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Non-Executive Board Members

4.38 Each of the Non-Executive Board Members (NEBMs), Ed Smith, Mary Reilly, John Kirkland, Richard Brown and Dame Colette Bowe, is entitled to claim annual fees, currently £15,000 per year, and reasonable expenses (including travel and subsistence in line with the Department's policy on such expenses).

4.39 Ed Smith, as the Lead NEBM, receives an additional £5,000 in recognition of his role. Mary Reilly, as Chair of the Department's Group Audit and Risk Assurance Committee (GARAC), receives an additional £5,000 per annum in recognition of this role.

4.40 John Kirkland chose to decline his fee from January 2016 to June 2016, when his appointed term ended.

4.41 Non-Executive Board Members are appointed on fixed terms. Their fees for 2015-16 are set out in Table 21.

4.42 In addition, the membership of the Group Audit and Risk Committee includes the Chairs of the Audit Committees for Highways England and Network Rail who receive a fee for attending and preparing for meetings.

Table 21: Non-Executive Board Member's fees

Non-executive Board members	2015-16 (£000)	2014-15 (£000)
Ed Smith (appointed Lead Non-Executive January 2015)	20-25	20-25
Mary Reilly (also Chair of GARAC)	20-25	20-25
John Kirkland (fee paid April to December 2015 only)	10-15	15-20
Richard Brown	15-20	15-20
Dame Colette Bowe (appointed 1 September 2014)	15-20	5-10
Sam Laidlaw (appointment ended 31 December 2014)	N/A	Chose to be unpaid
Alan Cook (appointment ended June 2014)	N/A	0-5
Group Audit and Risk Assurance Committee		
David Hughes[45]	0-5	N/A
Bridget Rosewell (appointed 25 March 2015)	0-5	N/A

Staff costs and numbers (Departmental Group including delivery bodies)

4.43 The following section is subject to audit.

Table 22: Staff costs

	Permanently employed staff	Other Staff	Ministers	Special advisers	2015-16 Total	2014-15 Total
	£m	£m	£m	£m	£m	£m
Wages and salaries	2,184.7	42.8	0.2	0.2	2,227.9	2,094.0
Social security costs	212.1	-	-	-	212.1	200.8
Other pension costs	288.9	(0.3)	-	-	288.6	338.3
Sub Total	**2,685.7**	**42.5**	**0.2**	**0.2**	**2,728.6**	**2,633.1**
Less recoveries in respect of outward secondments	(0.7)	-	-	-	(0.7)	(0.5)
Total net costs	**2,685.0**	**42.5**	**0.2**	**0.2**	**2,727.9**	**2,632.6**

45 The Highways Agency covered David Hughes's fees in 2014-15.

4.44 Employees of entities included in these accounts benefit from a range of pension scheme arrangements. Some are members of employee-specific defined benefit schemes, set out in note 23 to the accounts. Others may be members of the Principal Civil Service Pension Scheme (PCSPS), or of defined contribution arrangements. The key schemes and associated costs for the Departmental group are disclosed below.

4.45 The PCSPS is an unfunded multi-employer defined benefit scheme but the Department for Transport is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).

4.46 For 2015-16, employers' contributions of £80.7m were payable to the PCSPS (2014-15 £71.6m) at one of four rates in the range 20.0% to 24.5% (2014-15: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

4.47 Employees can opt to open a partnership pension account (a stakeholder pension with an employer contribution). Employers' contributions of £691,292 (2014-15: £339,312) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (for the period 1 March 2014 to 30 September 2015) and 8% to 14.75% (for the period 1 October 2015 to 31 March 2016) of pensionable pay.

4.48 Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £23,986 0.5% (2014-15: £33,163, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

4.49 Contributions due to the partnership pension providers at the reporting period date were £40,435 (2014-15: £314,271).

4.50 Contributions prepaid to the partnership pension providers were £Nil (2014-15: £67,966).

Average number of persons employed

The following section is subject to audit.

4.51 The average number of whole-time equivalent persons employed during the year is set out in Table 23.

Table 23: Staff numbers

Activity Number of staff	Permanently employed staff	Others	Ministers	Special advisers	2015-16 Total	2014-15 Total
Average number of persons employed	54,708	1,774	5	2	**56,489**	**54,798**
Of which:						
Core Department	**1,908**	**103**	**5**	**2**	**2,018**	**1,900**
Agencies[46]	**6,526**	**28**	**-**	**-**	**6,554**	**9,838**
Other designated bodies	**46,274**	**1,643**	**-**	**-**	**47,917**	**43,060**

4.52 There were three early retirements as a result of ill-health (2014-15: 9).

4.53 Network Rail has two defined benefit pension schemes (RPS and CARE). The group pays contributions of 14.04% of section pay for members with a right to retire unreduced at 60 and 10.5% for other members. For 2015-16 the current service cost was £195m (2014-15: £164m).

4.54 On 1 April 2004 Network Rail introduced a defined contribution pension scheme, the Network Rail Defined Contribution Pension Scheme (NRDCPS). This is an auto-enrollment scheme for all new employees of Network Rail, except those who have the legal right to join the Railway Pension Scheme (RPS), in compliance with regulations made under the Pensions Act 2008. Any employee who wishes to transfer from the Network Rail Section of the RPS to the NRDCPS is entitled to do so. For 2015-16 employers contributions of £15m were payable into this scheme (2014-15: £13m)

4.55 On 1 April 2015 Highways England introduced a defined contribution personal pension plan. The Highways England pension plan is administered by a third party. Highways England matches employee contributions to personal pensions plans on a 2:1 basis up to a maximum of 10% gross salary. The default contributions are 5% (employee) and 10% (employer). For 2015-16 £0.6m of employer conribiutions were paid into the scheme.

4.56 These figures include those working in the Department as well as in agencies and other bodies included within the consolidated departmental account.

46 Excluding DVSA which is outside of the accounting boundary.

Staff composition (gender)

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

Table 24: Number of persons of each sex who were employees of the entity as at 31 March 2016

	Men	Women
Number of persons of each sex who were directors of the entity Permanent Secretary and directors general	3	3
Number of persons of each sex who were senior managers of the entity Members of the Senior Civil Service (excluding above)	96	57
Number of persons of each sex who were employees of the entity Employees in (i) DfT(c) and (ii) DfT including agencies[47]	i) 1,267 ii) 4,453	i) 798 ii) 4,944

Sickness absence data

4.58 Average working days lost for the 12-month period ending 31 March 2016, for DfT(c) and executive agencies, was 8.4 days. This is no change on the year to 31 March 2015. All absence is reviewed to ensure that support is offered and that occupational health reports, action plans and trigger-point interventions are progressed as appropriate. The Department has a programme in place to support and improve staff wellbeing.

Staff policies

Equality of opportunity

4.59 As a public authority, the Department is required to demonstrate how it complies with the public sector equality duty. The Department has agreed equality objectives that set out our aims for promoting equality of opportunity and that reflect the breadth of our work, covering both our workforce and our business priorities.

4.60 Our Vision is for a Department that is ambitious, outward-facing and one team – a great place to work. We want to lead the way on inclusion in the Civil Service and transport. To keep Britain moving it is essential to attract people from all walks of life and to make the most of everyone's talents. The central Department and executive agencies will each publish a local inclusion action plan in 2016. This includes action in three areas: 1) Leadership and responsibility, 2) Inclusive behaviours and capabilities and 3) Career progression and development. The inclusion action plans will be delivered in partnership with staff networks and diversity champions. We also support the work of our Permanent Secretary as Civil Service Disability Champion by improving the experience of DfT staff with disabilities.

47 Excluding DVSA which is outside of the accounting boundary.

Disability management

4.61 DfT(c) has 76 employees who have declared their disability.

4.62 DfT(c) is a Two-Ticks Disability Symbol user which means that all job applicants are guaranteed an interview provided they meet the minimum criteria for the job to which they are applying. The Department also ensures that the environment at interviews is suitable for their needs.

4.63 The Department provides workplace adjustments to employees with medical conditions, and appropriate training when needed. The Department was twice runner-up for a diversity award for the standard of reasonable adjustments provided.

4.64 The Department also supports positive action initiatives (such as positive action pathways) by which employees from under-represented groups, including disabled employees, are considered for positive action programmes. The Department has a very active staff network for disabled employees, chaired by John Parkinson, which supports their needs and with whom it regularly consults.

4.65 Lucy Chadwick, Director General, is the Champion for disability and she has actively encouraged initiatives to support disabled employees and raise the profile generally. The Department has partnered with the Business Disability Forum, which provides training for managers in disability issues.

Employee interests

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

Talent development

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

4.68 During 2015-16, the Nominations and Governance Committee, a sub-committee of the Board, reviewed and scrutinised plans for succession into our most senior leadership roles. The Department's Pay and Performance Committee also reviewed talent and succession plans for the Senior Civil Service (SCS). The DfT(c) People Committee has continued to oversee talent below Director level.

4.69 A new Commercial Capability Committee has been established to provide greater oversight for how we are building and managing our talent pipelines in the professions.

4.70 DfT has initiated or participated in a number of programmes in 2015-16 that support talent development across all the grades, including:

- One Director was successfully nominated to the cross-Government High Potential Scheme and four Deputy Directors to the Senior Leaders Scheme – an increase from three in 2014-15.

- Eleven people at grades 6 and 7 were successfully nominated to the cross-government Future Leaders Scheme – more than double the number in 2014-15.
- We are developing a network for our people on Future and Senior Leaders Scheme and delivered the first group session with the Permanent Secretary and departmental FLS/SLS sponsor, Rachael Etebar.
- One person has joined the new cross-government talent programme, 'Accelerate'. This programme is aimed at Deputy Directors with a disability or from an ethnic minority background.
- 28 people are now enrolled on or have completed the Major Projects Leadership Academy with a further 5 currently applying and a further 7 identified as suitable to attend this financial year.
- 26 staff have enrolled on the Project Leadership Programme, delivered through Cranfield Business School.
- DfT is part of a talent partnership with the former BIS and DECC, CLG and Defra which is supporting a wide range of opportunities for our talented staff at Grades 6 and 7.
- 5 Fast Streamers gained promotion to Grade 7.
- 123 apprentices were recruited in the Department and its agencies (figure includes internal staff that have started an apprenticeship).
- In addition, HR has worked with MCA to develop an apprenticeship standard for Maritime Operations Officers. This is a significant achievement as MCA are one of the few employers who have received approval to develop a Standard as a single employer. We expect the Standard to be available by the Autumn and will be a key pipeline for MCA.
- The Crossing Thresholds is a year-long career mentoring programme for women who want to develop their career in a structured and supportive environment. The mentoring partnerships are underpinned with themed group modules, peer support groups and individual assignments. 22 participants across DfT took part in 2015-16.
- 37 people have successfully enrolled on the Positive Action Pathways (PAP) Programmes. This includes a record number of 26 people through the HEO/SEO PAP cohort which launched in March this year (17 people in DfT(c)). The cross-Civil Service Positive Action Pathway 'Levelling the Playing Field' programme is aimed at staff from AA to Grade 6 level in under-represented groups with the potential to progress to at least the next grade.

4.71 We have introduced Director and Deputy Director talent development plans for our most talented people to ensure we are having constructive conversations and developing our people to undertake more senior roles.

4.72 We have completed the roll out of a leadership programme for all of our SCS and a management development programme for new managers.

- Momentum: DfT Senior Leadership Academy: This bespoke Programme was designed in partnership with Cass Business School and aimed to develop the capability of our leadership cadre and build a collaborative community. The programme has been a big success for DfT and work is underway to develop a future offering for this group.

- Velocity: Manage with Confidence: This programme aims to develop core people management skills to ensure we have confident and capable managers who are able to engage with their teams and manage and develop their people in order to successfully deliver the Department's objectives. Over 230 people have now completed or are undertaking the programme.

4.73 We have continued to develop the Commercial Fast Track Programme in DfT(c), aimed at growing our own commercial leaders. We currently have 16 people on the programme, with 12 individuals joining in September 2016.

4.74 Building our project delivery pipelines is a core priority for DfT. The Department has secured funding for 6 Project Delivery Fast Stream applicants for the first year of this new programme across government. We have also secured funding for two Project Delivery Fast Track (apprenticeship) spaces have been secured for the first year of the scheme

4.75 We are implementing the actions set out in our Group DfT inclusion plans – aligned to Removing Barriers to Success. Actions include formalising a "new deal" for our staff networks and their Champions, supporting them to develop their members and expand their reach; launching "Be the best you can be" development conversations enabling people up to SEO to discuss their career goals and aspirations with a senior member of staff and a refreshed mentoring scheme which will be further enhanced in September when we launch our mutual mentoring scheme. We are participating in pilot initiatives, some to assess whether they can help us develop staff from under-represented groups and others to help widen our recruitment pool. Examples are Coaching Squared for disabled staff; the Purple Space bursary scheme (a learning, networking and professional development hub for disabled employees across a number of sectors) and working with Diversity Jobs to increase our reach to diverse talent. Our Transport Infrastructure Skill Strategy commits to bringing in 30,000 road and rail apprentices from diverse backgrounds (including socio-economically disadvantaged backgrounds) by 2020.

Recruitment Practice

4.76 The Department has control systems requiring recruitment to be approved by Departmental HR Directors and controlled from a single point across DfT. The number of posts agreed for external recruitment during 2015-16 was 1637.

4.77 In 2015-16 there were 401 exceptions to the general recruitment principles in relation to fair and open competition. Of these, 344 were in Driver and Vehicle Licensing Agency under a TUPE agreement, to bring technical expertise back in house. The remaining exceptions fell into the categories of temporary appointments of up to two years, or secondments. These were permissible under the principles of the Civil Service Commissioner as all required highly specialised skills and experience.

Expenditure on consultancy, temporary and off-payroll staff

4.78 During the year the Department and its delivery bodies employed a number of consultancy and temporary staff. Expenditure on consultancy and temporary staff in 2015-16 is shown in Table 25.

Table 25: Expenditure on consultancy and temporary staff

Organisation	Consultancy[48] (£m)	Temporary Staff (£m)	Total (£m)
DfT(c)	26.98	4.18	31.16
Driver & Vehicle Licensing Agency	0.34	0.61	0.95
Driver & Vehicle Standards Agency	0.31	7.63	7.94
Maritime & Coastguard Agency	-	0.93	0.93
Vehicle Certification Agency	0.01	0.15	0.17
British Transport Police	0.49	0.02	0.52
Directly Operated Railways	0.11	0.09	0.2
Transport Focus	-	0.39	0.39
Northern Lighthouse Board	-	0.29	0.29
Trinity House Lighthouse Service	0.01	0.17	0.18
HS2 Ltd	-	36.32	36.32
Network Rail[49]	N/A	128.00	128.00
Highways England	1.87	12.14	14.01
Department Total	**30.12**	**190.92**	**221.06**

48 Consultancy here is the provision of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.

49 Network Rail is not able to provide consultancy expenditure by the same definitions as the rest of the Group.

Off-payroll appointees

4.79 As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments report on their off-payroll engagements and related tax arrangements. This data is shown in Tables 26, 27 and 28.

Table 26: Off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months

	DfT(c)	BTP	DVSA	DVLA	HE	HS2 Ltd	MCA	NR	VCA	Total
Number of existing engagements as at 31 March 2016	65	16	44	3	53	63	4	484	1	733
Of which:										
No. that have existed for less than one year at time of reporting	18	10	15	2	18	19	-	229	-	311
No. that have existed for between one and two years at time of reporting	28	3	21	1	24	38	-	187	1	303
No. that have existed for between two and three years at time of reporting	11	3	7	-	9	4	3	36	-	73
No. that have existed for between three and four years at time of reporting	3	-	1	-	2	1	-	15	-	22
No. that have existed for four or more years at time of reporting	5	-	-	-	-	1	1	17	-	24

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

Table 27: New off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that lasted for longer than six months

	DfT(c)	BTP	DVSA	DVLA	HE	HS2 Ltd	MCA	NR	VCA	Total
Number of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	159	61	120	4	131	287	6	121	1	890
No. of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	153	55	108	4	128	287	6	105	1	847
No. for whom assurance has been requested	159	61	120	4	131	287	6	-	1	769
Of which:										
No. for whom assurance has been received	152	56	114	4	114	254	6	-	1	701
No. for whom assurance has not been received	7	5	6	-	17	33	-	-	-	68
No. of those in the line above, who have now left the Department	7	5	6	-	13	33	-	-	-	68
No. that have been terminated as a result of assurance not being received	-	-	-	-	-	-	-	-	-	-
Remaining cases (in the final stages of review)	-	-	-	-	4	-	-	-	-	4

4.81 DfT(c): All contracts, apart from 6, included clauses giving the Department the right to request assurance. Work is being done to ensure all new engagements have the appropriate contractual clauses. Assurance was requested and received of all contractors, apart from 7 who had left before assurance was obtained. Areas of DfT(c) have ensured their contractors provide the required assurance as requested.

4.82 BTP: All contracts, apart from 6, included clauses giving BTP and the Department the right to request assurance. Work is being done to ensure all new engagements have the appropriate contractual clauses. Assurance was requested and received of all contractors, apart from 5 who had left before assurance was obtained. BTP has ensured its contractors provide the required assurance to DfT when requested.

4.83 DVSA: All contracts, apart from 12, included clauses giving DVSA and the Department the right to request assurance. The 12 contracts where additional clauses could not be inserted was due to pre-existing contractual agreements between the selected intermediary and the end worker/ service provider, which the Department could not have changed without financial penalty. The Department is working closely with DVSA to ensure all new engagements have the appropriate contractual clauses. Assurance was requested and received from all contractors, apart from 6 who had left before assurance was obtained.

4.84 HE: All contracts, apart from 3 included clauses giving HE and the Department the right to request assurance. Work is being done to ensure all new engagements have the appropriate contractual clauses. Assurance was requested and received from all contractors, apart from 17 of which 13 left HE before assurance was obtained. For the remaining 4, we are in the final stages of review where assurance is being sought.

4.85 HS2 Ltd: All contracts included clauses giving HS2 Ltd and the Department the right to request assurance. Assurance was requested from all contractors and received, apart from 33 who had left before assurance was obtained and this was mainly due to timing of seeking the required assurance.

4.86 NR: Network Rail (NR) is fully consolidated within the Department's Accounts for the first time from 2015-16. NR require confirmation of compliance with UK tax legislation as a part of any contract engaged through its sourcing partners and NR have the right to request any further assurances deemed necessary. This practice had been in place prior to NR becoming an arm's length body of the Department and was designed to minimise the operational risk of losing critical workers on key projects whilst simultaneously ensuring all workers fulfil their UK tax obligations. All contracts, apart from 16 included contractual clauses giving NR the right to request assurance. NR has received assurance that these individuals are subject to PAYE. NR are now currently taking action to insert clauses specifically to allow for additional (more in depth) tax compliance reviews, as the existing contracts roll over.

Table 28: Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016

	DfT(c)	BTP	DOR	DVSA	DVLA	HE	HS2	MCA	NLB	NR	TF	THLS	VCA	Total
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	-	2	-	2	-	-	-	-	-	-	-	-	-	4
Number of individuals that have been deemed 'Board members and/or senior officials with significant financial responsibility', during the financial year. This figure should include both off-payroll and on-payroll engagements.	31	9	5	9	1	6	2	12	5	31	11	4	2	128

4.87 Details of the exceptional circumstances that led to the off-payroll engagements in BTP and DVSA and the length of time each of these engagements lasted is as follows:

4.88 **BTP:** (i) From 2 March 2015 to 13 April 2015 – details of this engagement were also provided in the Annual Report and Accounts for 2014/15. The purpose of the engagement was to provide interim cover after the substantive post holder resigned from BTP. A new substantive post-holder has now been permanently appointed to the role. Accounting Officer approval was received for the temporary engagement. (ii) From 1 February 2016 to 1 August 2016 – the post holder provides professional and strategic financial advice to the force and to the Chief Officer's Group. Work is underway to move the individual onto BTP payroll and separately, BTP are looking to recruit a permanent post holder to fill the current temporary position as soon as possible. Accounting Officer approval was received for the temporary engagement.

4.89 **DVSA:** (i) From 5 October 2015 to 31 March 2016 – (ii) From 19 October 2015 to 31 March 2016. Retirement of the Chief Executive, resignation of the Finance & Corporate Services Director and delay in the recruitment process for the Finance and Operations Directors and no suitable internal candidates. The new Chief Executive started on 1 April 2016 and the recruitment process has resumed on his instruction. In the meantime, these two roles were critical to the continuity of the business. DVSA Accounting Officer approval was sought and obtained for both engagements being off payroll for the above periods.

Exit packages

Table 29: Reporting of Civil Service and other compensation schemes – exit packages[50, 51]

The following section is subject to audit

Comparative data (restated) is shown (in brackets) for previous year

	Core Department & Agencies						Departmental Group					
Exit package cost band	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**	
	2015-16	**2014-15**	**2015-16**	**2014-15**	**2015-16**	**2014-15**	**2015-16**	**2014-15**	**2015-16**	**2014-15**	**2015-16**	**2014-15**
<£10,000	-	1	1	7	1	8	30	50	15	67	45	117
£10,000–£25,000	-	1	42	34	42	35	74	131	88	173	162	304
£25,000–£50,000	-	6	51	11	51	17	60	97	117	205	177	302
£50,000–£100,000	-	1	49	8	49	9	24	49	75	231	99	280
£100,000–£150,000	-	1	1	2	1	3	5	6	6	55	11	61
£150,000–£200,000	-	-	-	1	-	1	-	1	2	8	2	9
>£200,000	-	-	-	-	-	-	-	-	1	2	1	2
Total number of exit packages	-	10	144	63	144	73	193	334	304	741	497	1,075
2015-16 Total cost /£	-		5,848,495		5,848,495		5,772,809		12,214,192		17,987,001	
2014-15 Total cost /£[52]	441,824		1,899,387		2,341,211		10,095,774		35,070,407		45,166,181	

50 Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

51 During the financial year 2015-16, seven payments were made which were not covered by the Civil Service Compensation Scheme. These totalled £147,748 and were out of court settlements. HM Treasury approval was obtained where required.

52 The 2014-15 Departmental Group numbers have been restated to include Network Rail. The 2014-15 costs for the Departmental Group and core agencies have been restated for prior year adjustments, including the addition of Network Rail.

5. Parliamentary accountability and audit report

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2015-16

The SOPS and related notes are subject to audit

		2015-16							2014-15
		Estimate			Outturn			Voted Outturn vs. Estimate	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total
		£m	£m	£m	£m	£m	£m	£m	£m
Departmental Expenditure Limit (DEL)									
– Resource	SOPS 1.1	3,143.6	16.4	3,160.0	3,052.2	16.8	3,069.0	91.4	3,544.3
– Capital	SOPS 1.2	5,993.5	-	5,993.5	5,955.1	5.5	5,960.6	38.4	9,362.7
Annually Managed Expenditure (AME)									
– Resource	SOPS 1.1	9,344.1	(0.5)	9,343.6	5,679.7	(0.2)	5,679.5	3,664.4	475.5
– Capital	SOPS 1.2	6,645.6	-	6,645.6	6,544.4	-	6,544.4	101.2	6,695.3
Total Budget		**25,126.8**	**15.9**	**25,142.7**	**21,231.4**	**22.1**	**21,253.5**	**3,895.4**	**20,077.8**
Non-Budget									
– Resource	SOPS 1.1	-	-	-	(6,830.2)	-	(6,830.2)	6,830.2	-
– Capital	SOPS 1.2	-	-	-	(48.1)	-	(48.1)	48.1	-
Total		**25,126.8**	**15.9**	**25,142.7**	**14,353.1**	**22.1**	**14,375.2**	**10,773.7**	**20,077.8**
Total resource		**12,487.7**	**15.9**	**12,503.6**	**1,901.7**	**16.6**	**1,918.3**	**10,586.0**	**4,019.8**
Total capital		**12,639.1**	**-**	**12,639.1**	**12,451.4**	**5.5**	**12,456.9**	**187.7**	**16,058.0**
Total		**25,126.8**	**15.9**	**25,142.7**	**14,353.1**	**22.1**	**14,375.2**	**10,773.7**	**20,077.8**

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown later in the Accountability report (pages 100 to 104).

Net Cash Requirement 2015-16		£m		2015-16	2014-15
	Note	**Estimate**	**Outturn**	**Outturn vs. Estimate**	**Outturn**
Net Cash Requirement	SOPS 3	19,976.2	19,038.9	937.3	18,952.7

Administration Costs 2015-16 (Net)	£m		2015-16	2014-15
	Estimate	**Outturn**	**Outturn vs. Estimate**	**Outturn**
	278.2	266.9	11.3	271.4

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the Administration budget will also result in an excess vote.

The analysis of variances between Estimate and Outturn by Estimate Section is in SOPS 1, as referenced above. An explanation of these variances is in financial performance section.

The Department has Prior Period Adjustments (PPAs) resulting from a change to the accounting treatment of road network valuations, from impairments to reserve movements, and the incorrect classification of certain capital loan repayments, as payments due to the Consolidated Fund. It is proper for the Department to seek Parliamentary authority for the provision that should have been sought previously. In 2015-16, the following PPAs have been made, which have been included within the voted Supply in the Estimate.

PPA Description	Year	Resource AME	Capital DEL	Resource DEL	Net DEL
		£m	£m	£m	£m
Change to the accounting treatment of road network revaluations on completion	To 2013-14	(6,083.9)	-	-	-
	2014-15	(739.2)	-	-	-
The accounting treatment of loans and repayments relating to Severn River Crossing and the M6 Toll has changed.	2012-13	-	18.0	(3.3)	14.7
	2013-14	-	(8.6)	(3.4)	(12.0)
	2014-15	-	(57.5)	(0.4)	(57.9)

The SOPS notes on pages 89 to 97 form part of these accounts.

SOPS 1. Net outturn

SOPS 1.1 Analysis of net resource outturn by section

											2015-16	2014-15
								Outturn	Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total	Net Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Spending in Departmental Expenditure Limit (DEL)												
	Voted:											
A	Tolled crossings	-	-	-	48.0	(149.2)	(101.2)	(101.2)	(96.8)	4.4	4.4	(101.4)
B	Local authority transport	-	-	-	343.3	-	343.3	343.3	340.1	(3.2)	-	334.4
C	Highways England	55.9	-	55.9	1,942.8	-	1,942.8	1,998.7	2,083.0	84.3	43.3	1,862.1
	Network Rail	-	-	-	-	-	-	-		-	-	(361.5)
D	Funding of ALBs (net)	3.6	-	3.6	62.9	-	62.9	66.5	92.8	26.3	6.3	19.9
E	Other railways	-	-	-	328.2	(106.9)	221.3	221.3	202.9	(18.4)	-	265.4
F	Sustainable travel	-	-	-	160.8	(1.1)	159.7	159.7	171.2	11.5	11.5	153.8
G	Bus subsidies & concessionary fares	-	-	-	261.0	-	261.0	261.0	248.9	(12.1)	-	262.0
H	GLA transport grants	-	-	-	591.4	-	591.4	591.4	591.5	0.1	0.1	1,777.5
I	Crossrail	-	-	-	29.6	(0.9)	28.7	28.7	5.0	(23.7)	-	-
J	Aviation, maritime, security and safety	-	-	-	109.0	(43.2)	65.8	65.8	65.2	(0.6)	-	(27.2)
K	Maritime & Coastguard Agency	7.2	(0.5)	6.7	289.9	(12.1)	277.8	284.5	294.9	10.4	10.4	167.0
L	Motoring agencies	-	-	-	520.8	(390.1)	130.7	130.7	136.1	5.4	5.4	113.7
M	Science, research and support functions	-	-	-	53.8	-	53.8	53.8	71.5	17.7	-	51.4
N	Central administration	206.2	(8.7)	197.5	27.1	(46.8)	(19.7)	177.8	179.2	1.4	4.2	215.3
P	Support for Passenger Rail Services	-	-	-	374.5	(1,619.9)	(1,245.4)	(1,245.4)	(1,264.4)	(19.0)	0.2	(1,209.5)

SOPS 1.1 Analysis of net resource outturn by section – *(continued)*

												2015-16	2014-15
									Outturn	Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Administration			Programme								
		Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total	Net Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Q	High Speed Two	-	-	-	15.6	-	15.6	15.6	22.5	6.9	5.6	13.6
	Total Spending in Voted Resource DEL	**272.9**	**(9.2)**	**263.7**	**5,158.7**	**(2,370.2)**	**2,788.5**	**3,052.2**	**3,143.6**	**91.4**	**91.4**	**3,536.5**
	Non-voted											
	Aviation, maritime, security and safety	-	-	-	0.1	(0.1)	-	-	-	-	-	-
R	Funding of Other ALBs (Net)	3.2	-	3.2	8.8	4.8	13.6	16.8	16.4	(0.4)	(0.4)	7.8
	Total Spending in DEL	**276.1**	**(9.2)**	**266.9**	**5,167.6**	**(2,365.5)**	**2,802.1**	**3,069.0**	**3,160.0**	**91.0**	**91.0**	**3,544.3**

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown later in the Accountability report (pages 100 to 104).

SOPS 1.1 Analysis of net Resource Outturn by section – *(continued)*

												2015-16	2014-15
									Outturn	Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Administration			Programme								
		Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total	Net Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Spending in Annually Managed Expenditure (AME)												
	Voted											
S	Highways England	-	-	-	2.7	-	2.7	2.7	831.5	828.8	828.8	748.8
T	Network Rail	-	-	-	5,387.3	-	5,387.3	5,387.3	8,055.3	2,668.0	2,668.0	(22.7)
V	Other railways	-	-	-	444.7	(193.5)	251.2	251.2	282.9	31.7	31.7	193.4
X	Aviation, maritime, security and safety	-	-	-	-	(3.8)	(3.8)	(3.8)	(3.8)	-	-	(2.0)
Y	Maritime & Coastguard Agency	-	-	-	(2.1)	-	(2.1)	(2.1)	(1.8)	0.3	0.3	(0.4)
Z	Motoring Agencies	-	-	-	(4.8)	-	(4.8)	(4.8)	(4.2)	0.6	0.6	(6.0)
AA	Central administration	-	-	-	-	(7.3)	(7.3)	(7.3)	103.7	111.0	111.0	(16.6)
U	Funding of other ALBs (Net)	-	-	-	56.5	-	56.5	56.5	80.5	24.0	24.0	-
	Total Spending in Voted Resource AME	**-**	**-**	**-**	**5,884.3**	**(204.6)**	**5,679.7**	**5,679.7**	**9,344.1**	**3,664.4**	**3,664.4**	**894.5**
	Non-Voted											
AC	Funding of other ALBs (Net)	-	-	-	-	(0.2)	(0.2)	(0.2)	(0.5)	(0.3)	(0.3)	(419.0)
	Total Spending in Resource AME	**-**	**-**	**-**	**5,884.3**	**(204.8)**	**5,679.5**	**5,679.5**	**9,343.6**	**3,664.1**	**3,664.1**	**475.5**
	Total spending in DEL & AME (Budget)	**276.1**	**(9.2)**	**266.9**	**11,051.9**	**(2,570.3)**	**8,481.6**	**8,748.5**	**12,503.6**	**3,755.1**	**3,755.1**	**4,019.8**

SOPS 1.1 Analysis of net Resource Outturn by section – *(continued)*

											2015-16	2014-15
								Outturn	Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total	Net Total	Net Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Non-budget											
	Voted											
AD	Prior period adjustments	-	-	-	(6,823.1)	(7.1)	(6,830.2)	(6,830.2)	-	6,830.2	6,830.2	-
	Resource Outturn	**276.1**	**(9.2)**	**266.9**	**4,228.8**	**(2,577.4)**	**1,651.4**	**1,918.3**	**12,503.6**	**10,585.3**	**10,585.3**	**4,019.8**

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown later in the Accountability report (pages 100 to 104).

SOPS 1.2 Analysis of net capital outturn by section

								2014-15
							2015-16	
				Outturn	Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Gross	Income	Net	Net	Net	Net	Net
		£m	£m	£m	£m	£m	£m	£m
	Spending in Departmental Expenditure Limit (DEL)							
	Voted:							
A	Tolled crossings	(92.9)	(193.2)	(286.1)	(285.5)	0.6	0.6	(4.2)
B	Local authority transport	1,754.3	-	1,754.3	1,674.8	(79.5)	-	1,962.3
C	Highways England	1,931.0	-	1,931.0	1,925.6	(5.4)	-	1,859.5
	Network Rail	-	-	-	-	-	-	3,862.4
D	Funding of ALBs (net)	333.1	(0.1)	333.0	351.7	18.7	2.8	145.3
E	Other railways	65.5	-	65.5	73.1	7.6	7.6	22.6
F	Sustainable travel	290.6	4.7	295.3	295.5	0.2	0.2	217.8
G	Bus subsidies & concessionary fares	28.8	-	28.8	21.2	(7.6)	-	3.9
H	GLA transport grants	925.0	-	925.0	925.0	-	-	30.0
I	Crossrail	800.0	-	800.0	800.0	-	-	1,082.2
J	Aviation, maritime, security and safety	7.2	-	7.2	44.4	37.2	13.6	3.9
K	Maritime and Coastguard Agency	10.6	(0.4)	10.2	10.1	(0.1)	0.4	7.9
L	Motoring agencies	19.9	(34.9)	(15.0)	(7.9)	7.1	7.1	(19.0)
M	Science, research and support functions	0.2	-	0.2	1.5	1.3	1.3	0.1
N	Central administration	3.2	-	3.2	0.7	(2.5)	-	1.4
Q	High Speed Two	107.3	(4.8)	102.5	163.3	60.8	4.8	180.9
	Total spending in voted Capital DEL	**6,183.8**	**(228.7)**	**5,955.1**	**5,993.5**	**38.4**	**38.4**	**9,357.0**
	Non-voted expenditure							
R	Funding of other ALBs (Net)	5.9	(0.4)	5.5	-	(5.5)	(5.5)	5.7
	Total Spending in Capital DEL	**6,189.7**	**(229.1)**	**5,960.6**	**5,993.5**	**32.9**	**32.9**	**9,362.7**

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown later in the Accountability Report (pages 100 to 104).

SOPS 1.2 Analysis of net Capital Outturn by Section – *(continued)*

							2015-16	2014-15
				Outturn	Estimate	Outturn vs. Estimate	Outturn vs. Estimate adjusted for virements	Outturn
		Gross	Income	Net	Net	Net	Net	Net
		£m	£m	£m	£m	£m	£m	£m
Spending in Annually Managed Expenditure (AME)								
	Voted expenditure:							
S	Highways England	(23.8)	-	(23.8)	(19.5)	4.3	4.3	15.4
T	Network Rail	6,600.5	-	6,600.5	6,701.1	100.6	84.6	6,450.0
AB	High Speed Two	-	(5.0)	(5.0)	(16.0)	(11.0)	5.0	49.8
X	Aviation, maritime, security and safety	-	(20.0)	(20.0)	(20.0)	-	-	190.0
AA	Central administration	-	(7.3)	(7.3)	-	7.3	7.3	-
U	Funding of ALB's (Net)	-	-	-		-	-	(9.9)
	Total Spending in Capital AME	**6,576.7**	**(32.3)**	**6,544.4**	**6,645.6**	**101.2**	**101.2**	**6,695.3**
	Total spending in DEL & AME (Budget)	**12,766.4**	**(261.4)**	**12,505.0**	**12,639.1**	**134.1**	**134.1**	**16,058.0**
	Non-Budget spending							
	Voted expenditure							
AD	Prior period adjustments	46.9	(95.0)	(48.1)	-	48.1	48.1	-
	Capital Outturn	**12,813.3**	**(356.4)**	**12,456.9**	**12,639.1**	**182.2**	**182.2**	**16,058.0**

Detailed explanations of significant variances between Estimate and Net Resource Outturn are shown later in the Accountability Report (pages 100 to 104).

SOPS 2. Reconciliation of outturn to net operating expenditure

			2015-16 £m	2014-15 (restated) £m
Total resource outturn in Statement of Parliamentary Supply		**Note**	**Outturn**	**Outturn**
	Budget *	SOPS 1.1	8,748.5	4,019.8
	Non-Budget	SOPS 1.1	(6,830.2)	-
			1,918.3	**4,019.8**
Add:	Capital grants	4	3,871.2	3,469.9
	Capital grant in kind		-	325.0
	EU Grants		-	19.3
	Prior year adjustments		6,830.2	3,154.8
	Capital grant to Network Rail (eliminated on consolidation)		-	3,737.3
			10,701.4	**10,706.3**
	Capital income		-	(55.2)
	Dividend in specie (Eurostar sale)		-	(325.0)
	Non-Budget accounting adjustments		31.5	(14.8)
Less:	Non-supply income (CFERs)	SOPS 4	(533.2)	(198.4)
			(501.7)	(593.4)
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**12,118.0**	**14,132.7**

* Excludes prior period adjustments

SOPS 3. Reconciliation of Net Outturn to Net Cash Requirement for 2015-16

	Note	Estimate £m	Net Outturn £m	Net Outturn vs. Estimate £m
Resource outturn *	SOPS 1.1	**12,503.6**	**8,748.5**	**3,755.1**
Capital outturn *	SOPS 1.2	**12,639.1**	**12,505.0**	**134.1**
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(235.7)	(101.7)	(134.0)
New provisions and adjustments to previous provisions		(105.5)	(115.1)	9.6
Supported capital expenditure (revenue)		-	(1.8)	1.8
Other non-cash items:		53.9	(2,453.6)	2,507.5
Adjustments for arm's length bodies:				
Remove voted resource and capital		(20,102.1)	(16,924.8)	(3,177.3)
Add cash grant-in-aid and loans		7,305.5	15,011.6	(7,706.1)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in stock		-	34.0	(34.0)
Increase/(decrease) in debtors		-	(27.0)	27.0
(Increase)/decrease in creditors		7,837.9	2,290.1	5,547.8
Use of provisions		95.3	73.7	21.6
		(5,150.7)	(2,214.6)	(2,936.1)
Removal of non-voted budget items:		(15.8)	-	(15.8)
Net Cash Requirement		**19,976.2**	**19,038.9**	**937.3**

* Excludes prior period adjustments

SOPS 4. Income payable to the Consolidated Fund

SOPS 4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2015-16		Outturn 2014-15	
	£m	£m	£m	£m
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate – Resource	533.2	*533.2*	198.4	*198.4*
Operating income outside the ambit of the Estimate – Capital	20.6	*20.6*	10.0	*10.0*
	553.8	*553.8*	208.4	*208.4*
Interest on loan to GLF payable to the Consolidated Fund	-	-	2.0	*2.0*
Non-budget amounts collectable on behalf of the Consolidated Fund	-	-	71.0	*71.0*
Total income payable to the Consolidated Fund	**553.8**	***553.8***	**281.4**	***281.4***

SOPS 4.2 Consolidated Fund income

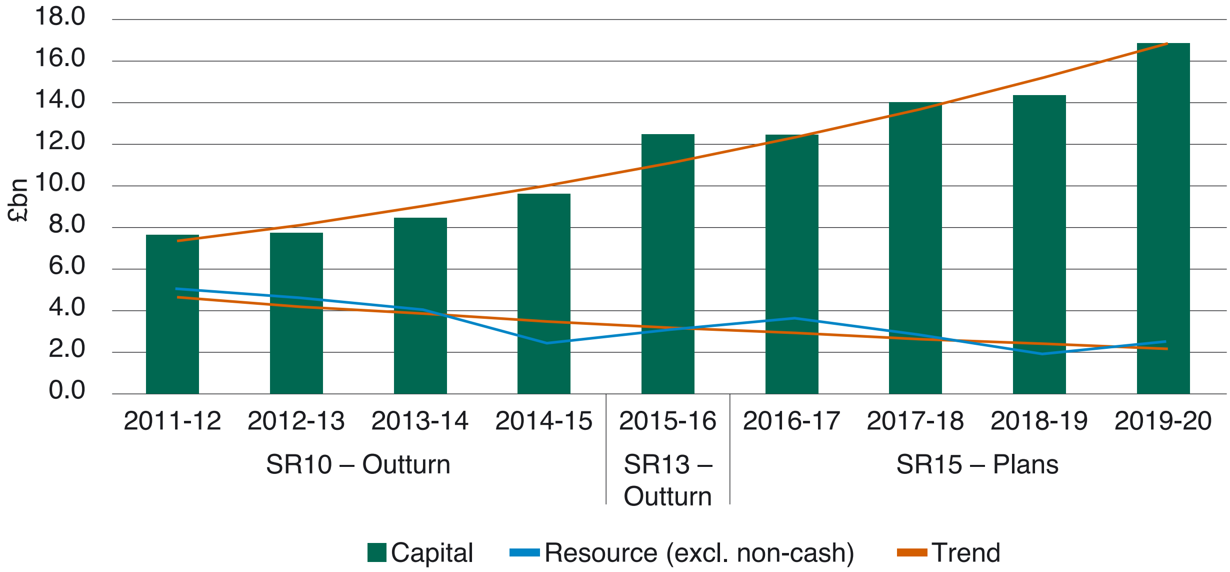
The Consolidated Fund income shown in SOPS 4.1 above does not include any amounts collected by the Department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2015-16	2014-15
	£m	£m
Licence fees, penalties and fines	51.9	40.7
Costs of collection – where deductible	(10.1)	(5.5)
Amount payable to the Consolidated Fund	41.8	35.2
Balance held at the start of the year	4.0	4.1
Payments into the Consolidated Fund	(40.7)	(35.3)
Balance held on trust at the end of the year	5.1	4.0

Vehicle Excise Duty is not collected by the Department but paid directly into the Consolidated Fund. Further details are given in the Trust Statement within the DVLA Accounts.

Long term expenditure trends

Figure 14: Capital investment versus resource expenditure



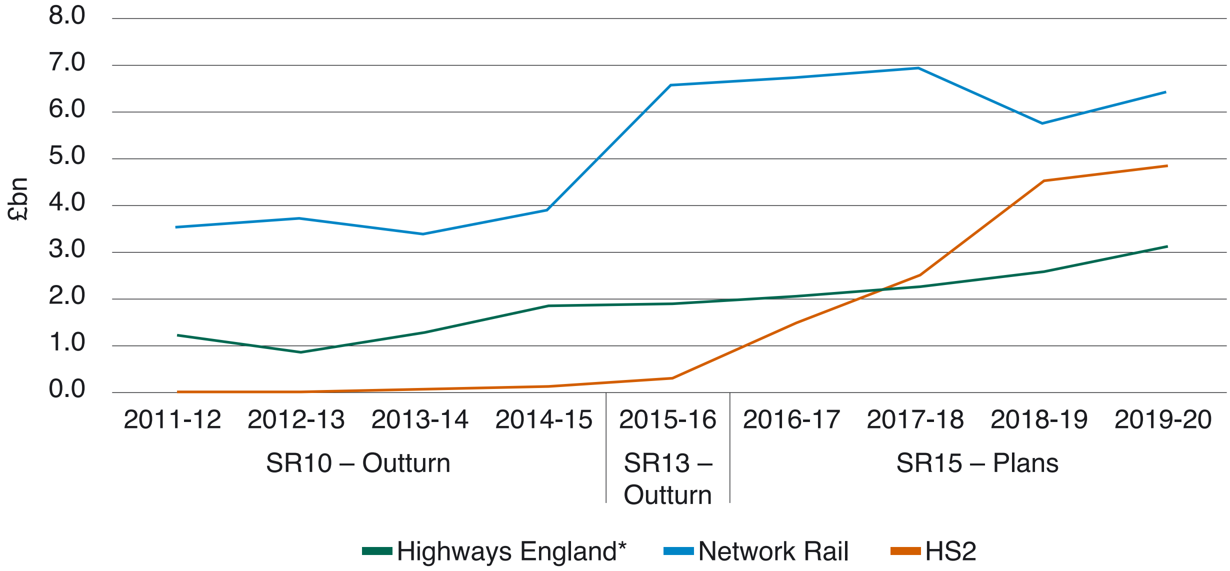
Capital and resource data used in the graph includes DEL and AME

5.1 The Government has agreed to provide the biggest investment in transport infrastructure in generations, which shows an increase in capital investment against a projected reduction in the resource (excl. non-cash costs) expenditure across the Spending Review 2015 (SR15) period. SR 15 is the budget settlement agreed with HM Treasury for future years up to 2019-20.

5.2 Over the SR15 period the Department will continue to reduce its operating costs, while improving the efficiency and effectiveness of our services. For example, our motoring agencies will generate significant efficiencies by placing more services online. The Department's administration budget is set to reduce by 12% in real terms over the SR period.

5.3 We will work with other government departments to deliver transformational changes, for example, developing digital solutions and integrating them on cross-government platforms. Also, working in partnership with the Cabinet Office to deliver arm's length bodies' transformation plans and with Infrastructure and Projects Authority on major projects, programmes and prioritisation.

Figure 15: Key areas of capital investment



*Highways Agency until 2014-15

Capital data used in graph 2 includes DEL and AME

5.4 The capital investment being made over the SR15 period by the Department covers the Network Rail (NR) investment programme, the construction of High Speed 2 (HS2) and the continued delivery of the Roads Investment Strategy by Highways England. All three are integral to driving forward major improvements to transport in the Northern Powerhouse. This investment will support a more productive Britain, deliver new and highly efficient infrastructure and create opportunities for people across Britain.

5.5 **Network Rail** – was reclassified as a central government body, with effect from 1 September 2014 and has been fully consolidated within the Department's Accounts from 2015-16. Network Rail will deliver its programme of operations, maintenance, renewals and enhancements within 'Control Period 5' (CP5), which runs from 1 April 2014 to 31 March 2019. The outputs Network Rail is required to deliver are profiled across CP5, which shows an increase in costs in its first year (2015-16) of consolidation. As the investment programme matures, the profile of costs across the CP5 period may need to be adjusted. The figures prior to 2015-16 in the graph, do not show NR's actual capital spend but the capital grant provided by the Department.

5.6 The Network Rail Investment Programme is the biggest programme of railway modernisation since the Victorian era, with the aim of long term transformation of the railway network.

5.7 **High Speed 2** – the Department will deliver HS2 from London to Birmingham by 2026, and to Leeds and Manchester by 2033. The programme is anticipated to support up to 25,000 jobs and up to 2,000 apprenticeships, giving young people an opportunity to gain valuable skills and experience.

5.8 The programme is expected to clear an important milestone in 2016-17: Royal Assent of the Phase 1 Hybrid bill. This legislation will provide clear authority for the construction of Phase 1 of the High Speed Line. Prior to Royal Assent authority exists for limited elements of preparation and related expenditure. This is reflected in graph 2, which shows an increase in expenditure from 2016-17.

5.9 **Highways England** – sees an increase in capital investment over the SR15 period, shown in graph 2. The increased investment and commitment made over the next five years, is to ensure improvements on the country's major road network are streamlined, cost efficient and encourage investment. HE aims to improve the capacity and performance of the network by investing and modernising the network and ensuring efficient use of resources in delivery of the Road Investment Strategy.

Financial performance

Financial performance is recorded against each section of the Department's supplementary estimates in the Statement of Parliamentary Supply (page 87) and is also summarised in the Core Tables (Annex)

2015-16 Outturn versus Estimate

The Net Voted Resource DEL Outturn reported in the Statement of Parliamentary Supply was £3052.2m, which is £91.4m (3%) below the Estimate of £3143.6m. Of this, Net Outturn on the Departmental Administration Limit was £266.9m and is £11.3m (4%) below the total Estimate of £278.2m.

The Net Voted Capital DEL Outturn Reported in the Statement of Parliamentary Supply was £5,955.1m, which is £38.4m (1%) below the Estimate of £5,993.5m.

The Net Voted AME Outturn Reported in the Statement of Parliamentary Supply was £12,224m, which is £3,765m (24%) below the Estimate of £15,989m.

The material components of the net underspend by estimate lines are as below

Departmental Expenditure Limit (DEL)

Section B: Local Authority Transport – Capital DEL overspend £80m;

This overspend is attributable to funding provided for flood relief during 2015-16 which totalled £180m. Flood Relief funding was an entirely in-year pressure as a result of the adverse weather conditions experienced during the winter months, and had no funding allocated at the start of the year. The total spend was £80m higher than initially anticipated during Supplementary estimates, which were made before the full requirements of Local Authorities were clear.

Section C: Highways England – Resource DEL underspend £84m

Highways England continually reviews its methodology for network valuation, including the method for calculating the most appropriate depreciation charge. One improvement introduced in the year was the use of additional data on road (surface) condition. Previously, road condition was measured by establishing the level of wear on the inside lane of carriageways only, with an extrapolation for other lanes. The revised method provides a more reliable estimate of wear by using data for all lanes. This was a significant factor reducing the overall depreciation charge for the financial year.

Section D: Funding of ALBs – Resource DEL underspend £26m

This estimate line represents the net surplus/deficit of the Department's Arms Length Bodies and the variance is an aggregate of smaller variances across a number of bodies.

Section D: Funding of ALBs – Capital DEL underspend £19m

This estimate line represents the net surplus/deficit of the Department's Arms Length Bodies and the variance is an aggregate of smaller variances across a number of bodies.

Section E: Other railways – Resource DEL overspend £18m

The primary pressure relates to unbudgeted interest costs for rail related pension liabilities. This is partly offset by underspends as a result of ongoing negotiations with Passenger Transport Executives on Control Period 5.

Section F: Sustainable Travel – Resource DEL underspend £12m

A £10m underspend on Smart Ticketing emerged as a result of project slippage. The remaining underspend relates to a £4m underspend on Cleaner Vehicles, where private sales were less than forecast at the supplementary estimate. This was offset by resource pressures across other various Sustainable Travel programmes.

Section G: Bus subsidies and Concessionary Fares – Resource DEL overspend £12m

This overspend relates to the Bus Operators Grant which are initially based on estimates. The final returns from operators came in higher than anticipated, resulting in an overspend of £11m. This is a highly volatile area with payments made depending on the number of 'bus miles' claimed by the operators

Section I: Crossrail – Resource DEL overspend £24m

The acceleration of development funding resulted in an overspend on Crossrail, as £24m of funding planned for future years was brought forward into 2015-16.

Section J: Aviation, Maritime, Security and Safety – Capital DEL underspend £37m

This estimate line captures the net surplus/deficit of new borrowing by Maritime Trust Ports less repayments on existing loans. The surplus reflects the fact that the actual borrowing by the ports was £34m lower than estimated in the supply estimate. The remaining £3m variance relates to slippage on Transport Security projects at UK airports.

Section K: Maritime and Coastguard Agency – Resource DEL underspend £11m

The Maritime and Coastguard Agency ended the year within its resource budget allocation due to vacancies across the business; non-recurring savings on Search and Rescue Helicopters (partly attributable to low fuel costs); fewer students than projected applying for Support for Maritime Training and profits from sale of property.

Section M: Science, Research and Support functions – Resource DEL underspend £18m

Underspends across various research projects contributed to this variance, as delays to research projects meant that outturn was £18m below the £71.5m budget.

Section P: Support for Passenger Rail Services – Resource DEL overspend £19m

Softening in farebox was more pronounced than forecast and this was reflected in both lower net income on the Govia Thameslink Railway franchise where the Department is on revenue risk and also higher revenue support payments to South West Trains.

Section Q: High Speed Two – Capital DEL underspend £61m

The main reason for the Capital underspend on High Speed Two was that the Department had assumed in the Supply Estimates that a certain number of commercial purchases would reach exchange, but not all of these took place during 2015-16. These are complex property purchases and negotiations were not concluded in time to allow contracts to be exchanged prior to the end of the year.

Annually Managed Expenditure (AME)

Section S: Highways England – Resource AME underspend £829m

HM Treasury recently revised its interpretation of the accounting for impairment of assets resulting in a change to their Financial Reporting Manual. Impairment of assets under construction is charged to the revaluation reserve rather than the statement of comprehensive expenditure, thereby reducing the net operating cost of Highways England. This change in approach was recognised after the Supplementary Estimate was finalised, leading to an underspend at the end of the financial year.

Section T: Network Rail AME – Resource AME underspend £2,668m

2015-16 is the first year in which Network Rail's accounts have been consolidated into the Department for Transport's group accounts. The Department agreed that Network Rail's Supplementary Estimate would be based on prudent forecasts to ensure that the Department did not exceed its vote, particularly in relation to the in-year depreciation charge, whilst the Rail Asset value was reviewed, and the company's Derivatives position which is subject to market forces. The year-end out-turn was well within this forecast, leading to this underspend. Additionally Network Rail experienced some favourable year-end movements in their resource budget.

Section T: Network Rail AME – Capital AME underspend £101m

2015-16 is the first year in which Network Rail's accounts have been consolidated into the Department for Transport's group accounts. The Department agreed that Network Rail's Supplementary Estimate would be based on prudent forecasts to ensure that the Department did not exceed its vote, given the significance of Network Rail's budget allocation. The underspend against the Supplementary Estimate budget for Network Rail's capital programme is mainly a result of deferrals across the renewals portfolio and deferral of enhancements to later in their Control Period.

Section U: Funding of ALBs (net) – Resource AME underspend £24m

This underspend is a result of the volatility of the IAS19 adjustment on the British Transport Police Pension Scheme.

Section V: Other Railways – Resource AME underspend £32m

In the Supply estimate a £100m budget was included for a possible expense arising from changes in the valuation of the Railway Pension assets. At year end, the Government Actuary's Department reported this expense to be £80m resulting in a £20m variance.

A further £14m underspend has arisen from CTRL Section 1 Finance plc, incurring less expenditure than anticipated. This is a result of 0.8% movement in the Retail Prices Index inflation measure for September 2015 RPI, leading to the year-end reduction.

Section AA: Central Administration – Resource AME underspend £111m

At the time of the Main Estimates an amount of £1bn (non-cash) was entered to reflect the risk to the Department around volatility and timing of valuation of Network Rails' hedging and associated derivatives. In the Supplementary Estimates the latest forecast of £900m was moved to the Network Rail Section T. There is no reported spend on the remaining £100m. The remaining variance relates to provisions.

Section AB: High Speed Two – Capital AME overspend £11m

The Department recognised a capital provision of £38m for High Speed Two compared to a budget of £30m. This £8m over-spend was a result of more safeguarding applications being accepted in 2015-16 but not reaching exchange by year end than anticipated. The remaining £3m variance resulted from slightly fewer property exchanges (which had been provided for in prior years) taking place in 2015-16 than had been estimated.

Non-Budget (Voted)

Section AD: Prior Period Adjustments – credit of £6,878m

The Department has two Prior Period Adjustments (PPAs) for which it is appropriate for the Department to seek Parliamentary authority for the provision that should have been sought previously.

£6,823m resulting from a change of the accounting treatment of road network valuations, from impairments to reserve movements

£55m resulting from a correction of the accounting treatment of the repayment of loans, previously paid/payable to the Consolidated Fund.

Income payable to the Consolidated Fund £428.3m above budget

The Department received a dividend of £366m from LCR following the sale of its interest in Kings Cross. This was not budgeted and was paid into the Consolidated Fund on receipt. The balance relates to higher than anticipated receipts in a number of areas including loan interest and repayments and cherished number plate sales.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2015-16	2014-15
	£m	£m
Net Resource Outturn (Estimates)	1,918.3	4,019.8
Adjustments to remove non-budget elements:		
Prior Year Adjustment to budget	6,830.2	-
Total Resource Budget Outturn	8,748.5	4,019.8
Of which:		
Departmental Expenditure Limits (DEL)	3,069.0	3,544.3
Annually Managed Expenditure (AME)	5,679.5	475.5
Adjustments include:		
Capital grants (net of related EU contributions)	3,871.2	3,489.2
Non-supply income (CFERs)	(533.2)	(198.4)
Adjustments to remove non-budget elements:	31.5	(70.1)
Prior Year Adjustment to SOCNE	-	6,892.2
Net Operating Cost (Accounts)	**12,118.0**	**14,132.7**

Parliamentary accountability disclosures

Losses and special payments

The following sections are subject to audit.

Losses statement

	2015-16		2014-15	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
Total number of cases	6,540	7,825	3,525	3,525
Total amount (£000)	**40,640**	**46,704**	**10,911**	**10,911**

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £300,000 in total and those that, individually, exceed £300,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation.

The 2015-16 losses include the write off of £39,800,000 in relation to 2014-15 Dartford toll penalty charges. The 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 is recoverable and this accounts for the majority of the loss.

The losses disclosed above, for 2015-16 include the following, which require separate disclosure:

Bulk Losses

826 cases valued at £6,201,000 (2014-15: 1,779 cases valued at £7,409,000) for damage to the road network where the culprit could not be identified or otherwise pursued for costs.

£374,077 costs of replacement stores due to cable theft.

£443,690 refund charges on unused or surplus rail and air travel, external meetings rooms, training courses and events booking.

£461,313 for claims abandoned for payments owed to Network Rail by third parties. 115 claims were waived or abandoned.

£1,044,629 was lost due to unrecovered payments from road users whose vehicles have been removed, stored or disposed under the national vehicle recovery contract arrangements. Recovery of such debts is improbable and not considered value for money to pursue.

£565,028 was lost due to a natural deterioration of strategic salt stocks.

Single event losses

£515,170 was lost due to damage to the bridge, concrete barrier and road surface of the M42 after a traffic accident in July 2009, where legal advice is that any claim is unlikely to succeed.

£236,000 development costs following termination of the contract with the shared services provider. In the Directors' report it has been noted that the Department and other government departments who are parties to a contract with the shared services provider had decided to terminate the migration from legacy systems. There are no subsequent benefits to the taxpayer and therefore these costs are a constructive loss. See also special payments below.

Special Payments

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of cases	1,347	1,355	1,253	1,255
Total amount (£000)	**20,061**	**23,284**	**51,806**	**51,807**

The following payments require separate disclosure:

A total of £15,000,000 was paid to settle industrial disease and injury claims from former British Rail employees, of which one was greater than £300,000.

£3,000,000 was paid as an ex gratia payment in lieu of annual leave entitlements in relation to bank holidays for 2,500 Network Rail employees.

The Department agreed a settlement of £4,800,000 in 2016-17 with arvato in respect of the termination of the migration of its shared services from legacy systems. A full accrual was made in 2015-16 and included in the financial statements. In addition other government departments will pay a total of £1.5m to arvato in respect of the termination of the planned migration from their legacy systems.

Fees and Charges information

This section is subject to audit.

	2015-16			2014-15		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
	£m	£m	£m	£m	£m	£m
Highways England						
Road damage claims	10.3	12.2	(1.9)	12.0	13.5	(1.5)
Road contract income (S278 Schemes)	12.4	12.4	-	7.1	7.1	-
Rental income	4.2	2.7	1.5	3.7	3.8	(0.1)
MCA						
Marine surveys	4.7	4.4	0.3	4.2	3.9	0.3
Registration of ships	1.0	0.7	0.3	0.9	0.7	0.2
Seafarers' examination and certification	2.3	2.1	0.2	2.3	2.1	0.2
Wider market initiatives and EU twinning projects	0.4	0.3	0.1	0.9	0.7	0.2
Vehicle Certification Agency						
Product certification	18.4	17.5	0.9	12.8	12.4	0.4
Management system certification	2.1	1.7	0.4	2.1	2.0	0.1
DVLA						
Fees *	423.5	394.5	29.0	436.2	371.7	64.5
DVLA personalised registrations *	102.6	102.5	0.1	87.2	87.2	-
Additional funding from use of facilities	0.4	0.3	0.1	-	-	-
	582.3	**551.3**	**31.0**	**569.4**	**505.1**	**64.3**

* Full cost numbers include fees and charges paid into the Consolidated Fund.

The information provided above is for fees and charges purposes and is not for IFRS 8 (Operating Segment Reporting) purposes.

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

Remote contingent liabilities

This section is subject to audit.

In addition to contingent liabilities reported within the meaning of IAS37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

The Department has the following contingent liabilities for which the risk of crystalisation is considered remote. Amounts disclosed reflect the highest reasonable estimate of the possible liability. These are summarised by the nature and purpose of the contingent liability.

	31 March 2016	31 March 2015
Quantifiable contingent liabilities	**£m**	**£m**
Railways Act 1993, Transport Act 2000: Contingent liabilities arise from signing of new, replacement and extended passenger rail franchises agreements, and other agreements to encourage railways investment.	3,638	3,894
CTRL Act 1996. Undertaking under the HS1 concession agreement.	3,074	3,045
Indemnities have been issued to non-executive members of the Departmental board, and to civil servants appointed to represent the Department on the boards of other organisations.	1	1
Under the HS1 Concession agreement the Secretary of State may be liable for a number of quantifiable (disclosed) and unquantifiable payments, including capital expenditure, increase in operating costs and loss of revenue. This would be in the event of legal changes, either in the UK or Europe ('Change in Circumstances') or a change directed by another part of the Government ('Government Change').	100	100
In 2013 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses under the Thameslink Rolling Stock contracts with Siemens, Network Rail and Cross London Trains.	2,866	1,701
In 2012 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses under the Inter City Express Rolling Stock contracts with Agility Consortium and Network Rail.	417	417
In view of the fact that government departments generally self-insure, a guarantee has been given to the International Maritime Organization that should the building be partially or completely destroyed, the Department would be obliged to reconstruct the building, or suspend or reduce the rent for a period of three years and fund alternative accommodation. This contingent liability has also been reported to Parliament in accordance with Managing Public Money.	66	66
Guarantees were given by the Strategic Rail Authority (and previously by the Director of Passenger Rail Franchising), and novated to the Department, in relation to new, replacement and extended passenger rail franchise agreements.	256	277

Quantifiable contingent liabilities	31 March 2016 £m	31 March 2015 £m
Indemnities issued to businesses at rail privatisation and transferred from BRBR on abolition.	991	1,286
International Oil Pollution Compensation Fund Building – obligations under the agreement to fund alternative accommodation in the event of the building becoming partially or completely destroyed.	20	20
Letters of comfort have been issued, providing an indemnity in relation to legal action taken against the judge, counsel, solicitors and secretariat to the Thames Safety Inquiry and the Victim Identification Inquiry, which reported in 2000 and 2001 respectively, following major transport disasters.	6	6
The Department has a statutory liability under the Channel Tunnel Act 1987 that if, after termination of the Channel Tunnel concession, it appears to the Secretary of State that the operation of the Tunnel will not be resumed in the near future, he shall take the necessary steps to ensure that the land is left in a suitable condition in accordance with the scheme.	100	100
Other contingent liabilities, including legal claims.	55	65

Unquantifiable contingent liabilities

- The Department has historical obligations under agreements entered into by the Director of Passenger Rail Franchising (novated to the Strategic Rail Authority and then to the Department), prior to the privatisation of each of the three rolling-stock companies.
- The Department is party to a NATO agreement relating to indemnification of civil aircraft in respect of their use on NATO tasks in times of crisis and war.
- Marine and Aviation Insurance Act 1952, s1 : Government war risk reinsurance for British shipowners insuring their vessels with the British Mutual War Risks Associations (Clubs). Under the current agreement with Clubs, the Government provides 95% reinsurance for Queen's Enemy Risks (QER). A contingent liability arises from the continuous QER cover for the hull and machinery value of British flag vessels entered with the Clubs.

Philip Rutnam 7 September 2016

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

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

I certify that I have audited the financial statements of the Department for Transport and of its Departmental Group for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

» the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and

» the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

» the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2016 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and

» the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

» the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

» the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

» adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

» the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or

» I have not received all of the information and explanations I require for my audit; or

» the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse 9 September 2016
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

6. Financial Statements

Group Statement of Comprehensive Net Expenditure

for the period ended 31 March 2016

		2015-16		2014-15 (restated)	
	Note	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
		£m	**£m**	**£m**	**£m**
Income from sale of goods and services	5	(133.7)	(1,244.3)	(99.6)	(1,320.9)
Other operating income	5	(2,879.2)	(4,587.8)	(2,945.1)	(5,418.6)
Total Operating Income		**(3,012.9)**	**(5,832.1)**	**(3,044.7)**	**(6,739.5)**
Staff costs	3	372.6	2,727.9	466.5	2,632.6
Purchase of goods and services	4	1,371.3	3,973.2	2,177.9	4,198.6
Depreciation and impairment charges	4	136.9	5,593.4	969.4	5,449.1
Provision expense	4	76.5	106.3	(0.6)	(21.6)
Other operating expenditure	4	12,833.9	5,448.4	10,579.4	8,516.3
Total Operating Expenditure		14,791.2	17,849.2	14,192.6	20,775.0
Net Operating Expenditure		11,778.3	12,017.1	11,147.9	14,035.5
Share of loss/(profits) of associate	5,10	6.2	6.2	(82.6)	(82.6)
Finance income	5	(603.4)	(388.3)	(433.6)	(459.1)
Finance expense	4	197.8	483.0	207.2	638.9
Net expenditure for the year		**11,378.9**	**12,118.0**	**10,838.9**	**14,132.7**
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
revaluation of property, plant & equipment	6	52.3	1,912.2	(1,144.8)	(2,018.3)
revaluation of intangibles	7	-	-	(1.0)	(1.0)
revaluation of investments	6,9	191.4	127.0	391.2	218.1
Share of associate's other comprehensive net expenditure	10	(135.7)	(135.7)	106.0	106.0
Transfer of Net Assets to Highways England	21	107,953.0	-	-	-
Deferred tax movement	15	-	(123.1)	-	(125.2)
Receipt of grant		-	(206.5)	-	(35.5)
Actuarial (gain)/loss on pension schemes	23	(298.8)	(593.3)	(81.5)	322.3
Total comprehensive net expenditure for the year		**119,141.1**	**13,098.6**	**10,108.8**	**12,599.1**

The notes on page 125 to 226 form part of these accounts.

Group Statement of Financial Position

as at 31 March 2016

	Note	2015-16 Core Department & Agencies	2015-16 Departmental Group	2014-15 (restated) Core Department & Agencies	2014-15 (restated) Departmental Group	2013-14 (restated) Departmental Group
		£m	£m	£m	£m	£m
Non-current assets:						
Property, plant and equipment	6	6,203.1	398,909.4	116,591.8	397,391.9	393,355.4
Investment properties	6.8	-	1,109.3	-	982.4	855.4
Intangible assets	7	52.1	131.1	68.0	142.6	158.9
Financial assets	9	14,729.3	1,663.3	7,467.7	2,018.4	1,920.2
Investment in associates	10	350.8	350.8	261.2	261.2	322.2
Trade and other receivables	12	4,007.2	109.4	3,795.5	504.5	502.0
Inventories	11	3.8	3.8	3.9	3.9	3.9
Total non-current assets		**25,346.3**	**402,277.1**	**128,188.1**	**401,304.9**	**397,118.0**
Assets classified as held for sale	6.7	1.1	10.2	14.8	14.8	10.3
Inventories	11	393.8	634.6	359.7	562.4	370.8
Financial assets	9	-	308.7	-	49.7	10.9
Trade and other receivables	12	495.3	1,793.5	734.1	1,741.3	1,033.5
Cash and cash equivalents	13	109.5	1,180.8	103.2	565.5	1,404.3
Total current assets		**999.7**	**3,927.8**	**1,211.8**	**2,933.7**	**2,829.8**
Total assets		**26,346.0**	**406,204.9**	**129,399.9**	**404,238.6**	**399,947.8**
Current liabilities						
Financial liabilities	9	-	(9.5)	-	(5.0)	(277.5)
Trade and other payables	14	(898.3)	(7,362.6)	(1,588.0)	(7,833.5)	(7,887.3)
Provisions	16	(72.7)	(185.4)	(143.8)	(199.8)	(293.9)
Total current liabilities		**(971.0)**	**(7,557.5)**	**(1,731.8)**	**(8,038.3)**	**(8,458.7)**
Total assets less net current liabilities		**25,375.0**	**398,647.4**	**127,668.1**	**396,200.3**	**391,489.1**

Group Statement of Financial Position *(continued)*

as at 31 March 2016

	Note	2015-16 Core Department & Agencies	2015-16 Departmental Group	2014-15 (restated) Core Department & Agencies	2014-15 (restated) Departmental Group	2013-14 (restated) Departmental Group
		£m	£m	£m	£m	£m
Non-current liabilities						
Provisions	16	(453.5)	(548.7)	(494.4)	(495.8)	(476.4)
Other payables	14	(5,505.9)	(35,060.3)	(7,331.2)	(37,517.8)	(39,311.6)
Financial liabilities	9	(4,297.9)	(1,399.2)	(3,776.0)	(1,038.0)	(387.4)
Deferred tax liabilities	15	-	(2,807.6)	-	(3,225.7)	(2,486.8)
Total non-current liabilities		**(10,257.3)**	**(39,815.8)**	**(11,601.6)**	**(42,277.3)**	**(42,662.2)**
Assets less liabilities excluding pension liability		**15,117.7**	**358,831.6**	**116,066.5**	**353,923.0**	**348,826.9**
Pension liability	23	(1,240.0)	(3,151.4)	(1,496.1)	(3,631.3)	(3,522.9)
Assets less liabilities		**13,877.7**	**355,680.2**	**114,570.4**	**350,291.7**	**345,304.0**
Taxpayers' equity and other reserves:						
General fund		11,565.3	62,750.1	53,066.3	55,429.8	51,377.8
Revaluation reserve		1,948.4	292,247.7	60,948.7	294,069.9	293,015.2
Available-for-sale reserve		364.0	710.4	555.4	837.2	1,055.3
Hedging reserve		-	(28.0)	-	(45.2)	(144.3)
Total equity		**13,877.7**	**355,680.2**	**114,570.4**	**350,291.7**	**345,304.0**

The notes on page 125 to 226 form part of these accounts

Philip Rutnam
Accounting Officer

Department for Transport
Great Minster House, 33 Horseferry Road, London SW1P 4DR

7 September 2016

Group Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015-16 Core Department & Agencies	2015-16 Departmental Group	2014-15 (restated) Core Department & Agencies	2014-15 (restated) Departmental Group
		£m	£m	£m	£m
Cash flows from operating activities					
Net operating cost		(11,378.9)	(12,118.0)	(10,838.9)	(14,132.7)
Adjustments for non-cash transactions	4,5	205.6	5,620.6	916.6	6,351.9
Adjustments for non-cash transactions related to pension schemes		42.7	227.9	63.2	(71.3)
(Increase)/decrease in inventories		(34.0)	(72.1)	(165.9)	(191.6)
less movement in inventory relating to items not passing through the Statement of Comprehensive Net Expenditure		-	-	(0.1)	(0.6)
(Increase)/decrease in trade and other receivables		27.1	342.9	(214.5)	(823.8)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		92.6	1,115.6	60.5	43.7
Increase/(decrease) in trade and other payables		(2,515.0)	(2,928.4)	(171.5)	(1,910.6)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		2,449.1	(1,001.0)	195.5	274.5
(Increase)/Decrease in derivative assets		-	(192.3)	-	(122.5)
Increase/(Decrease) in derivative liabilities		-	365.7	-	378.1
less movements in derivatives not passing through the SoCNE & OCE		-	(173.4)	-	(255.6)
Use of provisions	16	(73.8)	(143.6)	(109.8)	(180.0)
Non-cash movement in classification of provision		-	20.7	-	-
Adjustment for capital and interest element of PFI payments		2.0	71.9	67.7	67.7
Net cash outflow from operating activities		**(11,182.6)**	**(8,863.5)**	**(10,197.2)**	**(10,572.8)**

Group Statement of Cash Flows *(continued)*

for the year ended 31 March 2016

	Note	2015-16 Core Department & Agencies £m	2015-16 Departmental Group £m	2014-15 (restated) Core Department & Agencies £m	2014-15 (restated) Departmental Group £m
Cash flows from investing activities					
Purchase of property, plant and equipment – additions	6	(57.9)	(9,571.0)	(2,004.2)	(8,648.2)
Adjustments for movement in capital accruals relating to additions		0.6	2.4	0.4	4.4
Purchase of intangible assets – cash additions	7	(19.5)	(27.9)	(13.9)	(15.4)
Purchase of intangible assets – non-cash additions		0.8	0.8	(0.2)	(0.4)
Proceeds of disposal of property, plant and equipment		0.8	1.1	0.4	0.6
Proceeds of disposal of assets held for sale		-	88.8	13.8	46.0
Proceeds of disposal of investments		-	6.2	-	11.3
Capital element of lands provision		-	23.0	45.4	45.4
Loans to other bodies	9.1	(7,500.0)	-	(6,650.0)	(409.6)
Repayments from other bodies		337.3	337.3	57.8	47.8
Repayments of National Fund Loans		1.1	1.1	1.1	1.1
Net cash outflow from investing activities		**(7,236.8)**	**(9,138.2)**	**(8,549.4)**	**(8,917.0)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		19,012.7	19,012.7	18,923.0	18,923.0
Capital grant funding		-	262.8	-	35.5
Advances from the Contingencies Fund		-	-	550.0	550.0
Repayments to the Contingencies Fund		-	-	(550.0)	(550.0)
Repayments of loans from the National Loans Fund		1.1	1.1	(1.1)	(1.1)
Cost of servicing of finance: interest element of PFI payments		-	(1.6)	-	(1.6)
Capital element of payments in respect of finance leases		(2.0)	(71.9)	(67.7)	(67.7)
Net financing		**19,011.8**	**19,203.1**	**18,854.2**	**18,888.1**

Group Statement of Cash Flows *(continued)*

for the year ended 31 March 2016

	Note	2015-16		2014-15 (restated)	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£m	£m	£m	£m
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**592.4**	**1,201.4**	**107.6**	**(601.7)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		**-**	**-**	**64.8**	**64.8**
Payments of amounts due to the Consolidated Fund		**(586.1)**	**(586.1)**	**(249.9)**	**(249.9)**
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**6.3**	**615.3**	**(77.5)**	**(786.8)**
Cash and cash equivalents at the beginning of the period	13	**103.2**	**565.5**	**180.7**	**1,352.3**
Cash and cash equivalents at the end of the period	13	**109.5**	**1,180.8**	**103.2**	**565.5**

The notes on page 125 to 226 form part of these accounts

Group Statement of Changes in Taxpayers' Equity

	Note	General Fund	Revaluation Reserve	Hedging Reserve	Available-for-Sale Reserve	Total Reserves
		£m	£m	£m	£m	£m
Balance at 31 March 2014		**38,391.5**	**67,112.7**	**-**	**946.6**	**106,450.8**
Network Rail consolidation *	20	6,701.4	231,986.4	(144.3)	108.7	**238,652.2**
Highways Agency impairment **	20	6,083.9	(6,083.9)	-	-	**-**
CFER correction **	20	201.0	-	-	-	**201.0**
Restated balance at 1 April 2014		**51,377.8**	**293,015.2**	**(144.3)**	**1,055.3**	**345,304.0**
Net gain on revaluation of property, plant and equipment		-	2,018.3	-	-	**2,018.3**
Net gain on revaluation of intangible assets		-	1.0	-	-	**1.0**
Change in fair value of derivatives	9	-	-	(4.9)	-	**(4.9)**
Reclassified to SoCNE		-	-	71.5	-	**71.5**
Net loss on revaluation of investments	9	-	-	-	(218.1)	**(218.1)**
CFER Correction SRC & M6		(63.2)	-	-	-	**(63.2)**
Receipt of grant		35.5	-	-	-	**35.5**
Release of reserves to the Consolidated Statement of Comprehensive Net Expenditure		-	0.2	-	-	**0.2**
Non-cash charges – auditor's remuneration	4	0.8	-	-	-	**0.8**
Non-cash charges – DfT(c) notional charges	4	0.1	-	-	-	**0.1**
Transfers between reserves		212.7	(225.6)	12.9	-	**-**
Net expenditure for the year		(14,132.7)	-	-	-	**(14,132.7)**
Reversionary interest on M6 toll road		4.2	-	-	-	**4.2**
Deferred tax movements	15	125.2	-	19.6	-	**144.8**
Actuarial loss recognised in pension scheme	23	(322.3)	-	-	-	**(322.3)**
Impairments through Revaluation Reserve		-	(739.2)	-	-	**(739.2)**
Share of non-operating income of associate	10	(106.0)	-	-	-	**(106.0)**
Other movements		(471.8)	-	-	-	**(471.8)**
Balance as adjusted by income and expense for 2014-15		**36,660.3**	**294,069.9**	**(45.2)**	**837.2**	**331,522.2**

Group Statement of Changes in Taxpayers' Equity *(continued)*

	Note	General Fund	Revaluation Reserve	Hedging Reserve	Available-for-Sale Reserve	Total Reserves
		£m	£m	£m	£m	£m
Net Parliamentary Funding – drawn down		18,923.0	-	-	-	**18,923.0**
Net Parliamentary Funding – deemed		146.8	-	-	-	**146.8**
Supply (payable)/receivable adjustment		(117.1)	-	-	-	**(117.1)**
CFERs payable to the Consolidated Fund		(183.2)	-	-	-	**(183.2)**
Balance at 31 March 2015		**55,429.8**	**294,069.9**	**(45.2)**	**837.2**	**350,291.7**
Net loss on revaluation of property, plant and equipment		-	(1,912.2)	-	-	**(1,912.2)**
Change in fair value of derivatives	9	-	-	(8.3)	-	**(8.3)**
Reclassified to SoCNE		-	-	25.5	-	**25.5**
Net loss on revaluation of investments	9,4	-	-	-	(127.0)	**(127.0)**
Receipt of grant		206.5	-	-	-	**206.5**
Release of reserves to the Consolidated Statement of Comprehensive Net Expenditure		(0.2)	0.2	-	-	**-**
Non-cash charges – auditor's remuneration	4	0.6	-	-	-	**0.6**
Non-cash charges – DfT(c) notional charges	4	0.2	-	-	-	**0.2**
Transfers between reserves		30.1	(30.3)	-	0.2	**-**
Net expenditure for the year		(12,118.0)	-	-	-	**(12,118.0)**
Reversionary interest on M6 toll road		10.5	-	-	-	**10.5**
Deferred tax movements	15	123.1	-	-	-	**123.1**
Adjustment to non-current assets		(0.8)	131.0	-	-	**130.2**
Actuarial gain recognised in pension scheme	23	593.3	-	-	-	**593.3**
Impairments through Revaluation Reserve		-	(10.9)	-	-	**(10.9)**
Share of non-operating income of associate	10	135.7	-	-	-	**135.7**
Other movements		(202.0)	-	-	-	**(202.0)**
Balance as adjusted by income and expense for 2015-16		**44,208.8**	**292,247.7**	**(28.0)**	**710.4**	**337,138.9**

Group Statement of Changes in Taxpayers' Equity *(continued)*

	Note	General Fund	Revaluation Reserve	Hedging Reserve	Available-for-Sale Reserve	Total Reserves
		£m	£m	£m	£m	£m
Net Parliamentary Funding – drawn down		19,012.7	-	-	-	**19,012.7**
Net Parliamentary Funding – deemed		117.1	-	-	-	**117.1**
CFERs from prior year		56.3	-	-	-	**56.3**
Supply (payable)/receivable adjustment		(91.0)	-	-	-	**(91.0)**
CFERs payable to the Consolidated Fund		(553.8)	-	-	-	**(553.8)**
Balance at 31 March 2016		**62,750.1**	**292,247.7**	**(28.0)**	**710.4**	**355,680.2**

The notes on page 125 to 226 form part of these accounts

* Network Rail Group has been consolidated for the first time, and there have been accounting policy changes in relation to infrastructure impairments and certain loan repayments.This has resulted in a restatement of the Reserves.

**There have been accounting policy changes in relation to impairments and certain loan repayments. This has resulted in a restatement of the Reserves.

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

Statement of Changes in Taxpayers' Equity

Core Department and Agencies

	Note	General Fund	Revaluation Reserve	Available-for-Sale Reserve	Total Reserves
		£m	£m	£m	£m
Balance at 31 March 2014		**38,982.7**	**66,945.4**	**946.6**	**106,874.7**
Highways Agency policy impairment changes *	20	6,083.9	(6,083.9)	-	**-**
CFER correction *	20	201.0	-	-	**201.0**
Restated balance at 1 April 2014		**45,267.6**	**60,861.5**	**946.6**	**107,075.7**
Net gain on revaluation of property, plant and equipment		-	1,144.8	-	**1,144.8**
Net gain on revaluation of intangible assets		-	1.0	-	**1.0**
Net loss on revaluation of investments	9	-	-	(391.2)	**(391.2)**
CFER correction SRC & M6		(63.2)	-	-	**(63.2)**
Non-cash charges – auditor's remuneration	4	0.8	-	-	**0.8**
Non-cash charges – DfT(c) notional charges	4	0.1	-	-	**0.1**
Transfers between reserves		183.3	(183.3)	-	**-**
Net expenditure for the year		(10,838.9)	-	-	**(10,838.9)**
Reversionary interest on M6 toll road		4.2	-	-	**4.2**
Adjustment to non-current assets		25.4	(136.0)	-	**(110.6)**
Actuarial loss recognised in pension scheme	23	81.5	-	-	**81.5**
Impairments through revaluation reserve		-	(739.3)	-	**(739.3)**
Share of non-operating costs of associate	10	(106.0)	-	-	**(106.0)**
Other movements		(258.0)	-	-	**(258.0)**
Balance as adjusted by income and expense for 2014-15		**34,296.8**	**60,948.7**	**555.4**	**95,800.9**
Net Parliamentary funding – drawn down		18,923.0	-	-	**18,923.0**
Net Parliamentary funding – deemed		146.8	-	-	**146.8**
Supply (payable)/receivable adjustment		(117.1)	-	-	**(117.1)**
CFERs payable to the Consolidated Fund		(183.2)	-	-	**(183.2)**
Restated balance at 1 April 2015		**53,066.3**	**60,948.7**	**555.4**	**114,570.4**

Statement of Changes in Taxpayers' Equity *(continued)*

Core Department and Agencies

	Note	General Fund	Revaluation Reserve	Available-for-Sale Reserve	Total Reserves
		£m	£m	£m	£m
Transfer of HA balances to HE		(2.3)	(18.0)	-	**(20.3)**
Net loss on revaluation of property, plant and equipment		-	(52.3)	-	**(52.3)**
Net loss on revaluation of investments	9.3	-	-	(191.4)	**(191.4)**
Non-cash charges – auditor's remuneration	4	0.6	-	-	**0.6**
Non-cash charges – DfT(c) notional charges	4	0.2	-	-	**0.2**
Transfers between reserves		(6,821.5)	6,821.6	-	**0.1**
Net expenditure cost for the year		(11,378.9)	-	-	**(11,378.9)**
Transfer of net assets to Highways England	21	(42,201.4)	(65,751.6)	-	**(107,953.0)**
Reversionary interest on M6 toll road		10.5	-	-	**10.5**
Actuarial gain recognised in pension scheme	23	298.8	-	-	**298.8**
Share of non-operating costs of associate	10	135.7	-	-	**135.7**
Other movements		(27.7)	-	-	**(27.7)**
Balance as adjusted by income and expense for 2015-16		**(6,919.7)**	**1,948.4**	**364.0**	**(4,607.3)**
Net Parliamentary funding – drawn down		19,012.7	-	-	**19,012.7**
Net Parliamentary funding – deemed		117.1	-	-	**117.1**
Supply (payable)/receivable adjustment		(91.0)	-	-	**(91.0)**
CFERs payable to the Consolidated Fund		(553.8)	-	-	**(553.8)**
Balance at 31 March 2016		**11,565.3**	**1,948.4**	**364.0**	**13,877.7**

The notes on page 125 to 226 form part of these accounts

*There have been accounting policy changes in relation to impairments and certain loan repayments.This has resulted in a restatement of the Reserves.

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

Notes to the Financial Statements

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

1. Statement of Significant Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the *2015-16 Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Transport Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified by the revaluation of certain categories of non-current assets and financial instruments.

1.3 Basis of consolidation

These accounts comprise a consolidation of the Department (the core Department) and those entities which fall within the Departmental boundary as defined in the *FReM* and make up the 'Departmental Group' (the Group). Where two columns are included these are the core Department plus Agencies and the Group. Accounting policies are harmonised and all inter-group transactions are eliminated on consolidation.

Transfer by Absorption accounting is applied to all transfers of functions (and entities), including those with local government, with public corporations and within a departmental group. Under Transfer by Absorption accounting, the values of assets and liabilities are not adjusted to fair value, and there is no recognition of goodwill.

Network Rail has been included for the first time in these financial statements, further details are provided in notes 20 and 22.

A list of all those entities within the Departmental boundary is contained in Note 19.

1.4 Investments in associates and joint arrangements

Where the Group has significant influence or joint control over an investee and the investee is classified as private sector, the investee is accounted for in accordance with IAS 28.

The Group recognises its share of the investee's profits, losses and other comprehensive income or expenditure in its Statement of Comprehensive Net Expenditure. The investment in the investee is recognised initially at cost and subsequently adjusted for the Group's share of profits or losses and other comprehensive income made by the investee. Distributions received from the investee reduce the carrying value of the investment.

1.5 Adoption of New and Revised standards

The following accounting standards and amendments to accounting standards have been adopted by the group for the first time for the financial year beginning on 1 April 2015 and have not had a material impact on the Group:

- IFRS 13 provides consistent guidance on the fair value measurement for all relevant balances and transactions covered by IFRS. Although IFRS 13 is applied without adaptation, IAS 16 and IAS 38 have been adapted and interpreted for the public sector context limiting the circumstances in which valuation is prepared under IFRS 13.
- The *FReM* adopts IAS 16 and IAS 38 with the effect that assets held for service potential are valued on an existing use basis, typically Depreciated Replacement Cost.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2016, and have not been applied in these financial statements. The following new standards may affect the Resource Accounts if they are adopted by the Financial Reporting Manual, after further consultation:

- IFRS 9 addresses classification, measurement and impairment of financial assets and is still subject to analysis and consideration by HM Treasury with a view to include in the 2018-19 *FReM*. It is thought that IFRS 9 will result in terminology changes.
- IFRS 15 covers the recognition of revenues from contracts with customers. It is not thought that this will materially affect the timing of recognition or amounts recognised.
- IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The probable impact is that there will be earlier recognition of expenditure in relation to leases (amortisation and interest).

The three standards listed above have not been endorsed by the EU to date. The full impact will not be known until *FReM* adopts or adapts these standards.

IFRS 9 and IFRS 15 are expected to be effective from 1 January 2018 and IFRS 16 is expected to be effective from 1 January 2019.

The Group does not consider that any other new or revised standard or interpretation will have a material impact.

1.6 Prior period adjustments

Items are retrospectively re-stated either in accordance with IAS 8 where there has been a change in accounting policy, to correct a material prior year error, to reflect transfers of functions between Departmental groups or to reflect retrospective changes in classification that the Office of National Statistics has announced.

Where there has been a change in accounting policy, adjustments are made to the opening balance of each affected component of equity for the earliest period presented and other comparative amounts disclosed for each prior year presented as if the new accounting policy had always been applied.

Where a material prior year error is identified, it is corrected by:

- re-stating the comparative amounts for the prior years presented in which the error occurred;
- or, where the error occurred before the earliest period presented, by re-stating the opening balances for the earliest prior year presented.

However, if it is impracticable to determine the period-specific or cumulative effects of the change in policy or error, re-statements are made to the earliest practical period, which may be the current period.

Full details of the prior year adjustments reflected in these financial statements are disclosed in Note 20.

1.7 Property, plant and equipment

Property, plant and equipment is described in Note 6.

Recognition

Assets are recognised initially at cost, which comprises purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Group.

Capitalisation of additions to networked assets starts when capital projects begin;they are treated as separate assets during construction and transferred to networked assets on completion.

Valuation

The valuation approach used for specific assets depends on their function and value.

Networked assets are valued at depreciated replacement cost, assuming a modern equivalent asset, instantaneous build on a greenfield site; with a full valuation every five years, and use of input indices applied to a standard price list in interim periods, with adjustment for variances on condition.

Capital works to networked assets are recognised at cost. However, in order to achieve consistency with the overall depreciated replacement cost basis of accounting, any asset under construction for these networks at the year end is revalued to better reflect the impact of work performed on the overall network. This will result in a writedown under normal conditions because while the cost reflected in capital additions reflects actual working conditions, the depreciated replacement cost basis assumes a benign (greenfield) construction environment.

Assets under construction are recognised initially at cost and thereafter restated to depreciated replacement cost. Actual cost may be used as a proxy for depreciated replacement cost where the difference is immaterial.

Non-networked assets are valued either at fair value or depreciated replacement cost through regular valuation or through the application of the Modified Historical Cost Accounting Convention. The valuation approach used for specific assets depends on their function and value.

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

Depreciation

No depreciation is provided on freehold land. Depreciation on networked assets is calculated as the cost of maintenance, adjusted for observed changes in the condition of the asset. All other assets are depreciated at rates calculated to write off the assets over their expected economic useful lives on a straight-line basis. Asset lives vary from 60 years (for some freehold assets) to three years (for some IT assets).

1.8 Impairment of non-current assets

The Group annually tests for impairment of all assets, including any intangible assets with an indefinite useful life or in the course of construction. The test for impairment is by comparing the assets' carrying value with their recoverable amount, being the higher of the value in use and the fair value less costs of disposal. Where appropriate impairment losses are charged to the relevant revaluation reserve.

1.9 Assets held for sale

These assets are available for immediate sale in their present condition and are being actively marketed for sale. They are valued at the lower of their carrying amount and fair value (market value) less material selling costs. Depreciation is not applied.

1.10 Intangible assets

Intangible assets are capitalised if it is probable that the expected future benefits attributable to them will flow to the Group and if their cost can be measured reliably.

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

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

1.11 Investment properties

IAS 40 requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals or both. Investment properties are valued at fair value with changes recognised in the Statement of Comprehensive Net Expenditure for the period in which they arise.

1.12 Investments and financial instruments

Public dividend capital is recognised at historical cost, adjusted for impairment where necessary. Other financial instruments are recognised initially at fair value adjusted for transaction costs (except for assets and liabilities held at fair value through profit or loss). Thereafter, such instruments are classified in accordance with IAS 39 and measured as described below.

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

These are any financial assets or liabilities that meet any of the IAS 39 conditions to be measured at fair value with fair value changes in profit or loss. The group has financial assets and liabilities that meet two of those conditions. These are a) “held for trading” including derivatives; b) by designation, usually to prevent an accounting mismatch; for example, where an intended hedging arrangement has not proved sufficiently effective to justify hedge accounting, the intended hedged item may be designated to be held at fair value through profit or loss.

1.12.2 Loans and receivables

This classification is required for non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, that are not held for trading and that the entity does not plan to sell. Loans and receivables are held at amortised cost, using the effective interest method to discount future cash flows. Impairments are recognised in accordance with the ‘incurred loss’ method, reflecting events that occurred between the initial recognition of the asset and the end of the current reporting period that have an impact on future cash flows.

1.12.3 Available-for-sale financial assets

After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised within other comprehensive expenditure, except for impairment losses and for available-for-sale debt instruments, foreign exchange gains or losses and any changes in fair value arising from revised estimates of future cash flows, which are recognised in the Statement of Comprehensive Net Expenditure. This classification is required for non-derivative financial assets that are not classified to any of the preceding categories. It includes investments in other public sector entities.

1.12.4 Other financial liabilities

These are financial liabilities other than those classified as held at fair value through profit or loss. They are valued initially at fair value and thereafter at amortised cost using the effective interest rate. The effective interest rate is the rate that exactly discounts the future cash flows back to the initial fair value.

1.12.5 Derecognition of financial instruments

Financial assets are derecognised when the Department's rights to receive cash flows expire or have been transferred, provided that the transfer transaction also transfers substantially all of the risks and rewards of ownership and control of the financial asset.

1.12.6 Derivative financial instruments

The Group acquired derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's policies. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in Statement of Comprehensive Net Expenditure immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

Derivatives not designated into an effective hedge relationship are classified as "held for trading".

1.12.7 Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. In addition, an instrument is only designated as a hedge when it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged item that is attributed to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised within 'other gains and losses' in the Statement of Comprehensive Net Expenditure.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive net expenditure and the ineffective portion is recognised immediately within 'other gains and losses' in the Statement of Comprehensive Net Expenditure.

Cash flow hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer meets the criteria for hedge accounting. Where the hedging instrument no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains is recognised directly in equity from the period when the hedge was effective remains in equity until the forecast transaction occurs.

In the instance where cash flow hedge accounting is discontinued since the forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period where the hedge as effective is recognised in the Statement of Comprehensive Net Expenditure.

1.13 Inventories

These are valued at cost, or replacement cost, if materially different. Where excess or obsolete inventory holdings have been identified, a provision has been made to reduce the carrying value to the estimated net realisable value. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

Properties on the proposed route of the high speed rail link acquired under the Exceptional Hardship Scheme are valued at cost, or replacement cost, if materially different. Long-term inventory holdings for special structures (such as tunnels and bridges), are valued at estimated replacement cost. Work in progress is valued at the lower of cost and net realisable value.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise bank balances held , commercial paper and money market deposit investments at varying rates. The carrying amount of these assets approximates to their fair value.

1.15 Revenue recognition

Operating income is stated net of VAT, measured at the fair value of the consideration received or receivable and is recognised on the following basis:

- income from the sale of goods is recognised on transfer of the risks and rewards of ownership in those goods;
- income from the performance of services is recognised on the degree of performance;
- interest income is recognised using the effective interest method;
- dividends receivable are recognised when the Group becomes entitled to them;
- income from permitting others to use the Group's assets is recognised on an accruals basis in accordance with the terms of the contract; and
- income received for the use of continuing rights under train operator franchise agreements are recognised as revenue as the rights are used.

1.16 Pensions and other employee benefits

Past and present employees of the Department and its agencies are generally covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in Note 23. The PCSPS is an unfunded multi-employer defined benefit scheme.

The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS.

Pension benefits to ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). Further details are provided in the Remuneration Report.

Other defined benefit plans

Past and present employees of other consolidated entities may be members of defined benefit arrangements, which provide benefits based on pensionable pay. Defined benefit arrangements may be funded (meaning that the scheme is a separate entity, which receives contributions and invests them to fund pension payments) or unfunded (meaning that there is no separate scheme and the employer remains directly liable to fund pension payments).

On retirement, members of the schemes are paid their pensions from a fund which is kept separate from the Group. The Group makes cash contributions to the funds in advance of members' retirement. Every three years the Group's schemes are subject to a full actuarial funding valuation using the projected unit method. Separate valuations are prepared for accounting purposes on an IAS 19 basis as at the balance sheet date. Pension scheme assets are measured using current market bid values. Pension scheme defined benefit obligations are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the defined benefit obligation.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. Re-measurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurements recognised in other comprehensive net expenditure will not be reclassified to Operating Expenditure. Past service cost is recognised in Statement of Comprehensive Net Expenditure in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between: (a) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); (b) net interest expense or income; and (c) re-measurement. The Group presents the first two components in profit or loss within operating expenditure. Curtailment gains and losses are accounted for as past service costs.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Statement of Comprehensive Net Expenditure in the periods during which services are rendered by employees.

Early Retirement

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

1.17 Leases

Leases are classified as finance leases if the risks and rewards of ownership are transferred to the lessee. Finance leases are capitalised at the commencement of the lease term at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Other leases are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term.

1.18 Service concessions

Under a service concession, a Government entity contracts with a private sector entity to develop, finance, operate and maintain infrastructure, to deliver services directly or indirectly to the public, but controls or regulates those services and controls any significant residual interest in the infrastructure.

The Group recognises the infrastructure associated with service concessions as an asset. The asset is accounted for in a manner consistent with other similar assets. Where the operator has a right to receive consideration from the Group, for example, in the form of unitary charges, the Group recognises the related liability. Interest on the liability and expenditure on services provided under the service concession are recognised in the Statement of Comprehensive Net Expenditure as they accrue. Unitary charges are apportioned between three elements: an element to pay for services; an element to pay interest on the liability and an element to repay the initial liability. Where the operator has a right to charge the public, the Group recognises a deferred income balance initially at the same value as the asset, which is amortised to the Statement of Comprehensive Net Expenditure over the life of the arrangement.

Where, at the end of the concession, all or part of the property constructed by the operator reverts to the Group for a specified value, the difference between the expected fair value of the residual asset on reversion at the start of the contract and any agreed payment on reversion is built up over the life of the contract to ensure proper allocation of payments between the cost of services under the contract and acquisition of the residual interest. Capitalisation of residual interest is disclosed within Non-Current Assets under Assets under Construction.

1.19 Grants payable

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

1.20 Taxation

The tax expense comprises current tax and deferred tax. The current tax liability is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised on all deductible temporary differences to the extent that it is probable that there will be taxable profits available against which the temporary timing differences can be utilised. Deferred tax liabilities are recognised for all taxable temporary differences. The valuation of the railway network to depreciated replacement cost is not considered to represent a taxable temporary difference, because it will not result in additional taxable amounts in determining the taxable profits of future years.

Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity. In this case the deferred tax is also accounted for within equity.

1.21 Provisions

The Group makes provisions for liabilities and charges where, at the balance sheet date, a legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are discounted where the effect is material.

1.22 Contingent liabilities

The Group 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 Group's control, unless their likelihood is considered to be remote. Guarantees, indemnities and undertakings are treated as contingent liabilities.

1.23 Value Added Tax

Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, included in the capitalised purchase cost of non-current assets. Income and expenditure is otherwise shown net of VAT.

1.24 Rail franchise agreements

Franchise agreements provide for each Train Operating Company either to pay franchise income or to receive a subsidy in each franchise year.

Franchise agreements include mechanisms to adjust the level of income/subsidy dependent on performance and agreed events. Adjusting costs or revenues are recognised as they are incurred or earned. Adjusting transactions are not considered to be separately identifiable components; consequently, all adjusting transactions in respect of premium-generating franchises are accounted for as adjustments to income and all adjusting transactions in respect of subsidy-paying franchises are accounted for as adjustments to programme costs. Each Train Operating Company's resultant net subsidy/income amount is recognised gross for Group reporting purposes. Franchise subsidies and income are outside the scope of VAT.

1.25 Significant estimation techniques

In valuing available-for-sale financial assets, for which there is no active market, the Department uses estimation techniques which reflect, so far as practicable, those that would be used by market participants, making maximum use of market data. The initial contribution is deemed to be the fair value as at that date, thereafter, that valuation is benchmarked against forecast discounted cash flows, changes in the share prices of entities in comparable sectors, and changes in the values of the entity's asset base, to determine whether any changes in valuations are required.

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

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

In calculating present values, the calculation of nominal discount rates and of future repayments of index-linked obligations, requires the estimation of future changes in the Retail Price Index or the Consumer Price Index.

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

1.26 Critical judgements and key sources of estimation uncertainty

1.26.1 Valuation of Networked Assets

Both the road network and the railway network are valued on a depreciated replacement cost basis. The depreciated replacement cost basis reflects the cost of constructing a modern equivalent asset, adjusted to reflect the current condition of the asset. Judgement is required to determine the nature of a modern equivalent asset and the asset's current condition. Estimates are required to adjust recent cost data to current costs, and to extrapolate sample data to the population level. Costing methods and assumptions are based on expert advice. Further details are provided in notes 6.2 to 6.4.

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

The Group occasionally faces legal claims and challenges, which may result in the possible outflow of economic benefits. The treatment of these as contingent liabilities or provisions, their valuation, and presentation as current or non-current is based on legal advice.

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

When determining the economic useful life of an asset installed within a property, the Group reflects its intention to remain in that property. Provisions for dilapidations are based on professional valuations of the cost of restoration, discounted back to the intended vacation date.

1.26.4 Valuation of provisions

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

The Group has assumed from British Railways Board (Residuary) Limited obligations to compensate former employees of British Rail for industrial diseases contracted during that employment. The valuation of the outstanding liability is performed by independent actuaries, based on assumptions about the incidence and impact of these diseases.

1.26.5 Valuation of defined benefit pension schemes

In valuing the liabilities of defined benefit pension schemes, the Group consults actuaries who provide valuations based on estimates of demographic factors, such as life expectancy. The actuaries also provide advice on the assumptions underlying the investment assets, such as future rates of return. Note 23 contains a sensitivity analysis which indicates the approximate effects on the actuarial liability of changes to the main actuarial assumptions.

1.26.6 Valuation of long-term financial obligations

The Group has long-term obligations to external lenders, which are linked to RPI. The valuation of those obligations may reflect forecast RPI data where this is not available at the year-end.

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

The core Department has determined the fair value of the financial guarantee to Network Rail (the Financial Indemnity Mechanism) shown in Note 9.2.2 from an estimation of the value of the guarantee to Network Rail, being the reduction in interest costs arising from the existence of a Government guarantee, obtained by comparing guaranteed and unguaranteed debt instruments. This estimation was prepared by independent experts (Cambridge Economic Policy Associates) for the ORR (Office of Rail and Road). This reflects the ORR's current policy that Network Rail should pay for the benefit they receive from the guarantee.

2. Statement of Operating Costs by Operating Segment

The Department reports to the Board in accordance with its organisational structure and this is reflected in the segmental analysis. There are five director general organisational groups, outlined below, as well as a non-group. The groups and associated delivery bodies are described in more detail in the Directors report.

Rail Group: The key activities of this group are franchise management, major rail projects and Network Rail. It leads policy and strategic management across the rail industry. Network Rail is self funded, except for capital grants provided by the Department.

Resources and Strategy Group: This supports the activities of the other groups. It leads on finance, human resources, procurement, property and analytical matters and is funded through Supply. It includes some central functions outside the group for this analysis.

International, Security and Environmental Group: This contains a mix of activity including transport security, transport energy/environment, accident investigation, aviation and maritime, including the Maritime and Coastguard Agency. The group is funded by Supply and leads on policy and strategy in these areas.

Roads, Devolution and Motoring Group: This contains driving and roads related activities. It includes all of the Driver and Vehicle Agencies, however, DVSA is not included in the group financial statements. The group also includes Highways England and leads on roads policy and strategy. This group is funded through Supply and fees.

High Speed Rail Group: This contains High Speed 2 and the HS2 programme, including leading on policy and strategy. It is funded through Supply.

						2015-16
	Rail Group	Resources & Strategy	International Security & Environment	Roads, Devolution & Motoring	High Speed Two	Total
	£m	£m	£m	£m	£m	£m
Gross expenditure	10,049.5	175.5	797.1	7,240.1	70.0	18,332.2
Income	(4,747.2)	(32.8)	(149.0)	(903.7)	-	(5,832.7)
Net Expenditure	**5,302.3**	**142.7**	**648.1**	**6,336.4**	**70.0**	**12,499.5**
Share of loss of associate						6.2
Dividend receivable						(370.7)
Interest receivable						(17.0)
Net Operating Costs per Statement of Comprehensive Net Expenditure						**12,118.0**

						2014-15 *(restated)*
	Rail Group	Resources & Strategy	International Security & Environment	Roads, Devolution & Motoring	High Speed Two	Total
	£m	£m	£m	£m	£m	£m
Gross expenditure	12,110.5	846.5	506.5	7,607.8	342.6	21,413.9
Income	(5,426.3)	(128.0)	(688.0)	(495.8)	-	(6,738.1)
Net Expenditure	**6,684.2**	**718.5**	**(181.5)**	**7,112.0**	**342.6**	**14,675.8**
Share of loss of associate						(82.6)
Dividend receivable						(347.0)
Interest receivable						(113.5)
Net Operating Costs per Statement of Comprehensive Net Expenditure						**14,132.7**

3. Staff Costs

Staff costs comprise:

	2015-16	2014-15 (restated)
	Total	Total
	£m	£m
Wages and salaries	2,227.9	2,094.0
Social security costs	212.1	200.8
Other pension costs	288.6	338.3
Sub total	**2,728.6**	**2,633.1**
Less recoveries in respect of outward secondments	(0.7)	(0.5)
Total net costs	**2,727.9**	**2,632.6**

Further details of staff costs are disclosed in the Accountability report.

4. Expenditure

	Note	2015-16 Core Department & Agencies £m	2015-16 Departmental Group £m	2014-15 (restated) Core Department & Agencies £m	2014-15 (restated) Departmental Group £m
Cash items					
Interest charges		197.8	483.0	207.2	638.9
Other operating expenditure					
Capital grants		3,871.2	3,871.2	7,207.4	3,469.9
Current grants		1,289.6	1,289.6	2,481.8	2,478.3
Grant in Aid		7,334.5	-	177.0	-
EU capital grants		-	-	19.3	19.3
Subsidies		255.9	255.9	261.1	261.1
Eurocontrol payments		40.1	40.1	43.2	43.2
Purchase of goods and services					
Rentals under operating leases		9.7	65.4	23.9	67.7
PFI interest charges		18.7	617.7	149.9	1,055.3
Research and development expenditure		17.2	17.9	18.0	18.4
Support for passenger rail services		374.3	374.3	380.7	380.7
Road network current maintenance		-	546.1	444.1	444.1
Rail network maintenance		-	205.8	-	248.9
PFI service charges		-	230.1	249.1	249.1
Search & rescue helicopters		163.2	163.2	55.4	55.4
Information & communications technology		154.5	318.6	178.7	315.5
Consultancy		63.8	93.8	62.2	90.5
Professional services		15.6	139.8	32.9	146.7
Accommodation		40.0	376.2	37.5	358.4
Publicity & legal		9.7	18.1	6.1	18.5
Support services		76.5	120.0	26.7	60.0
Travel and subsistence		11.1	62.3	15.7	55.6
Auditors' remuneration and expenses		-	0.9	-	0.9
Eurotunnel payments		252.0	252.0	246.9	246.9
Other costs		164.4	370.4	249.3	385.2
Sub total – cash		**14,359.8**	**9,912.4**	**12,574.1**	**11,108.5**

	Note	2015-16 Core Department & Agencies £m	2015-16 Departmental Group £m	2014-15 (restated) Core Department & Agencies £m	2014-15 (restated) Departmental Group £m
Non-cash items					
Depreciation and impairment charges					
Depreciation	6	101.7	5,630.1	900.4	5,484.6
Amortisation	7	34.8	38.8	34.5	36.0
Impairment of fixed assets and assets held for sale		1.1	29.4	35.6	37.0
Downward revaluation of fixed assets		(0.7)	(104.9)	(1.1)	(108.5)
Other operating expenditure					
Corporation tax (refund)/charge		-	(304.7)	-	881.1
Net ineffectiveness arising from cash flow hedge accounting		-	31.3	-	6.3
Fair value (gain) on fair value hedges		-	(156.3)	-	(718.8)
Fair value loss on carrying value of fair value hedged debt		-	158.8	-	688.5
Net decrease in fair value of non-hedge accounted debt		-	15.2	-	(2.2)
Loss on derivatives not hedge accounted		-	264.9	-	1,044.5
Write down in value of assets		-	1.4	-	-
Loss/(profit) on disposal of fixed assets		(0.3)	(82.2)	1.3	(30.3)
Loss on disposal of share capital		-	-	-	(9.6)
Pension scheme costs		42.7	63.0	63.2	59.9
Core Department notional charges		0.2	0.2	0.1	0.1
Capital grant in kind (Eurostar International Ltd)		-	-	325.0	325.0
Purchase of goods and services					
Auditors' remuneration and expenses		0.6	0.6	0.8	0.8
Provision expense					
Provisions (released)/provided in year	16	76.7	100.1	(9.0)	(32.9)
Unwinding of discount on provisions	16	(0.2)	(0.2)	0.1	0.1
Provision for bad/doubtful debts		-	6.4	8.3	11.2
Sub total – non-cash		**256.6**	**5,691.9**	**1,359.2**	**7,672.8**
Statement of Comprehensive Net Expenditure		**14,616.4**	**15,604.3**	**13,933.3**	**18,781.3**

4.1 Expenditure analysis

	2015-16		2014-15 *(restated)*	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Purchase of goods and services	1,371.3	3,973.2	2,177.9	4,198.6
Depreciation and impairment charges	136.9	5,593.4	969.4	5,449.1
Provision expense	76.5	106.3	(0.6)	(21.6)
Other operating expenditure	12,833.9	5,448.4	10,579.4	8,516.3
Finance expense	197.8	483.0	207.2	638.9
Total expenditure	**14,616.4**	**15,604.3**	**13,933.3**	**18,781.3**

5. Income

	Note	2015-16 Core Department & Agencies £m	2015-16 Departmental Group £m	2014-15 (restated) Core Department & Agencies £m	2014-15 (restated) Departmental Group £m
Cash items					
Sale of goods and services					
Rental income		0.1	659.2	4.0	637.7
Dartford road crossing user charges		133.6	133.6	95.6	95.6
Franchised track access income		-	390.6	-	508.6
Freight income		-	60.9	-	79.0
Other income					
Transport for Scotland – SLA Receipt		-	691.2	-	776.3
Fees & charges to other government departments		338.0	13.4	376.3	376.8
Fees & charges to external customers		573.0	1,273.7	588.8	1,270.2
EU income		-	0.5	24.3	24.3
Claims for damages to road network		-	10.3	12.0	12.0
Income from Train Operating Companies		1,619.8	1,819.3	1,583.3	1,773.9
Eurocontrol Receipts		40.1	40.1	43.2	43.2
Eurotunnel Recharge		241.0	241.0	236.2	236.2
Other income		12.9	443.9	26.6	497.8
Sub total – cash Items		**2,958.5**	**5,777.7**	**2,990.3**	**6,331.6**
Non-cash items					
Share of (loss)/profits of associates	10	(46.1)	(46.1)	45.0	45.0
Income from General Lighthouse Fund**		-	-	-	353.5
Dividends arising from Joint Venture Sales*		-	-	325.0	325.0
Amortisation of deferred income**		54.4	54.4	54.4	54.4
Sub total – non-cash items		**8.3**	**8.3**	**424.4**	**777.9**
Operating income		**2,966.8**	**5,786.0**	**3,414.7**	**7,109.5**

	Note	2015-16 Core Department & Agencies £m	2015-16 Departmental Group £m	2014-15 (restated) Core Department & Agencies £m	2014-15 (restated) Departmental Group £m
Share of (loss)/profits of associates	10	39.9	39.9	37.6	37.6
Dividends arising from (Joint Venture) Sales*		366.6	366.6	-	-
Dividends receivable		3.0	4.1	2.4	22.0
Interest receivable		233.8	17.6	106.2	112.1
Statement of Comprehensive Net Expenditure		**3,610.1**	**6,214.2**	**3,560.9**	**7,281.2**

*In January 2016 LCR paid a dividend of £366.6m to the Department, arising from the sale of King's Cross Central Limited. In the previous year LCR surrendered its shares in Eurostar International Limited as a dividend in specie (£325m).

**Included in Other income.

5.1 Income analysis

	2015-16 Core Department & Agencies £m	2015-16 Departmental Group £m	2014-15 (restated) Core Department & Agencies £m	2014-15 (restated) Departmental Group £m
Sale of goods & services	133.7	1,244.3	99.6	1,320.9
Other income	2,879.2	4,587.8	2,945.1	5,418.6
Finance income	603.4	388.3	433.6	459.1
Share of (loss)/profits of associates	(6.2)	(6.2)	82.6	82.6
Total income	**3,610.1**	**6,214.2**	**3,560.9**	**7,281.2**

6. Property, Plant and Equipment

Group							2015-16
		Infrastructure assets		AUC	Land, buildings & other		
	Rail Network	Strategic Road Network	HS1 Infrastructure Asset	Assets under Construction	Land and buildings	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2015	408,416.4	126,394.1	3,546.0	3,105.2	996.0	470.3	542,928.0
Opening balance adjustments	-	-	-	4.5	(2.7)	(1.5)	0.3
Additions	-	576.6	-	8,394.7	17.3	4.6	8,993.2
Write-down of capital additions	-	-	-	(855.2)	-	-	(855.2)
Disposals	-	-	-	-	(10.9)	(5.1)	(16.0)
Impairments	-	(25.4)	-	-	(22.1)	(15.4)	(62.9)
Transfers	3,682.2	244.1	-	(3,949.6)	7.7	17.3	1.7
Reclassifications	-	-	-	(5.1)	(5.5)	17.0	6.4
Revaluations	2,889.6	(3,118.6)	-	(2,140.7)	44.0	(12.4)	(2,338.1)
At 31 March 2016	**414,988.2**	**124,070.8**	**3,546.0**	**4,553.8**	**1,023.8**	**474.8**	**548,657.4**
Depreciation							
At 1 April 2015	130,320.9	14,504.7	261.0	-	208.5	241.0	145,536.1
Opening balance adjustments	-	-	-	-	(0.2)	(0.4)	(0.6)
Charged in year	4,595.3	929.2	46.1	-	23.0	36.5	5,630.1
Disposals	-	-	-	-	(7.9)	(3.8)	(11.7)
Impairments	-	(4.3)	-	-	(8.7)	(4.1)	(17.1)

6. Property, Plant and Equipment *(continued)*

Group							2015-16
		Infrastructure assets		AUC	Land, buildings & other		
	Rail Network	Strategic Road Network	HS1 Infrastructure Asset	Assets under Construction	Land and buildings	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Transfers	-	-	-	-	-	-	-
Revaluations	-	(1,389.0)	-	-	3.9	(3.7)	(1,388.8)
At 31 March 2016	**134,916.2**	**14,040.6**	**307.1**	**-**	**218.6**	**265.5**	**149,748.0**
Carrying amount at 31 March 2016	**280,072.0**	**110,030.2**	**3,238.9**	**4,553.8**	**805.2**	**209.3**	**398,909.4**
Carrying amount at 31 March 2015	**278,095.5**	**111,889.4**	**3,285.0**	**3,105.2**	**787.5**	**229.3**	**397,391.9**
Asset financing:							
Owned	280,072.0	107,573.6	3,238.9	4,553.8	778.1	172.2	396,388.6
Finance leased	-	-	-	-	1.9	33.8	35.7
On-balance sheet (SoFP) PFI and other service concession arrangement	-	2,456.6	-	-	25.2	3.3	2,485.1
Carrying amount at 31 March 2016	**280,072.0**	**110,030.2**	**3,238.9**	**4,553.8**	**805.2**	**209.3**	**398,909.4**
Of the total:							
Department	-	2,202.4	3,238.9	387.9	215.3	11.2	6,055.7
Agencies	-	-	-	2.9	107.6	36.9	147.4
Other designated bodies	280,072.0	107,827.8	-	4,163.0	482.3	161.2	392,706.3
Carrying amount at 31 March 2016	**280,072.0**	**110,030.2**	**3,238.9**	**4,553.8**	**805.2**	**209.3**	**398,909.4**

6. Property, Plant and Equipment *(continued)*

Group

2014-15 *(restated)*

	Infrastructure assets			AUC	Land, buildings & other		
	Rail Network	**Strategic Road Network**	**HS1 Infrastructure Asset**	**Assets under Construction**	**Land and buildings**	**Other assets**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost or valuation							
At 1 April 2014	-	129,721.0	3,546.0	562.2	947.0	447.9	135,224.1
Prior year adjustments	401,719.0	-	-	1,555.1	-	-	403,274.1
Restated as at 1 April 2014	401,719.0	129,721.0	3,546.0	2,117.3	947.0	447.9	538,498.2
Opening balance adjustments	-	-	-	6.9	-	20.2	27.1
Additions	-	631.1	-	7,981.8	11.8	23.5	8,648.2
Write-down of capital additions	-	-	-	(739.4)	-	-	(739.4)
Disposals	-	-	-	-	(11.1)	(26.3)	(37.4)
Impairments	-	(42.1)	-	-	(10.2)	(1.4)	(53.7)
Transfer	3,721.0	411.0	-	(4,180.7)	2.2	4.0	(42.5)
Reclassifications	-	-	-	(7.7)	(13.7)	5.1	(16.3)
Revaluations	2,976.4	(4,326.9)	-	(2,073.0)	70.0	(2.7)	(3,356.2)
At 31 March 2015	**408,416.4**	**126,394.1**	**3,546.0**	**3,105.2**	**996.0**	**470.3**	**542,928.0**

6. Property, Plant and Equipment *(continued)*

Group

2014-15
(restated)

	Infrastructure assets			AUC	Land, buildings & other		
	Rail Network	**Strategic Road Network**	**HS1 Infrastructure Asset**	**Assets under Construction**	**Land and buildings**	**Other assets**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Depreciation							
Restated as at 1 April 2014							
At 1 April 2014	-	18,758.5	214.9	-	184.7	226.4	19,384.5
Prior year adjustments	125,758.3	-	-	-	-	-	125,758.3
Restated as at 1 April 2014	125,758.3	18,758.5	214.9	-	184.7	226.4	145,142.8
Opening balance adjustments	-	-	-	-	-	9.2	9.2
Charged in year	4,562.6	821.0	46.1	-	20.2	34.7	5,484.6
Disposals	-	-	-	-	(5.1)	(24.9)	(30.0)
Impairments	-	(14.2)	-	-	-	1.3	(12.9)
Transfer	-	-	-	-	(2.1)	0.6	(1.5)
Reclassifications	-	-	-	-	(0.2)	-	(0.2)
Revaluations	-	(5,060.6)	-	-	11.0	(6.3)	(5,055.9)
At 31 March 2015	**130,320.9**	**14,504.7**	**261.0**	**-**	**208.5**	**241.0**	**145,536.1**
Carrying amount at 31 March 2015	**278,095.5**	**111,889.4**	**3,285.0**	**3,105.2**	**787.5**	**229.3**	**397,391.9**
Carrying amount at 31 March 2014	**275,960.7**	**110,962.5**	**3,331.1**	**2,117.3**	**762.3**	**221.5**	**393,355.4**

6. Property, Plant and Equipment *(continued)*

Group

2014-15
(restated)

	Infrastructure assets			AUC	Land, buildings & other		
	Rail Network	**Strategic Road Network**	**HS1 Infrastructure Asset**	**Assets under Construction**	**Land and buildings**	**Other assets**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Asset financing:							
Owned	278,095.5	109,404.7	3,285.0	2,887.9	759.1	186.9	394,619.1
Finance leased	-	-	-	-	2.2	37.8	40.0
On-balance sheet (SoFP) PFI and other service concession arrangement	-	2,484.7	-	-	26.2	4.6	2,515.5
Contracts	-	-	-	217.3	-	-	217.3
Carrying amount at 31 March 2015	**278,095.5**	**111,889.4**	**3,285.0**	**3,105.2**	**787.5**	**229.3**	**397,391.9**
Of the total:							
Department	-	-	3,285.0	117.2	220.1	10.2	3,632.5
Agencies	-	111,889.4	-	588.5	391.2	90.2	112,959.3
Other designated bodies	278,095.5	-	-	2,399.5	176.2	128.9	280,800.1
Carrying amount at 31 March 2015	**278,095.5**	**111,889.4**	**3,285.0**	**3,105.2**	**787.5**	**229.3**	**397,391.9**

6.1 Asset Classes

Property, plant and equipment is categorised into Infrastructure assets, Land and Buildings and Other assets.

Infrastructure Assets

These are Networked Assets, which are integrated networks servicing a significant geographical area. They comprise the Railway Network and the Strategic Road Network and the HS1 concession. These assets usually display some or all of the following characteristics:

- They are part of a system or network;
- They are specialised in nature and do not have alternative uses;
- They are immovable; and
- They may be subject to constraints on disposal.

The Strategic Road Network (SRN) consists of the motorways and all-purpose trunk roads (APTRs) in England, which form a single integrated network. The SRN constitutes carriageways, including earthworks, tunnelling and road pavements, roadside communications, bridges and other structures, and land and buildings within the highway's perimeter. Capitalisation is applied on a grouped basis where the elements in substance form a single asset and for land, road construction schemes and road and structures renewals in Highways England. Expenditure on road construction schemes in the course of design or construction is capitalised when it is reasonably certain the scheme will go ahead. On completion, the scheme will be transferred to the main networked asset category and valued at depreciated replacement cost.

The Railway Network is the integrated network used to deliver the operation, maintenance and renewal of Great Britain's national rail infrastructure and is valued at depreciated replacement cost. The Railway Network consists of track, earthworks, signalling, power, plant, telecommunications, bridges, fencing, coastal defences, station and operational property and land. It includes only those assets which are controlled by Network Rail, all other parts of the Railway Network are excluded.

Completed assets under construction are written down to depreciated cost on a pro rata basis.

Land and Buildings

In the prior year each of land, buildings and dwellings had been disclosed as separate asset classes. These have now been grouped into a single class of assets. This is appropriate disclosure due to their similar nature and the relative materiality of this class of assets, following the inclusion of the rail network in the accounts of the Department. This category includes:

- Land and buildings outside the network's perimeter (including those recognised by other Group members);
- Lighthouses and vessels recognised by the General Lighthouse Authorities;
- Non-operational buildings; and
- All residential properties owned by the Group which are not part of an existing scheme under construction are reported as dwellings and valued at open market value.

Other Assets

In the prior year each of plant and machinery, furniture and fittings, transport equipment and information technology had been disclosed as separate asset classes. These have now been grouped into a single class of assets. This is appropriate disclosure due to their similar nature and the relative materiality of this class of assets, following the inclusion of the rail network in the accounts of the Department.

The most material groups within other assets are Plant and Machinery and Fixtures and Fittings, and Information Technology.

6.2 Rail Network

The rail network was valued, as at 31 December 2015, by Network Rail and Turner and Townsend (professional valuers) using data provided by Network Rail. An indexation factor has been used to update the values to 31 March 2016, and to determine the values in prior years. The key components of this valuation, associated remaining asset lives and depreciation charges are shown in the table below:

			2015-16	2014-15
Type	**Depreciated Replacement Cost**	**Remaining Life**	**Depreciation Charge**	**Depreciation Charge**
	£m	**Years ***	**£m**	**£m**
Structures	41,662.0	58	691.2	686.2
Earthworks	63,373.9	98	642.1	637.5
Telecoms	2,634.1	14	189.5	188.1
Operational property	14,748.0	26	554.8	550.9
Electrification and plant	33,837.1	47	946.5	939.7
Track	23,534.7	19	1,063.1	1,055.5
Signals	6,353.0	13	508.1	504.7
Land	93,929.2	-	-	-
Total **	**280,072.0**		**4,595.3**	**4,562.6**

* Maximum remaining life set at 100 years

6.3 Rail Network

Network Rail's own accounts value the railway network at fair value using an income approach, this value differs significantly from the depreciated replacement cost of the railway network included in these accounts (note 22). Network Rail measures the income flows that arise to the holder of the network licence from owning the railway network. Whilst this is appropriate for Network Rail's own accounts such an approach does not take into account the significant economic benefits to Great Britain over and above the returns received by the holder of the network licence for running the rail infrastructure. It would also be difficult to reliably estimate wider economic benefits for valuation purposes.

Government accounting rules require that networked assets are valued on a consistent basis using depreciated replacement cost (DRC). This valuation method provides a consistent platform to measure the consumption of economic resources in government accounts. The value is considerably higher than in Network Rail's accounts. One key difference is that the valuation includes the cost of replacing earthworks, long life structures, and buying operational land. These elements comprise much of the network value for DRC purposes. These costs were in the large part incurred more than 100 years ago. It follows that the future commercial returns, as captured in Network Rail's income approach, are not related to the depreciated replacement cost of these components of the railway network.

Critical judgements

The integrated railway network is used to deliver the operation, maintenance and renewal of the national rail infrastructure. The network contains a variety of assets and technologies that reflect the evolution of the railway. Consequently there are numerous instances where there are multiple assets and systems employed to deliver the same function in different parts of the network. It is anticipated that the modern equivalent network will, wherever possible, implement standardised assets, systems and technologies. These standard designs will only be deviated from if, following review by a qualified engineer, the standard design is deemed impossible. The bespoke modern equivalent approach adopted aggregates repeatable component assets used and is described as the building block approach. In order to deliver the same functionality it is critical to provide the same services in the same geographic area and therefore, the modern equivalent network is deemed to contain the same quantity of track and termini as is in the current network.

Cost data is derived from sources including: final costs of recently completed projects; contractor's Framework Rates; Project Cost plans; first principle estimating techniques; and actual cost data from other UK contracts. Indirect construction costs have been taken from benchmarking ranges policy documentation; the principles and ranges have been reviewed and endorsed by ORR. Estimated costs are adjusted to reflect a risk allowance which reflects the maturity of the project, and contingencies for costs that vary from project to project. The risk allowance used in this valuation assumes a high initial understanding of the scope of the project and is set at 22%. Costs have been benchmarked against actual costs of recent projects where possible; however, this is less feasible for components which are routinely maintained rather than fully replaced. The cost data has been indexed to a base date of 31 March 2016, using the techniques used for the current estimation of projects.

The valuation includes some key estimates and assumptions, as below:

- The estimate of asset lives. This is a critical judgement based on the available data including that used for Network Rail's whole life costing assessments. However in some cases, particularly components that are rarely replaced such as structures and earthworks, particularly careful judgement is required. The sensitivity analysis below sets out the change in valuation of a possible movement in asset lives of 10%.
- Land compensation. The land valuation includes an assessment of compensation costs on purchasing land for railway purposes. Because Network Rail rarely purchase large parcels of land this estimate is based on experience from outside the rail industry.
- Green field assumption. DRC assumes that assets are built on a green field. In some cases comparative costs can only be found that include building assets in a live operational environment, which is more expensive than a green field. An assessment has been made of the difference in costs and this is also subject to a sensitivity analysis.
- Costing risk factor. After allowing for known costs in constructing assets there are also unknown and localised costs that are captured using a risk factor. This assumption is subject to a sensitivity analysis based on the range of potential adjustments.

Sensitivity analysis

Scenario 1 – Shows the impact of an increase or decrease in the DRC asset lives up or down. The 2014-15 DRC has been pro-rated to reflect this impact.

Scenario 2 – Shows the impact if the Land Compensation adjustment (normally 65%) were to increase or decrease by 10%. Effectively assuming a compensation adjustment of 75% and 55%.

Scenario 3 – Shows the impact if the adjustment for working in a 'green-field' rather than operational environment (normally 32%) were to increase or decrease by 10%, showing the impact of an adjustment at 22% and 42%. The 2014-15 range shown has been pro-rated.

Scenario 4 – Shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 22%, by a increase or decrease of 10%, effectively showing risk factors of 32% and 12% applied.

Depreciated Replacement Cost

Type	2015-16 Depreciated Replacement Cost (-)	2015-16 Depreciated Replacement Cost	2015-16 Depreciated Replacement Cost (+)	2014-15 Depreciated Replacement Cost (-)	2014-15 Depreciated Replacement Cost	2014-15 Depreciated Replacement Cost (+)
	£m	£m	£m	£m	£m	£m
Base Case inc 22% risk		280,072.0			278,095.5	
Scenario 1	261,747.6		298,396.2	259,868.6		296,322.4
Scenario 2	274,379.2		285,764.6	272,463.6		283,727.4
Scenario 3	284,354.2		275,789.7	282,355.0		273,836.0
Scenario 4	265,052.0		295,091.8	264,158.3		294,038.5
Total range	**261,747.6**	**280,072.0**	**298,396.2**	**259,868.6**	**278,095.5**	**296,322.4**

Depreciation Charge

Type	2015-16 Depreciation Charge (-)	2015-16 Depreciation Charge	2015-16 Depreciation Charge (+)	2014-15 Depreciation Charge (-)	2014-15 Depreciation Charge	2014-15 Depreciation Charge (+)
	£m	£m	£m	£m	£m	£m
Base Case inc 22% risk		4,595.3			4,562.6	
Scenario 1	4,534.6		4,658.2	4,502.3		4,625.0
Scenario 2	4,595.3		4,595.3	4,562.6		4,562.6
Scenario 3	4,791.5		4,399.1	4,757.4		4,367.8
Scenario 4	4,218.7		4,972.0	4,188.6		4,936.5
Total range	**4,218.7**	**4,595.3**	**4,972.0**	**4,188.6**	**4,562.6**	**4,936.5**

6.4 Strategic Road Network (SRN)

Last year (2014-15), road, land and technology assets were revalued by Atkins (professional valuers) in accordance with the policy to revalue elements of the SRN every 5 years on a rolling basis. Highways England have used an indexation factor to update values to 31st March 2016. The key components of the valuation, associated remaining asset lives and the depreciation charges are shown in the table below:

	2015-16			2014-15
	Depreciated Replacement Cost	**Asset Life**	**Depreciation Charge**	**Depreciation Charge**
	£m	**Years**	**£m**	**£m**
Roads*	66,257.0	20 to 120	(57.2)	(36.1)
Renewals capitalised	-	-	421.7	631.2
Structures	30,560.2	20 to 120	441.9	112.8
Technology	1,561.0	15 to 50	122.8	113.1
Land	11,652.0	-	-	-
Total	**110,030.2**		**929.2**	**821.0**

*The credit of £57.2m for road condition, reflects an improvement in the condition of the roads.

Critical judgements and sensitivity

The most significant areas involving a higher degree of judgement or complexity are described below:

Depreciation

Depreciation reflects the condition of the road, which is determined by surveys carried out across all lanes that measure, at 10 metre intervals, the level of rutting (depressions/grooves in the road surface caused by wear or deformation over time); in previous years, rutting levels were obtained for lane one only, and this data was extrapolated across the other lanes. Rutting measures only the road surface, which represents approximately 10% of the total value of the road element; however, this is considered to provide a fair approximation for the overall condition of the road surface. The level of rutting that is considered acceptable before maintenance intervention is 15.5mm, which triggers the renewals programme. Rutting data is used to generate the depreciation charge which is the rutting percentage multiplied by the depreciable element of the road. The depreciable element of roads is calculated as 17.55% of the total road valuation, which is a weighted average. Rutting is applied to this percentage of the road value; if this depreciable element was 18.55% of the value of the roads, the net book value of roads as at 31 March 2016 would reduce by £116.1m.

During 2015-16 there was a change to the algorithms used to process rutting data to generate the depreciation charge. An increase in the rutting results in an increase in the road depreciation charge. Any change in the acceptable level of rutting of 15.5mm will affect the valuation. An increase or decrease of 1mm would result in the valuation increasing by £131.4m and reducing by £131.4m respectively.

Indexation

Between full valuation years, construction related indices are applied to the costing rates. The indices which are most relevant to the replacement costs for components are selected, and data is extrapolated to ascertain an estimated standard cost valuation. Costing rates are based on actual costs from schemes constructed over the past five years, supplemented by the use of extrapolation techniques and the work of professional cost estimators.

Renewals

HE invested £576.6m during 2015-16 (2014-15: £631.2m) on capital renewal of the network which is the ongoing programme to update and improve the SRN through a variety of interventions that will yield future economic benefits. There was a corresponding valuation adjustment of £576.6m which represents the gross value of materials replaced by the capital renewal programme, which are accordingly removed from the gross value and the accumulated depreciation of the road element of the SRN.

An additional £91m was spent in 2015-16 on pipeline schemes (preparing renewal schemes for later works – after 1 April 2016). This was included within assets under construction.

6.5 Assets under construction (Networked Assets)

New capital projects (road and rail network) are recorded at cost until they have been completed. These often reflect the incremental cost of building on an existing network. Completed projects are valued at Depreciated Replacement Cost, defined as the cost of building the same asset on an idealised (greenfield) site. This generated a write-down of £855.2m (2014-15 £739.3m), which was set off against the revaluation reserve for networked assets.

6.6 High Speed 1 Asset

This is the value of the service concession on the HS1 rail link from the Kent coast to St. Pancras in London. There are two parts to this valuation:

- £1,686m based on the impaired value of the asset in the accounts of London and Continental Railways Limited as at 31 December 2009. This is the value in use as calculated from the net present value of future cash flows; and
- £1,860m reflecting the November 2010 transaction, which is a best estimate of the concession income The Department will receive in 2040 or beyond.

6.7 Assets held for sale

	Core Department & Agencies	Departmental Group
	£m	£m
Cost or valuation		
At 1 April 2015	14.8	14.8
Reclassifications	(13.7)	(0.4)
Disposals	-	(3.0)
Impairments	-	(1.2)
At 31 March 2016	**1.1**	**10.2**
Cost or valuation		
At 1 April 2014	10.3	10.3
Reclassifications	12.8	12.8
Disposals	(8.4)	(8.4)
Impairments	0.1	0.1
At 31 March 2015	**14.8**	**14.8**

6.8 Investment properties

	Departmental Group
	£m
Fair value	
1 April 2015	982.4
Additions (enhancements)	19.4
Disposals	(6.2)
Revaluations	113.7
31 March 2016	**1,109.3**
Fair value	*(restated)*
1 April 2014	855.4
Additions (enhancements)	20.2
Disposals	(1.4)
Revaluations	108.2
31 March 2015	**982.4**

The fair value of investment properties at 31 March 2016 is deemed to be market value. External valuers, Jones Lang LaSalle have valued investment properties, by separating one-off properties (17 valued individually) from the remainder of the portfolio (valued under the Beacon method, using rental yields across 13 homogeneous classes).

The properties are leased out under operating leases, these are tenant repairing and maintenance obligations are limited to common areas and vacant property units.

7. Intangible Assets

Group

				2015-16
	Software Licences	Development Expenditure	Assets under Construction	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2015	51.6	411.5	10.2	473.3
In-year balances adjustment	0.4	-	-	0.4
Additions	5.3	0.1	22.5	27.9
Transfers	13.0	12.4	(25.4)	-
Disposals	(0.2)	-	-	(0.2)
Impairments	(0.9)	(0.3)	-	(1.2)
Reclassifications	2.3	-	(2.3)	-
At 31 March 2016	**71.5**	**423.7**	**5.0**	**500.2**
Amortisation				
At 1 April 2015	37.0	293.7	-	330.7
In-year balances adjustment	0.2	-	-	0.2
Charged in year	6.8	32.0	-	38.8
Impairments	(0.3)	(0.1)	-	(0.4)
Disposals	(0.2)	-	-	(0.2)
At 31 March 2016	**43.5**	**325.6**	**-**	**369.1**
Carrying amount at 31 March 2016	**28.0**	**98.1**	**5.0**	**131.1**
Carrying amount at 31 March 2015	**14.6**	**117.8**	**10.2**	**142.6**
Asset financing:				
Owned	28.0	98.1	5.0	131.1
Carrying amount at 31 March 2016	**28.0**	**98.1**	**5.0**	**131.1**
Of the total:				
Core Department	3.6	-	-	3.6
Agencies	16.0	30.8	1.7	48.5
Other designated bodies	8.4	67.3	3.3	79.0

Group

	Software Licences	Development Expenditure	Assets under Construction	Total
				2014-15 *(restated)*
	£m	**£m**	**£m**	**£m**
Cost or valuation				
At 1 April 2014	81.5	320.8	9.3	411.6
Prior year adjustment	-	78.1	-	78.1
Additions	3.0	0.1	13.0	16.1
Transfers	0.1	11.7	(11.4)	0.4
Disposals	(33.6)	(0.2)	-	(33.8)
Impairments	(0.1)	1.0	-	0.9
Reclassifications	0.7	-	(0.7)	-
At 31 March 2015	**51.6**	**411.5**	**10.2**	**473.3**
Amortisation				
At 1 April 2014	69.0	251.2	-	320.2
Prior year adjustment	-	10.6	-	10.6
Charged in year	4.0	32.0	-	36.0
Disposals	(35.9)	(0.1)	-	(36.0)
Revaluations	(0.1)	-	-	(0.1)
At 31 March 2015	**37.0**	**293.7**	**-**	**330.7**
Carrying amount at 31 March 2015	**14.6**	**117.8**	**10.2**	**142.6**
Carrying amount at 31 March 2014*	**12.5**	**69.6**	**9.3**	**91.4**
Asset financing:				
Owned	14.6	109.3	10.2	134.1
Finance leased	-	8.5	-	8.5
Carrying amount at 31 March 2015	**14.6**	**117.8**	**10.2**	**142.6**
Of the total:				
Core Department	4.0	-	-	4.0
Agencies	5.3	48.5	10.2	64.0
Other designated bodies	5.3	69.3	-	74.6

*The 2014 SoFP balance is after the prior year adjustment.

8. Capital and Other Commitments

8.1 Capital commitments

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Property, plant and equipment	-	3,960.9	1,615.4	1,620.1
	-	**3,960.9**	**1,615.4**	**1,620.1**

8.2 Commitments under leases

8.2.1 Operating leases

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Obligations under operating leases for the following periods comprise:				
Land				
Not later than one year	-	-	0.4	0.4
Later than one year and not later than five years	-	-	0.4	0.4
Later than five years	-	0.2	0.3	0.4
Total future lease payments	**-**	**0.2**	**1.1**	**1.2**
Buildings				
Not later than one year	7.5	83.5	17.3	72.6
Later than one year and not later than five years	16.7	244.2	57.5	190.8
Later than five years	40.4	351.0	43.0	87.6
Total future lease payments	**64.6**	**678.7**	**117.8**	**351.0**
Other:				
Not later than one year	55.7	57.2	44.5	45.5
Later than one year and not later than five years	228.5	235.4	227.3	228.5
Later than five years	211.9	217.3	268.9	268.9
Total future lease payments	**496.1**	**509.9**	**540.7**	**542.9**

8.2.2 Finance leases

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

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Obligations under finance leases for the following periods comprise:				
Buildings				
Not later than one year	0.2	0.2	0.2	0.2
Later than one year and not later than five years	0.6	0.6	0.7	0.7
Later than five years	-	-	-	-
	0.8	0.8	0.9	0.9
Less interest element	(0.1)	(0.1)	(0.1)	(0.1)
Present value of obligations	**0.7**	**0.7**	**0.8**	**0.8**
Other:				
Not later than one year	3.1	7.1	5.9	9.9
Later than one year and not later than five years	-	16.0	7.6	23.6
Later than five years	-	6.2	-	10.2
	3.1	29.3	13.5	43.7
Less interest element	-	(3.2)	(2.9)	(7.1)
Present value of obligations	**3.1**	**26.1**	**10.6**	**36.6**

8.3 Commitments under PFI and other service concession arrangements

8.3.1 On-balance sheet (Statement of Financial Position)

Highways England has entered into on balance sheet PFI contracts for the design, build, finance and operation of sections of the network. The substance of these contracts under IFRIC12 is that the Department has a finance lease, with the asset being recognised as a non-current asset.The most significant of these is the M25 London Orbital Motorway contract. The contract commenced on 13 September 2009 and is for a period of 30 years. The contractor is required to operate, maintain, renew, reconstruct, repair and reinstate the road facilities within the designated area. The liability as at 31 March 2016 was £2.2bn, which includes an interest element of £1.3bn. The future service charge relating to the M25 PFI is £6.3bn.

On 4 April 2005, DVLA entered into a 20-year service concession agreement with Telereal Trillium (formerly Land Securities Trillium). This agreement falls within the scope of IFRIC 12 Service Concession Arrangements and has been set up to provide the following property outsourcing solutions including buildings management, maintenance and services. Revenue expenditure is recorded as a service charge in the Statement of Comprehensive net Expenditure.

A PFI liability has been created to reflect the work capitalised. This liability is reduced over the life of the contract as payments are made. In accordance with *FReM* requirements, the interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method.

8.3.2 Departmental Group

Imputed finance lease obligations under on balance sheet PFI contracts comprise:

	2015-16	2014-15
	£m	£m
Rentals due:		
Not later than one year	204.6	201.1
Later than one year and not later than five years	778.5	774.5
Later than five years	2,448.9	2,631.2
	3,432.0	3,606.8
Less interest element	(1,712.6)	(1,839.0)
	1,719.4	**1,767.8**

The capital element under on balance sheet PFI contracts comprises:

	2015-16	2014-15
	£m	£m
Not later than one year	80.1	73.5
Later than one year and not later than five years	328.9	309.7
Later than five years	1,310.4	1,384.6
	1,719.4	**1,767.8**

The interest element under on balance sheet PFI contracts comprises:

	2015-16	2014-15
	£m	£m
Not later than one year	124.5	127.6
Later than one year and not later than five years	449.6	464.8
Later than five years	1,138.5	1,246.6
	1,712.6	**1,839.0**

The finance lease obligations under on balance sheet PFI contracts are held by Highways England and DVLA.

8.3.3 Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on balance sheet PFI transactions was £230,100,000.

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

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Not later than one year	18.3	345.6	547.1	547.1
Later than one year and not later than five years	79.6	1,446.0	2,159.0	2,159.0
Later than five years	89.5	6,834.8	10,287.4	10,287.4
	187.4	**8,626.4**	**12,993.5**	**12,993.5**

8.4 Other financial commitments

Network Rail (Core Department & Agencies only)

In accordance with a Deed of Grant entered into in December 2013, the Department is committed to making direct payments of £17,661m to Network Rail spread over the financial years 2014-15 to 2018-19. This sum is expressed in 2012-13 prices. Actual sums payable under the Deed of Grant are subject to indexation with reference to the RPI. Any direct payments to Network Rail beyond this period will be contracted following a review of Network Rail's income requirement which will be conducted by the Office of Rail and Road in due course. The (undiscounted) numbers shown below include the commitments for the financial years 2016-17 to 2018-19. In comparison with the prior year, the value for later than one year is lower as there are now two, rather than three years of outstanding commitments in this category.

Train Operating Companies

In addition, as at 31 March 2016, the Department had 15 contracts with TOCs for the provision of rail services.

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

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

The amounts in the table below do not attempt to forecast any commitments by the Department for the provision of rail services beyond the expiry of the current suite of contracts with the rail industry. They do not include amounts payable by TOCs to the Department which are expected to be as set out in the base contracts.

*The Group total excludes the financial commitments from the Core Department to Network Rail, which are intragroup.

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Not later than one year	4,324.7	448.4	4,208.9	386.3
Later than one year and not later than five years	8,928.1	1,134.0	12,351.8	202.3
Later than five years	357.8	357.8	-	-
	13,610.6	**1,940.2**	**16,560.7**	**588.6**

9. Financial Instruments

Analysis by category		2015-16		2014-15 *(restated)*	
	Note	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
		£m	**£m**	**£m**	**£m**
Non-current financial assets					
Loans and receivables	9.1.1	14,320.5	368.2	6,867.5	415.2
Available-for-sale financial assets	9.1.2	376.3	608.1	567.7	849.5
Public dividend capital	9.1.3	32.5	32.5	32.5	32.5
Financial assets held at fair value through profit and loss	9.1.4	-	654.5	-	721.2
		14,729.3	**1,663.3**	**7,467.7**	**2,018.4**
Current financial assets					
Financial assets held at fair value through profit and loss	9.1.4	-	308.7	-	49.7
Current financial liabilities					
Financial liabilities held at fair value through profit and loss	9.1.4	-	(9.5)	-	(5.0)
Non-current financial liabilities					
Financial liabilities held at fair value through profit and loss	9.2.1	-	(1,399.2)	-	(1,038.0)
Other financial liabilities	9.2.2	(4,297.9)	-	(3,776.0)	-
		10,431.4	**563.3**	**3,691.7**	**1,025.1**

9.1 Financial Assets

9.1.1 Loans

	DVSA	GLF	Humber Bridge	Other Loans	Departmental Group Total
	£m	£m	£m	£m	£m
Balance at 1 April 2014	80.2	-	176.4	3.4	260.0
Advances	-	200.0	-	-	200.0
Repayment	(32.4)	(10.0)	(4.6)	(0.8)	(47.8)
Balance at 31 March 2015	**47.8**	**190.0**	**171.8**	**2.6**	**412.2**
Balance at 1 April 2015	47.8	190.0	171.8	2.6	412.2
Reclassification of Midland Expressway Ltd (MEL) & Severn River Crossing PLC (SRC) loans *	-	-	-	291.5	291.5
Repayment	(30.7)	(20.0)	(171.8)	(114.9)	(337.4)
Balance at 31 March 2016	**17.1**	**170.0**	**-**	**179.2**	**366.3**

	Departmental Group Total	Other Intra Group Loans	Loans to Network Rail	Core Department & Agencies Total
	£m	£m	£m	£m
Balance at 1 April 2014	260.0	9.7	-	269.7
Advances	200.0	-	6,450.0	6,650.0
Repayment	(47.8)	(7.4)	-	(55.2)
Balance at 31 March 2015	**412.2**	**2.3**	**6,450.0**	**6,864.5**
Balance at 1 April 2015	412.2	2.3	6,450.0	6,864.5
Reclassification of Midland Expressway Ltd (MEL) & Severn River Crossing PLC (SRC) loans *	291.5	-	-	291.5
Advances	-	-	7,500.0	7,500.0
Repayment	(337.4)	-	-	(337.4)
Balance at 31 March 2016	**366.3**	**2.3**	**13,950.0**	**14,318.6**

*The MEL and SRC loans were previously classified in receivables. However these amounts are longstanding and repayments to date had been of interest due with some small capital repayments. It is therefore more appropriate to reclassify these balances as loans. The SRC loan was repaid in full during the year.

9.1.1.2 National Loans Fund

	Civil Aviation Authority and King's Lynn Harbour Conservancy
	£m
Balance at 1 April 2014	4.1
Loans payable within one year transferred to receivables	(1.1)
Balance at 31 March 2015	**3.0**
Balance at 1 April 2015	3.0
Loans payable within one year transferred to receivables	(1.1)
Balance at 31 March 2016	**1.9**

9.1.2 Available-for-sale financial assets

The Departmental group holds available-for-sale financial assets (typically equity shares) where this represents the best return for the taxpayer, typically for projects which will generate volatile returns during their early phases.

	LCR Ltd	Direct Subsidiaries	Core Department & Agencies Total	Network Rail Insurance Ltd	Interests in jointly controlled entities	Departmental Group Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2014	946.6	12.3	958.9	45.8	15.9	1,020.6
Additions	-	-	-	200.0	5.1	205.1
Revaluations	(391.2)	-	(391.2)	-	24.7	(366.5)
Impairments	-	-	-	(6.5)	(3.4)	(9.9)
Profit/(loss) share	-	-	-	-	0.2	0.2
Balance at 31 March 2015	**555.4**	**12.3**	**567.7**	**239.3**	**42.5**	**849.5**
Balance at 1 April 2015	555.4	12.3	567.7	239.3	42.5	849.5
Additions	-	-	-	-	1.7	1.7
Revaluations	(191.4)	-	(191.4)	-		(191.4)
Impairments	-	-	-	(50.6)	(1.7)	(52.3)
Profit/(loss) share	-	-	-	-	0.6	0.6
Balance at 31 March 2016	**364.0**	**12.3**	**376.3**	**188.7**	**43.1**	**608.1**

9.1.3 Public Dividend Capital

	DVSA
	£m
Balance at 31 March 2015	**32.5**
Balance at 31 March 2016	**32.5**

9.1.4 Financial assets held at fair value through statement of comprehensive net expenditure (SOCNE)

Network Rail purchases derivatives in order to manage the risks inherent in its external borrowings.

	2015-16 Departmental Group		2014-15 Departmental Group	
	Fair Value	Notional amounts	Fair Value	Notional amounts
	£m	£m	£m	£m
Derivative financial instrument assets				
Cash flow hedges				
Cross-currency swaps to hedge debt issued under the debt issuance programme	217.0	331.0	228.0	581.0
Fair value hedges				
Cross-currency swaps to hedge debt issued under the debt issuance programme	505.2	4,198.0	398.9	5,161.0
Non-hedge accounted derivatives				
Cross-currency swaps to hedge debt issued under the debt issuance programme	93.0	198.0	69.0	198.0
Interest rate swaps	141.0	7,521.0	71.0	3,633.0
Forward foreign exchange contracts	7.0	109.0	4.0	71.0
	963.2	**12,357.0**	**770.9**	**9,644.0**
Included in non-current assets	654.5	9,910.0	721.2	8,670.0
Included in current assets	308.7	2,447.0	49.7	974.0
	963.2	**12,357.0**	**770.9**	**9,644.0**

9.2 Financial Liabilities

9.2.1 Financial liabilities held at fair value through the SOCNE

Network Rail purchases derivatives in order to manage the risks inherent in its external borrowings.

	2015-16 Departmental Group		2014-15 Departmental Group	
	Fair Value	**Notional amounts**	**Fair Value**	**Notional amounts**
	£m	**£m**	**£m**	**£m**
Derivative financial instrument assets				
Cash flow hedges				
Interest rate swaps	(39.0)	333.0	(59.0)	583.0
Forward starting interest rate swaps	(827.0)	9,241.0	(779.0)	13,282.0
Non-hedge accounted derivatives				
Interest rate swaps to hedge debt issued under the Debt Issuance Programme	(540.7)	7,476.0	(198.0)	4,033.0
Forward foreign exchange contracts	(2.0)	44.0	(7.0)	130.0
	(1,408.7)	**17,094.0**	**(1,043.0)**	**18,028.0**
Included in non-current assets	(1,399.2)	16,872.0	(1,038.0)	17,814.0
Included in current assets	(9.5)	222.0	(5.0)	214.0
	(1,408.7)	**17,094.0**	**(1,043.0)**	**18,028.0**

9.2.2 Other financial liabilities

Financial Guarantees (Core Department and Agencies)	Network Rail
	£m
Balance at 1 April 2015	(3,776.0)
Charged in year	(681.7)
Unwinding discount	(165.9)
Amortised to income	325.7
Balance at 31 March 2016	**(4,297.9)**
Balance at 1 April 2014	(3,662.8)
Charged in year	(260.2)
Unwinding discount	(214.6)
Amortised to income	361.6
Balance at 31 March 2015	**(3,776.0)**

The Department has given an indemnity to Network Rail's debt holders, with a total outstanding debt as at 31 March 2016 of £27,678m (2015: £31,309m). The indemnity expires in 2052, and is recognised as a financial guarantee contract in accordance with IAS 39. The indemnity reduces the cost of borrowing for Network Rail and the Department is paid a fee by Network Rail for the equivalent benefit of reduced interest charges on its commercial debt. The discounted value of it over the 37 year period is calculated to be as shown in the table above. There is a corresponding asset, shown in note 12 to reflect the value of the financial indemnity fee due to the Department from Network Rail.

The asset and liability are valued identically since the charge to Network Rail reflects the additional risk premium avoided by NR, which would also be a reasonable basis of determining the fair value of the guarantee given by the Department. No asset or liability appears for the group since at this level the obligations attaching to Network Rail's portfolio of borrowings is recognised in full.

9.3 Valuation methodologies and techniques

9.3.1 Financial assets

The following available-for-sale financial assets, which are held at fair value, have been measured using valuation techniques, because the instruments are not regularly traded on an active market:

» LCR Ltd

» Network Rail Insurance Limited

9.3.1.1 London & Continental Railways Limited (LCR Ltd)

LCR Ltd is recognised at fair value as at 31 March 2015 and 31 March 2016. The valuation is based on five components: Eurostar (through LCR Ltd's associate, Eurostar International Ltd) until June 2014; property development around King's Cross (through its associate, King's Cross Central Limited Partnership) until January 2016; investment; cash and working capital; and property development around Stratford (through its joint venture, Stratford City Business District Ltd).

The valuation was performed by selecting, for each component, the valuation techniques that a knowledgeable investor would use.

The valuation identified the following changes of value, which have been recognised through the available-for-sale reserve:

Between 31 March 2014 and 31 March 2015:	(£391,200,000)
Between 31 March 2015 and 31 March 2016:	(£191,400,000)

The reduction in value between 31 March 2014 and 31 March 2015 of £391.2m reflects the disposal of LCR Ltd's shareholding in Eurostar International Ltd, offset by increases in the value of other components.

The reduction in value between 31 March 2015 and 31 March 2016 of £191.4m is mainly driven by the fact that the King's Cross interest has been disposed. During the year to 31 March 2016, LCR Ltd's interests in King's Cross Central Limited Partnership were marketed for sale, as announced by the Chancellor, in June 2015. Following a competitive exercise, the interests were transferred to the successful bidder (AustralianSuper) on 22 January 2016 for consideration of £371m. After deducting for transaction costs, £366m was returned to the Department as a cash dividend.

9.3.1.2 Network Rail Insurance Limited (NRI)

Network Rail Insurance Limited is recognised at fair value as at 31 March 2015 and 31 March 2016. The valuation is reflects its role as a provider of insurance cover for for Network Rail and its subsidiaries and associates. Management aim to operate the company at a break-even level over the longer term, but results can fluctuate materially from year to year.

The valuation was performed using the Adjusted Book Value (ABV) approach as at 31 March 2014 and 31 March 2015, updated for changes in net assets between 1 April 2015 and 31 March 2016. This is an accepted valuation technique for insurance companies. The book values of assets and liabilities are adjusted to fair values. This includes adjustments to reserves for claims reported and for claims incurred but not reported to the mid-point of the range of reasonable estimates.

The valuation identified the following changes of value, which have been recognised either through the available-for-sale reserve or the Statement of Net Expenditure as appropriate:

Between 31 March 2014 and 31 March 2015:	(£6,500,000)
Between 31 March 2015 and 31 March 2016:	(£50,600,000)

9.3.1.2.1 Investments in property companies
Network Rail's investments in the Station Office Network, West Hampstead Square and Solum are valued at an aggregated amount of £15.9m as at 31 March 2014 and £42.5m as at 31 March 2015, and updated for changes in net assets between 1 April 2015 and 31 March 2016. In 2015-16 £0.6m of changes have been recognised in the available-for-sale reserve.

9.3.1.3 Summary of fair value measurements recognised in the balance sheets
The following table provides an analysis of instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				2015-16
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Available-for-sale financial assets	-	-	608.1	608.1
Derivative financial assets*	-	963.2	-	963.2
Derivative financial liabilities*	-	(1,408.7)	-	(1,408.7)
Borrowings held at fair value	(776.0)	-	-	(776.0)

				2014-15
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Available-for-sale financial assets	-	-	849.5	849.5
Derivative financial assets*	-	770.9	-	770.9
Derivative financial liabilities*	-	(1,043.0)	-	(1,043.0)
Borrowings held at fair value	(760.0)	-	-	(760.0)

*The fair value of derivatives is estimated by discounting the future contractual cash flows using appropriate yield curves based on quoted market rates as at the current financial year end.

9.3.1.4 Summary of fair value measurements of financial instruments recognised at amortised cost in the balance sheets

					2015-16
	Level 1	Level 2	Level 3	Total	Carrying Value
	£m	£m		£m	£m
Loans and receivables*	-	2,727.0	-	2,727.0	2,727.0
Borrowings held at amortised cost	(34,529.0)	(8,074.0)	-	(42,603.0)	(33,554.0)

					2014-15
	Level 1	Level 2	Level 3	Total	Carrying Value
	£m	£m		£m	£m
Loans and receivables*	-	1,509.0	-	1,509.0	1,509.0
Borrowings held at amortised cost	(38,633.0)	(14,221.0)	(1,026.0)	(53,880.0)	(36,331.0)

*The Department considers that, for short-term trade and other payables and receivables, the carrying value is a satisfactory approximation to fair value.

9.4 Off-balance sheet arrangements

The Companies Act requires disclosure of the risks associated with off-balance sheet arrangements. The Department considers that its most significant off-balance sheet arrangements relate to entities 100% owned by the Department or other group members, which are not consolidated in these accounts. The reasons for non-consolidation are that these entities are classified either as public corporations or as corporations belonging to the rest-of-the world sector.

9.4.1 Entity majority-owned by the Department – LCR Ltd

If LCR Ltd was consolidated as a wholly-owned subsidiary, its activities and financial impacts would be reflected more pervasively through these accounts. To enable readers to assess the potential impacts, the following information is provided.

	2015-16	2014-15
	£m	£m
Associates and joint venture		
King's Cross Central	-	210.9
Stratford City	25.2	12.0
	25.2	**222.9**
Investment properties	134.4	161.3
Property, plant and equipment	0.2	-
Current assets	240.3	160.3
Current liabilities	(19.8)	(16.8)
Non-current liabilities	(28.2)	(25.0)
Net assets	**352.1**	**502.7**
Revenue	31.3	17.0
Cost of sales	(4.3)	-
Gross profit	**27.0**	**17.0**
Administrative expenses	(20.9)	(17.0)
Gain on revaluation of investment properties	20.4	53.0
Other operating income	102.6	4.0
Operating profit	**129.1**	**57.0**
Share of gains of associates and joint venture	83.1	22.0
Profit before tax	**212.2**	**79.0**
Taxation	(3.2)	(4.0)
Profit for the year	**209.0**	**75.0**
Other comprehensive income		
Share of associate's cash flow hedge	(1.1)	(3.0)
Total comprehensive income	**207.9**	**72.0**

9.4.2 Entities majority-owned by Network Rail

Network Rail is the ultimate parent company of Network Rail Insurance Limited, which is not consolidated in these resource accounts. This is included in the available-for-sale financial assets disclosure. Network Rail has joint control over several entities, including the Station Office Network and West Hampstead Square. which are also presented in the available-for-sale financial assets disclosure.

	2015-16	2014-15
	£m	£m
Network Rail Insurance Limited		
Cash and cash equivalents	1.1	27.4
Other financial assets	356.4	377.8
Receivables from insurance contracts	36.0	45.3
Total assets	**393.5**	**450.5**
Trade and other payables	(1.0)	(1.1)
Liabilities from insurance contracts	(239.9)	(246.3)
Total liabilities	**(240.9)**	**(247.4)**
Net assets	**152.6**	**203.1**
Premium revenue	33.3	28.9
Insurance claims	(84.4)	(53.5)
Administration expenses	(1.2)	(1.1)
Other income	1.7	1.2
Net loss before tax	**(50.6)**	**(24.5)**

The Station Office Network and West Hampstead New Square

Network Rail's investment in these entities does not give rise to material financial risk to the group.

Network Rail and its subsidiaries participate in cross-guarantees of certain credit facilities, as described in note 17.

9.5 Financial Risks

Introduction

Entity	Funding mechanism	Risk	Impact	Extent
Core Department and agencies.	Supply and cash drawn down from Consolidated Fund (voted by Parliament).	Liquidity risk.	Excess vote; qualification of accounts.	Low
VCA, DVLA, BTPA and NR.	Income from performance of services.	Liquidity risk; credit risk.	Would need emergency funding from core Department.	Low
NR.	Debt financing (from core Department and external lenders); use of derivatives for hedging.	Liquidity risk; credit risk; market risk on index-linked borrowings.	Would need emergency funding from core Department.	Low
LCR Finance plc; CTRL Section 1 Finance plc.	Interest income from core Department to cover interest expenditure.	Liquidity risk; credit risk; market risk on index-linked borrowings.	Would need emergency funding from core Department.	Low

The specific financial risks borne by the Departmental group are as follows:

9.5.1 Credit Risk

The Departmental group is exposed to credit risk through the loans and receivables balances disclosed under 9.1.1 and trade and other receivables disclosed under note 12. Most of these balances are with other public sector bodies and the risk is considered to be low. Full disclosure of credit loss allowance amounts and policies is provided under note 12. None of the loans and receivables balances disclosed under 9.1.1 are past due, and there has been no deterioration of credit quality. Consequently, no credit loss allowance or other adjustment is recognised in respect of these balances.

The Departmental group is also exposed to credit risk through the derivative arrangements disclosed above under 9.1.4 and 9.2.1. These derivatives were acquired by Network Rail to manage interest rate risk, inflation risk and foreign exchange risk on their borrowings – these risks are discussed in more detail in a later section. Network Rail applies hedge accounting to most of these arrangements in its accounts, because they are highly effective. Hedge accounting cannot be applied on consolidation to derivatives used to hedge loans from the Department. The derivatives are therefore held at fair value through profit or loss.

The credit risk for all classes of derivative financial instruments and other funds is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies. The Network Rail treasury committee authorises the policy for setting counterparty limits based on credit ratings. The group spreads its exposure over a number of counterparties, and have strict policies on how much exposure can be assigned to each counterparty. The concentration and amount of the group's investments varies depending on the level of surplus liquidity the group chooses to hold at any point in time. However, because of the strict criteria governing counterparty suitability the risk is mitigated. The treasury committee also authorises the investment and borrowing instruments that can be used.

Where derivatives are purchased to hedge debt, but the resulting hedge is not highly effective, it is possible to achieve a degree of offset by designating the debt as fair value through profit or loss (FVTPL). For FVTPL debt, there has been no change in carrying value as a result of changes in the group's credit risk. The losses in the income statement arising from the remeasurement of FVTPL debt items of £15.2m (2015: £2.2m gain) are all attributable to changes in market risk.

The credit risk with regard to all classes of derivative financial instruments entered into before 1 January 2013 is limited because Network Rail has arrangements in place which limit each bank to a threshold (based on credit ratings), which if breached requires the bank to post collateral in cash or eligible securities. The members of the banking group are required to post collateral on positive mark to market swaps above the threshold. In December 2012 the group entered into new collateral agreements in respect of derivative trades entered into after 1 January 2013. Under the terms of the new agreements Network Rail posts collateral on adverse net derivative positions with its counterparties. The new agreements do not contain a provision for thresholds; as such Network Rail or its counterparties are required to post collateral for the full fair value of net out of the money positions. At 31 March 2016 the fair value of collateral held was £329.8m (2015: £249.8m). The group is the beneficial owner of this collateral. The group is free to invest or otherwise utilise the collateral at its discretion, subject to acting within the authority sanctioned by the treasury committee. The balance of collateral posted by the group at 31 March 2016 was £819m (2015: £726m).

9.5.2 Liquidity Risk

The Department is exposed to liquidity risk through its trade and other payables balances, borrowings, and requirements to place collateral under derivative arrangements. As described above, the Department can draw down cash from the Consolidated Fund so its liquidity risk is low. However, requirements for cash that diverge significantly from forecast are penalised.

Liquidity risk within the Network Rail group is managed on a standalone basis for historical reasons to ensure that the price is allocated in accordance with ORR expectations. The ultimate responsibility for liquidity risk management rests with Network Rail's board of directors. The policy manual ratified by their treasury committee includes an appropriate liquidity risk management framework covering the group's short, medium and long-term funding and liquidity management requirements. Their treasury committee is subject to regular internal audits. Their treasury committee provides sufficient liquidity to meet the group's needs, while reducing financial risks and prudently maximising interest receivable and minimising credit risk on surplus cash. The group manages liquidity risk by maintaining sufficient cash and facilities to cover at least one year's working capital requirement by continuously monitoring forecast and actual cash flows. Included in the payables note is a description of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

As noted above, Network Rail is required to post collateral on adverse net derivative positions at the full fair value of net out of the money positions. This may expose the Department to uncertainty in its cash requirements.

The following table details the group's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay and, therefore, differs from both the carrying value and the fair value. The table includes both interest and principal cash flows.

					2015-16
	Within one year	**1-2 years**	**2-5 years**	**5+ years**	**Total**
Group	**£m**	**£m**	**£m**	**£m**	**£m**
Non-derivative financial liabilities					
Bank loans and overdrafts	(10.0)	(20.0)	(11.0)	(545.0)	**(586.0)**
Bonds issued under the NR Debt Issuance Programme					
– Sterling denominated bonds	(709.0)	(954.0)	(1,589.0)	(4,873.0)	**(8,125.0)**
– Sterling denominated index-linked bonds	(241.0)	(248.0)	(790.0)	(39,485.0)	**(40,764.0)**
– Foreign currency denominated bonds	(2,253.0)	(912.0)	(1,970.0)	(482.0)	**(5,617.0)**
Bonds issued by LCR Finance plc and CTRL Section 1 Finance plc					
– Sterling denominated bonds	(233.8)	(232.5)	(689.5)	(5,747.4)	**(6,903.2)**
– Sterling denominated index-linked bonds	(16.9)	(17.2)	(54.3)	(1,980.0)	**(2,068.4)**
Trade and other payables	(2,735.0)	(1,630.0)	-	-	**(4,365.0)**
Derivative financial liabilities					
Net settled derivative contracts	(90.0)	(152.0)	(493.0)	(249.0)	**(984.0)**
Gross settled derivative contracts – receipts	2,252.0	909.0	1,970.0	482.0	**5,613.0**
Gross settled derivative contracts – payments	(1,921.0)	(797.0)	(1,769.0)	(337.0)	**(4,824.0)**
Total	**(5,957.7)**	**(4,053.7)**	**(5,395.8)**	**(53,216.4)**	**(68,623.6)**

					2014-15
	Within one year	1-2 years	2-5 years	5+ years	Total
Group	**£m**	**£m**	**£m**	**£m**	**£m**
Non-derivative financial liabilities					
Bank loans and overdrafts	(10.0)	(10.0)	(30.0)	(1,010.0)	**(1,060.0)**
Bonds issued under the NR Debt Issuance Programme					
– Sterling denominated bonds	(2,126.0)	(709.0)	(1,346.0)	(6,069.0)	**(10,250.0)**
– Sterling denominated index-linked bonds	(236.0)	(241.0)	(761.0)	(36,243.0)	**(37,481.0)**
– Foreign currency denominated bonds	(1,365.0)	(2,182.0)	(2,781.0)	(467.0)	**(6,795.0)**
Bonds issued by LCR Finance plc and CTRL Section 1 Finance plc					
– Sterling denominated bonds	(203.8)	(233.8)	(693.4)	(5,975.9)	**(7,106.9)**
– Sterling denominated index-linked bonds	(16.7)	(17.0)	(53.6)	(2,022.5)	**(2,109.8)**
Trade and other payables	(2,671.0)	(921.0)	-	-	**(3,592.0)**
Derivative financial liabilities					
Net settled derivative contracts	(60.0)	(107.0)	(456.0)	(394.0)	**(1,017.0)**
Gross settled derivative contracts – receipts	1,365.0	2,181.0	2,745.0	59.0	**6,350.0**
Gross settled derivative contracts – payments	(1,252.0)	(1,770.0)	(2,561.0)	(47.0)	**(5,630.0)**
Total	**(6,575.5)**	**(4,009.8)**	**(5,937.0)**	**(52,169.4)**	**(68,691.7)**

9.5.3 Market Risk

9.5.3.1 Foreign exchange risk

The only material exposure to foreign exchange risk comes from Network Rail, through its investing, financing and operating activities. Foreign exchange risk is managed by the use of forward exchange contracts and currency swaps to limit the effects of movements in exchange rates on foreign currency denominated liabilities.

As this risk arises from arrangements with external counter-parties, the position remains hedged on consolidation. It is estimated that a general increase of 10 percentage points in the value of any currency against sterling would have no material effect on the group's profit before tax or equity due to all currency positions being 100 per cent hedged so no sensitivity analysis is produced.

9.5.3.2 Interest rate and inflation risk

The Network Rail group is exposed to changes in interest rates as funds are borrowed at both fixed and floating interest rates. The hedging strategy approved by the treasury committee defines the appropriate mix between fixed and floating borrowings. Cross-currency and interest rate swap contracts are used to manage the fixed/floating ratio. On consolidation, debt obtained from the Department is de-recognised. Changes in the fair value of the hedging derivatives are recognised as expenditure or income.

Network Rail have arranged or swapped debt with a carrying value of £38,222m (2015: £32,072m) into fixed interest rates. They have arranged or swapped other borrowings into floating rates, thus exposing the group to cash flow interest rate risk.

The Network Rail group has forward starting interest rate swaps with a notional value of £9,241m which hedge the interest rate on forecast borrowings in CP5. The weighted average rate on these swaps is 2.62% per cent. As these borrowings will be provided by the Department, the interest rate risk is effectively transferred to the Department. The fair value movement during the year was £264.9m.

The Network Rail group has certain debt issuances which are index-linked and so are exposed to movements in inflation rates. The group does not enter into any derivative arrangements to hedge its exposure to inflation in relation to its index-linked debt, but rather to mitigate the effects of inflation on the group's retail price index-linked revenue streams.

The Department also has exposure to inflation risk through its wholly owned subsidiary, CTRL Section 1 Finance plc, which has one tranche of asset-backed notes which are also index-linked. As the company's liabilities are offset by an index-linked receivable from the core Department, this risk is transferred to the core Department. The core Department has identified that mitigation of the inflation risk through derivatives does not represent value for money. It manages the risk of an Excess Vote through prudent budgeting and regular monitoring of its exposure.

Sensitivity analysis

This sensitivity analysis has been determined based on the exposure to interest rates and inflation for both derivative and non-derivative financial instruments at the balance sheet date. A one per cent increase or decrease represents management's assessment of the reasonably possible changes in average interest rates and inflation.

	2015-16	
	Impact on the income statement	Impact on equity
	£m	£m
1% increase in the interest rate	(1,188)	(366)
1% increase in the GBP RPI on index linked bonds	(178)	(7)

	2014-15	
	Impact on the income statement	Impact on equity
	£m	£m
1% increase in the interest rate	(435)	(513)
1% increase in the GBP RPI on index linked bonds	(177)	(7)

A one per cent decrease in the above rates would have an equal and opposite effect.

Interest rate sensitivities have been calculated by comparing the average rates of the derivative financial instruments to the market rate for similar instruments.

The impact of a change in GBP RPI has been calculated by applying a change of one per cent to the RPI at the balance sheet date to the carrying value of the index linked bonds issued by both Network Rail and CTRL Section 1 Finance plc.

For Network Rail, it is considered that the above analysis is unrepresentative of the risks inherent in issuing index-linked debt. Franchised track access and grant income constitute £5,742m (2015: £5,729m) of revenue which is far in excess of an index-linked interest expense of £239m (2015: £239m). Currently, these sources of income are contractually index-linked and, whilst there is no absolute contractual guarantee for future regulatory control periods that this will continue, the group is highly confident that this will continue to be the case. Therefore, the natural hedge that exists between finance costs and revenue mitigates the risk of RPI movements.

9.5.3.3 Other market risk

The Departmental group has material investments in entities involved in the property sector. As discussed under section 9.3.1.1, the valuations of these investments are based on expert valuations of their property assets. Sensitivity analyses of the related assumptions are presented in that section. The values of the investments in those entities will be influenced at least in part by changes in the performance of the UK property market. The Department mitigates any associated risks by ensuring that any new projects initiated by those entities are subject to rigorous appraisal before funds are committed.

9.5.3.4 Offsetting financial assets and liabilities

a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

						2015-16
Related amounts not set off in the balance sheet	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amount of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Derivative financial assets	963.0	-	963.0	(693.0)	(257.0)	13.0

						2014-15
Related amounts not set off in the balance sheet	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amount of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Derivative financial assets	771.0	-	771.0	(542.0)	(156.0)	73.0

b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

						2015-16
Related amounts not set off in the balance sheet	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amount of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Derivative financial assets	(1,408.0)	-	(1,408.0)	693.0	715.0	-

						2014-15
Related amounts not set off in the balance sheet	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amount of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Derivative financial assets	(1,043.0)	-	(1,043.0)	542.0	501.0	-

Cash flow hedges

Contractual payments on derivatives designated as cash flow hedges impact the income statement and will all have matured by 2027.

Borrowings

Details of the group’s undrawn committed facilities and types of debt instrument used can be found in the payables note 14.

10. Investment in Associate

10.1 Holdings

The Department holds investments in a material associate, as below.

Name	Principal Activity	Proportion of voting rights controlled by group 2015-16 £m	2014-15 £m
NATS Holdings Ltd	Air traffic control	48.90%	48.90%

	NATS Holdings Ltd £m
Balance at 1 April 2015	261.2
Share of profits/(loss)	(6.2)
Share of other comprehensive net income/(expenditure)	135.7
Share of other movements	(39.9)
Balance at 31 March 2016	**350.8**
Balance at 1 April 2014	322.2
Share of profits	82.6
Share of other comprehensive net income/(expenditure)	(106.0)
Share of other movements	(37.6)
Balance at 31 March 2015	**261.2**

10.2 Share of assets, liabilities and profits

NATS Holdings Ltd	2015-16	2014-15
	£m	£m
Balance at 31 March 2016		
Current assets	539.3	534.3
Non current assets	1,287.1	1,282.7
Current liabilities	(362.3)	(334.1)
Non current liabilities	(746.7)	(948.7)
Net assets	**717.4**	**534.2**
Revenue	896.0	922.2
Profit for the year	52.4	169.0
Other comprehensive income/(expenditure) for the year	208.0	(215.4)
Total comprehensive income/(expenditure) for the year	260.4	(46.4)
Dividends paid during the year	(81.7)	(77.0)

10.3 Share of Net Assets (Investment value)

	2015-16	2014-15
	£m	£m
Carrying amount of the Department's interests in NATS Holdings Ltd (48.9% of Net Assets)	**350.8**	**261.2**

All the 2015-16 numbers for NATS holdings are from its management accounts, not the published accounts (now available online).

11. Inventories

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Current assets				
Properties acquired under the HS2 blight exceptional hardship and related schemes (line previously disclosed as 'stocks')	393.2	393.2	329.4	329.4
Raw materials, consumables & work-in-progress	0.6	241.4	30.3	233.0
	393.8	**634.6**	**359.7**	**562.4**
Non-current assets				
Raw materials, consumables & work-in-progress	3.8	3.8	3.9	3.9
	3.8	**3.8**	**3.9**	**3.9**

12. Trade Receivables and Other Assets

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade receivables	54.2	464.3	32.4	278.6
Deposits and advances	0.8	13.5	14.5	18.7
VAT receivables	3.1	254.8	146.3	294.7
Other receivables	22.8	47.2	23.2	31.0
Collateral placed with banking counterparties	-	819.0	-	726.0
Financial indemnity fee*	299.0	-	327.0	-
Prepayments and accrued income	114.3	193.6	186.8	388.4
Current part of finance leases	-	-	2.8	2.8
Current part of NLF loan	1.1	1.1	1.1	1.1
Total current	**495.3**	**1,793.5**	**734.1**	**1,741.3**

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due after more than one year:				
Other receivables	8.3	99.6	235.9	393.9
Financial indemnity fee*	3,998.9	-	3,449.0	-
Finance leases	-	-	7.5	7.5
Prepayments and accrued income	-	9.8	103.1	103.1
Total non-current	**4,007.2**	**109.4**	**3,795.5**	**504.5**
Total current and non-current	**4,502.5**	**1,902.9**	**4,529.6**	**2,245.8**

*More details of the financial guarantee £4,297.9m (2016) and £3,776m (2015) are disclosed in Note 9.2.2.

13. Cash and Cash Equivalents

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	103.2	565.5	180.7	1,352.3
Net change in cash and cash equivalent balances	6.3	615.3	(77.5)	(786.8)
Balance at 31 March	**109.5**	**1,180.8**	**103.2**	**565.5**
The following balances at 31 March were held at:				
Government Banking Service	104.4	163.4	91.1	92.1
Commercial banks and cash in hand	5.1	1,017.4	12.1	473.4
Balance at 31 March	**109.5**	**1,180.8**	**103.2**	**565.5**

14. Trade Payables and Other Liabilities

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Amounts falling due within one year:				
VAT, other taxation and social security	5.0	57.7	7.5	54.4
Pension	-	2.7	2.5	2.6
Trade payables	62.8	757.5	59.1	588.0
Other payables	38.3	19.8	65.4	386.2
Collateral received from banking counterparties	-	330.0	-	250.0
Accruals and deferred income*	569.2	2,866.6	1,135.6	2,829.1
Bank overdraft	-	-	-	-
Current part of finance leases	3.3	7.3	9.6	13.5
Current part of imputed finance lease element of Public Finance Initiative (PFI) contracts and other service concession arrangements	4.7	80.1	73.5	73.5
Obligations in respect of Channel Tunnel Rail Link debt	104.4	116.2	65.7	84.2
Obligations in respect of Network Rail debt**	-	2,684.3	-	3,133.1
Collateral obligation	-	329.8	-	249.8
Current part of National Loan Fund (NLF) loans	1.1	1.1	1.1	1.1
Amounts issued from the Consolidated Fund for supply but not spent at year end	91.0	91.0	117.2	117.2
Consolidated Fund Extra Receipts due to the Consolidated Fund	18.5	18.5	50.8	50.8
Total current	**898.3**	**7,362.6**	**1,588.0**	**7,833.5**

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Amounts falling due after more than one year:				
Other payables	65.2	1,564.5	95.6	1,331.1
Deferred income*	1,316.8	1,091.6	1,371.2	1,355.6
Finance leases	0.5	21.5	8.4	34.6
Non current part of imputed finance lease element of Public Finance Initiative (PFI) contracts and other service concession arrangements	28.1	1,639.1	1,694.3	1,694.1
Obligations in respect of Channel Tunnel Rail Link debt	4,093.4	4,097.0	4,158.7	4,156.2
Obligations in respect of Network Rail debt**	-	26,185.8	-	28,488.9
European Investment Bank loan	-	458.9	-	454.3
NLF loans	1.9	1.9	3.0	3.0
Total non-current	**5,505.9**	**35,060.3**	**7,331.2**	**37,517.8**
Total current and non-current	**6,404.2**	**42,422.9**	**8,919.2**	**45,351.3**

*Deferred income in relation to HS1 is amortised at the rate of £54,387,000 annually.
**Detailed information is available in the published accounts of Network Rail Limted (note 22).

15. Deferred Taxation

	31 March 2016	31 March 2015 *(restated)*
	£m	**£m**
Deferred tax – opening balance	3,225.7	2,486.8
Deferred tax – prior year adjustment	4.8	-
Deferred tax – operating (gain)/loss cost	(299.8)	864.1
Deferred tax – other comprehensive income	(123.1)	(125.2)
Total	**2,807.6**	**3,225.7**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the gross deferred tax balances.

	31 March 2016	31 March 2015 *(restated)*
	£m	**£m**
Deferred tax – liabilities	3,077.6	3,529.7
Deferred tax – assets	(270.0)	(304.0)
Total	**2,807.6**	**3,225.7**

Under IAS 12 deferred tax assets can only be recognised where it is probable that taxable profits will be available against which the deferred tax asset can be utilised. During the year the deferred tax asset in respect of tax losses and derivatives has been derecognised. This is because it is unlikely that future taxable profits will be sufficient.

16. Provisions for Liabilities and Charges

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Balance at 1 April 2015	638.2	695.5	619.1	770.4
Provided in the year *	113.9	181.8	181.6	204.0
Provisions not required written back	(7.9)	(29.2)	(51.3)	(97.6)
Provisions utilised in the year	(73.8)	(143.6)	(110.0)	(180.0)
Unwinding of discounts	8.9	8.9	-	-
Provisions transferred to Highways England	(153.1)	-	-	-
Opening balance adjustment	-	-	(1.2)	(1.2)
Reclassification	-	20.7	-	-
Balance at 31 March 2016	**526.2**	**734.1**	**638.2**	**695.6**
Of which				
Amounts falling due within one year:	72.7	185.4	143.8	199.8
Amounts falling due after more than one year:	453.5	548.7	494.4	495.8
Total current and non-current	**526.2**	**734.1**	**638.2**	**695.6**

*Includes HS2 capital provisions of £38.4m (2014-15: £94.7m)

Analysis of expected timing of discounted flows

	31 March 2016		31 March 2015 *(restated)*	
	Core Department & Agencies	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Not later than one year	72.7	185.4	143.8	199.8
Later than one year and not later than five years	180.4	274.1	232.3	233.7
Later than five years	273.1	274.6	262.1	262.1
Balance at 31 March 2016	**526.2**	**734.1**	**638.2**	**695.6**

16.1.1 Departmental Group

	Industrial disease claims	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 April 2015	235.1	6.5	61.7	150.4	241.8	695.5
Provided in the year	73.9	1.5	8.4	30.7	67.3	181.8
Provisions not required written back	-	(0.8)	-	(11.0)	(17.4)	(29.2)
Provisions utilised in the year	(15.0)	(4.2)	(7.2)	(47.8)	(69.4)	(143.6)
Unwinding of discounts	9.1	-	-	-	(0.2)	8.9
Reclassification	-	-	-	-	20.7	20.7
Balance at 31 March 2016	**303.1**	**3.0**	**62.9**	**122.3**	**242.8**	**734.1**

16.1.2 Core Department and Agencies

	Industrial disease claims	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 April 2015	235.1	6.5	61.7	150.4	184.5	638.2
Provided in the year	73.9	0.9	8.4	-	30.7	113.9
Provisions not required written back	-	(0.6)	-	-	(7.3)	(7.9)
Provisions utilised in the year	(15.0)	(3.7)	(7.2)	-	(47.9)	(73.8)
Unwinding of discounts	9.1	-	-	-	(0.2)	8.9
Provisions transferred to Highways England	-	(1.1)	-	(150.4)	(1.6)	(153.1)
Balance at 31 March 2016	**303.1**	**2.0**	**62.9**	**-**	**158.2**	**526.2**

16.1.3 Analysis of expected timing of discounted flows – Departmental Group

	Industrial disease claims	Early departure costs	National Freight Company Pension	Highways scheme costs	Others	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Not later than one year	15.5	1.5	8.1	32.6	127.7	185.4
Later than one year and not later than five years	64.8	1.5	51.4	89.7	66.7	274.1
Later than five years	222.8	-	3.4	-	48.4	274.6
Balance at 31 March 2016	**303.1**	**3.0**	**62.9**	**122.3**	**242.8**	**734.1**

16.2 Provisions for Liabilities and Charges

16.2.1 Industrial disease claims

The British Railways Board was a major employer for some 50 years (with up to three-quarters of a million employees at one time). On privatisation, it retained responsibility in the great majority of cases for industrial injuries and employment and environment-related claims resulting from its activities during that period. In some instances claims do not arise until many years after the relevant employment ceases (e.g. medical conditions may not develop until much later). As the industry was reorganised these responsibilities and liabilities were retained by a government owned company (British Rail Residuary Board Ltd – BRBR). On the abolition of BRBR (29 September 2013) liability for these claims passed over to the Department for Transport.

As at 31 March 2016, 756 (2015: 873) disease and injury claims were still outstanding, including 97 (2015:88) mesothelioma claims, 50 (2015: 60) asbestosis claims, 5 (2015: 8) pleural plaque claims, 15 (2015: 14) vibration white finger claims, and 559 (2015: 687) industrial deafness claims. During the year some £15m (2015: £15.9m) was paid out in settlement of such claims. The value of the provision for employee related claims as at 31 March 2016 was £303.1m (2015: £235.1m). As a result of an increase in the cost of claims and changes in assumptions of the future employee claims model, the provision has been increased at the year end. This has resulted in a £68m cost (2015: £16.5m benefit) to the SoCNE.

16.2.2 Early departure costs

The Department and its Agencies meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retired early under the pre-2010 Civil Service Compensation Scheme by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department and its Agencies provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 1.80% in real terms. From the introduction of the 2010 Civil Service Compensation Scheme staff who leave early under a Voluntary Exit or Redundancy arrangement and who are over their scheme minimum retirement age may, if the Department agrees, have their pension reduction made up by the Department. This allows them to receive their pension from the date of leaving. The Department pays the additional sum as part of the compensation payment or on receipt of an invoice from Capita.

16.2.3 National Freight Company Pension

This provision includes two elements as below:

- National Freight Company plc (NFC) pension trustee (31 March 2016 – £51.4m; 31 March 2015 – £51.7m) – reimbursement to NFC pension trustees in respect of payments covering unfunded pension service with NFC before 1 April 1975 (Part III, Transport Act 1980); and
- NFC travel concession (31 March 2016 – £11.5m; 31 March 2015 – £10.1m) – reimbursements to NFC and its subsidiaries for providing travel concession to staff previously employed by the road transport division of British Rail (s21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

16.2.4 Highways Schemes

Land and property acquisition

Land and property acquisition provisions relate principally to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of a road scheme. It may take several years from the announcement of a scheme to completion of the road and final settlement of all liabilities.

Bridge strengthening

The provision is predominantly for work required to strengthen the Chelmer Viaduct and River bridge to comply with minimum legal requirements, as established by European Union legislation and authoritative statements by Ministers in Parliament.

Pension liabilities for early retirees

The pension liability relates to former staff who left the Agency's employment before the formal retirement age of 60. The Agency is responsible for making payments to the pension plan until their retirement age.

16.2.5 Other

This heading covers a range of smaller provisions, including:

The onerous lease on the arches beneath Waterloo domestic station. (31 March 2016: £29.1m; 31 March 2015: £35.6m). The lease expires in July 2052.

Blighted property – HS2. (31 March 2016 £103.1m; 31 March 2015 £108.1m) – This provision is expected to be required up to the date of Royal Assent.

17. Contingent Liabilities

As a government department, the Department for Transport discloses contingent liabilities under requirements that are broader than those applicable to commercial entities. In accordance with IAS 37, it discloses contingent liabilities for which the risk of crystallisation is greater than remote but not probable Where these can be quantified they are disclosed under 17.1 below, where they cannot be quantified with any degree of accuracy, they are disclosed under 17.2 below.

17.1 Quantifiable contingent liabilities disclosed under IAS 37

The Department has the following contingent liabilities for which the risk of crystallisation is considered greater than remote but is not thought probable. Amounts disclosed reflect the highest reasonable estimate of the possible liability. These are summarised by the nature and purpose of the contingent liability:

	31 March 2016	31 March 2015 *(restated)*
	£m	£m
Indemnities in respect of Crossrail funding and delivery		
To support delivery of the Crossrail project, the Department has provided indemnities and assurances to parties carrying risks that they would be unable to bear.	4,589	3,840
Guarantees to promote investment in railway assets		
Under the Railways Act 1993, the Transport Act 2000 and the Channel Tunnel Rail Link Act 1996, the Secretary of State has provided guarantees to promote investment in the rail sector.	574	566
Legal claims		
From time to time, the Department experiences legal claims and challenges which it defends vigorously.	389	323
Highways England		
The process of constructing and maintaining the strategic network may bring Highways England into disagreement with parties affected by this work. This can result in counter-claims, which are aggregated under the following sub-headings:		
Possible obligations in relation to land and property acquisition.	279	179
Carriageway pavements defects.	3	3
Third-party claims.	9	8

	31 March 2016	31 March 2015 *(restated)*
	£m	£m
Network Rail		
Guarantees issued by Network Rail to financial institutions in respect of its own activities and the activities of businesses it wholly or partially owns.	91	91
Guarantees issued by Network Rail relating to obligations of the Operator Agreement between NR (High Speed) Ltd and HS1 Ltd.	3	15
Indemnities in respect of Thameslink funding and delivery		
To support delivery of the Thameslink project, the Department has provided indemnities to parties carrying risks that they would be unable to bear.	56	5
HS2		
The Department issued a safeguarding order, in July 2013, for the proposed route of HS2. This creates an obligation on the Department to purchase properties which have been blighted. A provision has been recognised for the cost of properties the Department has accepted as blighted, and where the purchase price has been substantially agreed. Any remaining liability is classed as a contingent liability.	4	2
HS2 Ltd		
Following the second reading of the Hybrid Bill HS2 Ltd has given assurances and undertakings to those who brought forward petitions before the Parliamentary Select Committee and maintains a register of all such assurances and undertakings.Some of these will result in an obligation to transfer cash in future dependent on one or more future events, including Royal Assent.	31	27
Contingent elements within service contracts related to performance incentives.	4	-
HS1		
Under the HS1 concession agreement, the Secretary of State may be liable for payments, including capital expenditure, increase in operating costs and loss of revenue. This would be in the event of legal changes, either in the UK or Europe (‘Change in Circumstances’) or a change directed by another part of the Government (‘Government Change’).	20	20
Mersey Gateway		
Commitment by the Department to fund any shortfall of toll revenue from the Mersey Gateway Bridge to meet Halton Council’s financial obligations under the Demand Management Participation Agreement.	1,546	1,663

The Department has responsibility for a number of legacy pension schemes formerly part of the British Railways Board. The Department is required to fund the employer's share of any deficits arising on these schemes (see note 23) and thus they are recognised on the Department's balance sheet.

17.2 Unquantifiable contingent liabilities

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

- Some EU legislation needs to be transposed into Member States' domestic law in order to have effect. The Department for Transport has responsibility for transposing EU legislation that relates to transport issues. The EU sets deadlines for transposition and has the power to impose financial penalties on Member States which do not meet those deadlines or which incorrectly implement obligations.
- In 2013 the Secretary of State agreed to quantifiable (disclosed in Note 17.1) and unquantifiable assurances, warranties, indemnities and potential losses under the Thameslink Rolling Stock contracts.
- Under the Railways Act 1993, the Transport Act 2000 and the Channel Tunnel Rail Link Act 1996, the Secretary of State has provided guarantees to promote investment in the rail sector.

18. Related-party transactions

The Department for Transport is a parent of the executive agencies listed at Note 19 and a sponsor of the non departmental public bodies and other central government organisations listed there.

These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department for Transport has had various material transactions with other government departments and other central government bodies. Most transactions have been with the Greater London Authority, TfL and Her Majesty's Treasury.

During the year, no minister, board member, key manager or other related party has undertaken any material transactions with the Department for Transport during the year other than those reported.

19. Entities within and outside the departmental boundary

19.1 Within the Departmental Accounting boundary

The following entities were within the Departmental boundary during 2015-16 and are reported as part of the Department's accounts:

19.1.1 Reported within the core Department's own accounts

Advisory Non Departmental Public Bodies

Disabled Persons' Transport Advisory Committee

19.1.2 Consolidated within the accounts of the Department

Executive Agencies (Supply financed agencies)

Maritime and Coastguard Agency*

Driver and Vehicle Licensing Agency*

Vehicle Certification Agency*

Arm's Length Bodies (Executive Non Departmental Public Bodies)

British Transport Police Authority*

Directly Operated Railways Limited*

High Speed 2 Ltd*

The Commissioners of Northern Lighthouses*

Trinity House Lighthouse Service*

Transport Focus*

Arms Length Bodies (Other than Non Departmental Public Bodies)

Network Rail Group (Network Rail Limited and its UK subsidiaries)*

Highways England Company Limited*

CTRL Section 1 Finance plc*

LCR Finance plc*

The Commissioners of Irish Lights*

Air Safety Support International Limited*

Air Travel Trust Fund*

Highways England Company Limited is a new body which took over the key responsibilities, assets and liabilities of the Highways Agency (note 21).

Network Rail Group was classified as a central government body and included in the accounts of the Department for the first time this year (notes 20 and 22).

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

19.2 Not reported within the Departmental Accounting boundary

London and Contential Railways Limited and Network Rail Insurance Limited are reported in these accounts as financial assets at fair value (Note 9). NATS Holdings Limited is reported in these accounts as an associate at fair value (Note 10) The remaining entities, listed below, are not reported as part of the 2015-16 Departmental accounts:

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

Public Corporations

- Civil Aviation Authority
- Dover Harbour Board
- ITSO Ltd
- ITSO Services Ltd
- Milford Haven Port Authority
- Poole Harbour Commissioners
- Port of London Authority
- Port of Tyne Authority
- Shoreham Port Authority
- Blyth Harbour Commissioners
- Harwich Haven Commissioners
- London and Continental Railways Limited

Trading Funds

- Driving and Vehicle Standards Agency

Other Entities

- Crossrail Complaints Commissioner
- Marine and Aviation Insurance (War Risks) Fund
- General Lighthouse Fund
- Network Rail Insurance Limited (Guernsey)
- NATS Holdings Limited

Since 1 April 2014 the Vehicle and Operator Services Agency (VOSA) and the Driving Standards Agency (DSA) have been operating as a merged single agency known as the Driver and Vehicle Standards Agency (DVSA). This took effect legally on 1 April 2015, via the Driver and Vehicle Standards Agency Trading Fund Order. This also disbanded the former DSA and VOSA Trading Funds by revoking the relevant orders relating to these funds.

20. Restatement of prior year balances

The financial statements include a restatement of the Statement of Financial Position as at 31 March 2014 and 2015, and of the Statement of Comprehensive Net Expenditure for the year to 31 March 2015. These are material adjustments arising from either changes in accounting policy or correction of material errors. Opening balances are adjusted for the cumulative effect of the prior year adjustments and comparative figures for the preceding period are restated.

An adjustment has been made to reflect the reclassification of Network Rail Group (Network Rail Ltd and UK subsidiaries) with effect from 31 March 2014. This followed their reclassification to the central government sector by ONS. The classification applies retrospectively from 1 April 2004. This is treated as a retrospective change in accounting policies. The balances and transactions of Network Rail, as restated to comply with government accounting requirements, have been added for current and prior years. This impacts the Departmental Group only. The impact on the Group statement of net expenditure and the Group statement of financial position is set out below. There is also a material impact on the Group statement of cash flows and the Group statement of changes in taxpayers equity.

An adjustment has been made to reflect a changed interpretation of the accounting treatment of the valuation of additions to the strategic road network. When construction of these additions are completed, their value is reduced from actual cost to depreciated replacement cost. This was previously reflected in expenditure. We now consider that it is more consistent with the requirements of the FReM to reflect this through Other Comprehensive Net Expenditure. This results in a restatement of the balances and transactions of both the Departmental group and of the Core Department and Agencies.

Certain loan repayments had been paid into the Consolidated Fund. These should have been retained by the Department. This results in a restatement of the balances of both the Departmental group and of the Core Department and Agencies. The budget impact of this amendment is disclosed in the SOPS note.

Departmental group – statement of comprehensive net expenditure for the year to 31 March 2015

	As previously stated	Network Rail	Change of accounting for road network additions *	As restated
	£m	£m	£m	£m
Income from sale of goods and services	(100.8)	(1,220.1)	-	(1,320.9)
Other operating income	(3,752.7)	(1,665.9)		(5,418.6)
Total operating income	**(3,853.5)**	**(2,886.0)**	**-**	**(6,739.5)**
Staff costs	744.5	1,888.1	-	2,632.6
Purchase of goods and services	2,288.2	1,910.4	-	4,198.6
Depreciation and impairment charges	1,734.3	4,454.3	**(739.2)**	5,449.4
Provision expense	6.4	(28.0)	-	(21.6)
Other operating expenditure	10,386.3	(1,870.3)	-	8,516.0
Total operating expenditure	**15,159.7**	**6,354.5**	**(739.2)**	**20,775.0**
Net operating expenditure	**11,306.2**	**3,468.5**	**(739.2)**	**14,035.5**
Finance income/expense	(328.3)	425.5	-	97.2
Net expenditure for the year	**10,977.9**	**3,894.0**	**(739.2)**	**14,132.7**
Other comprehensive net expenditure				
Net gain/loss on:				
Revaluation of property, plant and equipment and intangibles	(1,148.1)	(871.2)	-	(2,019.3)
Revaluation of investments	391.2	(173.1)	-	218.1
Share of associate's other comprehensive net expenditure	106.0	-	-	106.0
Actuarial gain/loss on pension schemes	163.3	159.0	-	322.3
Comprehensive net expenditure for the year	**10,490.3**	**3,008.7**	**(739.2)**	**12,759.8**

* The road network additions impacts both Core and Agency and Group. This reduced depreciation and impairment charges by £739.2m and increased revaluation of property plant and equipment by £739.2m. The Network Rail adjustment above impacts Group only.

Departmental group – statement of financial position as at 31 March 2015

	As previously stated	Network Rail	Change of accounting for road network additions and loan **	As restated
	£m	£m	£m	£m
Non-current assets:				
Property, plant & equipment	117,057.5	280,334.4	-	397,391.9
Investment properties	0.4	982.0	-	982.4
Intangible assets	75.1	67.5	-	142.6
Financial assets	7,465.4	(5,447.0)	-	2,018.4
Investment in associates	261.2	-	-	261.2
Trade and other receivables	3,795.0	(3,290.5)		504.5
Inventories	3.9	-	-	3.9
Total non-current assets	**128,658.5**	**272,646.4**	**-**	**401,304.9**
Assets classified as held for sale	14.8	-	-	14.8
Inventories	364.8	197.6	-	562.4
Financial assets	-	49.7	-	49.7
Trade & other receivables	779.4	961.9	-	1,741.3
Cash & cash equivalents	279.8	285.7	-	565.5
Total current assets	**1,438.8**	**1,494.9**	**-**	**2,933.7**
Total assets	**130,097.3**	**274,141.3**	**-**	**404,238.6**
Current liabilities				
Financial liabilities	-	(5.0)	-	(5.0)
Trade and other payables	(1,707.6)	(6,125.9)	-	(7,833.5)
Provisions	(150.0)	(49.8)	-	(199.8)
Total current liabilities	**(1,857.6)**	**(6,180.7)**	**-**	**(8,038.3)**
Total assets less net current liabilities	**128,239.7**	**267,960.6**	**-**	**396,200.3**

Departmental group – statement of financial position as at 31 March 2015

	As previously stated	Network Rail	Change of accounting for road network additions and loan **	As restated
	£m	£m	£m	£m
Non-current liabilities				
Provisions	(495.8)	-	-	(495.8)
Other payables	(7,490.4)	(30,165.0)	137.6	(37,517.8)
Financial liabilities	(3,776.0)	2,738.0	-	(1,038.0)
Deferred tax liabilities	-	(3,225.7)	-	(3,225.7)
Total non-current liabilities	**(11,762.2)**	**(30,652.7)**	**137.6**	**(42,277.3)**
Assets less liabilities excluding pension liability	**116,477.5**	**237,307.9**	**137.6**	**353,923.0**
Pension liability	(2,126.3)	(1,505.0)	-	(3,631.3)
Assets less liabilities	**114,351.2**	**235,802.9**	**137.6**	**350,291.7**
Taxpayers' equity and other reserves:				
General fund	45,848.0	2,621.0	6,960.8	55,429.8
Revaluation reserve	67,947.8	232,945.3	(6,823.2)	294,069.9
Available-for-Sale Reserve	555.4	281.8	-	837.2
Hedging Reserve	-	(45.2)	-	(45.2)
Total equity	**114,351.2**	**235,802.9**	**137.6**	**350,291.7**

** The road network additions & loan impacts both Core and Agency and Group. The road network accounting change increased the revaluation reserve (additions) by £6,823.2m. Other current payables and the general fund have been reduced by £137.6m. This reflects the receipt of loan repayments which were deemed payable to the Consolidated Fund but have not yet been transferred to the fund. When the policy changed the payable was reversed with a corresponding benefit to the General Fund. Network Rail impacts Group only.

Departmental Group – statement of financial position as at 31 March 2014

	As previously stated	Network Rail	Change of accounting for road network additions and loan **	As restated
	£m	£m	£m	£m
Non-current assets:				
Property, plant & equipment	115,839.6	277,515.8	-	393,355.4
Investment properties	0.4	855.0	-	855.4
Intangible assets	91.4	67.5	-	158.9
Financial assets	1,255.3	664.9	-	1,920.2
Investment in associates	322.2	-	-	322.2
Trade and other receivables	3,763.9	(3,261.9)	-	502.0
Inventories	3.9	-	-	3.9
Total non-current assets	**121,276.7**	**275,841.3**	**-**	**397,118.0**
Assets classified as held for sale	10.3	-	-	10.3
Inventories	198.7	172.1	-	370.8
Financial assets	-	10.9	-	10.9
Trade & other receivables	575.6	457.9	-	1,033.5
Cash & cash equivalents	294.2	1,110.1	-	1,404.3
Total current assets	**1,078.8**	**1,751.0**	**-**	**2,829.8**
Total assets	**122,355.5**	**277,592.3**	**-**	**399,947.8**
Current liabilities				
Financial liabilities	-	(277.5)	-	(277.5)
Trade and other payables	(1,644.4)	(6,242.9)	-	(7,887.3)
Provisions	(151.1)	(142.8)	-	(293.9)
Total current liabilities	**(1,795.5)**	**(6,663.2)**	**-**	**(8,458.7)**
Total assets less net current liabilities	**120,560.0**	**270,929.1**	**-**	**391,489.1**

Departmental Group – statement of financial position as at 31 March 2014

	As previously stated	Network Rail	Change of accounting for road network additions and loan **	As restated
	£m	£m	£m	£m
Non-current liabilities				
Provisions	(476.4)	-	-	(476.4)
Other payables	(7,684.2)	(31,828.4)	201.0	(39,311.6)
Financial liabilities	(3,662.7)	3,275.3	-	(387.4)
Deferred tax liabilities	-	(2,486.8)	-	(2,486.8)
Total non-current liabilities	**(11,823.3)**	**(31,039.9)**	**201.0**	**(42,662.2)**
Assets less liabilities excluding pension liability	**108,736.7**	**239,889.2**	**201.0**	**348,826.9**
Pension liability	(2,285.9)	(1,237.0)	-	(3,522.9)
Assets less liabilities	**106,450.8**	**238,652.2**	**201.0**	**345,304.0**
Taxpayers' equity and other reserves:				
General fund	38,391.5	6,701.4	6,284.9	51,377.8
Revaluation reserve	67,112.7	231,986.4	(6,083.9)	293,015.2
Available-for-Sale Reserve	946.6	108.7	-	1,055.3
Hedging Reserve	-	(144.3)	-	(144.3)
Total equity	**106,450.8**	**238,652.2**	**201.0**	**345,304.0**

** The road network additions & loan impacts both Core and Agency and Group. The road network accounting change increased the revaluation reserve (additions) by £6,823.2m. Other current payables and the general fund have been reduced by £137.6m, This reflects the receipt of loan repayments which were deemed payable to the Consolidated Fund but not yet been transfered to the fund. When the policy changed the payable was reversed with a corresponding benefit to the General Fund. Network Rail impacts Group only.

21. Transfer of balances from Highways Agency

On 1 April 2015 most of the assets and liabilities of the Highways Agency (HA) were transferred to Highways England Company Ltd (HE), and the residual balances were retained by the core Department. Under a licence from the Department, HE took over all of the responsibilities that HA previously held in relation to the Strategic Road Network. No balances were retained by HA and it ceased to exist as an entity from 1 April 2015.

The accounting impact of the reclassification is to transfer assets at book value from an agency to an arms length body. As a consequence core and agency expenditure and balances are significantly reduced within the primary financial statements.

Balances transferred out of the Highways Agency on transfer to Highways England and Core Department on 1 April 2015

	Highways Agency	Core Department	Highways England
	£m	£m	£m
Non-current Assets			
Property, plant & equipment	112,809.8	2,518.0	110,291.8
Trade & other receivables	308.0	298.0	10.0
	113,117.8	**2,816.0**	**110,301.8**
Current assets			
Assets classed as held for sale	14.6	-	14.6
Inventories	29.6	-	29.6
Trade & other receivables	182.3	12.1	170.2
Cash & cash equivalents	8.6	-	8.6
	235.1	**12.1**	**223.0**
Current liabilities			
Trade & other payables**	(735.1)	-	(735.1)
Provisions	(51.7)	-	(51.7)
	(786.8)	**-**	**(786.8)**
Non current liabilities			
Provisions	(101.4)	-	(101.4)
Other payables	(1,841.5)	(157.9)	(1,683.6)
	(1,942.9)	**(157.9)**	**(1,785.0)**
Assets less liabilities	**110,623.2**	**2,670.2**	**107,953.0**
General fund*	**42,945.5**	**744.1**	**42,201.4**
Revaluation reserve*	**67,677.7**	**1,926.1**	**65,751.6**
Total taxpayers equity	**110,623.2**	**2,670.2**	**107,953.0**

*Not adjusted for the prior year impairments adjustment. Total equity is unchanged.
**Highways England have allocated £56.3m of this transfer to the core Department in their own published accounts. This has been eliminated on consolidation into the Departmental group.

22. Consolidation of Network Rail

Network Rail Group is classified as within the accounting boundary of the Department; accordingly its numbers are disclosed within these accounts. Network Rail prepares its accounts under International Financial Reporting Standards (IFRS), however there are a number of accounting policy differences between IFRS and government financial reporting as directed by the FReM. The most significant difference is that in their own accounts Network Rail value assets at value in use, as this most closely reflects business value. However, under government financial reporting, within these accounts, assets are valued at Depreciated Replacement Cost (DRC).

The Network Rail Group includes Network Rail Ltd and its UK subsidiaries. The ONS classification deems all of these entities to be central government controlled, non-market bodies. Network Rail Insurance Limited is not included because it is not a UK company. The Subsidiary companies included are:

- Network Rail Certification Body Limited
- Network Rail Consulting Limited
- Network Rail High Speed Limited
- Network Rail Development Limited

There are also a number of intra-group eliminations. The largest of these relate to grants issued to Network Rail by the Department and the value of the guarantee of Network Rail debt by the government.

Income Statement for the year ended 31 March 2016

	NR Accounts	Accounting policy adjustments	Intercompany adjustments	Departmental Group
	£m	£m	£m	£m
Revenue	6,098	303	(3,539)	2,862
Operating costs	(4,492)	(2,899)	3,539	(3,852)
Operating profit	1,606	(2,596)	-	(990)
Revaluation gains/(losses) on disposals of properties	184	3	-	187
Net investment and finance costs	(1,379)	(225)	-	(1,604)
Profit before tax	411	(2,818)	-	(2,407)
Taxation	306	-		306
Profit for the year	**717**	**(2,818)**	**-**	**(2,101)**

Statement of Financial Position as at 31 March 2016

	NR Accounts	Accounting policy adjustments	Intercompany adjustments	Departmental Group
	£m	£m	£m	£m
Intangible assets	66	-	-	66
Property, plant and equipment – the railway network	58,532	224,743	-	283,275
Investment property	1,109	-	-	1,109
Financial assets	762	464	(13,950)	(12,724)
Non-current assets	60,469	225,207	(13,950)	271,726
Current assets	3,431	(579)	-	2,852
Current liabilities	(6,130)	483	-	(5,647)
Non-current liabilities	(51,024)	3,463	13,950	(33,611)
Net assets	**6,746**	**228,574**	**-**	**235,320**

Income Statement for the year ended 31 March 2015

	NR Accounts	Accounting policy adjustments	Intercompany adjustments	Departmental Group
	£m	£m	£m	£m
Revenue	6,087	628	(3,822)	2,893
Operating costs	(4,352)	(5,091)	3,822	(5,621)
Operating profit	1,735	(4,463)	-	(2,728)
Revaluation gains/(losses) on disposals of properties	140	-	-	140
Net investment and finance costs	(1,369)	945	-	(424)
Profit before tax	506	(3,518)	-	(3,012)
Taxation	(882)	-	-	(882)
Profit for the year	**(376)**	**(3,518)**	**-**	**(3,894)**

Statement of Financial Position as at 31 March 2015

	NR Accounts	Accounting policy adjustments	Intercompany adjustments	Departmental Group
	£m	£m	£m	£m
Intangible assets	67	-	-	67
Property, plant and equipment – the railway network	54,091	226,244	-	280,335
Investment property	982	-	-	982
Financial assets	872	290	(6,450)	(5,288)
Non-current assets	56,012	226,534	(6,450)	276,096
Current assets	2,037	(152)	-	1,885
Current liabilities	(6,341)	124	-	(6,217)
Non-current liabilities	(45,317)	2,907	6,450	(35,960)
Net assets	**6,391**	**229,413**	**-**	**235,804**

23. Pension Schemes

This note provides disclosures on the Departmental group's obligations in respect of the defined benefit pension arrangements for which it is the designated employer. The Departmental group also provides defined contribution retirement benefit schemes, and these are described in the Annual Report.

Departmental Group

The Secretary of State for Transport fulfils the role of the 'designated employer' for the defined benefit schemes listed below:

The Department applies IAS 19 to all these schemes. In accordance with IAS 19, the share of any deficits or recoverable surplus in the pension funds is recognised in the Statement of Financial Position. Interim valuations have been carried out as at 31 March 2015.

Key data

Scheme	Open/closed	Basis	Accrual Rate	Normal retirement age	Funded/ unfunded
NR (RPS) (includes RPS 60 and RPS 65) *more detail can be obtained from the accounts of Network Rail Limited.*	Open to employees with five years' service (RPS 60 closed to new joiners from 1 July 2012.	Shared cost (employer's share: 60%) final salary-based (subject to capping); linked to CPI.	1/60 (RPS 60 and RPS 65) average final pensionable salary *minus* 150% final basic state pension (RPS 60) or 75% final basic state pension.	Either 60 (for RPS 60) or 65 (for RPS 65) (reflected in contribution rate).	Funded
NR (CARE) *more detail can be obtained from the accounts of Network Rail Limited.*	Open to all employees.	Shared cost (employer's share: 60%) career average revalued earnings, linked to RPI.*	1/60 average pensionable salary.	65	Funded
1994 Section (RPS).	Closed to new members and accruals: members are those who were pensioners and preserved pensioners of BR at the time of privatisation.	Final salary-based, linked to CPI.	Not applicable, as scheme is closed to new accruals.	60	Funded

Scheme	Open/closed	Basis	Accrual Rate	Normal retirement age	Funded/ unfunded
BTP Force Superannuation Fund (BTPFSF) (including BTPSF (new)) *more detail can be obtained from the accounts of the British Transport Police.*	Closed to new members except BTPSF (new) open to new members.	Shared cost (employer's share 60% or 66%) final salary-based, linked to CPI.*	(1/45 *minus* 1/30 state pension); 1/70 (for BTPSF (new)).	55	Funded
BTP Section of the Railways Pension Scheme (RPS) *more detail can be obtained from the accounts of the British Transport Police.*	Open to new members.	Shared cost (employer's share: 60%), final-salary based, linked to CPI.	1/60 final salary.	60	Funded
British Railways Superannuation Fund (BRSF).	Closed to new members and accruals.		Not applicable, as scheme is closed to new accruals.	60	Funded
BR Shared Cost Section (RPS).	Open to eligible members.	Shared cost (employer's share: 60%), final-salary based, linked to CPI.	1/60 final salary	60	Funded
BR (1974) Pension Fund.	Closed to new members and accruals.	Supplementary to other RPS schemes.	Not applicable, as scheme is closed to new accruals.	60	Largely unfunded

*NR(CARE) and BTP Force schemes use RPI to inform the price increase assumption.

The deficit comprises the following balances:

	Departmental Group	
	2015-16	**2014-15** *(restated)*
Scheme:	**£m**	**£m**
NR (RPS and CARE)	(1,420.0)	(1,505.0)
1994 Section*	(1,183.4)	(1,414.2)
BR Shared Cost Section*	(29.1)	(36.7)
British Railways Superannuation Fund (BRSF)*	(22.6)	(38.9)
BR (1974) Pension Fund*	(4.9)	(6.3)
BTP Force Superannuation Fund (BTPFSF)	(430.2)	(555.8)
BTP Section of the Railways Pension Scheme (RPS)	(61.2)	(74.4)
Total deficit at the end of the period	**(3,151.4)**	**(3,631.3)**
***Core Department & Agencies**	**(1,240.0)**	**(1,496.1)**

	Core Department & Agencies	Departmental Group		
	Deficit	**Asset**	**Liabilities**	**Deficit**
	£m	**£m**	**£m**	**£m**
At 1 April 2014	**(1,514.4)**	**6,956.8**	**(10,064.3)**	**(3,107.5)**
Current and past service cost including members' share	(1.7)	-	(210.1)	(210.1)
Interest on pension deficit	(63.4)	292.8	(423.8)	(131.0)
Administration expenses	-	(6.7)	-	(6.7)
Return on plan assets greater than the discount rate	303.6	709.6	-	709.6
Actuarial gain arising from changes in financial assumption	(341.1)	-	(1,150.4)	(1,150.4)
Actuarial gains and losses on defined benefit obligation due to demographic assumptions	-	-	48.8	48.8
Actuarial loss arising from experience adjustments	119.0	-	69.7	69.7
Regular contributions by employer	1.2	105.5	-	105.5
Contributions by employees	0.7	55.8	(14.9)	40.9
Benefits paid	-	(535.2)	535.1	(0.1)
At 1 April 2015	**(1,496.1)**	**7,578.6**	**(11,209.9)**	**(3,631.3)**

	Core Department & Agencies	Departmental Group		
	Deficit	**Asset**	**Liabilities**	**Deficit**
	£m	**£m**	**£m**	**£m**
Current service cost including members' share	(1.8)	-	(263.2)	(263.2)
Interest on pension deficit	(43.4)	234.6	(347.5)	(112.9)
Administration expenses	-	(6.8)	-	(6.8)
Return on plan assets greater than the discount rate	(3.6)	84.2	-	84.2
Section amendment			123.0	123.0
Actuarial gain arising from changes in financial assumption	127.9		292.2	292.2
Actuarial gains and losses on defined benefit obligation due to demographic assumptions	13.7	-	26.8	26.8
Actuarial gain arising from experience adjustments	160.8	-	190.1	190.1
Regular contributions by employer	1.3	103.5	-	103.5
Contributions by employees	0.5	57.9	(16.0)	41.9
Benefits paid	0.7	(538.2)	539.3	1.1
At 31 March 2016	**(1,240.0)**	**7,513.8**	**(10,665.2)**	**(3,151.4)**

	Core Department & Agencies		Departmental Group	
	2015-16	2014-15	2015-16	2014-15 *(restated)*
	£m	£m	£m	£m
Cash and cash equivalents	-	-	112.8	190.4
Equity instruments and funds	2,401.8	2,691.2	5,798.2	5,905.8
Debt instruments – Government	144.4	108.8	686.3	540.8
Debt instruments – non-Government	-	-	139.2	136.2
Property	-	-	118.3	115.4
Other	502.2	540.6	659.0	690.0
Fair value of plan assets	**3,048.4**	**3,340.6**	**7,513.8**	**7,578.6**
Present value of funded obligations	(4,288.4)	(4,836.7)	(10,665.2)	(11,209.9)
Net liability	**(1,240.0)**	**(1,496.1)**	**(3,151.4)**	**(3,631.3)**

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

	Core Department & Agencies		Departmental Group	
	2015-16	2014-15	2015-16	2014-15 *(restated)*
	£m	£m	£m	£m
Current service cost	1.8	1.7	263.2	210.1
Net interest expense/(income)	43.4	63.4	112.9	131.0
Administrative costs and taxes	-	-	(6.8)	(6.7)
Total	**45.2**	**65.1**	**369.3**	**334.4**

The amounts recognised in other comprehensive expenditure are as follows:

	Core Department & Agencies		Departmental Group	
	2015-16	**2014-15**	**2015-16**	**2014-15** *(restated)*
	£m	**£m**	**£m**	**£m**
Return on plan assets greater than the discount rate	(3.6)	303.6	84.2	709.6
Actuarial gain/(loss) arising from changes in assumptions	141.6	(341.1)	319.0	(1,101.6)
Actuarial gain arising from experience adjustments	160.8	119.0	190.1	69.7
Total gain/(loss)	**298.8**	**81.5**	**593.3**	**(322.3)**

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

	NR (RPS)	**NR (CARE)**	**1994 Section**	**BTP Force Superannuation Fund (BTPFSF)**
Discount rate	3.4% (2015: 3.4%)	3.4% (2015: 3.4%)	3.1% (2015: 2.9%)	3.6% (2015: 3.3%)
Future pension increases	1.9% (2015: 1.9%);	2.9% (2015: 2.9%)	1.5% (2015: 1.3%)	2.1% (2015: 2.1%)
Future prices increase (CPI unless otherwise stated)	1.9% (2015: 1.9%);	2.9% (2015: 2.9%)	1.5% (2015: 1.3%)	3.1% (2015: 2.1%)
Rate of increase in salaries	3.4% (2015: 3.4%)	3.4% (2015: 3.4%)	(0.25%) (2015:(0.45%))	3.1% (2015: 3.1%)

		31 March 2016			31 March 2015		
		NR (RPS and CARE)	1994 Section	BTP Force Superannuation Fund (BTPFSF)	NR (RPS and CARE)	1994 Section	BTP Force Superannuation Fund (BTPFSF)
Discount rate							
25 basis points	+	(359.0)	(110.0)	(351.4)	(353.0)	(120.0)	(469.7)
	–	379.0	110.0	514.8	291.0	120.0	648.8
Mortality							
1 year	+	248.0	150.0	466.3	244.0	160.0	594.1
	–	(241.0)	(150.0)	(466.3)	(237.0)	(160.0)	(594.1)
Earnings increase							
25 basis points	+	147.0	-	-	147.0	-	-
	–	(143.0)	-	-	(142.0)	-	-
Price inflation (CPI measure; appropriate adjustment made for NR (CARE) RPI)							
25 basis points	+	382.0	110.0	515.5	375.0	120.0	646.4
	–	(364.0)	(110.0)	(350.3)	(357.0)	(120.0)	(471.2)

It is considered that none of the other schemes expose the Department to risk of material changes in balances and transactions arising from factors surrounding the actuarial assumptions and their sensitivities. As a result, this data is not provided for those schemes.

Risk analysis

Defined benefit scheme liabilities expose the Departmental group to material financial uncertainty, arising from factors such as changes in life expectancy and in the amount of pensions payable. Some scheme investments, such as equities, should offer long-term growth in excess of inflation, but can be more volatile in the shorter term than government bonds.

The cost of financing defined benefit pension deficits is borne by a number of parties. For shared cost schemes, such as the RPS shared cost sections, any increase in contributions will be met in part by the employees, and this element of the deficit is not recorded as a liability on the balance sheet. In the case of the employer's contributions to the NR and BTP schemes, the cost will be recovered from charges to customers.

Potential obligation to Merchant Navy Officers' Pension Fund

As described in the staff costs disclosures, the General Lighthouse Authorities (GLAs) are Participating Employers of the Merchant Navy Officers Pension Fund (MNOPF) which is a defined benefit scheme providing benefits based on final pensionable salary.

While few GLA employees participate in the scheme, the GLAs could be liable to contribute towards historic deficits. The MNOPF has a deficit of £120m identified in an actuarial valuation as at 31 March 2012. The rules of the MNOPF state that Participating Employers may be called upon to make lump sum payments to make up deficits. With effect from 8 June 2000 the rules were amended to state that an employer will not be regarded as ceasing to be a Participating Employer as a result of ceasing to employ Active Members or other eligible employees. The MNOPF has made an application to the Court to obtain confirmation that the position that applies from 8 June 2000 also applied before. As Participating Employers, the GLAs can be required to contribute to the deficit. In general terms the judgement stated that the Trustees of the MNOPF are entitled to demand a contribution to meet the deficit in the Post-1978 section from all employers who ever participated in the Fund. This means that the burden will be spread over a large number of companies. It also means that the Trustees have the option of demanding contributions from employers who have only ever participated in the Pre-1978 Section to meet the deficit in the Post-1978 Section. Although the Trustees have yet to make a decision, our legal advice is that the Trustees are unlikely to demand a contribution from this group of employers. The Trustees have also not decided whether these additional contributions will be payable as a single payment or spread over several years.

24. Events after the reporting period

24.1 Non-adjusting Post-Balance Sheet Events

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

24.2 Authorised for issue

These Financial Statements are laid before the Houses of Parliament by HM Treasury. International Accounting Standard (IAS) 10 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the audit certificate.

Annexes

Total departmental spending, 2011-12 to 2019-20

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
Resource DEL									
A: Tolled Crossings	-87,715	-86,163	-99,519	-101,429	-101,134	-83,775	-68,963	-82,057	-83,586
B: Local Authority Transport	250,520	234,681	409,581	334,398	343,263	336,237	335,269	335,190	334,373
Highways Agency[4]	1,881,488	1,851,721	1,874,265	1,861,643	-	-	-	-	-
C: Highways England (net)[6]	-12,269	-11,945	-11,630	-11,323	1,998,800	2,124,866	2,501,283	2,499,877	2,450,300
Network Rail	-199,226	-218,382	-240,898	-361,538	-	-	-	-	-
D: Funding of Other ALBs (net)	27,930	199,902	221,672	19,889	66,525	215,328	239,714	188,783	167,316
E: Other railways	237,213	190,359	213,728	265,422	221,383	173,613	207,114	249,788	322,229
F: Sustainable Travel[6]	-9,381	90,582	83,923	96,835	159,706	72,195	98,550	83,840	72,909
G: Bus Subsidies & Concessionary Fares	518,875	350,765	293,559	262,032	261,025	251,277	252,681	260,600	265,014
H: GLA transport grants	2,804,060	2,835,008	1,988,430	1,777,465	591,419	474,364	255,006	27,734	28,067
I: Crossrail	-	-	-	-	28,714	2,062	1,617	5,050	2,600
Support For Olympic and Paralympic Games	2,162	5,510	-	-	-	-	-	-	-
J: Aviation, Maritime, Security and Safety[6]	15,153	13,234	7,925	-39,424	65,800	68,848	72,169	71,874	66,665
K: Maritime and Coastguard Agency	136,838	136,849	154,904	166,951	284,445	336,255	360,458	347,917	351,094
L: Motoring Agencies	184,332	173,604	157,309	113,663	130,728	134,269	118,324	111,257	102,672

Total departmental spending, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
M: Science, research and support functions[6]	22,667	45,561	46,716	48,256	53,769	49,288	49,404	49,168	50,412
N: Central Administration	158,319	164,929	198,909	215,264	177,919	149,087	157,479	167,361	218,964
O: Departmental Unallocated Provision	-	-	-	-	-	73,435	-	-	-
P: Support for Passenger Rail Services	-475,619	-788,476	-615,929	-1,209,529	-1,245,333	-1,320,656	-1,149,961	-812,781	-1,165,523
Q: High Speed Two	31,796	3,570	7,952	13,556	15,647	40,516	83,847	109,368	71,953
R: Transport Development Fund	-	-	-	-	-	57,000	91,000	96,000	59,000
S: Funding of Other ALBs (net)	-	-	10,613	7,770	16,746	12,585	13,655	12,272	12,289
Total Resource DEL	**5,487,143**	**5,191,309**	**4,701,510**	**3,459,901**	**3,069,420**	**3,166,794**	**3,618,646**	**3,721,241**	**3,326,748**
Of which:									
Staff costs	600,941	597,036	667,854	610,566	585,969	691,875	709,562	698,771	702,869
Purchase of goods and services	1,731,883	1,853,584	1,959,917	1,747,228	2,061,722	2,131,844	2,201,783	2,160,998	2,111,938
Income from sales of goods and services	-920,874	-955,756	-960,610	-692,598	-330,299	-356,121	-356,953	-366,494	-376,981
Current grants to local government (net)	3,493,763	3,515,034	2,847,010	2,455,915	1,356,288	1,080,345	1,009,750	782,819	760,749
Current grants to persons and non-profit bodies (net)	38,715	41,437	39,992	32,259	36,248	30,650	34,981	49,403	51,506

Total departmental spending, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
Current grants abroad (net)	-2,087	3,268	3,590	5,304	3,063	4,491	4,560	4,655	4,751
Subsidies to private sector companies	789,483	756,403	763,519	562,384	504,997	722,711	762,132	875,519	875,153
Subsidies to public corporations	6,706	18,141	11,214	27,555	-1,058	21,335	18,230	18,134	18,545
Net public service pensions[2]	9,940	8,872	9,353	7,624	9,153	23,639	23,907	24,179	24,456
Rentals	10,214	6,886	33,914	9,933	8,610	7,426	9,654	7,924	4,166
Depreciation[1]	898,470	967,720	1,006,805	991,768	1,114,649	1,229,130	1,629,705	1,634,198	1,634,198
Change in pension scheme liabilities	-100	-	-8,990	63,475	239	241	241	241	241
Unwinding of the discount rate on pension scheme liabilities	17,300	-	-	-	-	-	-	-	-
Other resource	-1,187,211	-1,621,316	-1,672,058	-2,361,512	-2,280,161	-2,494,207	-2,428,906	-2,169,106	-2,484,843
Unallocated funds – resource	–	-	-	-	-	73,435	-	-	-
Resource AME									
Tolled Crossings	150,000	-	-	-	-	-	-	-	-
Highways Agency[7]	491,676	390,784	-5,461,615	9,516	-	-	-	-	-
T: Highways England (net)	-	-	-	-	2,721	5,000	6,000	6,000	6,000
Network Rail	-	-	-	-22,681	-	-	-	-	-
U: Network Rail (net)	-	-	-	-	5,387,309	8,177,241	7,625,193	6,804,729	8,237,858

Total departmental spending, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
V: Funding of Other ALBs (net)	-	-3,894	-30	180	56,481	82,090	82,090	82,090	82,090
W: Other Railways	197,886	206,571	269,357	193,383	251,278	275,444	277,090	276,642	273,846
GLA transport grants	-60	84	-8	-10	-	-	-	-	-
X: Aviation, Maritime, Security and Safety	-	-	-	-2,030	-3,757	20,000	20,000	20,000	20,000
Y: Maritime and Coastguard Agency	1,725	533	-2,168	-390	-2,077	900	1,000	1,000	1,000
Z: Motoring Agencies	46,241	3,148	-26,110	-5,965	-4,792	-3,526	-2,451	-2,451	-2,451
AA: Central Administration	-10,324	-6,921	14,312	-16,629	-7,260	-350	-237	-3,282	-1
Funding of Other ALBs (net)	-	-	-1,140	-418,975	-236	-	-1,550	-150	-150
Support for Passenger Rail Services	-1,600	-	-	-	-	-	-	-	-
Total Resource AME	**875,544**	**590,305**	**-5,207,402**	**-263,601**	**5,679,668**	**8,556,799**	**8,007,135**	**7,184,578**	**8,618,192**
Of which:									
Staff costs	-	-	-	-322	1,242,349	1,296,728	1,149,918	1,169,072	1,278,183
Purchase of goods and services	75	72	-7,108	-1,919	1,565,692	1,866,844	1,976,834	2,028,039	2,119,057
Current grants to local government (net)	-	-	-	-	-445,365	-449,623	-450,028	-398,581	-482,000
Rentals	-	-	-	-	-271,859	-289,481	-307,258	-332,025	-223,783
Depreciation[1]	507,353	310,463	-5,454,084	3,275	4,595,335	6,599,436	6,880,486	7,186,037	7,442,487

Total departmental spending, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
Take up of provisions	56,397	6,404	88,324	-42,294	2,011	117,919	118,570	118,820	118,820
Release of provision	-57,301	-29,340	-44,096	-42,656	-40,719	-46,034	-46,413	-48,330	-45,326
Change in pension scheme liabilities	-	-	-	23,172	58,858	182,590	182,590	182,590	182,590
Unwinding of the discount rate on pension scheme liabilities	-	-	-	-	-	389,614	552,370	650,425	690,350
Other resource	369,020	302,706	209,562	-202,857	-1,026,634	-1,111,194	-2,049,934	-3,371,469	-2,462,186
Total Resource Budget	**6,362,687**	**5,781,614**	**-505,892**	**3,196,300**	**8,749,088**	**11,723,593**	**11,625,781**	**10,905,819**	**11,944,940**
Of which:									
Depreciation[1]	1,405,823	1,278,183	-4,447,279	995,043	5,709,984	7,828,566	8,510,191	8,820,235	9,076,685
Capital DEL									
A: Tolled Crossings	19,961	-2,013	-4,533	-4,220	-286,127	-	-	-	-
B: Local Authority Transport	1,679,928	1,349,715	1,744,410	1,962,257	1,754,268	1,516,726	1,808,405	1,871,226	1,379,226
Highways Agency[4]	1,281,519	985,887	1,333,585	1,802,270	-	-	-	-	-
C: Highways England (net)	12,269	11,945	11,630	11,323	1,931,009	2,057,393	2,248,573	2,601,693	3,079,483
Network Rail	3,541,928	3,696,008	3,408,514	3,862,411	-	-	-	-	-
D: Funding of Other ALBs (net)	11,011	18,907	13,939	145,295	332,959	399,551	751,000	1,627,000	3,746,000
E: Other railways	52,370	54,587	147,718	22,602	65,549	36,100	37,800	38,000	27,500
F: Sustainable Travel[6]	90,471	204,903	283,460	274,763	295,241	221,398	268,520	209,703	177,933

Total departmental spending, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	OUTTURN	**OUTTURN**	**OUTTURN**	**OUTTURN**	**OUTTURN**	**PLANS**	**PLANS**	**PLANS**	**PLANS**
G: Bus Subsidies & Concessionary Fares	110,108	-1,047	15,110	3,901	28,845	5,700	5,990	-	-
H: GLA transport grants	439,000	352,000	301,000	30,000	925,000	944,000	960,000	976,000	993,000
I: Crossrail	517,000	1,205,000	1,122,776	1,082,200	799,974	-200,000	-	-95,000	-25,000
J: Aviation, Maritime, Security and Safety[6]	17,514	17,145	23,869	16,160	7,190	17,395	13,743	13,756	12,801
K: Maritime and Coastguard Agency	6,888	8,879	24,049	7,902	10,184	13,100	14,100	11,750	12,750
L: Motoring Agencies	-4,809	3,927	-12,705	-18,979	-14,946	-8,846	-10,439	991	9,531
M: Science, research and support functions[6]	5,021	3,665	7,563	3,226	199	3,887	3,778	3,816	3,881
N: Central Administration	1,508	1,446	3,392	1,362	3,158	1,446	6,238	615	795
Q: High Speed Two	399	22,890	106,826	180,883	102,536	429,000	953,000	1,240,000	1,047,000
S: Funding of Other ALBs (net)	-	-	6,108	5,653	5,556	-	-	-	-
Aviation, Maritime, Security and Safety	-5,118	-	-	-	-	-	-	-	-
Total Capital DEL	**7,776,968**	**7,933,844**	**8,536,711**	**9,389,009**	**5,960,594**	**5,436,850**	**7,060,708**	**8,499,550**	**10,464,900**
Of which:									
Purchase of goods and services	90,682	88,289	85,959	83,691	-	75,650	71,400	69,550	68,900
Capital support for local government (net)	2,788,737	3,043,892	3,373,210	3,187,772	3,582,851	2,388,780	2,964,709	2,830,835	2,410,965

Total departmental spending, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
Capital grants to persons & non-profit bodies (net)	19,305	818	-85	1,241	2,526	-	-	-	-
Capital grants to private sector companies (net)	3,558,921	3,759,130	3,680,295	4,098,630	310,820	477,935	988,345	1,268,779	1,069,035
Capital grants abroad (net)	-16,284	-37,590	-25,346	-24,326	293	-	-20,000	-20,000	-20,000
Capital support for public corporations	-36,674	-28,459	-16,486	-378,444	1,129	-5,000	-1,000	3,000	5,000
Purchase of assets	1,361,405	1,083,903	1,430,967	2,135,125	2,363,796	2,573,861	3,016,207	4,264,646	6,991,580
Income from sales of assets	-8,624	-11,879	-13,529	-15,638	-5,613	-36,400	-32,220	-11,670	-2,590
Net lending to the private sector and abroad	-	17,645	-11,378	-57,631	-317,404	-6,160	-2,860	-2,860	-2,860
Other capital	19,500	18,095	33,104	358,589	22,196	-31,816	76,127	97,270	-55,130
Capital AME									
Highways Agency	-33,464	-60,819	-45,681	15,425	-	-	-	-	-
T: Highways England (net)	-	-	-	-	23,755	1	1	10,000	10,000
Network Rail	-	-	-	6,450,000	-	-	-	-	-
U: Network Rail (net)	-	-	-	-	6,600,451	6,713,831	6,928,858	5,774,366	6,375,768
Funding of Other ALBs (net)	-	-	-	-9,907	-	-	-	-	-
W: Other Railways	-	-	-	-7	-	-	-	-	-
X: Aviation, Maritime, Security and Safety	-	-	-	190,000	-20,000	3,350	2,944	2,538	2,132
AA: Central administration	-	-	-	-	-7,260	-	-	-	-

Total departmental spending, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
AB: High Speed Two	-	-	58,314	49,802	-4,975	282,000	50,000	50,000	-20,000
Total Capital AME	**-33,464**	**-60,819**	**12,633**	**6,695,313**	**6,544,462**	**6,999,182**	**6,981,803**	**5,836,904**	**6,367,900**
Of which:									
Take up of provisions	-33,464	3,377	73,147	138,869	54,121	-	-	-	-
Release of provision	-	-90,295	-60,514	-73,642	-90,111	-89,138	-88,000	-78,000	-78,000
Capital support for local government (net)	-	-	-	-	-250,668	-230,316	-267,433	-304,999	-129,144
Purchase of assets	-	26,099	-	-	6,851,119	7,315,286	7,334,292	6,217,365	6,572,912
Income from sales of assets	-	-	-	-9,907	-	-	-	-	-
Other capital	-	-	-	6,639,993	-19,999	3,350	2,944	2,538	2,132
Total Capital Budget	**7,743,504**	**7,873,025**	**8,549,344**	**16,084,322**	**12,505,056**	**12,436,032**	**14,042,511**	**14,336,454**	**16,832,800**
Total departmental spending[3]	**12,700,368**	**12,376,456**	**12,490,731**	**18,285,579**	**15,544,160**	**16,331,059**	**17,158,101**	**16,422,038**	**19,701,055**
Of which:									
Total DEL	12,365,641	12,157,433	12,231,416	11,857,142	7,915,366	7,374,514	9,049,649	10,586,593	12,157,450
Total AME	334,727	219,023	259,315	6,428,437	7,628,795	8,956,545	8,108,452	5,835,445	7,543,605

1 Includes impairments
2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items
3 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.
4 Figures for 2012-13 to 2014-15 (DEL) include Prior Year Adjustments to reflect corrected treatment of loans and repayments for M6 and Severn crossing.
5 Figures for 2015-16 have been completed in line with consolidated budgeting guidance 2015-16 (including Research and Development).
6 Figures for 2011-12 to 2014-15 and 2016 to 2019-20 (DEL) include new treatment for Research and Development expenditure as per Spending Review 2015.
7 Figures for 2013-14 and 2014-15 (AME) include Prior Year Adjustments to reflect corrected treatment of impairments.
8 Core tables do not include Voted Non-budget items such as prior period adjustments.

Administration budget, 2011-12 to 2019-20

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
Resource DEL									
Highways Agency	58,594	63,643	63,243	68,855	-	-	-	-	-
C: Highways England (net)	-	-	-	-	55,955	48,698	48,698	48,698	48,698
D: Funding of Other ALBs (net)	8,826	11,622	11,271	11,069	3,627	8,191	8,517	8,961	9,377
K: Maritime and Coastguard Agency	9,143	8,486	7,937	7,504	6,711	7,976	7,959	8,114	8,214
L: Motoring Agencies	6,230	1,213	-	-	-	-	-	-	-
N: Central Administration	133,951	157,967	151,273	176,968	197,584	200,242	196,063	192,342	188,593
S: Funding of Other ALBs (net)	-	-	6,359	6,980	3,208	6,893	6,763	6,885	7,118
Total administration budget	**216,744**	**242,931**	**240,083**	**271,376**	**267,085**	**272,000**	**268,000**	**265,000**	**262,000**
Of which:									
Staff costs	129,157	140,221	142,132	142,474	140,914	155,043	163,269	162,502	160,625
Purchase of goods and services	94,537	92,455	98,255	125,689	118,990	105,786	92,431	70,260	77,184
Income from sales of goods and services	-27,984	-17,251	-12,655	-16,411	-8,656	-7,874	-7,174	-7,226	-7,283
Subsidies to private sector companies	-	-	-	-	-20	-	-	-	-
Subsidies to public corporations	-	-	-	3,532	-	-	-	-	-

Administration budget, 2011-12 to 2019-20 *(continued)*

£'000

	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 OUTTURN	2016-17 PLANS	2017-18 PLANS	2018-19 PLANS	2019-20 PLANS
Rentals	10,843	9,635	7,897	7,746	6,971	7,386	7,396	5,684	494
Depreciation	6,623	8,653	5,366	4,377	4,975	7,000	7,000	7,000	7,000
Change in pension scheme liabilities	-	-	-1,207	-	-	-	-	-	-
Other resource	3,568	9,218	295	3,969	3,911	4,659	5,078	26,780	23,980

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